

# **Solvency and Financial Condition**

Report 2022

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# Introduction

**All references to “Ageas” or ‘Ageas Group’ in this document, reflects the group of companies composed of Ageas SA/NV and its subsidiaries. All references to “local”, “legal entity”, “OPCO” or “Operating Company”, “Non-Controlled Participations (NCP)” in this report, reflects to Ageas its 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 (amounts rounded to the nearest) millions of euro (EUR million), unless otherwise stated. The amounts in the QRTs which are disclosed on the website of Ageas are presented in thousands of euro.

# Summary

## General

**This document is the 2022 Solvency and Financial Condition Report (SFCR) of Ageas group and Ageas SA/NV as a solo entity (related to its Reinsurance Business).**

**The figures presented in this report agree 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 2022, are included in the appendix to this SFCR.**

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 mitigates these risks. Chapter D 'Valuation for solvency purposes' explains the bridge from the balance sheet based on International Financial Reporting Standards 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.

Across the Group, Ageas serves close to 47 million customers directly or indirectly in 14 countries across Europe and Asia through a combination of wholly owned subsidiaries and long-term partnerships with strong financial institutions and key distributors. Ageas offers Retail and Business customers Life and Non-Life insurance products designed to suit their specific needs, today and tomorrow.

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.

## Significant business or other events

Ageas's new 3-year strategic plan 'Impact24' kicked off in 2022. The plan aims to steer Ageas towards long-term sustainable growth, built on the Group's well-diversified profile and strong core franchises. Ageas considers what it does today to be a stepping-stone towards where the Group sees itself in the future. The choices and investments made with Impact24 are not just for the next three years but for the years that follow on through 2030 and beyond.

## Net result

Group net profit for the full year 2022, excluding the impact of the financial markets in Asia, exceeded the EUR 1 billion mark reflecting the solid result in Belgium and the strong underlying result in Asia. The Life margins for the consolidated entities all met the Group's Impact24 targets, while the Non-Life Combined ratio slightly fell short mainly due to above average bad weather.

The Non-Life combined ratio for the consolidated entities stood at 96.5%, including a higher-than-average impact of adverse weather across the year (4.3 pp), affecting the profitability of the European and reinsurance segment in particular. The impact on the Group net result amounted to EUR 144 million.

The Operational Free Capital Generation, including both the Solvency II and the non-Solvency II scope, amounted to a strong EUR 1,172 million. This supports the Group's commitment of a dividend per share growth trajectory of 6-10% over the current strategic cycle Impact24.

The 2022 Group net result, excluding RPN(i), amounted to EUR 871 million. When excluding these non-recurring capital gains and the impact from the financial markets in Asia, the net result excluding RPN(i) would have reached EUR 1,062 million.

## Changes to the group

### Acquisitions in 2022

#### Additional interest in AFLIC (Asia)

On 20 May 2022, Ageas signed an agreement to increase its interest in the joint venture Ageas Federal Life Insurance Company Ltd (AFLIC) from 49% to 74% for a cash consideration of INR 5.8 billion. This transaction was closed on 19 September 2022. Under IFRS, this transaction is considered a step acquisition, hence the previously held interest of 49% was treated as if it had been disposed of resulting in a non-cash capital gain of EUR 50 million. AFLIC was fully consolidated by Ageas group as from the last quarter of 2022.

#### Real estate companies (Europe)

Two real estate companies were jointly acquired by several group entities in Portugal. Campolide XXI was acquired at the end of 2021 for an amount of EUR 30 million and SPPP in the first quarter of 2022 for 82 million. Milleniumbcp Ageas holds the majority of the shares in both companies. These companies are fully consolidated by Ageas group as per 31 December 2022.

#### AG Insurance (Belgium)

In July 2022, AG Insurance acquired 100% of the shares of Anima Group (5th largest Belgian nursing home operator) for an amount of EUR 335 million. This acquisition is considered a business combination under IFRS 3. No goodwill was recognised in the opening balance.

### Disposals group held for sale

#### Ageas France (Europe)

On 13 March 2023, Ageas announced that it initiated exclusive negotiations with La Mutuelle Epargne Retraite Prévoyance Carac ("Carac") for the disposal of its French activities. This disposal meets the criteria of IFRS 5 to be classified as held for sale. The assets and liabilities at 31 December 2022 related to Ageas France (and its subsidiaries) were classified as a disposal group and are shown as "Assets held for sale" and "Liabilities related to assets held for sale" in the consolidated statement of financial position.

The carrying amounts of major assets and liabilities of Ageas France at 31 December 2022 are summarised as follows:

- Available for sale investments EUR 2.4 billion;
- Unit-linked investments EUR 1.5 billion;
- Insurance liabilities EUR 2.4 billion;
- Liabilities related to Unit linked products: EUR 1.5 billion.

There is also an intercompany subordinated liability of EUR 55 million on the balance sheet of Ageas France that is eliminated at Ageas group level. The total net equity of Ageas France at 31 December 2022 is EUR 222 million.

## 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 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 entities. 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 Group Risk function monitors aggregate risk appetite covering financial risks and works with the local businesses to develop the policies and best practice, which must be adopted by the local Boards to ensure they are embedded locally.

Annually, Ageas runs a sensitivity analysis associated to the key market risk factors. It shows the sensitivity of the Solvency Ratio as at year-end 2022 by risk factor. For the results we refer to section C.2.2 Risk Sensitivity.

Sustainability risks are part of the risk taxonomy, and risks are considered through the risk in execution cycle within the Ageas Key Risk Reporting (KRR) and Emerging Risk Reporting Processes. Additionally, building on the 2021 work performed, Ageas continued to develop its framework for assessing climate risk in its portfolios, and climate change stress tests were performed in the 2022 ORSA

## Valuation differences between Solvency II and IFRS

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, subordinated liabilities 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;
- Recognition of contingent liabilities under Solvency II (not applicable for Ageas).

## Valuation of Technical provisions

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 are 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.

For Non-life business, the main differences are the explicit inclusion of discounting for all liabilities, the inclusion of binary events, and the inclusion of an explicit Risk Margin.

## 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 2022, the factor 10/16 was applied, to be updated to 9/16 starting 01/01/2023. For quantitative impacts, please refer to Quantitative Reporting Template S.22.01.22.

## Own Funds

The analysis of the quality of Ageas's Own Funds (covering the Group SCR) shows that at the end of 2022, 81.7% of the eligible Own Funds are of the highest quality (Tier 1). At year-end 2022, the sum of the restricted Tier 1 components amounts to 13.8% of total Tier 1 capital.

The decrease of the Own Funds during 2022 is mainly due to the performance of the insurance business and unfavourable financial market movements (interest rates and inflation). Own funds were also negatively impacted by the Share Buy Back and the Buy Back of restricted tier 1 subordinated debt (FRESH) and the interim dividend and expected outgoing dividends.

	31 December 2022	31 December 2021
<b>Own Funds to meet group SCR:</b>	<b>7 137</b>	<b>7 956</b>
<b>Unrestricted Tier 1</b>	<b>5 029</b>	<b>5 205</b>
<b>Eligible Restricted Tier 1</b>	<b>802</b>	<b>1 164</b>
Available Restricted Tier 1	802	1 164
Overflow to Tier 2	0	0
<b>Eligible Tier 2</b>	<b>1 254</b>	<b>1 525</b>
Overflow from Tier 1	0	0
Available Tier 2	1 254	1 525
<b>Tier 3</b>	<b>53</b>	<b>63</b>

## Solvency Capital Requirement

Pillar I (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.

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 and Ageas Insurance Limited, 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 I based on the SCR PIM.

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

	31 December 2022	31 December 2021
<b>Total Eligible Solvency II Own Funds to meet the Group SCR</b>	<b>7 137</b>	<b>7 956</b>
Group Required Capital under Partial Internal Model (SCR)	3 460	4 226
<b>Capital Ratio</b>	<b>206,3%</b>	<b>188,3%</b>
<b>Total Eligible Solvency II Own Funds to meet the minimum consolidated Group SCR</b>	<b>6 090</b>	<b>6 810</b>
Minimum consolidated Group SCR	1 863	2 205
<b>Capital ratio</b>	<b>326,9%</b>	<b>308,8%</b>

## Pillar II internal model

Pillar II (Governance & Supervision) covers the structure and management of insurance business and how they are governed. Ageas management concluded that there are areas that are insufficiently captured using the PIM (Pillar I). An internal view supports better the business decision taking by providing enhanced understanding of business lines risk profile and risks embedded in the liabilities. Therefore, 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 & Own Funds under the Pillar II are called the SCR<sub>Ageas</sub> & Own Funds<sub>Ageas</sub>.

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

	31 December 2022	31 December 2021
<b>Group Eligible Solvency II Own Funds under Partial Internal Model</b>	<b>7 137</b>	<b>7 956</b>
Revaluation of Technical Provision	-127	-112
Recognition of Parking Concessions	499	399
Recalculation of Non Transferable	-171	-108
<b>Group Eligible Solvency II<sub>Ageas</sub> Own Funds</b>	<b>7 337</b>	<b>8 135</b>

The Group SCR Partial Internal Model can be reconciled to the Group SCR<sub>Ageas</sub> as follows.

	31 December 2022	31 December 2021
<b>Group Partial Internal Model SCR</b>	<b>3 460</b>	<b>4 226</b>
Impact of Real Estate Internal Model	-125	-184
Additional Spread Risk	3	252
Delta Diversification	23	-19
Less adjustment Technical Provision	3	-156
Less Deferred Tax Loss Mitigation	0	9
<b>Group SCR<sub>Ageas</sub></b>	<b>3 363</b>	<b>4 128</b>

**A**

**Business  
and  
Performance**





# Business

## A.1.1 General information

### Name and legal form:

Ageas is a public limited liability company bearing the name Ageas SA/NV. Its registered office is at office at Manhattan Center Brussels, Avenue du Boulevard 21, 1210 Brussels, Belgium. The company is registered in the Brussels register of legal entities under no. 0451.406.524.

### Solvency II related Supervisor:

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

### External auditor:

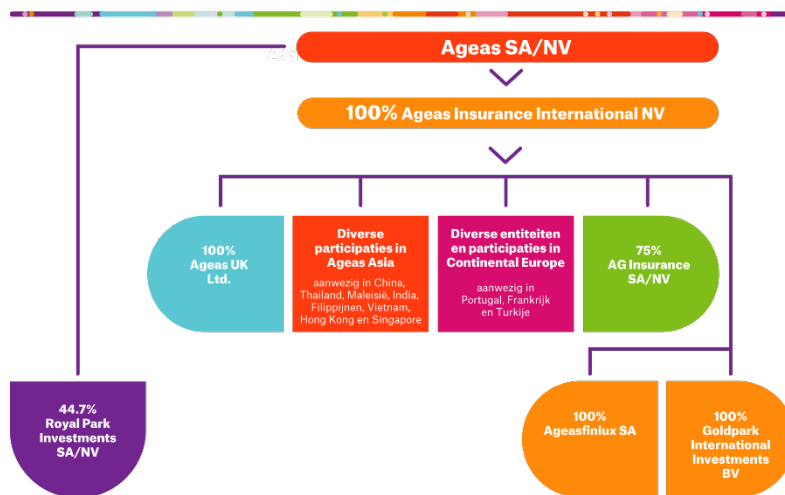
PwC Reviseurs d'Entreprises SRL / PwC Bedrijfsrevisoren BV ('PwC'), Culliganlaan 5, 1831 Diegem with Kurt Cappoen as permanent representative.

### Annual Report Ageas SA/NV:

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

### Legal structure:

The group legal structure of Ageas is as follows:



Fully consolidated entities of Ageas in Europe are in UK, Ageas UK Ltd. (100%), in Portugal, Millenniumbcp Ageas (51%), 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 QRTs' 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 2022 are:

- Fosun 10.01%;
- BlackRock, Inc 6.59%;
- FPIM-SPFI 6.33%;

Ageas SA/NV and its subsidiaries hold 3.01% of its own shares. This interest is related to the FRESH notes (see note 18 Shareholders' equity and note 20 Subordinated liabilities of the annual report 2022), restricted share programmes and the share buy-back programmes (see note 18 Shareholders' equity of the annual report 2022).

### A.1.2

#### Material lines of business and material geographical areas

Across the Group, Ageas serves close to 47 million customers directly or indirectly in 14 countries across Europe and Asia through a combination of wholly owned subsidiaries and long-term partnerships with strong financial institutions and key distributors. Ageas offers Retail and Business customers Life and Non-Life insurance products designed to suit their specific needs, today and tomorrow.

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

End 2020, Ageas appointed Filip Coremans as Managing Director Asia and Antonio Cano as Managing Director Europe. This change in responsibilities of two members of the Executive Committee of Ageas reflects the growing importance of a dedicated regional focus and the specific challenges and opportunities between the regions. As a direct consequence of this change, with effect of its new three-year strategic plan 'Impact 24', Ageas decided to change its reportable operating segments by including the previous operating segment 'United Kingdom' into the previous operating segment 'Continental Europe', which has been renamed to 'Europe'. This change applies for the annual reporting period starting on 1 January 2022.

Ageas' operating segments are:

- Belgium;
- Europe (excluding Belgium);
- 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 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.

#### Reinsurance activities

Ageas SA/NV has a reinsurance license. This permits, the Group to enter into reinsurance transactions mainly through:

- a) proportional treaties (Loss Portfolio Transfer (LPT) and Quota-share) with its operating companies;
- b) participations in existing local reinsurance treaties for entities in consolidation scope and for specific affiliates (e.g., China, Türkiye, Thailand, Malaysia and India);
- c) external reinsurance, starting from 1/1/2023.

Internal Reinsurance is an instrument facilitating the fungibility of capital (and diversification) within the Group, translating into the following key benefits:

- Due to pooling risks via internal reinsurance, the capital fungibility in the group can be increased and this can give Ageas higher flexibility and agility to execute its business strategy;
- On subsidiary level, a reduction in local solvency capital requirements can be achieved, while a comfortable regulatory capital position will be maintained at Ageas SA/NV;
- With internal reinsurance enabled, Ageas can better recognize its (geographical) diversification.

Further, through participating in existing local reinsurance treaties, Ageas SA/NV can:

- Assure adequate reinsurance cover for Ageas group, aligned with its Risk Appetite;
- Optimize the net cost of reinsurance for Ageas by:
  - Structuring cessions to the external reinsurance market in such a way that only those risks exceeding the Ageas Risk Appetite are ceded;
  - Optimizing negotiating power for the acquisition of external reinsurance;
  - Boosting the possibility to access the capital markets;
  - Become less dependent on reinsurance market cycles by ceding more when the market is soft and keeping more when it is hard.
- Support operating companies in structuring and placing more complex reinsurance structures.

In 2019 the scope of these agreements was limited to Non-Life business. As from 2020, agreements have been extended to Life Business and the participation in the proportional treaties has significantly increased. In 2021 and 2022, the participation in local treaties has been extended to new affiliates.

Starting from 2023, Ageas SA/NV will engage in external reinsurance.

### A.1.3

#### Significant business or other events

Ageas's new 3-year strategic cycle Impact24 kicked off in 2022. The plan aims to steer Ageas towards long-term sustainable growth, built on the Group's well-diversified profile and strong core franchises.

##### A unique business model

Out of its group-wide purpose and values, a clear set of strategic choices and unique business model, Ageas aims to create value for all its stakeholders: customers, employees, partners, investors and society.

##### Strong fundamentals

Ageas has a clear purpose to be a '**Supporter of your life**' and puts forward a set of core aspirational values: **Care, Dare, Deliver and Share**. These describe the behaviours and principles that represent who Ageas is and how it works.

Ageas offers **Life and Non-Life** solutions to millions of **Retail and Business** customers and is also engaged in reinsurance activities. Ageas helps customers anticipate, manage and cover their risks through a range of products designed for their needs today and in the future. By developing products and services beyond insurance, the company also aims to respond to new needs and priorities in a rapidly changing world.

Active in 14 countries across Europe and Asia, Ageas is distinguished by its expertise in partnerships. Ageas has developed long-term agreements with market-leading local partners, financial institutions and distributors allowing it to stay close to the customer. Ageas will continue to strengthen those partnerships and is gradually exploring to move in ecosystems that provide mutual benefit, now and for the future. It goes without saying that Ageas can only deliver on its promises with the support of appropriately skilled and committed employees and capital provided by shareholders.

Ageas, alongside others in the sector, operates in a dynamic legislative and regulatory context, taking into account Solvency II, Markets in Financial Instruments Directive (Mifid), and, more recently the updated IFRS regulation, the General Data Protection Regulation (GDPR), EU taxonomy and Sustainable Finance Disclosures Regulation (SFDR). Regulation or voluntary frameworks also extend to the UN Principles for Responsible Investments (PRI), UNEP FI Principles for Sustainable Insurance (PSI), The United Nations Global Compact (UNGC) and Sustainable Development Goals (UN SDG) and principles around climate change such as the Task force for Climate related Financial Disclosures (TCFD) guidelines. And there is more to come, for example the Corporate Sustainability Reporting Directive (CSRD) expected to come into effect as of the accounting year 2024.

##### Different business activities

Ageas's business model generates several types of income streams:

- Insurance underwriting: These results come from the inflows from the collected insurance policy premiums minus the claims and related expenses. The essence of insurance is the pooling or mutualisation of the risks of insured individuals or corporates brought together into a larger portfolio of insured assets. The customer pays single or regular premiums to cover risks related to Life, Home, Car, Travel, and more specific types of risks which Ageas insures. Ageas in turn pays out claims in case of an adverse event. Fee income may also come from other sources in services beyond insurance.
- Reinsurance underwriting: Ageas decided in 2015 to set up an internal reinsurance activity which allows it to pool group

reinsurance protection, retain a larger part of the risk covered for its own account and manage the diversification benefits intrinsic to its solvency framework. In 2020, Ageas SA/NV also started to participate in existing Life reinsurance programmes of its operational companies with the ambition to further develop the reinsurance expertise and exposure. This year, Ageas decided to open its reinsurance activities to third parties, operating under the brand Ageas Re, and will start underwriting for the year 2023.

- Investments: The investment of premiums into revenue-generating assets, such as government or corporate bonds, loans, equities, or real estate, generate additional financial returns. The Group invests in a wide and diversified set of assets spread over many industries. In that way, Ageas actively supports the economy and society while generating a financial return that benefits in first instance its policyholders, and in a second step flows back to its shareholders or debtholders.

##### Impact24, a long-term sustainable growth strategy

Ageas considers what it does today to be a stepping-stone towards where the Group sees itself in the future. The choices and investments made with Impact24 are not just for the next three years but for the years that follow on through 2030 and beyond.

##### Long-term thinking

The Group's internally developed Horizon Scan, using human and artificial intelligence, allows Ageas to continuously monitor the most significant emerging trends, which have served as the backbone of the Impact24 plan.

Impact24 provides Ageas with a clear direction going forward, but also allows for flexibility to act upon a range of available global opportunities, changing local market and environmental dynamics, and different evolving scenarios along the way. The plan foresees risk mitigation and investments in future trends that are likely to impact the world, not only by 2024 but even by 2030 and beyond. By acting today, the Group can ensure that tomorrow it remains relevant for its customers and a leader in the markets in which it operates.

##### Growing the business

In developing Impact24, Ageas continued to recognise the benefit of a well-diversified and well-balanced portfolio, and the resilience this brings to the Group.

Firstly, the plan aims to unlock the full potential of the Core, the existing activities of the Group. This includes taking a **growing share of the market** within each country and **improving distribution and commercial excellence** for its customers. The further deployment of technology and data and enhancement of the operational efficiency allow to progress and deal with fluctuating market dynamics.

Secondly, to fuel additional growth, Ageas focuses on opportunities in adjacent business where Ageas has the capability to participate and create impact. The Group stimulates the groupwide development of new engines with opportunities for growth in the long run: Health, Protection, Digital Platforms and Reinsurance. Home, Mobility and Life & Savings can be some of our local companies' priorities.

Finally, the Group's resilience is ensured through its unique footprint - a mix of geographically spread mature markets and high growth markets. In Impact24, Ageas confirms its belief in local empowerment allowing it to stay close to its customers in each market, underpinned by Group synergies where it creates additional value. The Group will continue to strengthen and diversify its market leader positions in Europe and Asia, with an increased focus on Non-Life, Health or Life protection. New capability or distribution partnerships will support the Group in venturing into new areas of growth.

#### Putting Sustainability at the heart

Ageas recognises it has a duty of care and responsibility to today's generation and to those to come. Through the Impact24 plan, Ageas wants to have a positive and lasting impact on the lives of the people it works with - employees and partners - and the people it works for - customers, investors, and society at large. That is why sustainability must sit at the heart of everything that Ageas does. Moving forward, Ageas intends to concentrate on four areas of impact where it can best leverage its expertise and make the greatest difference, backed by clear targets:

- People: Creating a Great place to Grow for employees.
- Products: Increasing the offer of transparent products and services that create economic and societal value, stimulating customers in their own journey and transition towards a more sustainable and inclusive world.
- Investments: Strengthening the Group's responsible investment approach and contributing to solutions around societal issues.
- Planet: Reducing the environmental impact across the globe.

In this context, Ageas is underwriting the UN Principles for Responsible Investments and Net Zero Asset Owner Alliance (NZAOA) for its investments, the UNEP FI Principles for Sustainable Insurance for underwriting and is a signatory to the UN Global Compact. And Ageas made a commitment to adhere to the UN Sustainable Development Goals (UN SDGs). Based on Ageas's core competences, it chose to actively work around the following ten SDGs.

#### Staying accountable

Impact24 is designed to deliver a top performance for all stakeholders. Accountability is ensured through clear KPIs and targets, allowing Ageas and its stakeholders to track the Group's progress in a disciplined way. Next to the financial and operating targets, the new non-financial and sustainability targets strengthen Ageas's commitment to create both economic and societal value. Please see note A.3 of the Annual Report 2022. for an overview of the performance on these targets during the first year of Impact24.

#### Net result

Group net profit for the full year 2022, excluding the impact of the financial markets in Asia, exceeded the EUR 1 billion mark reflecting the solid result in Belgium and the strong underlying result in Asia. The Life margins for the consolidated entities all met the Group's Impact24 targets, while the Non-Life Combined ratio slightly fell short mainly due to above average bad weather.

The Non-Life combined ratio for the consolidated entities stood at 96.5%, including a higher-than-average impact of adverse weather across the year (4.3 pp), affecting the profitability of the European and reinsurance segment in particular. The impact on the Group net result amounted to EUR 144 million.

#### Solvency and Liquidity

Ageas's Solvency II Ageas ratio increased by 21 percentage points over the year, to a high 218 %, largely above the Group's target of 175%. This increase was driven by the strong operating performance of the Group and by the rise in interest rates. The contribution of the insurance operations fully covered the accrual of the expected dividend.

#### 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 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 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 was reasonable and that the claimant organisations Deminor, SICAF and FortisEffect were 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 became final. The claims filing period started on 27 July 2018 and ended on 28 July 2019. As at 31 December 2022, an amount of EUR 1,309 million had already been paid out to Eligible Shareholders.

On 23 June 2022, Ageas announced that, except for a limited number of unresolved claims, the settlement would be closed. Final payments followed at the end of August 2022. The potential costs that Ageas has agreed to bear for the unresolved claims have been provided for in the provision mentioned below.

The main components of the EUR 1.3 billion provision as at 31 December 2022 (31 December 2021: EUR 114 million) are:

- EUR 1,309 million related to the WCAM settlement agreement;
- EUR 1 million related to the tail risk;
- minus EUR 1,309 million already paid to eligible shareholders.

#### Share buy-back programme 2021-2022

Ageas announced on 11 August 2021 a new share buy-back programme, starting on 1 September 2021 and running up to 29 July 2022, for an amount of EUR 150 million.

The Extraordinary General Meeting of Shareholders of Ageas SA/NV of 18 May 2022 approved the cancellation of 1,301,941 shares. As a result, the total number of issued shares is reduced to 189,731,187.

#### Acquisitions & Disposals in 2022

For an overview of the acquisitions and disposals in 2022, we refer to the Annual report 2022 sections 3.1 Acquisitions in 2022 & 3.5 Disposals group held for sale.

#### Number of employees at the end of 2022

Ageas ranks among the market leaders in the countries in which it operates. Every day, more than 44,000 skilled and committed employees are at the service of nearly 47 million customers. Our Group has at its foundation a set of core values - Care, Dare, Deliver, and Share – representing who we are and how we work. As a “Supporter of your life” we seek to create social and economic value for our customers, employees, partners, investors, and society at large.



## 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: United Kingdom (UK) and Portugal (PT). For the Life these countries are, the home country Belgium and Portugal.

2022 has been a remarkable year in so many ways. As a business we completed the first year of our Impact24 three-year strategic plan, and we can already reflect with quite some pride on early successes and achievements.

But to talk about our performance in isolation of what happened in the wider world would not be credible. While the high-level threat of Covid may have diminished and we have regained much of our freedom of movement, the world is facing tough times. Everyone has been touched in some way. And our commitment to be a supporter of the lives of our customers has never been more important.

The conflict on Europe's eastern borders has had enormous consequences, not least the huge human price paid by people in Ukraine and Russia. Moreover, we have seen a major fallout at the geopolitical level, with a heavy impact on the economy, enterprises, and citizens around the world.

Volatility in financial markets, inflation, rising interest rates, a global energy crisis, and new climate disasters have all converged into an unprecedented period of instability. But it is also at times like these that insurers can demonstrate the stability they can inject into markets and into the lives of those they serve.

It is in difficult times, that we more than ever step forward to live up to our purpose as a supporter of the lives of our stakeholders. And that is also what we are fully committed to in the context of the tragic earthquakes that took place in Türkiye and Syria this year. Ageas has decided to donate EUR 1 million to the Sabanci Foundation, that will be used to provide immediate support on the ground and to fund recovery projects in the longer term. Our thoughts are with all those who have been affected by this tragedy, and we hope that with the support of many around the world, people in the region will be able to rebuild their lives, their cities, and their communities.

While we cannot control the external environment, we can control how we respond to it within our own business. We are pleased to report that despite the tough operating environment, in which we were not immune to the impact of adverse financial markets in China and the growing inflation in Europe, the UK and Türkiye, the Group continued to increase inflows and grow its customer base while delivering at the same time a strong underlying operational performance across all markets in 2022 and the net result exceeding EUR 1 billion.

Thanks to our strong balance sheet and solid underlying performance, we have been able to deliver on our dividend promise to investors, which envisions average dividend per share growth of 6-10% over the Impact24 period. The total gross cash dividend of EUR 3.00 per share over 2022 proposed by the Ageas Board of Directors, representing an increase of 9% compared to last year, meets this ambition.

Ageas's business model generates several types of income streams:

- **Insurance underwriting:** These results come from the inflows from the collected insurance policy premiums minus the claims and related expenses. The essence of insurance is the pooling or mutualisation of the risks of insured individuals or corporates brought together into a larger portfolio of insured assets. The customer pays single or regular premiums to cover risks related to Life, Home, Car, Travel, and more specific types of risks which Ageas insures. Ageas in turn pays out claims in case of an adverse event. Fee income may also come from other sources in services beyond insurance.
- **Reinsurance underwriting:** Ageas decided in 2015 to set up an internal reinsurance activity which allows it to pool group reinsurance protection, retain a larger part of the risk covered for its own account and manage the diversification benefits intrinsic to its solvency framework. In 2020, Ageas SA/NV also started to participate in existing Life reinsurance programmes of its operational companies with the ambition to further develop the reinsurance expertise and exposure. This year, Ageas decided to open its reinsurance activities to third parties, operating under the brand Ageas Re, and will start underwriting for the year 2023.
- **Investments:** The investment of premiums into revenue-generating assets, such as government or corporate bonds, loans, equities, or real estate, generate additional financial returns. The Group invests in a wide and diversified set of assets spread over many industries. In that way, Ageas actively supports the economy and society while generating a financial return that benefits in first instance its policyholders, and in a second step flows back to its shareholders or debtholders.

This chapter will specify the underwriting performance. Chapter A3 details the investment performance of the company.

#### Net result

Group net profit for the full year 2022, excluding the impact of the financial markets in Asia, exceeded the EUR 1 billion mark reflecting the solid result in Belgium and the strong underlying result in Asia. The Life margins for the consolidated entities all met the Group's Impact24 targets, while the Non-Life Combined ratio slightly fell short mainly due to above average bad weather. The Operational Free Capital

Generation, including both the Solvency II and the non-Solvency II scope, amounted to a strong EUR 1,172 million. This supports the Group's commitment of a dividend per share growth trajectory of 6-10% over the current strategic cycle Impact24.

#### Operating performance

Group inflows including the non-consolidated entities (at Ageas's part) were 2% up compared to last year and amounted to EUR 16 billion. Growth in Life inflows was driven by new business sales in China, supported by a strong fourth quarter. In Portugal and Belgium, the volumes in individual Life products decreased due to uncertain financial markets. Non-Life inflows increased in the mature markets of Belgium and Portugal as well as in the Asian partnerships, driven by portfolio growth and tariff increases in response to increased inflation.

The Non-Life combined ratio for the consolidated entities stood at 96.5%, including a higher-than-average impact of adverse weather across the year (4.3 pp), affecting the profitability of the European and reinsurance segment in particular. The impact on the Group net result amounted to EUR 144 million.

At 91 bps, the Guaranteed operating margin of the consolidated entities was comfortably within the target range. The impact of the volatile equity markets at the beginning of the year was fully compensated for by gains realised on transactions on the Real Estate book.

The Group Unit-Linked operating margin continued its steady improvement and stood at 36 bps driven by improved expense margins in Belgium and Portugal.

The 2022 Group net result, excluding RPN(i), amounted to EUR 871 million. When excluding these non-recurring capital gains and the impact from the financial markets in Asia, the net result excluding RPN(i) would have reached EUR 1,062 million.

Life Technical Liabilities for Ageas's part excluding shadow accounting for the consolidated entities, decreased 1% compared to the end of 2021, due to market volatility, mainly in Unit-linked products. The increase in the Life Technical Liabilities in the non-consolidated entities was driven by continued growth in new business and high persistency levels.

The next tables give an overview of the income statement for 2022 and 2021 by operating segment.

2022	Belgium	Europe	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total
<b>Income</b>									
- Gross premium income	5 831	2 951	71	1 576	(1 497)	8 932	-	(2)	8 930
- Change in unearned premiums	(23)	79	-	15	(27)	44	-	(1)	43
- Ceded earned premiums	(853)	(1 013)	(1)	(91)	1 492	(466)	-	-	(466)
Net earned premiums	4 955	2 017	70	1 500	(32)	8 510	-	(3)	8 507
Interest, dividend and other investment income	2 386	208	25	23	(1)	2 641	45	(38)	2 648
Unrealised gain (loss) on RPN(I)	-	-	-	-	-	-	139	-	139
Result on sales and revaluations	313	103	50	(1)	-	465	155	1	621
Income related to investments for unit-linked contracts	(1 844)	(697)	14	-	1	(2 526)	-	-	(2 526)
Share in result of equity accounted investments	17	(9)	253	-	-	261	-	-	261
Fee and commission income	500	436	1	7	(507)	437	-	-	437
Other income	236	73	-	-	-	309	13	(26)	296
<b>Total income</b>	<b>6 563</b>	<b>2 131</b>	<b>413</b>	<b>1 529</b>	<b>(539)</b>	<b>10 097</b>	<b>352</b>	<b>(66)</b>	<b>10 383</b>
<b>Expenses</b>									
- Insurance claims and benefits, gross	(5 468)	(2 110)	(87)	(993)	923	(7 735)	-	3	(7 732)
- Insurance claims and benefits, ceded	536	570	(1)	39	(896)	248	-	-	248
Insurance claims and benefits, net	(4 932)	(1 540)	(88)	(954)	27	(7 487)	-	3	(7 484)
Charges related to unit-linked contracts	1 721	655	(3)	-	-	2 373	-	-	2 373
Financing costs	(134)	(19)	-	(1)	-	(154)	(72)	39	(187)
Change in impairments	(119)	(20)	(28)	-	-	(167)	-	-	(167)
Change in provisions	2	-	-	-	-	2	4	-	6
Fee and commission expenses	(704)	(406)	(4)	(530)	506	(1 138)	-	-	(1 138)
Staff expenses	(622)	(234)	(31)	(2)	-	(889)	(36)	3	(922)
Other expenses	(967)	(375)	(13)	(11)	6	(1 360)	(74)	22	(1 412)
<b>Total expenses</b>	<b>(5 755)</b>	<b>(1 939)</b>	<b>(167)</b>	<b>(1 498)</b>	<b>539</b>	<b>(8 820)</b>	<b>(178)</b>	<b>67</b>	<b>(8 931)</b>
<b>Result before taxation</b>	<b>808</b>	<b>192</b>	<b>246</b>	<b>31</b>	<b>-</b>	<b>1 277</b>	<b>174</b>	<b>1</b>	<b>1 452</b>
<b>Tax income (expenses)</b>	<b>(169)</b>	<b>(38)</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>(208)</b>	<b>(21)</b>	<b>-</b>	<b>(229)</b>
<b>Net result for the period</b>	<b>639</b>	<b>154</b>	<b>245</b>	<b>31</b>	<b>-</b>	<b>1 069</b>	<b>153</b>	<b>1</b>	<b>1 223</b>
Attributable to non-controlling interests	175	37	-	-	-	212	-	-	212
<b>Net result attributable to shareholders</b>	<b>464</b>	<b>117</b>	<b>245</b>	<b>31</b>	<b>-</b>	<b>857</b>	<b>153</b>	<b>1</b>	<b>1 011</b>
Total income from external customers	6 917	2 739	413	-	-	10 069	314	-	10 383
Total income internal	(354)	(608)	-	1 529	(539)	28	38	(66)	-
<b>Total income</b>	<b>6 563</b>	<b>2 131</b>	<b>413</b>	<b>1 529</b>	<b>(539)</b>	<b>10 097</b>	<b>352</b>	<b>(66)</b>	<b>10 383</b>



2021	Belgium	Europe	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total
<b>Income</b>									
- Gross premium income	5 748	3 181	-	1 623	-1 571	8 981	-	-2	8 979
- Change in unearned premiums	-8	22	-	-61	62	15	-	-1	14
- Ceded earned premiums	-806	-1 050	-	-83	1 479	-460	-	-	-460
Net earned premiums	4 934	2 153	-	1 479	-30	8 536	-	-3	8 533
Interest, dividend and other investment income	2 186	219	-	21	-	2 426	38	-37	2 427
Unrealised gain (loss) on RPN(I)							-101	-	-101
Result on sales and revaluations	240	53	-	3	-	296	-4	2	294
Income related to investments for unit-linked contracts	1 062	344	-	-	-	1 406	-	-	1 406
Share in result of equity accounted investments	14	21	429	-	-1	463	1	-	464
Fee and commission income	506	488	-	7	-534	467	-	-	467
Other income	234	63	-	-	-1	296	8	-22	282
<b>Total income</b>	<b>9 176</b>	<b>3 341</b>	<b>429</b>	<b>1 510</b>	<b>-566</b>	<b>13 890</b>	<b>-58</b>	<b>-60</b>	<b>13 772</b>
<b>Expenses</b>									
- Insurance claims and benefits, gross	-5 574	-2 121	-	-892	827	-7 760	-	3	-7 757
- Insurance claims and benefits, ceded	513	539	-	35	-801	286	-	-	286
Insurance claims and benefits, net	-5 061	-1 582	-	-857	26	-7 474	-	3	-7 471
Charges related to unit-linked contracts	-1 167	-405	-	-	-	-1 572	-	-	-1 572
Financing costs	-88	-18	-	-1	1	-106	-68	36	-138
Change in impairments	-38	-3	-	-	-	-41	-	-	-41
Change in provisions	2	-	-	-	-	2	13	-	15
Fee and commission expenses	-718	-472	-	-558	535	-1 213	-	-	-1 213
Staff expenses	-560	-237	-22	-2	0	-821	-35	4	-852
Other expenses	-872	-351	-4	-5	4	-1 228	-60	19	-1 269
<b>Total expenses</b>	<b>-8 502</b>	<b>-3 068</b>	<b>-26</b>	<b>-1 423</b>	<b>566</b>	<b>-12 453</b>	<b>-150</b>	<b>62</b>	<b>-12 541</b>
Result before taxation	674	273	403	87	-	1 437	-208	2	1 231
Tax income (expenses)	-136	-59	-	-	-1	-196	-19	-	-215
<b>Net result for the period</b>	<b>538</b>	<b>214</b>	<b>403</b>	<b>87</b>	<b>-1</b>	<b>1 241</b>	<b>-227</b>	<b>2</b>	<b>1 016</b>
Attributable to non-controlling interests	138	34	-	-	-1	171	-	-	171
<b>Net result attributable to shareholders</b>	<b>400</b>	<b>180</b>	<b>403</b>	<b>87</b>	<b>-</b>	<b>1 070</b>	<b>-227</b>	<b>2</b>	<b>845</b>
Total income from external customers	9 502	3 937	429	-	0	13 868	-96	-	13 772
Total income internal	-326	-596	-	1 510	-566	22	38	-60	-
<b>Total income</b>	<b>9 176</b>	<b>3 341</b>	<b>429</b>	<b>1 510</b>	<b>-566</b>	<b>13 890</b>	<b>-58</b>	<b>-60</b>	<b>13 772</b>

### Ageas SA/NV net technical result

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 SFCR (chapter A.5) table below.

The Non-Life operating result decreased from a profit of 83.9 million EUR in 2021 to a loss of 79.6 million EUR in 2022. Among other, the result of 2022 was negatively impacted by several weather events in Portugal and UK. Next to that a reserve for profit sharing has been recognised in 2022 (85 million EUR) and there was an increase in the equalization reserve (25 million EUR). The investment result decreased from 21.4 million EUR in 2021 to 18.5 million EUR in 2022, due to the lower amount of invested assets.

The Life reinsurance operating result equals -0.2 million EUR.

The non-technical result (not specified in the table below) amounts to 1.115 million EUR. This result mainly relates to received dividends, RPN(I) revaluation and holding costs.

Given its inward reinsurance business, a prudential reporting on the solo level of Ageas SA/NV is reported. The public annual solo QRTs of Ageas SA/NV are attached to the Group SFCR together with the public annual Group QRTs.

The reinsurance activity is reported upon separately ('the Reinsurance segment'), in the Ageas group external/internal reporting, from the holding activities of Ageas SA/NV, which are reported as part of the 'General Account segment'.

The table below presents the Reinsurance performance:

BGAAP Profit and Loss	2022			2021		
	Non-life	Life	Total	Non-life	Life	Total
Gross written premiums	1 544 086 624	30 192 777	1 574 279 401	1 512 236 974	44 245 200	1 556 482 174
Change in unearned premiums	17 233 424	-	17 233 424	-15 514 141	-	-15 514 141
<b>Gross earned premiums</b>	<b>1 561 320 048</b>	<b>30 192 777</b>	<b>1 591 512 825</b>	<b>1 496 722 833</b>	<b>44 245 200</b>	<b>1 540 968 033</b>
Gross paid claims	-829 245 136	-39 709 017	-868 954 153	-724 373 437	-31 017 413	-755 390 850
Change in gross claims reserves	-99 367 595	10 195 038	-89 172 557	-169 520 910	-5 411 565	-174 932 475
Change equalisation reserve	-24 531 229	-	-24 531 229	338 362	-	338 362
<b>Gross underwriting margin</b>	<b>608 176 088</b>	<b>678 798</b>	<b>608 854 886</b>	<b>603 166 847</b>	<b>7 816 222</b>	<b>610 983 069</b>
Outward reinsurance premium	-89 867 547	-	-89 867 547	-83 159 518	-	-83 159 518
Reinsurance share in change UPR	-52 121	-	-52 121	759 837	-	759 837
Payments reinsurer	34 417 811	-	34 417 811	31 809 933	-	31 809 933
Reinsurance share in change in provision	1 508 954	-	1 508 954	5 800 261	-	5 800 261
Reinsurance commission	6 846 389	-	6 846 389	7 216 204	-	7 216 204
<b>Other reinsurance results</b>	<b>-47 146 514</b>	<b>-</b>	<b>-47 146 514</b>	<b>-37 573 283</b>	<b>-</b>	<b>-37 573 283</b>
	-	-	-	-	-	-
<b>Net underwriting margin</b>	<b>561 029 574</b>	<b>678 798</b>	<b>561 708 372</b>	<b>565 593 565</b>	<b>7 816 222</b>	<b>573 409 787</b>
<b>Profit sharing UK (-)</b>	<b>-84 780 845</b>	<b>-</b>	<b>-84 780 845</b>	<b>-</b>	<b>-</b>	<b>-</b>
Commissions paid	-530 187 207	-161 879	-530 349 085	-552 668 944	-5 444 935	-558 113 879
General expenses	-4 190 501	-745 382	-4 935 883	-2 596 568	-649 142	-3 245 709
<b>Expenses</b>	<b>-534 377 707</b>	<b>-907 261</b>	<b>-535 284 968</b>	<b>-555 265 512</b>	<b>-6 094 077</b>	<b>-561 359 589</b>
	-	-	-	-	-	-
<b>Operating margin</b>	<b>-58 128 978</b>	<b>-228 463</b>	<b>-58 357 441</b>	<b>10 328 053</b>	<b>1 722 145</b>	<b>12 050 198</b>
<b>Investment result</b>	<b>18 543 465</b>	<b>-</b>	<b>18 543 465</b>	<b>21 365 805</b>	<b>-</b>	<b>21 365 805</b>
	-	-	-	-	-	-
<b>Other</b>	<b>-40 014 176</b>	<b>-</b>	<b>-40 014 176</b>	<b>52 276 959</b>	<b>-</b>	<b>52 276 959</b>
	-	-	-	-	-	-
<b>Net result</b>	<b>-79 599 689</b>	<b>-228 463</b>	<b>-79 828 152</b>	<b>83 970 816</b>	<b>1 722 145</b>	<b>85 692 962</b>

# 3

## Investment performance

### A.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 2,915 EUR million in (2021: EUR 2,542 million).

	2022	2021
Interest, dividend and other investment income	2 648	2 427
Result on sales and revaluations	621	294
Financing costs	-187	-138
Change in impairments	-167	-41
<b>Total</b>	<b>2 915</b>	<b>2 542</b>

\* 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.

- Interest income increased in 2022 thanks to increasing interest income on new investments, compensating the loss of interest income on bonds that came to maturity.
- Revenues from parking garages recovered in 2022 thanks to the reopening of the economy after the Covid-19 pandemic.
- During the year, the volatile equity markets resulted in impairments that were however compensated by realisation of capital gains.
- Real estate remained resilient with a low level of impairments. Returns in real estate were positively supported by realisation of cap gains.
- Increase of Result on Sales and Revaluations, due to acquisition of FRESH securities (see chapter A.4)

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.

	Recurrent Income	Realised Capital Gains (Losses)	Impairment	Total result	Change in Unrealised Gains (Losses)	Total return
Bonds	2,64%	0,03%	-0,02%	2,65%	-23,02%	-20,37%
Equity	3,49%	3,77%	-3,49%	3,77%	-15,95%	-12,18%
Loans	2,38%		0,01%	2,39%		2,39%
Real Estate	2,17%	2,77%	-0,14%	4,80%	0,11%	4,91%
Cash	0,36%			0,36%		0,36%
<b>Insurance</b>	<b>2,60%</b>	<b>0,45%</b>	<b>-0,17%</b>	<b>2,88%</b>	<b>-15,57%</b>	<b>-12,69%</b>

\* AFLIC has not been included in the table above, as only fully consolidated as of Q4 2022.

- Total investment result of 2,88%, of which 2,60% recurrent income.
- There is an important impact of capital gains for equity and real estate.
- Impact from impairments in equity but insignificant in other asset classes.
- Recurrent income yield increased with 34bp compared to last year, due to higher yields on all asset classes.

### A.3.2

#### Investments in securitization

Ageas has no material investments in securitization. Please see note 10 and 12 of the group annual report 2022 for more information on the financial instruments Ageas invests in.

## 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 2022 of the General Account is EUR 154 million and includes a EUR 139 million positive impact from the revaluation of the RPN(i) reference. In the second half of 2022 Ageas settled part of the RPN(l) for an amount of EUR 46.6 million. In 2021 the net result of the General Account was minus EUR 225 million and a decrease of RPN(i) of 139 million was noted.

Ageas SA/NV acquired in the course of the fourth quarter of 2022 an aggregate principal amount of EUR 233,250,000 of FRESH securities, issued in 2002 by its subsidiary Ageasfinlux S.A. The acquisition resulted in the derecognition of the corresponding liability in the consolidated statement of financial position of Ageas group, generating a gain of EUR 146.3 million. This mainly includes the combined effect of the gain on reimbursement of the liability and the gain on the result on the associated cash flow hedge (interest rate swap).

### A.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.

	2022	2021
	Minimum lease payments	Minimum lease payments
Less than 1 year	86	80
1 year to 2 years	80	77
2 years to 3 years	73	64
3 years to 4 years	62	58
4 years to 5 years	56	47
More than 5 years	495	440
<b>Total</b>	<b>852</b>	<b>766</b>
Annual rental expense	5	6
Future finance charges	222	206

# 5

## Any other information

### A.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.

### A.5.2 Related parties

The law of 28 April 2020 implementing Directive 2017/828 of the European Parliament and the Council (the Second Shareholder Rights Directive or SRD II) introduced a new regime for related party transactions, which is applicable to all the members of the Ageas group and entered into force on 16 May 2020. Among other elements, this new regime entails a reinforced obligation for Ageas to report on the application of the related party transactions procedure, both immediately upon occurrence of the transaction as well as in the annual report for the relevant financial year.

Parties related to Ageas include associates and joint ventures, 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.

As at 31 December 2022, 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. During financial year 2022, no transactions took place within the Ageas group which triggered the application of the procedure.

### A.5.3 Reinsurance activities within Ageas SA/NV

This section contains information regarding Ageas SA/NV as a solo reinsurance entity.

Ageas SA/NV is a public limited company with its registered office at Manhattan Center Brussels, Avenue du Boulevard 21, 1210 Brussels, Belgium. The company is registered in the Brussels register of legal entities under no. 0451.406.524.

In June 2018, the National Bank of Belgium granted Ageas SA/NV a reinsurance license to carry out both Non-life and Life reinsurance activities.

Ageas SA/NV uses the governance, management and operational infrastructure of the Ageas Group but has its own underwriting and claims team.

The Mission of Group Reinsurance is to:

Enter into reinsurance and retrocession arrangements between Ageas SA/NV and its Operating Companies and third Parties:

- With its Subsidiaries, where Ageas SA/NV, directly or indirectly, has a majority shareholding and holds operational control.
- With its Affiliates, where Ageas SA/NV, directly or indirectly, has a minority shareholding and holds no or limited operational control.
- With third parties such as regulated insurance companies and reinsurance companies (as from 2023).

The reinsurance arrangements can cover Non-Life and Life insurance.

The reinsurance arrangements are divided into two categories:

**“Protection Treaties”:**

Ageas SA/NV participates as the sole or as a co-reinsurer in existing reinsurance treaties that ceding companies have designed. Ageas SA/NV has an option to participate in these treaties, for a share up to 100%, at the terms and conditions agreed with the external reinsurer(s) or so determined in a benchmarking process, e.g. with the assistance of reinsurance brokers.

**“Capital Management Treaties”:**

These treaties are designed and agreed between Ageas SA/NV and its Subsidiaries.

The reinsurance arrangements entail, through the consolidation of diversification benefits, increased capital fungibility, allowing Ageas SA/NV to enhance its capital flexibility and agility to execute its business strategy, hence the cessions need to be always adjusted and calibrated in a way that they are capital efficient.

Ageas SA/NV reports the financial results on its insurance and reinsurance activities in four segments:

- Belgium;
- Europe;
- Asia;
- Reinsurance.

All reinsurance activities carried by Ageas SA/NV are reported in the Reinsurance segment.

The Reinsurance segment falls under the responsibility of the Ageas Managing Director Europe (MDE) and the ExCo. The Group Reinsurance Director reports to the Ageas MDE.

Group Reinsurance is responsible for the daily management of all reinsurance activities carried by Ageas SA/NV and only for the reinsurance activities carried by Ageas SA/NV. 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.



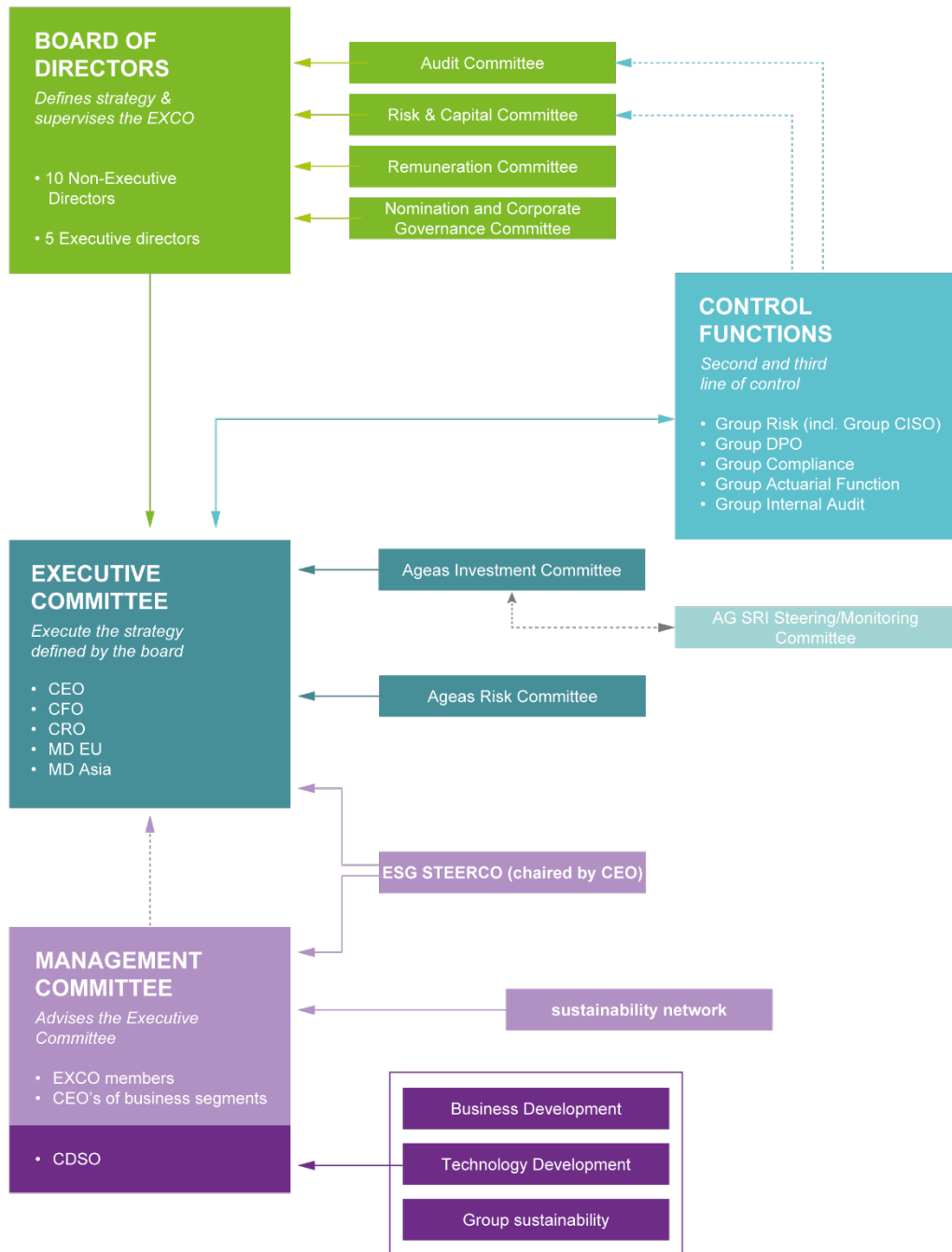
**B**

**System  
of  
Governance**



# General information on the system of governance

## B.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 2022 annual report of Ageas, section Report of the Board of Directors.

At the end of 2022, the Executive Committee of Ageas was composed of:

- the CEO, responsible for the Strategy, M&A, Audit, 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 the activities under the CDSO office, including Business & Technology Development and ESG matters 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

Ageas’s executive management is composed of the members of the Executive Committee and the members of the Management Committee. The role of the executive management is to manage Ageas in line 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.

### 1.1.3 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.

## B.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 the Managing Director Europe and of the 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 the activities under the CDSO.

- 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) and the Chief Development and Sustainability Officer (CDSO) 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 and the CDSO 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.

## B.1.3

### The remuneration policy

The remuneration policy will be presented for approval to the General Meetings of Shareholders in May 2023. 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;
- 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 2022 can be found in A; Corporate Governance Statement section 6.7 Report of the Remuneration Committee.

#### 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 fixed 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 marketplace;
- 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;
- 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 Incentive) and a Multi-Year variable remuneration (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 setbacks
  - 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 2022, the following insurance arrangements are reported:

Defined Contribution Pension Plan for the Executive Committee with a total cost amounting to EUR 1.005.829 (excluding taxes):

• Hans De Cuyper (CEO).....	EUR	240.451
• Christophe Boizard (CFO).....	EUR	193.842
• Filip Coremans (MD Asia).....	EUR	195.975
• Antonio Cano (MD Europe).....	EUR	194.931
• Emmanuel Van Grimbergen (CRO).....	EUR	180.630

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 2022, 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.

### B.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 2022 are:

- Fosun: 10.01%
- BlackRock, Inc.: 6.59%
- FPIM-SFPI: 6.33%

Ageas SA/NV and its subsidiaries hold 3.01% of its own shares. This interest is related to the FRESH (see note 18 Shareholders' equity and note 20 Subordinated liabilities of the Ageas annual report 2022), restricted share programmes and the share buy-back programmes (see note 18 Shareholders' equity of the Ageas annual report 2022).

**B.1.5****Material changes in our system of governance**

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In 2022, the allocation of responsibilities between the different members of the Executive Committee was not modified.

At the end of 2022, the Executive Committee of Ageas was composed of:

- Hans De Cuyper, CEO, responsible for the Strategy, M&A, Audit, 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 real estate investments within the Group
- Filip Coremans, MD Asia, responsible for monitoring of the performance of the business in Asia and for the activities under the CDSO office, including Business & Technology Development and ESG matters within the Group.

At the end of 2022, the Management Committee was composed of:

- The five members of the Executive Committee
- The Chief Development and Sustainability Officer, Gilke Eeckhoudt.
- The heads of the four business segments; Heidi Delobelle - CEO AG Insurance (Belgium), Steven Braekeveldt - CEO Portugal, Ant Middle - CEO United Kingdom, and Gary Crist - 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 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.

### B.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
- Honesty;
- 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.

### B.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.

### B.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:

- Financial markets: strong knowledge of how the markets function, in order to make the right strategic decisions to improve the business and attract investors;
- (Re)Insurance matters: wide experience in, and in-depth knowledge of, the (re) insurance sector, both at a technical level (including knowledge of the risks inherent in (re)insurance activities and the techniques used to manage these) and in relation to Ageas's main customer markets;

- Macroeconomics: strong understanding of how the economy is performing and of the forces that drive it;
- Financial accounting and reporting: 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;
- IT and Technology: strong understanding of IT and technology allowing to make strategic decisions taking the business forward in a digital age and to ensure technology trends are high on the agenda when it comes to company strategy;
- ESG matters: having knowledge and/or showing high interest for the evolution in Environmental, Social and (Corporate) Governance related matters;
- Regulatory and Legal matters: having knowledge and/or showing high interest for developments in law and policy;
- 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 mindset;

- Public affairs: familiarity with public and policy-making forums insofar as they might affect business in general or the financial sector in particular.

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

### B.3.1 Risk management strategy, processes and reporting

As a multinational insurance provider, Ageas creates value through the proper and effective management of insurance risks at an individual and overall portfolio level. Ageas' operations provide both Life and Non-life insurances and consequently face a number of risks that may affect the achievement of company 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.

### B.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<sup>1</sup> ERM and Internal Control frameworks, which encompasses key components that act as a supporting foundation of the risk management system (This includes climate-related risks).

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's ERM framework (depicted in the diagram below) sets the following high-level objectives:

<sup>1</sup> Committee of Sponsoring Organisations of the Treadway Commission



Ageas' ERM framework sets the following 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.

Risk culture forms an essential part of the overall corporate culture that the Ageas Board of Directors, Management Committee and Executive Committee seek to promote and embed. Ageas's risk culture, outlined below, stems from the Ageas corporate culture. The principles of corporate culture and key components of risk culture provide guidance to actions and decisions, and reflect the mind-set and attitude expected in the company.



Note - Internal Control, Information Security and Data Management are managed as part of the ERM framework.  
\*In addition to 4A & 4B, further risk reports exist and are documented in the Ageas Enterprise Risk Management Framework.

### B.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

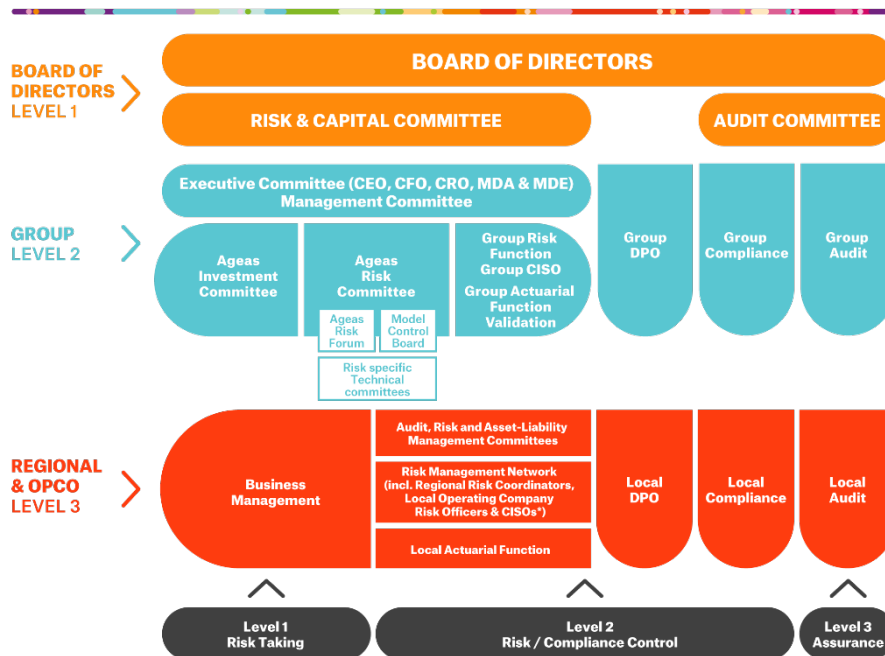
in this section (responsibilities related to risk management and internal control are explained in this section – please refer to note “B1 General information on the system of governance” of this SFCR for further governance details related to Board level committees, Executive Committee, and Management Committee).

The key elements of Ageas's desired risk (and corporate) culture are depicted below.



To help promote risk awareness and embed the risk culture values across the organisation, regular risk training in the form of e-learning or classroom-based sessions, takes place across the group. There is a mix of centralised training material cascaded from Corporate Centre and subsequently tailored to local needs and decentralised material that each business has developed. Similarly, there is a mix of mandatory and

voluntary training. In 2022, risk education and awareness sessions included but were not limited to; Risk Incident Reporting, the Three Lines of Defence model; Anti-Fraud training; Code of Conduct, Cyber Security, GDPR, Information Security, Internal Control, Business Continuity and Operational Risk.



\* Local CISOs have a functional reporting line to local risk management

### 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. Since the second half of 2021, Group Compliance reports to this 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.

### 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. 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 in accordance with the risk framework and within agreed limits. Group Risk participates to ensure risk mitigating 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 from the regions 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. The ARC is itself advised by the Ageas Risk Forum on topics related to the risk management framework and by the Ageas Model Control Board that makes sure the models used are appropriate and suited to the task they are used for.

### 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 (and escalates when appropriate to) the Ageas Risk Committee on topics related to the models and methodology. The MCB is composed of Group Risk Model Managers, 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 fit for purpose. The MCB is itself advised by Risk-Specific Technical Committees where appropriate. A dedicated Model Control Board is organised for model-related topics specific to Ageas SA/NV, focussing on holding specific activities and reinsurance.

### 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 Sustainability 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 at least twice per year 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 GDPR. The DPO monitors compliance with GDPR and any relevant data protection laws and regulations (including Ageas internal policies) through appropriate management structures and controls, and performs analysis of security, privacy and data protection risks; The results of these analyses are reported to the Board of Directors on at least a yearly basis. 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 to facilitate the collaboration with the Risk Management System. The main role of the Actuarial function is to issue Actuarial Opinions on three key subjects (Technical Provisions, Underwriting and Reinsurance), and additionally, coordinates the calculation of technical provisions and assures a level of consistency throughout the Group.

### 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 where appropriate, Audit formulates recommendations to optimize these processes.

### 3.3.14 Local Operating Companies (OpCos)

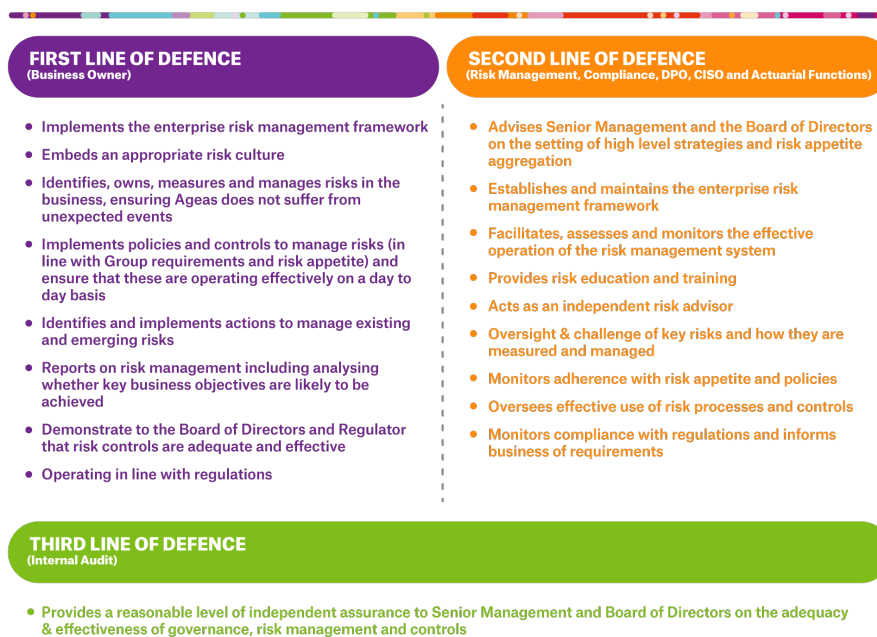
Each OpCo is responsible for ensuring that it has a comprehensive risk management framework in place, and for managing its risks within the limits, policies and guidelines set by Regulators, Ageas Group and its local Board of Directors.

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

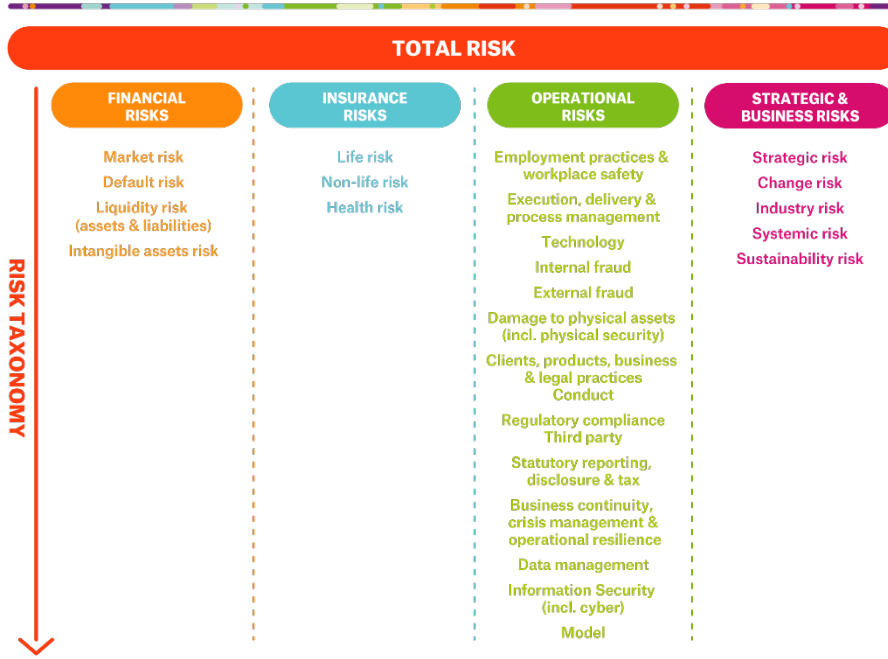
- a Board level Risk Committee and Audit Committee to assist the Board in fulfilling its supervision;
- a Management Risk Committee, which supports its management team in ensuring that key risks are well understood, and appropriate risk management procedures are in place;
- an ALM Committee whose role 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 aim of helping the organisation to achieve its objectives while effectively managing risk:



B.3.4 Risk taxonomy



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.

The Taxonomy was updated in 2020 to explicitly include Sustainability Risk, that itself includes environmental risk and climate change, as part of an update to Ageas' Risk Policy, one of the overarching policies within our suite of risk policies. Other risk policies that have been updated to incorporate ESG considerations include the Product Approval Policy, the Outsourcing Policy and the Procurement Policy and a Responsible Investment Framework has been created.

As part of our approach to responsible insurance we actively seek to provide transparent product offerings and services that evidence consideration of ESG risk factors including changing customer behaviours, promote economic inclusion and encourage environmentally and socially responsible behaviours by customers. We also seek to limit

our net exposure to physical risks that may occur should the Paris Agreement target not be met. Through responsible investment, we seek to manage potential vulnerabilities and take advantage of opportunities arising from the transition to a low carbon economy.

The policies require that; processes and controls will continue to be updated and assurance provided on their design and effectiveness; Products and services will continue to be adjusted through formal governance structures, evidencing environmental (not least climate change) considerations, and responding to changing customer demands and needs; Limits are set and targets evolve; Third party management must include appropriate ESG consideration and evidence. On an annual basis, an exercise is performed to assess adherence to all risk policy requirements and action plans are drawn up for any gaps that are identified.

The risk in execution cycle and the Risk Taxonomy are fundamental to our Key Risk Reporting (KRR) and Emerging Risk Reporting (ERR) processes.

### 3.4.1 Key Risk Reporting (KRR)

KRR consists of a systematic approach to identify and mitigate key (existing) risks that threaten the realisation of Ageas' business and strategic objectives. The process considers all types of risks in our risk taxonomy to identify key risks, analyses risk causes and deploys appropriate risk response strategies. During this process, identified risks are assessed and managed using Ageas' risk rating methodology. Likelihood and impact criteria (financial and non-financial) are used to determine a level of concern, which guides when actions need to be taken. Each region (set of OpCos and/or Joint Ventures with common regional oversight) and/or OpCo re-evaluates key risks on at least a quarterly basis, and the most significant risks are also monitored and reported on at Group level. The key outputs of the process are documented in a quarterly Group Top Risk Report.

### 3.4.2 Regarding 2022 events:

In Q1 2022, Ageas first performed an in-depth assessment of the consequences of Russia's aggression towards Ukraine, covering (a) the geopolitical context and sequence of events, international reaction and potential escalation scenarios, (b) a brief overview of the main legal consequences of the invasion, focussing on EU law, (c) Ageas direct exposure (investments an underwriting, and (d) macro-economic impacts of the conflict. The assessment concluded that Ageas operating companies have negligible direct exposure to both Russia and Ukraine, and no identified exposures to sanctioned individuals or entities. Ageas has increased its alert level regarding cyber security. Ageas continuously reviews this assessment considering new risk insights.

The top key risks that Ageas faced during 2022 are:

- Interest Rate Risk;
- Higher Inflation Risk;
- IFRS 9/17 execution;
- Volatile / unfavourable market movements.

#### Interest Rate Risk.

The interest rate volatility that had been anticipated by the markets materialised with the increase in interest rates raising the question of higher client return in the Life Savings and Pension business. After some reluctance, interest rate increases started to be reflected in deposit rates offered by retail banks. Rapidly rising rates demand an increased re-activity in Life Savings in order to avoid losing significant inflow. However, as rate increases are factored in the short term and the 10yr rate has seen approx. 30 bps drop since the beginning of 2022, this makes increasing rates for products more complicated. In the current situation of rising interest rates, more alternative banking products with attractive yields have become available leading to potential risk to volumes in bancassurance.

#### Higher Inflation Risk

Inflation started to show signs of easing towards the end of 2022, following the highs observed in many countries post-COVID19 monetary and fiscal response, as well as Russia's invasion of Ukraine. Both the ECB and the BoE have expressed their intention to continue with measured interest rate increases until the medium-term inflation outlook is consistent with their policy targets and are expected to raise rates further.

Although the direct consequences from inflation from non-Life business on the Balance Sheet are deemed lower than for the Life business, a specific attention point for non-life relates to tariff markets where non-life premium rate adjustments to inflation significantly tend to lack claims

inflation. Ageas is closely monitoring all aspects of the business during such volatile market inflation conditions, anticipating P&L impacts, and especially considering:

- Reserve risk: impact on outstanding claims of high inflation;
- Premium risk: heightened need for Business agility (the speed of taking decisions is increasingly crucial, such as repricing, but also the agility of key business areas, such as Product, Commercial and Sales, ...). The volatile conditions may increase competition in market share;
- Impacts on the financial purchasing power of households;
- Increased likelihood related to fraud (including cyber fraud).

#### IFRS 9/17

The new accounting standards introduce a number of execution risks linked to the interpretation and implementation of IFRS 9/17.

Whilst very good progress has been made and no significant issues were reported by external auditors, Ageas takes a prudent approach to closely monitor IFRS 9/17 execution as a key risk given resource capacity and Joint Venture alignment.

#### Volatile / unfavourable market movements

In addition to medium-term risks (e.g. post-Brexit EU/UK trade tensions, US/China tensions, Russia/Ukraine war...), the remaining post-pandemic effects, coupled with volatile market movements leads to potential adverse impacts on earnings, solvency and liquidity.

Ageas closely monitors this risk through regular monitoring processes and subsequent reporting, as well as through governance bodies such as the Ageas Investment Committee.

For all key risks, Ageas has processes to closely monitor risk evolutions and has defined actions to mitigate risk exposures.

### 3.4.3 Emerging Risk Reporting

Ageas has also implemented an Emerging Risk Process. (Re)Insurers face a degree of change and uncertainty that appears to be evolving at an ever-quickening pace. Understanding these changes can help to either enable Ageas to explore new opportunities or develop measures to mitigate the potential associated risks.

Emerging risks are derived from emerging trends (current and future developments linked to the internal and external environment, including strategic objectives) that could become a possible threat or risk for the business and that, by their nature, are uncertain and difficult to quantify. Emerging risks can also include those trends that are not yet well understood (and which ultimately, with greater knowledge, could be opportunities).

Group Strategy has a well-established annual Horizon Scan process, whereby, identified emerging trends are scored, on the one hand, based on artificial intelligence analysis, and on the other hand, resulting from the opinion of Ageas' employees from across the Group (using a survey-based approach). The Horizon Scan process is further reinforced by a Think2030 working group - a forward looking strategically focused group comprised of stakeholders spanning the Ageas Group entities. These components support in building the Horizon Scan radar to define focus and priorities in a Horizon Scan report.

Whilst numerous external sources (insurance industry reports, forums, peer reports...) provide inputs into the Emerging Risk Reporting Process, the Horizon Scan report and Regional / Operating Companies' emerging risk reports are the main source of inputs to the Group Emerging Risk Report.

Ageas follows six dimensions (PESTLE) in identifying possible emerging risks, creating a clear link with its strategy (most of the time the six dimensions are inextricably intertwined):

- Political;
- Economic;
- Social;
- Technological;
- Legal;
- Environmental.

Ageas has developed an emerging risk rating methodology using proximity and impact criteria to guide the most appropriate course of action. Each relevant trend (and associated risks) are assessed to conclude management's response, and prioritized into three categories:

- ACT - risks the organization should mitigate;
- ANALYSE - risks that require further analysis (highly uncertain or risks frequently mentioned by external sources whose impact for the organization is difficult to assess);
- AWARE - risks that should be monitored.

The annual Group Emerging Risk Report is presented at risk governing bodies including the Board of Directors. Actions and emerging risk evolutions are then followed up on a quarterly basis within the Group Top Risk Report.

The 2022 Group Emerging Risk Radar generally reflects areas considered most relevant to both the industry and Ageas' strategy, business lines and model.

Compared to 2021, the emerging trends and risks that are integrated into business-as-usual activities and/or strategy have been removed from the radar – where these trends have materialised as key risk, they are reported and monitored through the Ageas Group Top Risk Report.

The top (high proximity, moderate to major impact) Emerging Risks for Ageas as at end 2022 are:

- Geo-political instability / trade wars;
- Driving Technology;
- New customer Needs & Expectations;
- Robotics / AI / Technology.

#### Geo-political instability / trade wars (PESTLE category – Political)

Political instability and uncertainties are growing worldwide. Following the height of the Covid-19 pandemic, many economies rebounded as trade recovered and business returned to normality across geographical locations. Even before the Russia-Ukraine conflict, energy prices were on the rise (unresolved supply chain bottlenecks) however the invasion of Ukraine further generated international trade conflicts and geopolitical frictions. Countries, states and companies have been assessing areas in which they are dependent from a specific country/ partner and considering ways to "detach" or reduce their dependency on those countries/ partners (e.g. onshoring, diversifying, etc.).

Economies across Europe, East and South-East Asia face a period of high inflation, growing interest rates and consumer uncertainty. Whether or not a recession (or even a depression) is at our doorstep, it's beyond argument that negative sentiment and times of hardship loom.

Major demographic, environmental and economic trends are likely to continue to drive migration during the next decade, which in turn may further contribute to political instability in countries affected.

Increased migration flows in some European countries might lead to increased social tensions. Given that the rise of identity politics has the migration crisis as one of its root causes, nationalist and populist parties appear to be taking centre-stage in many nations across Europe.

Ramifications of the Russia-Ukraine conflict include the impact of countries' default risk, inflow of refugees; scaled back ambitions on green transition, destabilization of fragile countries (MENA, Western Balkans). Concerns over the scale of attacks means that (re-)insurers are more proactively looking at ways to mitigate risks.

Risk scenarios and corresponding mitigation actions are monitored at Board-level. Monitoring is also performed through the Group Top Risk Report.

Whilst geo-political developments are outside of Ageas' control, Ageas Group and its local entities continue to closely monitor evolutions of geo-political conflicts and instability and the potential impacts on the business and strategy to prepare response plans where appropriate.

#### Driving Technology (PESTLE category – Technological)

The way we own and use cars is being redefined through advancements in technology. The introduction of these technologies is likely to lead to an increase in partially, and eventually, fully autonomous vehicles on the roads. This is expected to have a major impact on the insurance industry, particularly in relation to how the frequency and cost of claims is likely to develop.

It is expected that while claims frequency is likely to improve due to new safety features, the costs of repairing and replacing such vehicles with complicated technical features is going to be significantly higher. This is already being experienced in Ageas' motor book of business.

Alongside the advancements in the technology itself, will be the ability of manufacturers to collect an increasing amount of valuable data on individuals and their driving habits, which could be exploited to change existing supply chain dynamics. For insurers, access to such data could lead to changes in underwriting, increasing the ability to offer hyper-personalised products, services and content.

Whilst fully autonomous vehicles may still be some time away, advanced driver assistance systems (ADAS) are already in existence and are expected to become more sophisticated and prevalent over the near term.



Numerous actions are ongoing across the Group, such as electric vehicle ecosystem, monitoring and interpretation of legislation such as Automated Lane Keeping Systems (ALKS), deep dives into new driving technology and capabilities, tracking vehicle repair costs, prepare operational readiness across Ageas repair network to be able to provide the necessary technical assistance for new technologies.

#### New customer needs & expectations (PESTLE category – Environmental)

Shifting consumer needs and the more recent inflationary environment invite insurers to innovate in pursuit of growth and to stay ahead of new competitive threats.

Customer and market expectations with respect to sustainability and social responsibility are changing where companies have to make the appropriate choices in integrating sustainability aspects in their strategy. However, it is not only about defining a strategy but also about acting upon it. The regulation and expectations with respect to sustainability are increasing which could drive up operational costs and reputational risk.

New business models disrupt certain business markets by addressing unmet customer needs or new demands which have been ignored by the leading providers. Disruptive business models are often powered by product/service innovation which helps them create a new niche within an existing market or create a new market altogether. This could be in the form of one of the big (GAFA) tech companies entering the direct insurance market, utilising the wealth of data they have acquired on individuals to determine the level of risk and price accordingly.

Insurance companies should integrate effective & regular customer communication/touchpoint strategies. Whilst data can help to understand customer needs & tailor communications respectively, adopting the right tone of communication, using relevant media depending on the target audience, simplifying communications/messages, and integrating reliable customer support systems can further strengthen the communication / touchpoint strategy.

A more recent trend is “adjacent innovation” where existing financial services companies adapt their current products to take them to new markets and digital channels or create new digital products for existing markets.

Hyper-personalization is that part of the customer experience that relates to the use of data to provide customers with highly personalised, targeted and relevant products, services, and content. Through hyper-personalisation, companies identify the subtle details about their customers that traditional levels of personalisation are yet to capture.

Numerous Group transversal initiatives are underway to explore opportunities and mitigate risks. These include, but are not limited to, customer experience platform, health ecosystem, digital platforms new engine, ... Additionally, many local actions are underway across Ageas operating companies.

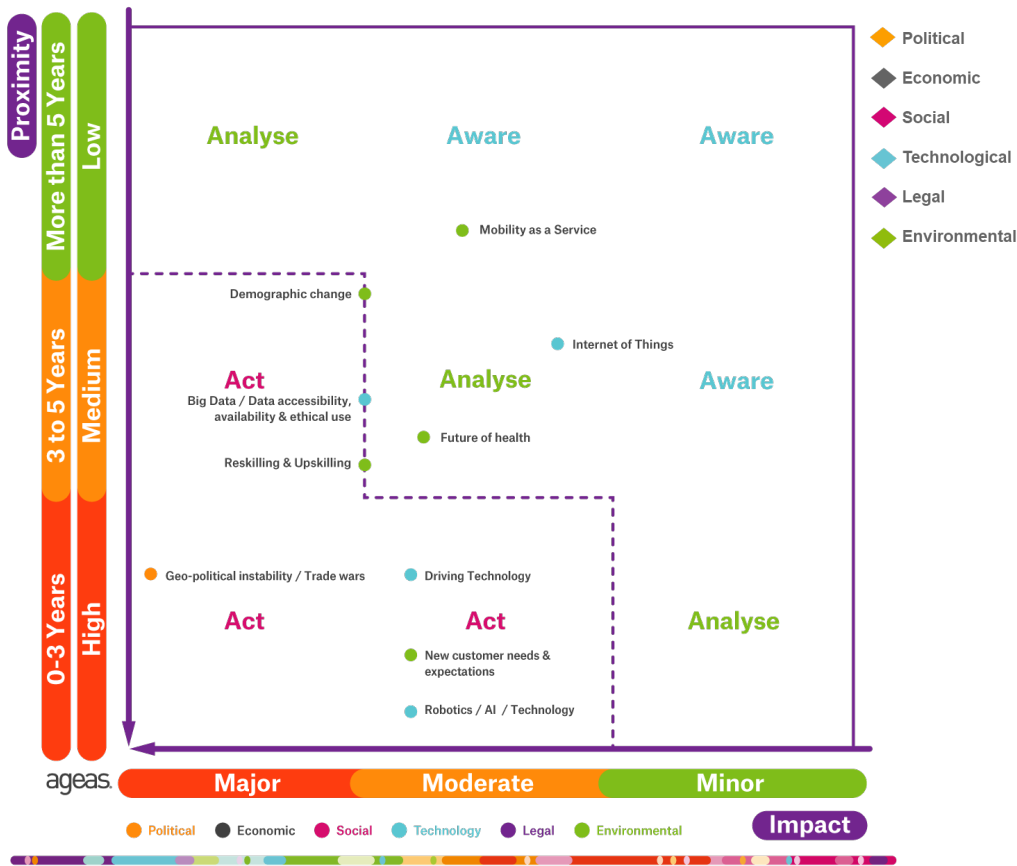
#### Robotics / AI / Technology (PESTLE category – Technological)

Robotics, AI & technology allow companies, among others, to reduce the cost spent on routine work and refocus certain employees to more creative tasks (reskilling & upskilling).

AI has been hailed as revolutionary and world changing, but it is not without its drawbacks. Concerns of the macro risks around AI include privacy violations, ‘Deep Fakes’, algorithmic bias, job losses through automation, socio-economic inequality and even weapon automation. That being said, the list of new upcoming technologies and scientific breakthroughs is relentless and unfolding on many fronts and is even further accelerated by the Covid-19 sanitary crisis. Although not all advances can be billed as a breakthrough, some technologies may have the potential to alter the way people live and work and lead to entirely new products and services.

Group transversal initiatives are underway to explore opportunities and mitigate risks. These include, but are not limited to, AI and Robotics communities, Data Management and Governance Taskforce, Smart automation, creating business value with technology training program, Data robot project... Additionally, Ageas operating companies are monitoring this trend through local governance, within external forums and conferences, and in some cases, AI and new technology is already integrated as part of business-as-usual activities.

The Group Emerging Risk Radar below reflects the emerging risks most relevant to business activities that have been identified as part of the 2022 Emerging Risk Process.



**Spotlight: Climate Change Risk Assessment**

The main risks that Ageas are exposed to from climate change are credit risk, market risk, general insurance and life insurance risk, and modelling the effects of climate risk on our portfolios is an important focus area as understanding and managing climate impacts will be essential in forming strategic responses and maintaining our long-term resilience.

Following the first inclusion of different climate change scenarios in our 2021 ORSA, this activity has continued to be refined. The scenarios, that cover medium to longer term time horizons, seek to better understand potential impacts of both Transition Risk and Physical Risk on our assets and liabilities.

For an insurance group like Ageas, Transition Risk, likely to arise from extensive policy, technology, market, and customer behaviour changes, lies predominantly on the asset side of the balance sheet via material valuation changes, stranded assets and changes in default rates as a result of the shift towards a low-carbon economy.

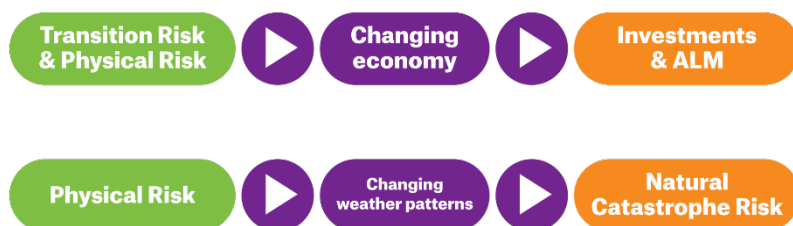
For investments, Ageas integrates sustainability (environment, social and governance) criteria in its research and investment processes. It has implemented a Responsible Investment Framework (RIF) to

integrate sustainability risks in investment decisions based on both exclusions policies and ESG scoring methodologies that focus investment on assets with an overall better ESG performance and lower sustainability risks. The RIF covers ESG integration, impact investing, exclusion screening, net zero targets, and engagement. In 2022 Ageas also became a member of the Net Zero Asset Owner Alliance committing to reducing financed emissions by 50% by 2030 and fully decarbonising the portfolio by 2050.

Acute and chronic Physical Risk, associated with an increase in claims and losses, impacts our underwriting liabilities through changes in demand for products and services and changes in loss ratios / profits. The climate-related perils most relevant to Ageas's underwriting portfolios are flood, windstorm, subsidence, wildfire, heatwave and, to a lesser degree, airborne pollution.

The climate-related stress tests performed as part of the ORSA look at a number of these perils to better understand medium to long term potential impacts and identify appropriate actions.

For the purposes of the ORSA, the focus Group-wide was the following two transmission channels:



The first transmission channel relates to the (macro-)economic impact of climate change through its effects on the prices of financial assets and macro-economic variables such as interest rates and inflation. Furthermore, specific types of assets could see a significant decrease in value, either through a higher cost of capital or a higher perceived risk by the nature of their activities or their location. This could directly impact Ageas and its subsidiaries through changes in value in its investment portfolio, as well the economic value of its insurance liabilities, on longer time horizons.

The second transmission channel relates to geo-physical changes triggered by changing climate conditions. Ageas and its subsidiaries underwrite insurance covers related to specific perils, whose frequency and/or severity can be adversely impacted. These perils are mainly covered by Non-life insurance contracts, however changes in mortality rates might also impact Life insurance.

Based on the above, two series of studies were performed for the 2022 ORSA:

- A Group-wide stress test for the European consolidated entities, whereby a long-term projection of investment assets and the ALM position was performed under different climate scenarios.
- A number of specific analyses, both quantitative and qualitative, relating to specific insurance risks.

#### Scenario Definition

The stress test related to Investments and ALM is a further development of the Climate stress test performed for the 2021 ORSA, which itself was inspired by the PRA's 2021 Biennial Exploratory Scenario. Whereas the 2021 ORSA stress test took the PRA's stress factors as a starting point, for the 2022 ORSA Ageas used macro-economic and financial projections provided by Moody's Analytics. The initial input used was enhanced using in-house methodology to arrive at more granular stress factors.

The stress test consisted of three alternate climate scenarios which were compared to a baseline scenario. The time horizon considered was 2045. One future development would be to further lengthen the projection horizon, however noting that this would further compound uncertainties related to the scenario.

The narrative underlying the three scenarios was the following:

- Early Policy Scenario: Policy changes to shift to carbon neutrality in 2050 are enacted immediately. These policy changes (such as carbon pricing) are reflected in asset prices and macro-economic variables and are gradually absorbed over the projection horizon.

- Late Policy Scenario: Policy changes to shift to carbon neutrality in 2050 are delayed till 2031. The delay causes the transition to occur less gradually and in a more disordered fashion. This leads to a more abrupt repricing of assets and a more severe shock to macro-economic variables.
- Current Policy Scenario: No further policy actions are taken, and the transition to carbon neutrality does not occur. Focus is on physical risks as climate change continues unchallenged.

The three scenarios described above give rise to alternate trajectories of macro-economic variable such as GDP, interest rates, and inflation, as well as asset values and other financial variables. These are then compared with a so-called "reference scenario", in which no climate change effects exist. This allows for expressing the climate effects as shocks to be applied to the existing balance sheet.

The scenarios chosen are inspired by the so-called Phase 2 scenarios published by the Network for Greening the Financial System (NGFS). Moody's Analytics used these scenarios as a starting point for their macro-economic projections, using its own proprietary methodology. Ageas then enriched the scenarios produced by Moody's with more granular shocks, in particular with regards to equities & corporate bonds, as well as real estate. This internal overlay was designed to better reflect the climate sensitivity of investment assets based on sector (for equities and corporate bonds) and physical characteristics (for real estate).

The shocks described above were applied to the investment portfolio at a granular level. Furthermore, the insurance liabilities were revalued through the forecasted impacts on the risk-free curve. Local entities also reflected these shocks in their Solvency Capital Requirement. All projections were done assuming a static balance sheet, i.e. the same assets and liabilities were considered throughout the projection horizon.

In the early policy scenario, the climate transition is considered to be an exogenous shock to inflation rates. This so-called "greenflation" causes central banks to keep interest rates higher, in order to anchor inflation expectations.

Starting in 2026, this exogenous shock pushes risk-free rates substantially higher, through the transition period up to 2035. In 2045, the shock is considered to be absorbed and interest rates come down again to their equilibrium state.

In the late policy scenario, there is no shift in 2026 as climate policies are not yet into effect. In 2035, the initial reaction of central banks is to lower policy rates, as the sudden transition shock prompts the need for monetary support. Afterwards, interest rates rise as the implemented climate policies result in increased inflation pressures and increased financing costs.

The current policy scenario assumes that no substantial shift in climate policies occurs over the projection horizon. Interest rates reflect this fact, with no additional inflation pressure materializing and no subsequent central bank reaction. Interest rates remain at equilibrium level and do not materially evolve.

#### Conclusion

The risks that are faced are both uncertain and yet totally foreseeable. The exact combination of physical and transition risks that will emerge is uncertain, but we will either continue our current emissions pathway and face greater physical risks or we change our pathway by reducing emissions and face greater transition risks.

Although no attempt has been made to attach a probability to any of the scenarios considered, the current global focus on limiting CO<sub>2</sub> emissions, supported by initiatives such as the Paris Agreement and governments commitments to achieving net-zero status by 2050, indicates transition risk from a move to a lower-carbon economy is likely. Notwithstanding, there is considerable uncertainty regarding the extent of the transition and the associated timescale.

Whilst Ageas's investment strategy of focusing more on sectors resilient to climate risks is a key mitigant for transition risk, a continuing strategic response to climate change will be required as our customers' demands and expectations evolve. Based on the relatively modest impacts on our assets and liabilities in the testing results, and our confidence in the execution of our Impact24 sustainability initiatives, we do not envisage transition risk posing a material threat to solvency.

The same can be said for physical risks with the forecast increase in those perils most relevant to our businesses adjudged as being manageable, particularly in non-life business through pricing and re-insurance. That said, these two mitigants may have some limitations as certain regions may be disproportionately affected by the physical risks of climate change and issues may emerge around the affordability and availability of re-insurance risk coverage.

It is very important to recognise that these views are formed with reliance on the information available at the time of assessment and the inherent uncertainty of modelling climate change. We acknowledge that climate modelling is in its relative infancy and this view will be regularly deepened and updated as more information and recognised models become available.

#### Actions and outlook

Climate change analysis continues to be actively developed and actions identified from activity to date include:

- Ongoing development & challenge of the scenarios for measuring transition and physical risk impacts on investments & ALM.

- Continued refinement of investment portfolio granularity in terms of sensitivity to climate risks.
- Further develop peril analysis in those entities where perils may become more relevant in the longer term and improve peril analysis for those entities where data is more limited.
- Development of capacity for performing similar studies for Ageas's Asian participations.
- Investigate how to best assess Liability risk.

#### 3.4.4 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 OpCo 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 OpCo 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%.

### B.3.5

#### Own Risk and Solvency Assessment (ORSA)

##### 3.5.1 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 considers 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 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 (such as climate change).

The Ageas ORSA stress testing<sup>2</sup> (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.

<sup>2</sup> The stress testing process selected applied must vary at least every 3 years

### 3.5.2 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 Workers' 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 SCR<sub>Ageas</sub> please see section E.6.

# 4

## Internal control system

### B.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<sup>3</sup>, 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.

### B.4.2 Compliance function

#### 4.2.1 The Compliance function

The Compliance function is an independent control 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 ethical standards; 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.

<sup>3</sup> The elements are based on the Internal Control Components from the COSO framework: Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring.

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 Ageas 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.

#### 4.2.2 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.

The compliance function includes advising the managers and staff on compliance with laws, regulations and administrative provisions and includes an assessment of the possible impact of any change in the legal environment and the identification and assessment of compliance risks.

Issuance (proofreading, pre-validating, editing, etc.) and cascading of Group Compliance Policies and Codes of Conduct is an integral part of the exercise of the function.

The Group Director Compliance is responsible for ensuring:

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

#### 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 sanctions;
- ESG and sustainability aspects linked to Compliance;
- Corporate Governance, Suitability and Fit & Proper rules, Remuneration Policy, Code of Ethics and Conflicts of Interest, Integrity;
- Prevention of Insider Trading and Market Abuse;
- Anti-trust and competition;
- Data protection (in collaboration with the Data Protection Officer - DPO);
- Foreign laws that may impact on compliance domains (e.g. FATCA)
- All topics required by local law or imposed by the local control authority;
- Any additional topic requested by the Management or Supervisory body.

#### 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 the Ageas Chief Executive Officer for forensic audit matters). He has direct access to the Executive Committee and to the Risk and Capital 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.



# 5

## Internal Audit function

### B.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 have the mission to enhance and protect the organisation's value by providing independent, objective and relevant assurance, advice and insight.

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 which underlies 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.

### B.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;
- Internal auditors have to exhibit the highest level of objectivity in gathering, evaluating, and communicating information about activity or process examined. It entails that 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. As a result, the Chief Audit Executive and the local Heads of Internal Audit have clear reporting lines, administrative and functional, respectively to the local Chief Executive Officer and Audit Committee/Board, in their respective organisational 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;
- The appointment, remuneration, appraisal, promotion and dismissal of the Chief Audit Executive and the Internal Audit Directors/Head of Internal Audit are the responsibility of the legal entities Chief Executive Officer, under advice from the Chair of the local Audit Committees/Boards;
- 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.



## 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 the OpCO Ageas SA/NV. 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 Ageas Group Actuarial Function (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 adequacy of the technical provisions, the adequate implementation of the underwriting policy and the appropriateness of the reinsurance/retrocession programs.

When group models are used locally for calculating technical provisions, these are validated independently by Model Validation. The Model 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 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 consolidation of that information. He is supported by the Head of Non-life Valuation & Risk.
- **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. He is supported by the Head of Life Valuation & Risk.

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 Solvency II Technical Provisions, Group Life & Non-life Valuation provide guidance and challenge through methodological oversight in the applicable governance bodies, as well as through the Group Policy Framework.

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

### B.7.1

#### Description of most important elements of Ageas outsourcing policy

**The Outsourcing Policy outlines the principles, processes, reporting and governance requirements in place for the management of Outsourcing Arrangements throughout their life cycle.**

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.

Outsourcing, which is defined in Article 15 of the Solvency II Law, is calling on third parties to exercise activities or implement procedures which (i) are specific to the insurance company and (ii) are performed on a recurring or continual basis. The outsourcing can be for services rendered to insureds (call centres, etc.), or administrative work (bookkeeping, claims settlement, investment management, etc.) and specialist functions (IT, internal audit, data management, etc.).

The Ageas outsourcing policy covers the broad steps of the outsourcing process, being:

- Determining the Outsourcing requirement;
- Assessing criticality of the function/ process;
- Selection of Service Provider;
- Due Diligence and Risk Assessment;
- Approval by stakeholders and governing bodies;
- Contract management and monitoring.

The Ageas Outsourcing policy includes assessment criteria to determine whether a third-party relationship is classified as outsourcing.

Ageas makes a distinction between Critical and Non-critical Outsourcing in keeping with regulatory requirements and internal assessment of activities. Critical outsourcing entails further governance steps (such as informing the Board, and Regulator in line with local law, regulation and/or obligation).

Ageas entities are required to consider various service providers based on different parameters to make a proper and informed selection decision. Special attention is given to factors such as strategy, ESG / sustainability, reputation, business continuity, GDPR, Information Security and conflicts of interest.

The decision to outsource is based on an in-depth analysis of various important aspects, and in the procedure for selecting the service provider, due diligence including the service provider's financial health, reputation, technical and management skills are taken into account.

Once an activity is outsourced, Ageas entities have an appropriate mechanism to manage the outsourcing contract throughout its lifecycle, evaluating the service provider's performance against agreed service levels and monitoring other important aspects, such as security measures, continuity plans, data protection etc.

**B. 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. The outsourcing policy was fully reviewed in accordance with the applicable regulation in 2022. An outsourcing project was established and assessed all outsourcing contracts based on the revised policy. The conclusion is that only the below activities are assessed as critical outsourcing.

**Overview of critical / Material Outsourcing contracts Reporting as per 31 December 2022**

No.	Territorial Jurisdiction where provider is located	Activity	Business Line Support Function	Critical Outsourcing	Includes sub-outsourcing*
1	Belgium	IT Services	IT	Yes	Yes
2	Belgium	Investment Management	Finance	Yes	No

\* As reported by the service provider to the regulatory body



## Any other information

### B.8.1 Reinsurance activities within Ageas SA/NV

For more general information on the Reinsurance activity we refer to Chapter A.5.2.

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 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 following documents which reflect the governance and principles defined for the reinsurance activities of Ageas SA/NV:

- The Group Reinsurance Charter;
- The Group Reinsurance Underwriting Policy;
- The Group Reinsurance Large and Complex Transactions Policy;
- The Group Reinsurance Ceded Reinsurance Policy;
- The Group Reinsurance Reserving Policy;
- 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.

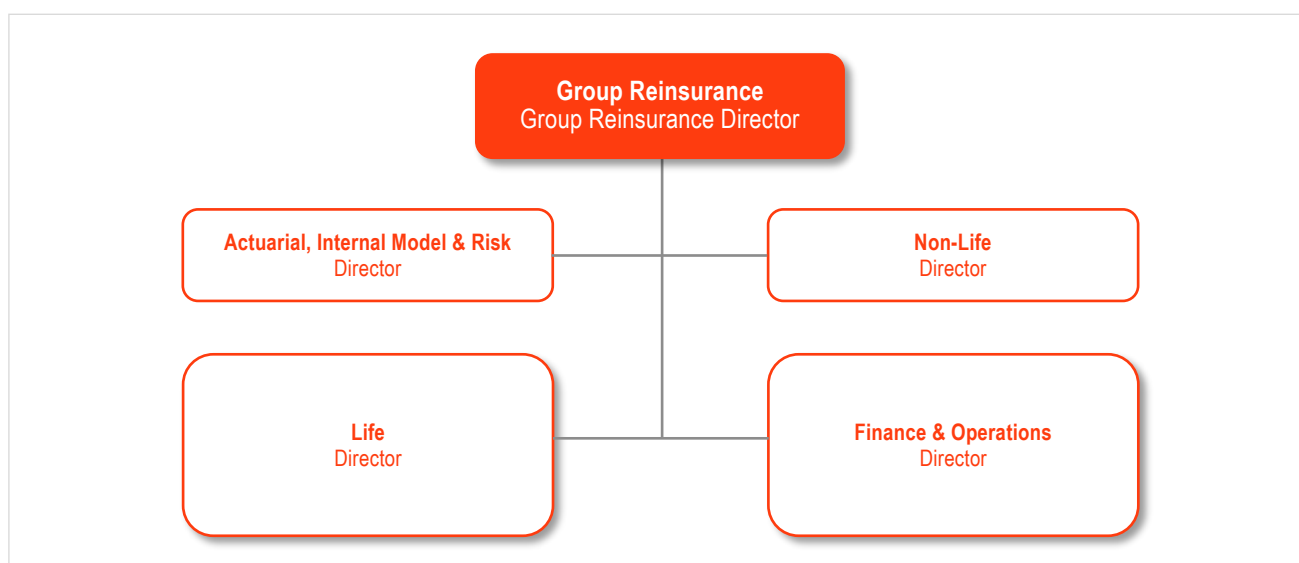
The members of the RRRC are:

- The Ageas MD Europe (chair);
- The Ageas CFO;
- The Ageas CRO;
- The Group Reinsurance Director;
- The Group Reinsurance Director Non-Life;
- The Group Reinsurance Director Life;
- The Group Reinsurance Director Actuarial, Modelling 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 realised underwriting.

The Group Reinsurance Director is in charge of the daily management relating the reinsurance activities.



**The Reinsurance Management Committee (ReMC)** carries out the daily management of the reinsurance activities. The ReMC gathers weekly or an ad hoc basis. The Group Reinsurance Director chairs the ReMC. 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, Modelling and Risk;
- The Group Reinsurance Director Finance.

The Ageas MDE has a standing invitation to the ReMC.

The roles and responsibilities of the ReMC 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 ReMC and for the RRRC.

The core members are:

- The Group Reinsurance Director Actuarial, Modelling and Risk (Chair);
- (Secretary)– idem;
- The Group Reinsurance Director Non-Life;
- The Group Reinsurance Director Life;
- The Group Reinsurance Director Finance;
- 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 ReMC and if necessary to the RRRC.

**Recurrent topics:**

Status on risk projects

- Risk reporting results including Key Risk Report, risk closing results for the segment and for Ageas SA/NV solo (SII ratio, Risk Appetite, LAT report, FCG), ORSA report. This list is not exhaustive.

**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 ReMC;
- 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 ReMC also chairs the RCC.*

**C**

**Risk  
Profile**





# Underwriting risk

## C.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 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 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. 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.

## C.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.

### C.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.

This section describes these risks (sub-sections A to F) and then provides an overview of their management within the 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 an increase 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. In line with industry practice, Ageas and its subsidiaries use the population experience tables with adequate safety loading, or experience adjustments were possible. 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.

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 decrease in the mortality rate leads to an increase in the value of insurance liabilities. This risk is managed through yearly revision of the mortality experience within the portfolio. 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.

##### 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 workers' 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 the 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 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

This section describes these risks (sub-sections A to D) and then provides an overview of their management within the 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 considering 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 and its subsidiaries 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. In the event that experience is either deemed insufficient or lacking altogether due to the specific nature of the claim event, Ageas draws from reliable (external or other) sources and assessments while respecting its Risk position.

To mitigate the claims risk, Ageas and its subsidiaries 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 and its subsidiaries also benefit 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, Ageas and its subsidiaries 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 risks at Ageas is in conformity with underwriting and risk-taking management instructions and guidance issued at each Non-life company 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 on e.g. 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), 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.

### 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.

# 2

## Market risk

### C.2.1

#### Market risk 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, and 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 allow 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 or volatility of market prices of property or their yield.

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 to a single issuer of securities or a group of related issuers. Ageas requires its operating companies 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.

#### G. 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 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 Workers' Compensation policies.

### C.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 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 responsibility 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 an 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 (SCR<sub>P1M</sub>) and the Pillar 2 Solvency Ratio (SCR<sub>Ageas</sub>) as at Q4 2022 to the specific stand-alone risk factors.

Key conclusions for each sensitivity are as follows:

As per 31/12/22					Impact	Impact
Based on Solvency II <sub>Ageas</sub>		OF	SCR	Solvency	S/R	S/R 2021
<b>Base case</b>	<i>Before stress</i>	7.337	3.363	<b>218%</b>		
<b>Yield curve</b>	<i>Down -50bps</i>	7.325	3.490	<b>210%</b>	<b>-8%</b>	-13%
	<i>Up +50bps</i>	7.161	3.474	<b>206%</b>	<b>-12%</b>	11%
	<i>Up +50bps (with stable number of contracts under mass lapse)</i>	7.161	3.335	<b>215%</b>	<b>-3%</b>	New
	<i>Steepening</i>	7.474	3.320	<b>225%</b>	<b>7%</b>	New
	<i>Inversion</i>	7.185	3.456	<b>208%</b>	<b>-10%</b>	New
<b>Equity</b>	<i>Down -25%</i>	6.906	3.337	<b>207%</b>	<b>-11%</b>	-7%
<b>Spreads</b>	<i>Corporate spreads up +50bps</i>	7.302	3.395	<b>215%</b>	<b>-3%</b>	-1%
	<i>Government spreads up +50bps</i>	7.171	3.432	<b>209%</b>	<b>-9%</b>	-9%
<b>Property</b>	<i>Down -10%</i>	7.134	3.462	<b>206%</b>	<b>-12%</b>	-13%
<b>Inflation</b>	<i>Parallel Shock +50 bps</i>	7.235	3.389	<b>213%</b>	<b>-5%</b>	-5%

As per 31/12/22					Impact	Impact
Based on Solvency II <sub>PFIM</sub>		OF	SCR	Solvency	S/R	S/R 2021
<b>Base case</b>	<i>Before stress</i>	7.137	3.460	<b>206%</b>		
<b>Yield curve</b>	<i>Down -50bps</i>	7.141	3.595	<b>199%</b>	<b>-8%</b>	<b>-10%</b>
	<i>Up +50bps</i>	7.009	3.565	<b>197%</b>	<b>-10%</b>	9%
	<i>Up +50bps (with stable number of contracts under mass lapse)</i>	7.009	3.449	<b>203%</b>	<b>-3%</b>	New
	<i>Steepening</i>	7.293	3.436	<b>212%</b>	<b>6%</b>	New
	<i>Inversion</i>	7.020	3.549	<b>198%</b>	<b>-8%</b>	New
<b>Equity</b>	<i>Down -25%</i>	6.699	3.432	<b>195%</b>	<b>-11%</b>	<b>-6%</b>
<b>Spreads</b>	<i>Corporate spreads up +50bps</i>	7.178	3.426	<b>210%</b>	<b>3%</b>	8%
	<i>Government spreads up +50bps</i>	6.697	3.553	<b>189%</b>	<b>-18%</b>	<b>-31%</b>
<b>Property</b>	<i>Down -10%</i>	6.953	3.540	<b>196%</b>	<b>-10%</b>	<b>-13%</b>
<b>Inflation</b>	<i>Parallel Shock +50 bps</i>	7.081	3.483	<b>203%</b>	<b>-3%</b>	<b>-6%</b>

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 3.45%, 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 duration matching between assets and liabilities that has improved compared to 2021.

##### b/c. Up + 50bps (incl. scenario without re-scoping the mass lapse risk)

- 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 3.45%, in line with the EIOPA guidance.
- Among other impacts, the yield curve shock also has an impact on the capital requirements for life underwriting risk.
- At the current yield curve level, the calculation of the Group solvency capital requirements includes capital for a mass lapse shock that is calibrated at 40% in the Solvency II standard formula. That leads to an increase in the capital requirements for life underwriting risks and, as a consequence, in the risk margin.
- In the Q4 2022 results, the positive impacts of the yield curve increase on the own funds and the SCR are therefore crowded out by an increase in the life underwriting risk and its impact on the risk margin.
- The mass lapse shock calibration in the standard formula is overly conservative in particular when comparing with historical lapse figures in Belgium, where various strong incentives apply to encourage policyholders to keep their contracts (State's guarantee on deposits and surrender penalties).
- The above tables with the Pillar 1 and 2 results therefore include the scenario results with the same number of contracts under the mass lapse shock as in the base case. This provides an indication of the impact of a yield curve increase on the

Group's solvency ratio without the net asset value of the business that becomes subject to the standard formula mass lapse shock because of the yield curve increase.

##### d/e. Yield curve steepening and inversion

- Ageas decided to introduce these new sensitivities reflecting on the observed movement of the risk-free yield curves in 2022. They have seen a sharp increase in the short end mainly in response to Central Banks' actions to address inflation.
- Sensitivity applies a non-parallel shock on the yield curve using the tenor difference between 20 years and 2 years to define the steepness of the curve; The steepness or inversion is set to 1.5% or -1,5% respectively. 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 3.45%, in line with the EIOPA guidance.

##### 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 2022, the sensitivity to Equity increases due to lower buffering of the EIOPA equity symmetric adjustment to balance out the shock's negative impact on the Own Funds with a lower shock on the SCR (compared to 2021). On average, the equity SCR shock decreased compared to 2021 given an increasing part of the portfolio is treated as Long Term Equity charged at a fixed capital charge of 22% without application of the 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 bps.
- For pillar 1 credit spread sensitivities, Ageas recalculates 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 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. 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 due to 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. 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 the economic Pillar 2 assessment thanks to the elimination of the basis risk from the Pillar 2 MCBS.

#### b. 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 Ageas overweight in sovereign exposure compared to the reference portfolio. This impact is mitigated in the economic view reported in the Pillar 2 assessment.

### Inflation - +50bps

Prediction of inflation remains extremely difficult. With this sensitivity, Ageas does not aim to take a vision on inflation but this sensitivity allows to get a sense on potential impacts.

This sensitivity assesses the impact of market inflation on direct exposure where an explicit modelling of inflation is taken into account. In case of increase in inflation, one can expect that the yield curve will increase as well but a global yield curve change has not been assumed. The sensitivity does also not reflect secondary impacts (e.g., on the value of equities, real estate, specific claim inflation):

- Updated Q4 2022 market inflation assumption reflecting a +50bps increase.
- Inflation wedge assumptions remain unchanged in line with quarterly calculation.
- The overall yield curve remains also unchanged.

## C.2.3

### Prudent person principle

Ageas's investment framework clearly mentions 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

### C.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 consider 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 in function of the solvency capital requirement for spread risk;
- limits by sector based on the credit ratings;
- monitoring of concentrated exposure;
- Total One Obligor.

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.

### C.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, considering 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 2022.

Highest Exposure Top 10	Group Rating	Fair Value	Nominal Value
Kingdom of Belgium	AA-	14 849	15 411
French Republic	AA	4 862	4 662
Portuguese Republic	BBB	2 599	2 591
Kingdom of Spain	BBB+	2 208	2 296
Republic of Austria	AA+	1 656	1 569
Republic of Italy	BBB-	1 216	1 553
Federal Republic of Germany	AAA	1 151	1 023
European Investment Bank	AAA	904	899
Republic of India	BBB-	743	731
BNP Paribas SA	A+	736	688
<b>Total</b>		<b>30 924</b>	<b>31 423</b>

The Kingdom of Belgium remains the top counterparty in line with the strategy to 'redomesticate' at the cost of increasing the risk towards the home country. The inclusion of the Republic of India is due to the consolidation of AFLIC as of Q4 2022.



## 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. Reinsurance operations at the holding level are also managed separately from a liquidity perspective.

Causes of liquidity risk 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/1 year) 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 runoff 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 627 million as at year-end 2022, split between EUR 502 million for Life and EUR 125 million for Non-life.

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 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 & Procurement;
- 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.



## Strategic & Business risks

### C.6.1 Strategic and Business risks

**This risk 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.**

Two of the top strategic and business risks faced by Ageas Group in 2022 were Interest Rate Risk, and higher inflation risk. Further details are provided in section 3.4.

#### 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 axes:

- Physical Risk (risks that arise from the physical effects of climate change) – 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 – (risks that arise from the transition to a low-carbon and climate-resilient economy) – assess the impact on the business due to the transition measures taken / being deployed towards an ESG supported economy.

Sustainability risks are part of the risk taxonomy, and risks are considered through the risk in execution cycle within the Ageas Key Risk Reporting (KRR) and Emerging Risk Reporting Processes. Additionally, building on the 2021 work performed, Ageas continued to develop its framework for assessing climate risk in its portfolios, and climate change stress tests were performed in the 2022 ORSA.

# 7

## Any other information

### C.7.1

#### Reinsurance activity within Ageas SA/NV

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**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 principle acquiring one single multi-territory programme per risk type for the group. The remaining net exposures are closely monitored and satisfy the risk appetite.

**D**

**Valuation  
for Solvency  
Purposes**





## 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	2022 Solvency 2 Valuation	2021 Solvency 2 Valuation
<b>Total Assets</b>	<b>100 304</b>	<b>97 902</b>	<b>( 2 086)</b>	<b>95 816</b>	<b>113 874</b>
Goodwill, Deferred acquisition costs, Intangible assets	1 969	1 713	( 1 713)		0
Pension benefit surplus	52	52		52	81
Deferred tax assets	928	927	( 811)	116	109
Property, plant & equipment held for own use	2 228	947	214	1 161	747
Investments (other than assets held for index-linked and unit-linked funds)	58 210	60 750	1 783	62 532	76 823
Property (other than for own use)	3 044	3 746	1 504	5 250	5 438
Holdings in related undertakings, including participations	4 908	4 896	62	4 958	5 479
Equities	4 777	2 531		2 531	2 727
Bonds	44 276	46 183	220	46 403	58 853
Collective Investments Undertakings		2 524	( 3)	2 520	3 459
Derivatives	235	245		245	9
Deposits other than cash equivalents	822	625		625	859
Other investments	148				
Assets held for index-linked and unit-linked funds	17 296	16 985		16 985	18 899
Loans & mortgages	14 782	13 141	( 1 538)	11 603	13 265
Reinsurance recoverables	828	828	( 197)	631	833
Receivables	1 186	1 106	( 8)	1 099	1 269
Own shares			252	252	241
Cash and cash equivalents	1 242	988		988	1 339
Any other assets, not elsewhere shown	1 585	465	( 68)	396	268
<b>Total Liabilities</b>	<b>91 672</b>	<b>89 705</b>	<b>( 4 552)</b>	<b>85 153</b>	<b>102 106</b>
Technical provisions – Non-life	7 876	5 498	( 1 331)	4 167	4 725
Technical provisions - Life	56 615	58 223	( 2 427)	55 796	69 433
Technical provisions – index-linked and unit-linked	17 290	16 977	( 521)	16 456	18 428
<b>Other technical provisions</b>					
Provisions other than technical provisions	73	71	( 19)	51	159
Pension benefit obligations	811	733		733	978
Deposits from reinsurers	67	67		67	74
Deferred tax liabilities	396	327	122	449	392
Derivatives	10	18		18	48
Debts owed to credit institutions	3 051	2 716	( 8)	2 708	2 568
Financial liabilities other than debts owed to credit institutions	695	422	10	431	402
Insurance & intermediaries payables	466	464		464	485
Reinsurance payables	31	24		24	25
Payables (trade, not insurance)	807	779	0	779	925
Subordinated liabilities not in BOF					
Subordinated liabilities in BOF	2 517	2 517	( 343)	2 175	2 806
Any other liabilities, not elsewhere shown	965	868	( 34)	834	658
<b>Excess Assets over Liabilities</b>	<b>8 632</b>	<b>8 197</b>	<b>2 465</b>	<b>10 662</b>	<b>11 769</b>

\* Look-through has been applied on Ageas France.

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, while 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, sub-liabilities 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;
- Recognition of contingent liabilities under Solvency II (not applicable for Ageas).

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

Asset class	Basis, methods, and main assumptions used for Solvency II
Goodwill	Valued at nil.
Deferred acquisition costs	Valued at nil.
Intangible assets	<p>Valued at nil.</p> <p>Intangible assets consist of:</p> <ul style="list-style-type: none"> <li>- VOBA (value of business acquired)</li> <li>- Intangibles</li> <li>- Parking concessions</li> </ul>
Deferred tax assets (DTA)	<p>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.</p> <p>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.</p>
Pension benefit surplus	<p>Fair value</p> <p>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.</p>
Property, plant and equipment (PPE) held for own use	<p>Fair value</p> <p>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.</p> <p>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.</p>
Property (other than for own use)	<p>Fair value</p> <p>Almost all investment property is independently valued and verified by an external source every year. The independent appraisers are rotated every three years.</p> <p>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.</p> <p>For development property (i.e. under construction), the fair value is set to cost until the property is operational.</p>
Holdings in related undertakings, including participations	<p>Fair value</p> <p>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.</p> <p>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.</p> <p>The Asian and Turkish non-EEA insurance participations are valued according the IFRS equity method when no information is available to determine the SII 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. As from Q4 2021 AgeSa is included using the adjusted equity method.</p>
Equities – listed	<p>Fair value</p> <p>Valued using quoted market price in active markets for the same assets that are sourced independently.</p>
Equities – unlisted	<p>Fair value</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Non-quoted preference shares that are characterised as debt instruments are valued applying a discounted cash flow model.</p>

Asset class	Basis, methods, and main assumptions used for Solvency II
Government Bonds Corporate Bonds Structured notes Collateralised securities Other investments	<p><b>Fair value</b> Valued using quoted market prices in active markets for the same or similar assets that are sourced independently or alternative valuation methods.</p> <p>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.</p> <p>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.</p>
Collective investments undertakings	<p><b>Fair value</b> 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.</p>
Derivatives	<p><b>Fair value</b> 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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
Deposits other than cash equivalents	<p><b>Fair value</b> 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.</p> <p>Deposits with a remaining maturity shorter than one year are valued at redemption value or the nominal value.</p>
Assets held for index-linked and unit-linked funds	<p><b>Fair value</b> Use of quoted market prices in active markets for the same or similar assets that are sourced independently.</p> <p>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.</p>
Loans & mortgages to individuals Other loans & mortgages Loans on policies	<p><b>Fair value</b> 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.</p> <p>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, the 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.</p> <p>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.</p>
Deposits to cedants Insurance & intermediaries receivables Reinsurance receivables Receivables (trade, not insurance) Cash and cash equivalents Any other assets, not elsewhere shown	<p><b>Fair value</b> Receivables are valued at amortised cost (IFRS valuation) because of immaterial differences between amortised cost and fair value due to the short term of the receivables.</p> <p>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.</p> <p>Any other assets include amongst others non-current assets classified as held for sale, current tax receivables and prepayments. They are valued according the existing IFRS standards.</p>
Own shares	<p><b>Fair value</b> The fair value is determined based on the share price of the Ageas share (listed on Euronext Brussels).</p>

## D.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 when 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 73 million (2021: EUR 79 million). The tax losses that have not been recognised amount to EUR 3,374 million at 31 December 2022 (2021: EUR 3,200 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 918 million. In Solvency II the deferred tax assets amount to EUR 116 million.

# 2

## Technical provisions

### D.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.**

### 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.

### 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 unaccepted 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 cancellation notification period.

### D.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 illiquidity 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 (VA) 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 illiquidity 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. Workers' Compensation, Motor Third Party Liability) where future annuity payments are indexed.

## D.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 represents 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 value 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.



#### D.2.4 Risk margin

The methodology for the calculation of the risk margin is based on a proportional projected approach whereby the non-hedgeable risks of 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 towards 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.

#### D.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). Where appropriate, 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.

#### D.2.6 Material changes in the relevant assumptions

Ageas follows a disciplined process with regards to assumption changes, whereby these are reviewed on a yearly basis, subject to local OpCo governance. This includes a yearly update of various assumptions related to client behaviour, biometric inputs, claims- and other types of inflation, and others. This process typically tries to balance continuity in the assumption setting, while keeping an accurate and valid view on the assumptions to be applied.

Ageas updates its assumptions used for the valuation of technical provisions on a year basis. The yearly assumption setting process is subject to local and Group governance. These assumption changes mainly consist of updates as more recent data becomes available. For 2022, no material changes in assumptions took place.

#### D.2.7 Material differences between Solvency II and IFRS 4

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.

For Non-life business, the main differences are the explicit inclusion of discounting for all liabilities, the inclusion of binary events, and the inclusion of an explicit Risk Margin.

#### D.2.8 Matching adjustment

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

### D.2.9

#### Transitional risk-free interest rate-term structure

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

### D.2.10

#### Transitional on technical provisions

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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 1<sup>st</sup>. For year-end

reporting 2022, the factor 10/16 was applied, to be updated to 9/16 starting 01/01/2023. For quantitative impacts, please refer to Quantitative Reporting Template S.22.01.22.

# 3

## Other liabilities

### D.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	<p><b>Fair value</b></p> <p>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 recognised if these are material.</p> <p>The contingent liabilities are disclosed in note 43 of the 2022 Ageas consolidated financial statements.</p>
Provisions other than technical provisions	<p><b>Fair value</b></p> <p>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.</p> <p>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 2022 Ageas consolidated financial statements.</p>
Pension benefit obligations	<p><b>Fair value</b></p> <p>The valuation is based on IAS 19 using the projected unit credit method in the case of defined benefits plans.</p> <p>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 2022 Ageas consolidated financial statements.</p>
Deposits from reinsurers and Debts owed to credit institutions	<p><b>Both are valued at fair value</b></p> <p>The valuation of the short-term deposits and debts 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.</p> <p>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.</p> <p>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 2,153 million as disclosed in note 21 in the 2022 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.</p>
Deferred tax liabilities (DTL)	<p><b>Nominal value</b></p> <p>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.</p> <p>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.</p> <p>Timing of deferred tax liabilities is consistent with the reversal of valuation differences and realisation of taxable results of items on the balance sheet.</p>

Other liability class	Basis, methods and main assumptions used for Solvency II
Derivatives	<p><b>Fair value</b></p> <p>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.</p> <p>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 the value that could be realised through termination or assignment of the derivative.</p> <p>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.</p> <p>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 considered.</p>
Financial liabilities other than debts owed to credit institutions Insurance & intermediaries payables Reinsurance payables Payables (trade, not insurance)	<p><b>Fair value</b></p> <p>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.</p>
Any other liabilities, not elsewhere shown	<p>We refer to note 23 in the 2022 Ageas financial statements regarding the valuation of RPN(I).</p> <p><b>Any other liabilities include amongst other current tax payables and cost accruals.</b></p> <p><b>Fair value</b></p> <p>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.</p>
Subordinated liabilities not in Basic Own Funds Subordinated liabilities in Basic Own Funds	<p><b>Fair value</b></p> <p>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.</p> <p>Short term liabilities are valued based on amortised cost (IFRS valuation) because of immaterial differences between Amortised Cost and Fair Value (short-term receivables).</p> <p>Details of subordinated liabilities in Basic Own Funds are disclosed in chapter E.1.2 on Capital Management.</p>

### D.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	<ul style="list-style-type: none"> <li>- 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 reliably.</li> <li>- Under IFRS, contingent liabilities are not recognised.</li> </ul>
Deposits from reinsurers Debts owed to credit institutions	<ul style="list-style-type: none"> <li>- Under SII, long-term deposits and debts owed to credit institutions are valued applying a discounted cash flow methodology.</li> <li>- Under IFRS, these deposits are valued at cost.</li> </ul>
Subordinated liabilities	<ul style="list-style-type: none"> <li>- Under SII, long-term subordinated loans are valued applying a discounted cash flow methodology.</li> <li>- Under IFRS, these liabilities are valued at cost.</li> </ul>

# 4

## Alternative methods for valuation

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

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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.

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

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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.

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

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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.

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

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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

### D.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 (All). 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**

**Capital  
Management**



## Own Funds

### E.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, 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's objectives with respect to capital management are to be 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.



## E.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 2022	31 December 2021
<b>Own Funds to meet group SCR:</b>	<b>7 137</b>	<b>7 956</b>
<b>Unrestricted Tier 1</b>	<b>5 029</b>	<b>5 205</b>
<b>Eligible Restricted Tier 1</b>	<b>802</b>	<b>1 164</b>
Available Restricted Tier 1	802	1 164
Overflow to Tier 2	0	0
<b>Eligible Tier 2</b>	<b>1 254</b>	<b>1 525</b>
Overflow from Tier 1	0	0
Available Tier 2	1 254	1 525
<b>Tier 3</b>	<b>53</b>	<b>63</b>

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 2022, 81.7% of the eligible Own Funds are of the highest quality (Tier 1). At year-end 2022, the sum of the restricted Tier 1 components amounts to 13.8% of total Tier 1 capital.

The decrease of the Own Funds during 2022 is mainly due to the performance of the insurance business and unfavourable financial market movements (interest rates and inflation). Own funds were also negatively impacted by the Share Buy Back and the Buy Back of restricted tier 1 subordinated debt (FRESH) and the interim dividend + expected outgoing dividends.

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 Net 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 2022.

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 foreseeable dividends deducted from the Group consolidated Own Funds at year-end 2022 amount to EUR 270 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.

The composition of the subordinated liabilities recognised as Tier 1 and Tier 2 Own Funds within the consolidated Group Own Funds:

	31 December 2022	31 December 2021
<b>Tier 1</b>	<b>823</b>	<b>1 187</b>
(1) FRESH	151	384
(2) Millenniumbcp Ageas Fixed to Floating Subordinated Callable Subordinated Grandfathered Restricted Tier Loan	59	59
(3) Ageas SA/NV Perpetual Subordinated Fixed Rate Resetable Temporary Write-Down Notes	613	744
<b>Tier 2</b>	<b>1 352</b>	<b>1 619</b>
(4) AG Insurance Fixed-to-floating Callable Subordinated Notes	121	112
(5) AG Insurance Dated Fixed Rate Subordinated Notes	386	451
(6) AG Insurance Subordinated Fixed to Floating Rate Tier 2 Loan	40	68
(7) Ageas SA/NV Subordinated Fixed to Floating Rate Notes	425	510
(8) Ageas SA/NV Subordinated Fixed to Floating Rate Notes	379	478
<b>Total subordinated liabilities</b>	<b>2 175</b>	<b>2 806</b>

### Subordinated liabilities – Tier 1 Own Funds

#### 1. FRESH Grandfathered Restricted Tier 1 Notes

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 Solvency II and are rated A- by Standard & Poor's, Baa2 by Moody's and BBB by Fitch.

The securities were issued by Ageasfinlux S.A., 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-obligors with respect to the principal amount are the currently outstanding 1.2 million Ageas shares that Ageasfinlux S.A. 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 2022 already includes the 1.2 million 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 the purchased FRESH securities in 2020 were exchanged into 2,749,206 underlying shares of Ageas SA/NV. These shares are recognised on the Group's balance sheet as treasury shares and are not entitled to dividends or voting rights. The total number of outstanding shares of Ageas SA/NV as an effect from the operation remains unchanged.

In the course of the fourth quarter of 2022, Ageas SA/NV acquired an aggregate principal amount of EUR 233.25 million of FRESH securities

which were issued in 2002 by Ageasfinlux S.A. The EUR 233.25 million of FRESH securities acquired are currently held by Ageas SA/NV and have not yet been exchanged into Ageas shares. Therefore as at 31 December 2022 EUR 384 million in aggregate principal amount remains outstanding at the level of Ageasfinlux S.A. The EUR 233.25 million is eliminated at Ageas group level.

#### 2. Milleniumbcp Ageas Fixed-to-Floating Callable Subordinated Grandfathered Restricted Tier 1 Loan

On 5 December 2014, Ageas Insurance International N.V. (51%) (All) 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 previously owned by Ageas Insurance International has been transferred to the balance sheet of 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 Solvency II.

#### 3. Ageas SA/NV Perpetual Subordinated Fixed Rate Resettable Temporary Write-Down Restricted Tier 1 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 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.

#### 4. AG Insurance Fixed-to Floating Callable Subordinated Tier 2

On 18 December 2013, AG Insurance issued EUR 450 million Fixed-to-Floating Callable Subordinated Tier 2 Notes due 2044 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 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 Notes qualify as Tier 2 capital under Solvency II and are rated A- by both Standard & Poor's and Fitch. The part underwritten by Ageas SA/NV is eliminated as intercompany transaction.

### 5. AG Insurance Fixed Rate Reset Dated Subordinated Tier 2 Notes

On 31 March 2015, AG Insurance issued EUR 400 million Fixed Rate Reset Dated Subordinated Tier 2 Securities due 2047 at an interest rate of 3.5% and with a maturity of 32 years. 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. 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 are listed on the Luxembourg Stock Exchange and qualify as Tier 2 capital under Solvency II. They are rated A- by both Standard & Poor's and Fitch.

### 6. AG Insurance Subordinated Fixed to Floating Rate Tier 2 Loan

On 27 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 at an interest rate of 3.25% as a partial replacement for the USD 550 million notes which had been redeemed in March 2019. The intercompany loan between Ageas and AG Insurance is eliminated at Ageas group level. The loan may be repaid at the option of AG Insurance, in whole but not in part, on the first call date at 27 June 2029 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 3.800% per annum, payable quarterly.

### 7. Ageas SA/NV Subordinated Fixed to Floating Rate Tier 2 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 Tier 2 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 Solvency II and is rated A- by both Standard & Poor's and Fitch. It is listed on the regulated market of the Luxembourg Stock Exchange.

### 8. Ageas SA/NV Subordinated Fixed to Floating Rate Tier 2 Notes

On 24 November 2020 Ageas SA/NV issued debt securities in the form of EUR 500 million Subordinated Fixed to Floating Rate Tier 2 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 Solvency II and is rated A- by both Standard & Poor's and Fitch. The instrument is listed on the regulated market of the Luxembourg Stock Exchange.

## E.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 2022 the amount for the non-transferable minority interest equals 936 million, which is split over the different tiers: Tier 1 unrestricted 816,5 million, Tier 1 restricted 21,2 million, Tier 2 98,1 million and Tier 3 0,0 million (see also public disclosure QRT S.23.01.22).

The net deferred tax assets on group level (52.8 million EUR) equals the sum of the net def tax assets of the individual entities. The amount is included in the Tier 3 EOF.

## E.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 ;
- Deduction of non-available minority interest;
- Proportional consolidation (Interparking);
- Deduction of surplus funds not transferable to the group;
- 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 2022	31 December 2021
<b>IFRS Equity</b>	<b>8 632</b>	<b>14 172</b>
Shareholders' equity	7 582	11 914
Non-controlling interest	1 050	2 259
<b>Qualifying Subordinated Liabilities</b>	<b>2 175</b>	<b>2 806</b>
<b>Scope changes at IFRS value</b>	<b>-4 893</b>	<b>-5 647</b>
Exclusion of expected dividend	-270	-495
Proportional consolidation (Minority interest in ancillary services company)	-318	-295
Derecognition of Equity Associates	-4 305	-4 857
<b>Valuation differences</b>	<b>2 210</b>	<b>-2 348</b>
Revaluation of Property Investments	1 718	1783
Derecognition of parking concessions	-576	-407
Derecognition of goodwill	-602	-610
Revaluation of Insurance related balance sheet items (Technical Provisions, Reinsurance Recoverables, VOBA and DAC)	3 569	-7 036
Revaluation of assets which, under IFRS are not accounted for at fair value (Held to Maturity Bonds, Loans, Mortgages)	-1 256	3 384
Tax impact on valuation differences	-851	521
Other	208	16
<b>Total Solvency II Own Funds</b>	<b>8 124</b>	<b>8 985</b>
Non Transferable Own Funds	-987	-1 028
<b>Total Eligible Solvency II Own Funds</b>	<b>7 137</b>	<b>7 956</b>
Group Required Capital under Partial Internal Model (SCR)	3 460	4 226
<b>Capital Ratio</b>	<b>206,3%</b>	<b>188,3%</b>

### E.1.5

#### Deduction from and restrictions to funds

Within Ageas, two entities possess ring-fenced funds:

- Ageas France has a PERP (Plan d'épargne retraite populaire – personal savings plan). Based on the proportionality principle no detailed information is reported on this non-material ring-fenced fund.
- Ageas Federal Life Insurance company (AFLIC) possesses a material ring fenced fund. The own funds and the capital requirement of the ring-fenced fund are calculated on a stand-alone basis and added to the group own funds. The excess of own funds over the capital requirement of the ring fenced fund are deducted

from the group own funds. In Q4 2022 the excess was negative. Deduction was not required.

Surplus Funds:

- 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 are deducted from the available own funds (see non-available surplus funds in S.23.01.22).
- Surplus funds in AFLIC are not transferable to shareholders. They are considered as non-available own funds.

# 2

## Solvency Capital Requirement and Minimum Capital Requirement

### E.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. Since Q4 2022, the consolidation scope includes Ageas Federal Life Insurance Company Ltd. (AFLIC).

In November 2022, Ageas France received the French Supervisor's agreement to set up Ageas Retraite for their pension business (Fonds de retraite professionnelle supplémentaire). Since Q4 2022, Ageas Retraite is included in the Group's Solvency II scope in accordance with the relevant sectoral rules.

Since 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 Türkiye) are under solvency regimes not deemed equivalent to Solvency II and the necessary information for calculating the group solvency concerning these related undertakings is generally not available (article 229 of the Directive). Since Q4 2021, AgeSA, the Turkish equity associate purchased in May 2021, entered the scope of the group Solvency II calculations. AgeSA provides Ageas with Solvency II calculations that are included pro-rata (40%), without any diversification.

#### 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.

## E.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 does not use 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, consequently, 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<sup>4</sup>'. 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 2022	31 December 2021
Market Risk	4 263	5 000
Counterparty Default Risk	200	323
Life Underwriting Risk	1 681	944
Health Underwriting Risk	322	338
Non-life Underwriting Risk	966	875
Diversification between above mentioned risks	-2 001	-1 673
Non Diversifiable Risks	574	552
Loss-Absorption through Technical Provisions	-1 922	-1 378
Loss-Absorption through Deferred Taxes	-624	-755
<b>Group Required Capital under Partial Internal Model (SCR)</b>	<b>3 460</b>	<b>4 226</b>
Impact of Non-life Internal Model on Non-life Underwriting Risk	141	226
Impact of Non-life Internal Model on Diversification and other risks	-62	-117
Impact of Non-life Internal Model on Loss-Absorption through Deferred Taxes	16	12
<b>Group Required Capital under the SII Standard Formula</b>	<b>3 555</b>	<b>4 347</b>

The decrease in SCR compared to last year is mainly due to the lower SCR for market risk in line with the reclassifications to long-term equities and improved real estate portfolio profile as well as financial market movements (increased interest rates and lower equity markets. Life and non-life underwriting risks increase mainly due to higher lapse risk (driven by interest rates), higher non-life risk retention in the reinsurance program, and the development of the new Ageas Re business. The

SCR decreased despite the addition of AFLIC into the Solvency II scope.

The Group PIM SCR for Non-life Underwriting Risk of EUR 966 million consists of an amount EUR 705 million modelled within the internal model. The remaining part is included applying the standard formula.

### E.2.3 Solvency ratios

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

	31 December 2022	31 December 2021
<b>Total Eligible Solvency II Own Funds to meet the Group SCR</b>	<b>7 137</b>	<b>7 956</b>
Group Required Capital under Partial Internal Model (SCR)	3 460	4 226
<b>Capital Ratio</b>	<b>206,3%</b>	<b>188,3%</b>
<b>Total Eligible Solvency II Own Funds to meet the minimum consolidated Group SCR</b>	<b>6 090</b>	<b>6 810</b>
Minimum consolidated Group SCR	1 863	2 205
<b>Capital ratio</b>	<b>326,9%</b>	<b>308,8%</b>

# 3

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



Not applicable.



# 4

## Differences between the standard formula and any internal model used

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

**Pillar I (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 and Ageas Insurance Limited, 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 I based on the SCR PIM.**

Pillar II (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<sub>Ageas</sub>.

Management believes that the Pillar 2 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 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.

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 where the Standard Formula does not sufficiently cover inflation risk (such as Workers' 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<sub>Ageas</sub>. This SCR is called the SCR<sub>Ageas</sub> 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.

#### E.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 AG Insurance and Ageas Insurance Ltd., as well as an aggregation model used by Ageas Group. The model 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 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.

The primary use of Non-life Internal model is determining the Solvency Capital Requirement (SCR) for Pillar I and Pillar II purposes. Within the context of 'Use Test' the Internal Model has 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 99,5 <sup>th</sup> .
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.

#### E.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.

#### E.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 AG Insurance and Ageas Insurance Ltd. This includes the Accident products that are classified as Health in Standard Formula SCR, as well as a limited part of Workers' Compensation at AG Insurance. Other health-related Lines of Business (Medical expense, Income protection and the majority of Workers' Compensation) are not in scope of the model.

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,

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.

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.

#### E.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 simulations to forecast the one-year market consistent insurance result (market consistent P&L). This corresponds to the one-year change in Own Funds subject to Non-life Underwriting Risk. This probability distribution forecast is then used to derive the Internal Model capital charge as the difference between the 99.5<sup>th</sup> 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

for a detailed analysis of the outcome of the model together 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 collaborate 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. This includes the models' appropriateness with regards to climate change.

#### E.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 differences with the methodology underlying the Standard Formula (SF). The main differences are listed below.

- Sub-risks considered are similar between SF and IM, with premium risk being 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 and are selected by each entity in function of their risk profile.
- The SF produces only a single value at the 99.5<sup>th</sup> percentile while the Internal Model produces the full probability distribution of outcomes.
- 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 simulated 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. 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.

**E.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.

**E.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 tools;
  - 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.

**E.4.9****Risks not covered by the standard formula but covered by the internal model**

In general, the Internal Model for Non-life covers similar risk types as the Standard Formula. The added value in the Non-life Internal Model lies in the detail and granularity of the risks being modelled, in particular with regards to reinsurance arrangements, catastrophe risks, and individual large losses.

For Ageas' UK Non-life business, the Internal Model covers Periodic Payment orders, which are annuities stemming from non-life contracts. Risks covered for this type of business include longevity risk, PPO Propensity Risk, and inflation risk, which are typically not covered in the Standard Formula for Non-life Underwriting Risk.

# 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.



## Any other information

### E.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 2022	31 December 2021
<b>Group Partial Internal Model SCR</b>	<b>3 460</b>	<b>4 226</b>
Impact of Real Estate Internal Model	-125	-184
Additional Spread Risk	3	252
Delta Diversification	23	-19
Less adjustment Technical Provision	3	-156
Less Deferred Tax Loss Mitigation	0	9
<b>Group SCR ageas</b>	<b>3 363</b>	<b>4 128</b>

The movement in the Group SCRAgeas in 2022 is as follows:

<b>Group SCR ageas (1 January 2022)</b>	<b>4 128</b>
Model refinements	( 99)
Change in Solvency II Scope	101
Market impact	( 721)
Operational impact	( 46)
Exceptional items	0
Capital transactions	0
M&A Activities	0
<b>Group SCR ageas (31 December 2022)</b>	<b>3 363</b>

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

	31 December 2022	31 December 2021
<b>Group Eligible Solvency II Own Funds under Partial Internal Model</b>	<b>7 137</b>	<b>7 956</b>
Revaluation of Technical Provision	-127	-112
Recognition of Parking Concessions	499	399
Recalculation of Non Transferable	-171	-108
<b>Group Eligible Solvency II ageas Own Funds</b>	<b>7 337</b>	<b>8 135</b>

The movement in the Own Funds SCRAgeas in 2022 is as follows:

	31 December 2022	31 December 2021
<b>Group Solvency II ageas Own Funds (1 January 2022)</b>		<b>8 135</b>
Foreseeable dividend to be paid in 2022		495
Model refinements		52
Change in Solvency II Scope		239
Market impact		-808
Operational impact		691
Capital transactions		-359
M&A – acquisitions		-73
Paid dividend in 2022		-765
Foreseeable dividend to be paid in 2023		-270
<b>Group Solvency II ageas Own Funds (31 December 2022)</b>	<b>7 337</b>	<b>7 337</b>

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

	31 December 2022			31 December 2021		
	Own Funds	SCR	Solvency Ratio	Own Funds	SCR	Solvency Ratio
Belgium	5 261	2 182	241%	6 116	2 884	212%
Europe	1 795	979	183%	1 923	1 159	166%
Reinsurance	905	441	205%	905	405	223%
India (AFLIC), Non Transferable Own Funds, and Diversification	-726	-317		-1 012	-415	
<b>Total Insurance</b>	<b>7 235</b>	<b>3 284</b>	<b>220%</b>	<b>7 932</b>	<b>4 033</b>	<b>197%</b>
General Account including elimination and diversification	102	79		204	95	
<b>Total Ageas</b>	<b>7 337</b>	<b>3 363</b>	<b>218%</b>	<b>8 135</b>	<b>4 128</b>	<b>197%</b>

## E.6.2

### Solvency II reporting Ageas SA/NV solo level

This section deals with Ageas SA/NV as a solo reinsurance entity. Ageas SA/NV obtained a life and non-life reinsurance license in June 2018. Hence Ageas SA/NV is no longer a pure holding company, but also a reinsurance entity.

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

	31 December 2022	31 December 2021
<b>Total Eligible Solvency II Own Funds to meet the Solo SCR</b>	<b>5 955</b>	<b>6 228</b>
Solo Required Capital (SCR)	1 557	1 665
<b>Capital Ratio</b>	<b>382%</b>	<b>374%</b>
<b>Total Eligible Solvency II Own Funds to meet the minimum Solo SCR</b>	<b>5 254</b>	<b>5 479</b>
Minimum Solo SCR	389	416
<b>Capital ratio</b>	<b>1 350%</b>	<b>1 316%</b>

The Ageas SA/NV Solvency II ratio is of 382,4% at end 2022, stable compared with 374,0% at the end of 2021.



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