

Solvency and Financial Condition

Report 2021

A decorative graphic consisting of several thick, overlapping lines in various colors: purple, orange, red, pink, teal, and green. The lines curve and overlap in a complex, abstract pattern. A teal horizontal bar with a purple circle is also visible on the right side.

ageas®

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Introduction



All references to “Ageas” or ‘Ageas Group’ in this document, refer to a 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, refer to ageas as subsidiaries or affiliates. A ‘subsidiary’ means any entity in which ageas SA/NV, directly or indirectly is a shareholder and holds operational control, and an ‘affiliate’ means any entity in which ageas SA/NV, directly or indirectly is a shareholder and holds no operational control.

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

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

Significant developments since the beginning of 2022

On 15 February 2022, Ageas announced that its subsidiary Ageas UK Ltd had concluded an agreement with AXA Insurance UK PLC to sell its Commercial lines front book business. At the level of the Ageas Group the transaction will have an initial positive impact of EUR 45.5 million on the net results, which will be recorded in the first half of 2022.

Ageas is carefully monitoring the developing situation in Ukraine and Russia, in particular with regards to indirect macro-economic effects such as the future evolution of interest rates and inflation in markets where we are active. The Group is not active in either country through subsidiaries or affiliates. Foreseeable direct impacts are judged to be immaterial, considering the insignificant direct exposure the Group has to these markets.

Summary

General

This document is the 2021 Solvency and Financial Condition Report (SFCR) of ageas group and ageas SA/NV as a solo entity related to the Reinsurance Businesses.

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 2021, 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.

Group wide Ageas serves nearly 45 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

2021 was the closing year of the Connect21 strategy. Ageas successfully delivered on all financial targets and made substantial progress in implementing its strategic choices. Engaging strongly with all stakeholders Ageas truly lived up to its purpose as a "Supporter of your life". In June 2021, the new 3-year strategy for the period 2022-24 was launched. Impact24 is a long-term sustainable Growth strategy for the Group and for its people, building on the foundations of Connect21.

Net result

Driven by a strong commercial performance in most regions and particularly in Life, inflows (at a 100% share) in 2021 increased by 12% to EUR 40 billion. The sustained operating margin on Guaranteed products, the improved margin on Unit-Linked and the Non-Life combined ratio reflect the excellent operating performance of the consolidated entities, countering the headwinds from lower interest rates and exceptional weather events. The strong contribution from the non-consolidated entities and more specifically the Asian entities delivering an extra boost above expectations in the fourth quarter, led to a net result for the insurance activities exceeding EUR 1 billion. The Group net profit excluding RPN(i) amounted to EUR 945 million. 2021 was also the final year of Ageas's Connect21 strategy. In this last year of the strategic cycle the Group confirmed its sustainable strong operating performance of previous years, delivering on all the financial targets.

Changes to the group

On 5 May 2021, Ageas announced that it had obtained all regulatory approvals and completed its acquisition from Aviva plc, a 40% stake in the Turkish listed life insurance and pensions company AgeSA. The cash consideration amounted to EUR 143 million including transaction costs). AgeSA provides Ageas with Solvency II calculations that are included pro-rata (40%) without diversification.

Risk sensitivity

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

The overall asset mix is determined by local entities. The decision process balances risk appetite, capital requirements, long-term risks and return, policyholder expectations, profit sharing requirements and 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. The results are available in the table below. It shows the sensitivity of the Pillar 1 Solvency Ratio (SCR_{PIM}) and the Pillar 2 Solvency Ratio (SCR_{Ageas}) as at year-end 2021 by risk factor.

<i>Pillar 1</i>						
As per 31/12/21					Impact	Impact
Based on Solvency II _{IM}		OF	SCR	Solvency	S/R	S/R 2020
Base case	<i>Before stress</i>	7,956	4,226	188%		
Yield curve	<i>Down -50bps</i>	7,804	4,378	178%	-10%	-11%
Yield curve	<i>Up +50bps</i>	8,056	4,083	197%	9%	8%
Equity	<i>Down -25%</i>	7,358	4,034	182%	-6%	-5%
Spreads	<i>Corporate spreads up +50bps</i>	8,093	4,118	197%	8%	9%
Spreads	<i>Government spreads up +50bps</i>	7,348	4,666	157%	-31%	-40%
Spreads	<i>Corporate & government spreads up +50bps</i>	7,489	4,468	168%	-21%	-31%
Property	<i>Down -10%</i>	7,685	4,378	176%	-13%	-13%
UFR	<i>UFR -15bps</i>	7,940	4,277	186%	-3%	-1%
Inflation	<i>Parallel Shock +50 bps</i>	7,828	4,298	182%	-6%	-5%

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, climate change stress tests were performed in the 2021 ORSA.

Valuation differences between Solvency II and IFRS

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

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

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 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.

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 2021, the factor 11/16 was applied, to be updated to 10/16 starting 01/01/2022. 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 2021, 80.0% of the eligible Own Funds are of the highest quality (Tier 1). At year-end 2021, the sum of the restricted Tier 1 components amounts to 18.3% of total Tier 1 capital.

The increase of the Own Funds ('OF') during 2021 is mainly due to the dividend payment of participations in Asia not included in SII, the operational performance of the insurance business and favourable financial market movements (interest rates and equities, largely offset by inflation). Own funds were also impacted by the Share Buy Back and the expected outgoing dividends.

	31 December 2021	31 December 2020
Own Funds to meet group SCR:	7 956	7 869
Unrestricted Tier 1	5 205	5 047
Eligible Restricted Tier 1	1 164	1 205
Available Restricted Tier 1	1 164	1 205
Overflow to Tier 2	0	0
Eligible Tier 2	1 525	1 537
Overflow from Tier 1	0	0
Available Tier 2	1 525	1 537
Tier 3	63	79

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 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 2021	31 December 2020
Total Eligible Solvency II Own Funds to meet the Group SCR	7 956,4	7 869,0
Group Required Capital under Partial Internal Model (SCR)	4 225,9	3 962,4
Capital Ratio	188,3%	198,6%
Total Eligible Solvency II Own Funds to meet the minimum consolidated Group SCR	6 809,9	6 685,2
Minimum consolidated Group SCR	2 205,4	2 162,5
Capital ratio	308,8%	309,1%

Pillar II internal model

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). 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 is 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.

The Pillar II ageas Own Funds can be reconciled with the Pillar I regulatory Own Funds as follows:

	31 December 2021	31 December 2020
Group Eligible Solvency II Own Funds under Partial Internal Model	7 956	7 869
Revaluation of Technical Provision	-112	-221
Recognition of Parking Concessions	399	362
Recalculation of Non Transferable	-108	46
Group Eligible Solvency II ageas Own Funds	8 135	8 056

The Group SCR Partial Internal Model (Pillar I) can be reconciled to the Group SCRageas (pillar II) as follows.

	31 December 2021	31 December 2020
Group Partial Internal Model SCR	4 226	3 962
Impact of Real Estate Internal Model	-184	-270
Additional Spread Risk	252	617
Delta Diversification	-19	11
Less adjustment Technical Provision	-156	-80
Less Deferred Tax Loss Mitigation	9	-70
Group SCR ageas	4 128	4 171

A

Business and Performance





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 Rue du Marquis / Markiesstraat 1, 1000 Brussels. 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:

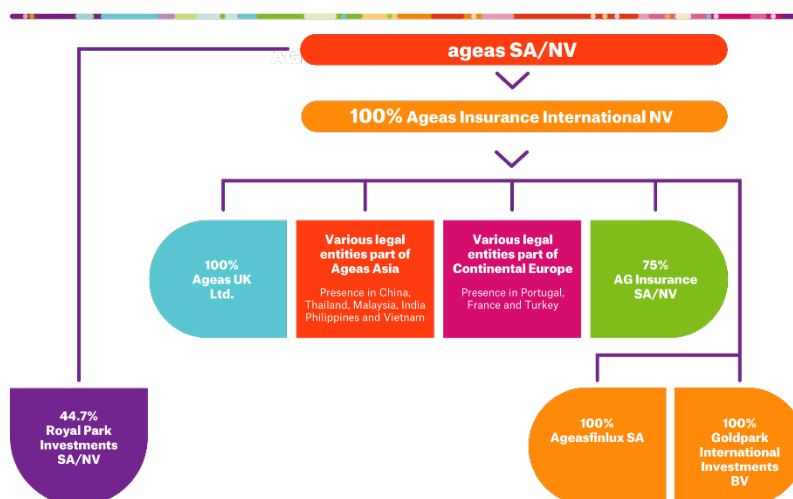
PwC Reviseurs d'Entreprises SRL / PwC Bedrijfsrevisoren BV ('PwC'), Culliganlaan 5, 1831 Diegem with Roland Jeanquart and Kurt Capoen as permanent representatives.

Annual Report ageas SA/NV:

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

Legal structure:

The group legal structure of Ageas is as follows (Finteas NV has been liquidated as per 22 December 2021):



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

Known shareholders of ageas SA/NV as at 31 December 2021 are (based on number of shares as at 31 December 2021 and on last notifications received):

- Fosun 10.01%
- BlackRock, Inc 5.23%
- Ping An 5.17%
- Schroders Plc 3.02%
- ageas SA/NV and its subsidiaries hold 2.13% 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 2021), restricted share programmes and the share buy-back programmes (see note 18 Shareholders' equity of the ageas annual report 2021).

A.1.2 Material lines of business and material geographical areas

Group wide Ageas serves nearly 45 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.

Ageas' operating segments are:

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

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

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

- Life savings products both with- and without profit sharing
- Life protection products
- Pension products

- Workers Compensation
- Motor related insurance
- Property related insurance.

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

Reinsurance activities

ageas SA/NV has a reinsurance license. This permits, the Group to enter into internal reinsurance transactions 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 three of Ageas' affiliates (Turkey, Thailand and India).

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, the participation in local treaties has been extended to new affiliates

A.1.3 Significant business or other events

2021 was the closing year of the Connect21 strategy. Ageas successfully delivered on all financial targets and made substantial progress in implementing its strategic choices. Engaging strongly with all stakeholders Ageas truly lived up to its purpose as a "Supporter of your life". In June 2021, the new 3-year strategy for the period 2022-24 was launched. Impact24 is a long-term sustainable Growth strategy for the Group and for its people, building on the foundations of Connect21.

2021 was also the year that climate change emergency reached new heights with the ambition of a maximum of 1.5°C rise in temperatures no longer needing elaboration. As 190+ nations gathered in Glasgow for COP 26 to reaffirm their commitment to maintain this critical threshold, the world got a wake-up call for accelerated action. As sizable investors, and given our proximity to a large customer base, Ageas has a significant role to play in closing the information gap and in stimulating our customers in the transition towards a more sustainable world.

As an insurer, we have a commitment towards our stakeholders to maintain a sustainable business that is built to last. We also have a duty of responsibility towards future generations to act now on global societal challenges. The strategic exercise we performed last year allowed us to translate this into an actionable plan with ambitious targets.

Sustainability has been integrated into all aspects of the company's new strategy, Impact24. Ageas wants to be a diverse, inclusive and Great place to Grow for all her employees. Ageas is expanding her offering of sustainable products that can assist the customers in the transition towards a more sustainable world. Ageas made a commitment to become GHG neutral in the own operations and to invest up to EUR 10 billion by 2024 in ESG initiatives. At the time the company made this commitment ageas had already invested EUR 6 billion.

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

Impact24 steers Ageas towards long-term sustainable growth

Over the past decade, Ageas gradually evolved into a profitable insurance company constantly looking for ways to develop, with the customer taking centre stage. When designing its strategic plan Connect21 in 2018, Ageas went back to basics, exploring the very essence of its existence. It recognised that the world is becoming more complex, meaning that the role of an insurer is constantly being challenged and expanded to meet the changing needs of all stakeholders.

For its customers, Ageas aims to take care of the "what if's" and the "what's possible" so they can live their life to the fullest with peace of mind at every stage of their journey. Through its competences and skills, Ageas offers solutions in the domains of health, well-being, housing and mobility as well as in matters related to ageing, including savings and pension solutions.

In exploring these new areas beyond traditional insurance Ageas also recognises its broader role in society, taking note of those societal challenges where Ageas can add most value. In this context, underwriting the UN Principles of Responsible Investment (PRI) for its investments, the UNEP FI Principles of Sustainable Insurance (PSI), UN Global Compact (GC) principles and embracing a selection of relevant United Nations Sustainable Development Goals (SDG) helps support these efforts.

Impact24, designed during the course of 2021 is a natural evolution from Connect21. Ageas likes to be consistent. Stayed true to the four values: Care, Dare, Deliver and Share. Ageas has already shown that it can deliver against its choices, its values, and financial targets. In fact, it is the success of choices made in the past that provides it with an anchor and a strong platform for future growth.

The Impact24 plan is grounded in the Ageas's DNA and what works well today. The plan also provides flexibility to invest in future trends likely to impact the world not only by 2024 but even by 2030 and beyond.

Net result

Driven by a strong commercial performance in most regions and particularly in Life, inflows in 2021 increased by 12% to EUR 40 billion. The sustained operating margin on Guaranteed products, the improved margin on Unit-Linked and the Non-Life combined ratio reflect the excellent operating performance of the consolidated entities, countering the headwinds from lower interest rates and exceptional weather events. The strong contribution from the non-consolidated entities and more specifically the Asian entities delivering an extra boost above expectations in the fourth quarter, led to a net result for the insurance activities exceeding EUR 1 billion. The Group net profit excluding RPN(i) amounted to EUR 945 million. 2021 was also the final year of Ageas's Connect21 strategy. In this last year of the strategic cycle the Group confirmed its sustainable strong operating performance of previous years, delivering on all the financial targets.

A strong operating performance of the insurance operations, both in Life and Non-Life resulted in a net Insurance profit of EUR 1,071 million. The Group net profit amounted to EUR 845 million with a negative result of the General Account of EUR 225 million, including a EUR 101 million negative revaluation of the RPN(i).

The Non-Life combined ratio of the consolidated entities stood at 95.4% reflecting a strong operating performance across all product lines and including the charges against the floods in Belgium and the UK. The cost related to adverse weather events for the Group, including the charges of the July floods in Belgium and the UK amounted to EUR 160 million. In Motor, the claims frequency returned to pre-Covid levels during the fourth quarter as restrictions on mobility have been lifted across Europe.

The Life Guaranteed operating margin reached 99 bps, largely exceeding the 85-95 bps target, thanks to a solid investment result and the realisation of net capital gains. Real estate revenues in Belgium are gradually recovering from the impact of Covid-19. The Group Unit-Linked operating margin stood at 35 bps at the end of December, well within the target range thanks to a satisfactory margin in Belgium and a strong recovery in Continental Europe, driven by increased volumes.

Solvency and Liquidity

Ageas's Solvency II ageas ratio amounted to 197% compared to 193% end 2020. The increase was driven by the strong operational performance of the insurance operations, more than covering the accrual of the expected dividend, and was further supported by model changes. The operational free capital generation over 2021 amounted to EUR 629 million (excluding the floods contribution in Belgium above the legal cap), The free capital generation benefitted from a strong EUR 185 million contribution in dividends from the non-controlled participations.

The total liquid assets amounted to EUR 1.1 billion. The upstreamed cash from the operating companies amounting to EUR 725 million over 2021 more than covered the holding costs, the EUR 485 million dividend paid to Ageas' shareholders and the EUR 55 million cash-out related to the ongoing share buy-back realised in 2021. The acquisition of a 40% stake in the Turkish Life company AgeSa resulted in a cash-out of EUR 140 million whereas the sale of Tesco contributed EUR 143 million.

Global settlement related to the Fortis events of 2007 and 2008

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

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

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

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

On 21 December 2018, Ageas announced that it had decided to provide clarity ahead of time by waiving its termination right. As a consequence of this the Settlement is final. The claims filing period started on 27 July 2018 and ended on 28 July 2019. As at 31 December 2021, an amount of EUR 1,199 million had already been paid out to Eligible Shareholders.

The main components of the EUR 114 million provision as at 31 December 2021 (31 December 2020: 246 million) are:

- EUR 1,309 million related to the WCAM settlement agreement
- EUR 5 million related to the tail risk, including accrued expenses
- minus EUR 1,199 million already paid to eligible shareholders.

The amounts are presented under the line item 'Provisions' in the statement of financial position and the line item 'Change in provisions' in the income statement (see 2021 Annual Financial Statement).

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 19 May 2021 approved the cancellation of 3,520,446 shares. As a result, the total number of issued shares is reduced to 191,033,128.

Acquisitions in 2021

AgeSA (formerly: AvivaSA) (CEU)

On 5 May 2021, Ageas announced that it had obtained all regulatory approvals and completed its acquisition from Aviva plc, a 40% stake in the Turkish listed life insurance and pensions company AgeSA. The cash consideration amounted to GBP 119 million (EUR 143 million including transaction costs). AgeSA is accounted for using the equity method.

AG Insurance (Belgium)

In 2021, AG Insurance increased its interest in CCN (Centre de Communication Nord, mixed redevelopment project in Brussels) from 5% to 50%. This associate is still accounted for using the equity method.

Disposals in 2021

Tesco Underwriting Ltd. (TU) (UK)

On 14 October 2020, Ageas announced an agreement for Tesco Bank to buy Ageas's 50.1% stake in associate Tesco Underwriting Limited. Accordingly, the carrying amount of the associate was presented as held for sale in the 2020 financial statements. The sale was completed on 4 May 2021 for a cash consideration of GBP 112 million. The impact of the sale on the results of the first 6 months of 2021 was a profit of EUR 4.2 million. This gain is spread over across the income statement captions 'Interest, dividend and other investment income' and 'Results on sales and revaluations'.

AG Insurance (Belgium)

In 2021, Transimmo was fully consolidated by AG Insurance and was no longer accounted for using the equity method.

Number of employees at the end of 2021

At Ageas more than 40,000 employees spread over Europe and the joint ventures in Asia, have joined forces to deliver on the pledges towards all stakeholders. Within the consolidated entities headcount amounts to 10,723 as per 31 December 2021 (with an average seniority of 14 years).



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.

If 2020 was the 'year of Covid', then 2021 should have been the 'year the world got back to a new normal'. For a while it looked like it might, but as it turned out, Covid variants were here to stay. The global economy began to recover more quickly and more strongly than expected, but at a different pace market to market. As world trade came out of hibernation, inflation started to rise.

Covid acted as a catalyst for widening social inequality with significant gaps in income, health, and education. As an insurer, every one of these factors needs our full attention. Supporting our stakeholders by protecting them today and preparing them for the world of tomorrow has been our reason of existence for almost two centuries, and this becomes even more tangible today.

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

- **Underwriting:**
the result from the collected insurance policy premiums minus claims and related expenses. The essence of insurance is the pooling or mutualisation of the risk 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 or more specific type of risks which Ageas insures and pays out claims in case of an adverse event. Going forward, fee income may come from other sources depending to what extent Ageas manages to develop its services beyond insurance.
- **Underwriting / reinsurance:**
Ageas decided in 2015 to set up an internal reinsurance activity which allows it to pool group reinsurance protection, retain a part of the risk coverage 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 group companies with the ambition to further develop the reinsurance expertise and exposure.
- **Investments:**
the net financial result generated via the investment of premiums into other revenue generating assets, such as government or corporate bonds, loans, equities or real estate. By investing in a wide and diversified set of assets spread over many industries, Ageas also actively supports the economy and society while generating a financial return that benefits first of all 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

Driven by a strong commercial performance in most regions and particularly in Life, inflows in 2021 increased significantly. The sustained operating margin on Guaranteed products, the improved margin on Unit-Linked and the Non-Life combined ratio reflect the excellent operating performance of the consolidated entities, countering the headwinds from lower interest rates and exceptional weather events. Combined with the strong contribution from the non-consolidated entities, with Asia delivering an extra boost above expectations in the fourth quarter, the net result for the insurance activities exceeded EUR 1 billion. The Group net profit excluding RPN(i) amounted to EUR 945 million, the upper end of the profit guidance. 2021 was also the final year of Ageas's Connect21 strategy. In this last year of the strategic cycle the Group confirmed its sustainable strong operating performance of previous years, delivering on all the financial targets, including bringing the Life Unit-Linked margin within the 30-40 bps range.

On the back of the excellent 2021 performance, in combination with the Group's solid balance sheet and cash position, the Ageas Board proposes a gross cash dividend of EUR 2.75 representing a pay-out ratio of 52%, fully in line with the target set under Connect21.

Inflows

The year-to-date Group inflows including the non-consolidated entities (at 100%) increased to EUR 40 billion, or +12% compared to last year, evenly spread over the mature business in Europe and the non-controlled partnerships in Asia. Scope-on-scope taking into account the divestment of the Group's stake in Tesco Underwriting and the acquisitions of AgeSa (Turkey) and Taiping Re (China), Group inflows increased 6%. Asia Life inflows were driven by high persistency levels in China and the inclusion of Taiping Re. In Europe, Life inflow growth was driven by Unit-Linked sales in Belgium and in Portugal, where the transition towards less capital-intensive products continues. Non-Life inflows were up mainly thanks to a strong commercial performance in Belgium, and the inclusion of Taiping Re. Non-Life inflows were also up both in Portugal and Turkey, with growth in the latter however fully offset by the impact of the Turkish Lira exchange rate.

The Non-Life combined ratio of the consolidated entities stood at 95.4% reflecting a strong operating performance across all product lines and including the charges against the floods in Belgium and the UK. The cost related to adverse weather events for the Group, including the charges of the July floods in Belgium and the UK amounted to EUR 160 million. In Motor, the claims frequency gradually returned to pre-Covid levels during the fourth quarter as restrictions on mobility have been lifted across Europe.

The Life Guaranteed operating margin reached 99 bps, largely exceeding the 85-95 bps target, thanks to a solid investment result and the realisation of net capital gains. Real estate revenues in Belgium are gradually recovering from the impact of Covid-19. The Group Unit-Linked operating margin stood at 35 bps at the end of December, well within the target range thanks to a satisfactory margin in Belgium and a strong recovery in Continental Europe, driven by increased volumes.

Belgium

In 2021, inflows recorded remarkable growth in both Life and Non-Life. Life inflows grew strongly thanks to excellent growth in Unit-Linked (+52% YoY) supported by commercial campaigns in the Broker and Bank channels. Non-Life inflows achieved an exceptional growth of 9% versus 2020 with an increase in all business lines thanks to the joint efforts of AG and its distribution partners. Life Guaranteed operating margins reached 97 bps thanks to a solid investment result and improving underwriting margin, while last year's margin was impacted by the volatility of the financial markets. During the fourth quarter the guaranteed margin benefitted from capital gains mainly on real estate. The Unit-Linked operating margin was strong at 37 bps. The Non-Life combined ratio for 2021 suffered from an exceptionally high impact from the summer floods. This had a 10% impact on the combined ratio partially offset by claims reserve adjustments in P&C in the fourth quarter. Excluding these exceptional items, the combined ratio (96.3%) reflected a strong underlying performance across all business lines.

UK

Year-to-date inflows scope on scope, taking into account the divestment of Tesco Underwriting, were slightly up. Continued growth in Household compensated for lower Motor premiums as a result of a disciplined approach to pricing in a market with continued low average premiums. The Non-Life combined ratio stood at 96.2%. This reflects a strong operating performance that more than compensated for the charges related to the adverse weather events impacting both the Household and Other lines' combined ratio, and some reserve strengthening against future claims costs. The increase in claims costs year on year reflects the gradual rise in vehicle usage after the pandemic restrictions.

Continental Europe

Ageas recorded an excellent commercial performance in Continental Europe, with inflows up in both Life and Non-Life. In Life, year-to-date inflow jumped 53% scope-on-scope (excluding the contribution from AgeSA in Turkey, acquired in May 2021), driven by strong sales of Unit-Linked products. Additionally, the off-balance sheet flexible pension products in Portugal continued to grow and generated EUR 207 million inflows. Non-Life inflows grew 18% at constant exchange rate, driven by strong sales momentum in Accident and Health. The guaranteed operating margin amounted to a strong 108 bps, supported by a solid underwriting performance. The Unit-Linked margin continued its steady increase following the change in product mix and the growth in inflows. The combined ratio over the year stood at a solid 88%, with claims frequency back to pre-Covid levels as from the second quarter. The Life result was significantly up, when excluding the EUR 20 million positive contribution from the reserve release in Portugal in 2020. It benefitted from a good underwriting performance in Portugal, further supported by the AgeSA contribution (EUR 11 million) in Turkey since May 2021. The Non-Life result reflected the normalisation of the claims frequency in motor as well as increased claims costs in Health insurance in Portugal. Additionally, Aksigorta's contribution in Turkey was impacted by high inflation and adverse claims experience.

Asia

Inflows in Asia increased by 8% at constant exchange rates over the year. The organic growth recorded in Life and Non-Life was further supported by the contribution from Taiping Reinsurance. Life Technical liabilities were up 18%, supported by new business growth and high persistency levels. In China, the growth was driven by new business in high value regular products and a strong year end campaign. In Non-Life, inflows benefitted from the Taiping Reinsurance contribution, while, scope-on-scope, inflows were up 4%, driven by Malaysia. With a net result of EUR 403 million, supported by a solid underlying performance, Asia strongly contributed to the overall Group net result. The Life result benefitted from a sound operating performance in China, Malaysia and Thailand, while the continued unfavourable evolution of the discount rate in China was mitigated by higher net realised capital gains and a lower effective tax rate. In Non-Life, all entities contributed positively to the full-year result.

Reinsurance

The full year reinsurance inflows included EUR 1.4 billion from the quota share agreements while an internal Life Reinsurance contract set up with Ageas France at the beginning of the year generated EUR 29 million inflows. Including the traditional protection business, total inflows are in line with the previous year and amounted to EUR 1.6 billion. In 2021, the Reinsurance result increased 10% thanks to strong fourth quarter results driven by reserving review related to the UK Motor contract and claims provision adjustments in Belgium. The full year result benefitted from a slightly lower current year claims frequency in Motor recorded at the ceding entities, albeit to a much lesser extent than last year, partially mitigating the impact of adverse weather mainly in Belgium and to a lesser extent in the UK.

General Account

The net result of the General Account of minus EUR 225 million included a EUR 101 million negative impact from the revaluation of the RPN(i) reference amount liability whereas the 2020 net result benefitted from a EUR 332 million capital gain related to the tender transaction on the FRESH securities.

The next tables give an overview of the income statement for 2021 and 2020 by operating segment.

2021	Belgium	UK	CEU	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total
Income										
- Gross premium income	5 748	1 406	1 775	-	1 623	(1 571)	8 981	-	(2)	8 979
- Change in unearned premiums	(8)	30	(8)	-	(61)	62	15	-	(1)	14
- Ceded earned premiums	(806)	(646)	(404)	-	(83)	1 479	(460)	-	-	(460)
Net earned premiums	4 934	790	1 363	-	1 479	(30)	8 536	-	(3)	8 533
Interest, dividend and other investment income	2 186	38	181	-	21	-	2 426	38	(37)	2 427
Unrealised gain (loss) on RPN(I)	-	-	-	-	-	-	-	(101)	-	(101)
Result on sales and revaluations	240	12	41	-	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	219	269	-	7	(534)	467	-	-	467
Other income	234	33	30	-	-	(1)	296	8	(22)	282
Total income	9 176	1 092	2 249	429	1 510	(566)	13 890	(58)	(60)	13 772
Expenses										
- Insurance claims and benefits, gross	(5 574)	(826)	(1 295)	-	(892)	827	(7 760)	-	3	(7 757)
- Insurance claims and benefits, ceded	513	357	182	-	35	(801)	286	-	-	286
Insurance claims and benefits, net	(5 061)	(469)	(1 113)	-	(857)	26	(7 474)	-	3	(7 471)
Charges related to unit-linked contracts	(1 167)	-	(405)	-	-	-	(1 572)	-	-	(1 572)
Financing costs	(88)	(7)	(11)	-	(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)	(247)	(225)	-	(558)	535	(1 213)	-	-	(1 213)
Staff expenses	(560)	(127)	(110)	(22)	(2)	0	(821)	(35)	4	(852)
Other expenses	(872)	(180)	(171)	(4)	(5)	4	(1 228)	(60)	19	(1 269)
Total expenses	(8 502)	(1 030)	(2 038)	(26)	(1 423)	566	(12 453)	(150)	62	(12 541)
Result before taxation	674	62	211	403	87	-	1 437	-208	2	1 231
Tax income (expenses)	(136)	(1)	(58)	-	-	(1)	(196)	(19)	-	(215)
Net result for the period	538	61	153	403	87	(1)	1 241	(227)	2	1 016
Attributable to non-controlling interests	138	-	34	-	-	(1)	171	-	-	171
Net result attributable to shareholders	400	61	119	403	87	-	1 070	-227	2	845
Total income from external customers	9 502	1 475	2 462	429	-	-	13 868	(96)	-	13 772
Total income internal	(326)	(383)	(213)	-	1 510	(566)	22	38	(60)	-
Total income	9 176	1 092	2 249	429	1 510	(566)	13 890	(58)	(60)	13 772
Non-cash expenses (excl. depreciation & amortisation)	-	-	-	-	-	-	-	13	-	13

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

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 increased from a profit of 38.1 million EUR in 2020 to 62.6 million EUR in 2021. The strong improvement of the result is mainly explained by slightly lower claims frequency on Motor recorded at the level of the ceding entities, albeit to a much lesser extent than last year for current year claims, more than compensating the impact of adverse weather mainly in Belgium and to a lesser extent in the UK.

The Life reinsurance operating result equals 1.7 million EUR. The investment result increased from 14.4 million EUR in 2020 to 21.4 million EUR in 2021, thanks to the higher amount of invested assets.

The non-technical result (not specified in the table below) amounts to 4.2 million EUR. This result mainly relates to received dividends, RPN(I), revaluations and Holding costs.

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

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	2021			2020		
	Total non-life	Total life	Total life + non life	Total non-life	Life	Total life + non life
Gross written premiums	1,512,236,974	44,245,200	1,556,482,174	1,406,998,161	14,958,856	1,421,957,017
Change in unearned premiums	-15,514,141	0	-15,514,141	-8,949,221	0	-8,949,221
Gross earned premiums	1,496,722,833	44,245,200	1,540,968,033	1,398,048,940	14,958,856	1,413,007,796
Gross paid claims	-724,373,437	-31,017,413	-755,390,850	-651,310,261	-866,965	-652,177,226
Change in gross claims reserves	-169,520,910	-5,411,565	-174,932,475	-154,721,732	-7,441,304	-162,163,036
Change equalisation reserve	338,362	0	338,362	-17,773,423	0	-17,773,423
Gross underwriting margin	603,166,847	7,816,222	610,983,069	574,243,525	6,650,586	580,894,111
Outward reinsurance premium	-83,159,518	0	-83,159,518	-54,745,615	0	-54,745,615
Reinsurance share in change UPR	759,837	0	759,837			
Payments reinsurer	31,809,933	0	31,809,933	6,238,622	0	6,238,622
Reinsurance share in change in provision	5,800,261	0	5,800,261	28,493,690	0	28,493,690
Reinsurance commission	7,216,204	0	7,216,204	4,401,849	0	4,401,849
Other reinsurance results	-37,573,283	0	-37,573,283	-15,611,455	0	-15,611,455
Net underwriting margin	565,593,565	7,816,222	573,409,787	558,632,070	6,650,586	565,282,656
Commissions paid	-552,668,944	-5,444,935	-558,113,879	-517,802,122	-5,235,128	-523,037,249
General expenses	-2,596,568	-649,142	-3,245,709	-2,687,677	-42,456	-2,730,133
Expenses	-555,265,512	-6,094,077	-561,359,589	-520,489,798	-5,277,584	-525,767,382
Operating margin	10,328,053	1,722,145	12,050,198	38,142,271	1,373,003	39,515,274
Investment result	21,365,805	0	21,365,805	14,390,785	0	14,390,785
Foreign exchange gain/loss	52,276,959	0	52,276,959	1,757,781		1,757,781
Net result	83,970,816	1,722,145	85,692,962	54,290,838	1,373,003	55,663,840

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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 2,542 EUR million in (2020: EUR 2,720 million).

	2021	2020
Interest, dividend and other investment income	2 427	2 392
Result on sales and revaluations *	294	639
Financing costs (relate mainly to subordinated debt, borrowings & other liabilities)	-138	-139
Change in impairments	-41	-172
Total	2 542	2 720

* 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.

- Rental income from car parks in 2021 and 2020 has been adversely impacted by the Covid-19 pandemic, especially for airport and city centre car parks
- In 2021, equity markets recovered from the decline caused by the Covid-19 pandemic in 2020 and higher realised gains were achieved in 2021
- The level of impairments on equity securities in 2020 reflects the adverse equity market movements induced by the Covid-19 pandemic, especially in the first and second quarter of the year. The increase in impairments on reinsurance and other receivables relates to Covid-19 related rent concessions that Ageas gave as lessor for the lease of retail property and office buildings.

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

	Recurrent Income	Realised Capital Gain (Losses)	Impairment	Total result	Change in Unrealised Gain (Losses)	Total return
Bonds	2,29%	0,05%	-0,02%	2,31%	-5,53%	-3,22%
Equity	2,86%	3,15%	-0,28%	5,72%	12,23%	17,95%
Loans	2,32%			2,32%		2,32%
Real Estate	1,81%	2,30%	-0,17%	3,95%	1,73%	5,67%
Cash	0,16%			0,16%		0,16%
Insurance	2,25%	0,38%	-0,04%	2,59%	-3,14%	-0,55%

- The total investment result stood at 2,36%, of which 2,25% recurrent income. Recurrent income yield increased with 10bp compared to last year, thanks to higher yields on real estate (lower Covid-19 impact) and equity (dividend increase), loans (composition)
- Negative change in unrealised capital gains on bonds, due to higher market yields.
- Important realization of cap gains in equity and real estate, more than a small compensating negative impact of impairments
- Revenue from loans mainly stem from government related loans, mortgage loans and infrastructure loans.

A.3.2 Investments in securitization

Ageas has no material investments in securitization. Please see note 10 and 12 of the group annual report 2021 for more information on the financial instruments ageas invests in .

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Performance of other activities

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

The net result of the General Account of minus EUR 225 million included a EUR 101 million negative impact from the revaluation of the RPN(i) reference amount liability whereas the 2020 net result benefitted from a EUR 332 million capital gain related to the tender transaction on the FRESH securities.

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.

	2021 Minimum lease payments	2020 Minimum lease payments
Less than 1 year	80	82
1 year to 2 years	77	74
2 years to 3 years	64	72
3 years to 4 years	58	58
4 years to 5 years	47	51
More than 5 years	440	441
Total	766	778
Annual rental expense	6	5
Future finance charges	206	208

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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 2021, 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. Hence, during financial year 2021, 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 Rue du Marquis 1/Markiesstraat 1, 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 reinsurances 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 arrangements between ageas SA/NV and, mostly, its Operating Companies:

- 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.

The reinsurance arrangements are divided into two categories:

- "Protection Treaties": ageas SA/NV participates as a co-reinsurer in existing reinsurance treaties that ceding companies have designed and agreed with external reinsurers. ageas SA/NV has an option to participate in these treaties, for a share up to maximum 50%, at the terms and conditions agreed with the external reinsurer(s)
- "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 five segments:

- 4 Insurance segments:
 - Belgium
 - United Kingdom
 - Continental Europe
 - Asia
- The Group Reinsurance segment.

All reinsurance activities carried by ageas SA/NV and only reinsurance activities carried by ageas SA/NV are reported in the Group Reinsurance segment.

The Group 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.

ageas SA/NV significantly expanded its internal reinsurance activities during 2019. It launched its Capital Management program, whereby it accepted quota-share agreements and loss portfolio transfers on the non-life business of the fully consolidated entities. In 2020 ageas SA/NV took a larger share in the same quota share agreements and loss portfolio transfers. Another change that took place in 2020 relates to the contract boundaries. Previously the contract boundaries were approximately three years, but it has now been decreased to one year.

ageas also accepts non-proportional reinsurance from its entities. This non-proportional business is partially retroceded to the external reinsurance market, in principle acquiring one single multi-territory programme per risk type for the group. There is no intention to write third party business. Overall, a reduction of the group reinsurance costs, and a better protection of the group balance sheet is envisaged.

B

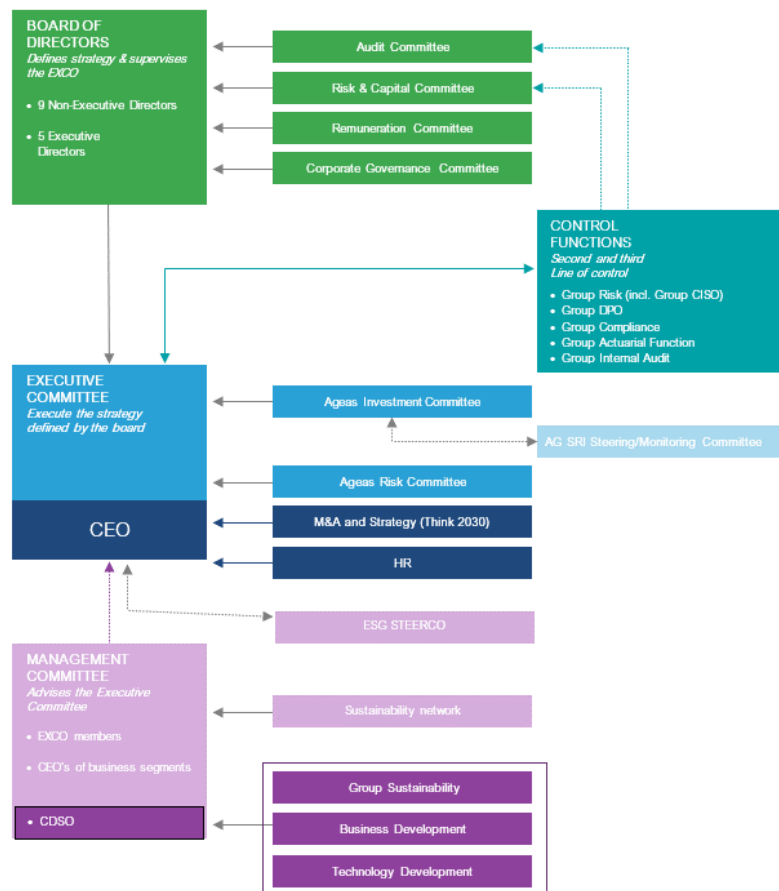
System of Governance





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 2021 annual report of Ageas, section Report of the Board of Directors.

At the end of 2021, 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

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

with the legal and regulatory framework applicable to each Ageas company.

Executive Committee

RESPONSIBILITIES AND POWERS

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

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

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

Management Committee

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

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

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

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

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

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

- Members of the Board of Directors
- Members of the Executive Committee and of the Management Committee

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

Detailed information on the remuneration of individual Board Members and Executive Committee members who held office during 2021 can be found in note 6 section 6.3 Remuneration of the Board of Directors and Executive Committee members in the Ageas Consolidated Financial Statements 2021.

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 and
- stimulate, recognise and reward both strong individual contribution and solid team performance.

The reward package for the Executive Committee members reflects a concept of integrated total compensation, combining the following components of pay: fixed remuneration, variable remuneration pension and extraordinary items.

- Fixed remuneration consists of base compensation and other benefits such as health care, death, disability coverage and a company car. Base compensation levels are determined per executive position for top management and are intended to compensate the Executive Committee members for their position's responsibilities and set of competencies
- Variable remuneration consists of a One-Year variable remuneration (Short-Term Incentive) and a Multi-Year variable (Long-Term incentive). The Short-Term incentive (STI) is designed to stimulate, recognise and reward strong individual contribution by the Executive Committee members as well as solid performance as head of or as team member within the Executive Committee. The STIs are determined by the Executive Committee member's actual performance on the basis of pre-agreed performance criteria, Key Performance Indicators (KPIs). These comprise for 70% Corporate business performance (group objectives) and for 30% Individual performance (personal objectives, both quantitative and qualitative). For the CRO the KPI's comprise Corporate Business performance (40%), specific KPI's related to the risk function (30%) and individual performance (30%). The Short-Term Incentive (STI) on target is set at 50% of base compensation, with a maximum equal to 100% of base compensation.

The Long-term incentive plan is designed to:

- encourage and support the creation of shareholders' value and to ensure that the Executive Committee members, like the shareholders, share in the company's successes and 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 2021, the following insurance arrangements are reported:

Defined Contribution Pension Plan for the Executive Committee with a total cost amounting to EUR 926.244 (excluding taxes):

▪ Hans De Cuyper (CEO)	EUR	171.504
▪ Christophe Boizard (CFO)	EUR	196.890
▪ Filip Coremans (MD Asia)	EUR	198.807
▪ Antonio Cano (MD Europe)	EUR	197.691
▪ Emmanuel Van Grimbergen (CRO)	EUR	161.352

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 2021, 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 as at 31 December 2021 are (based on number of shares as at 31 December 2021 and on last notifications received):

- Fosun 10.01%
- BlackRock, Inc 5.23%
- Ping An 5.17%
- Schroders Plc 3.02%
- ageas SA/NV and its subsidiaries hold 2.13% 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 2021), restricted share programmes and the share buy-back programmes (see note 18 Shareholders' equity of the ageas annual report 2021).

B.1.5 Material changes in our system of governance

In 2021, the allocation of responsibilities between the different members of the Executive Committee has been modified.

At the end of 2021, the Executive Committee of Ageas was composed of:

- Hans De Cuyper, CEO, responsible for the Strategy and 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 property investments within the Group
- Filip Coremans, MD Asia, responsible for monitoring of the performance of the business in Asia and for Business and for the activities under the Chief Development and Sustainability Officer, including ESG matters.

At the end of 2021, the Management Committee was composed of:

- The five members of the Executive Committee
- 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
- The Chief Development and Sustainability Officer, Gilke Eeckhoudt.

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)
- 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
- Honest
- Trustworthy
- Independent
- Ethical and credible.

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

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:

- 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 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 COSO¹ ERM and Internal Control frameworks, which encompasses key components that act as a supporting foundation of the risk management system. Our ERM can be defined as the process of systematically and comprehensively identifying critical risks, assessing their impact, and implementing integrated strategies to provide *reasonable assurance* regarding the achievement of the company's objectives.

Ageas' ERM framework 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.

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



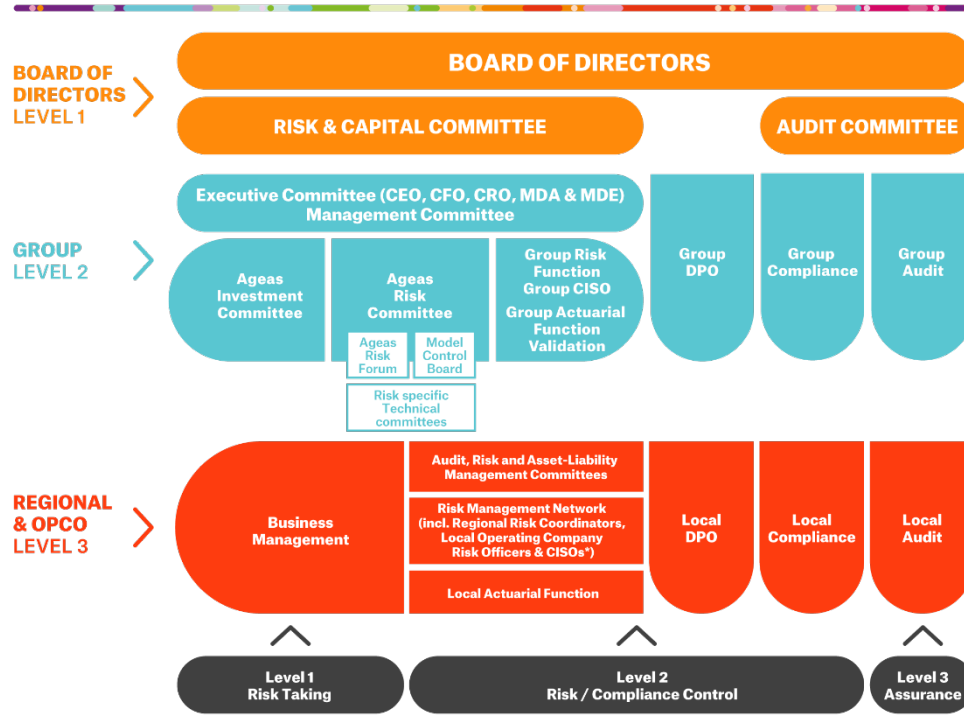
Note - Internal Control, Information Security and Data Management are managed as part of the ERM framework.
*In addition to 4A & 4B, further risk reports exist and are documented in the Ageas Enterprise Risk Management Framework.

¹ The Committee of Sponsoring Organizations of the Treadway Commission (COSO)

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).



* 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 and compliance (the latter during the first half of 2021).

3.3.4 Executive Committee

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

3.3.5 Management Committee

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

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

3.3.6 Ageas Investment Committee

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

3.3.7 Ageas Risk Committee (ARC)

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

3.3.8 Ageas Risk Forum (ARF)

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

3.3.9 Ageas Model Control Board (MCB)

Ageas Model Control Board (MCB) advises the Ageas Risk Committee on topics related to the models and methodology. The MCB is composed of Group Risk Model Managers and regional and local

representatives, allowing for the proper interactions with the local Model Control Boards. The MCB ensures that the models used are appropriate and suited to the task they are used for. The MCB is itself advised by Risk-Specific Technical Committees where appropriate. 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 in order to facilitate the collaboration with the Risk Management System. The main role of the Actuarial function is to issue Actuarial Opinions on tree key subjects (Technical Provisions, Underwriting and Reinsurance), and additionally, coordinates the calculation of technical provisions and assures a level of consistency throughout the Group.

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. Where appropriate, Audit formulates recommendations to optimize these processes.

3.3.14 Local Operating Companies (OpCos)

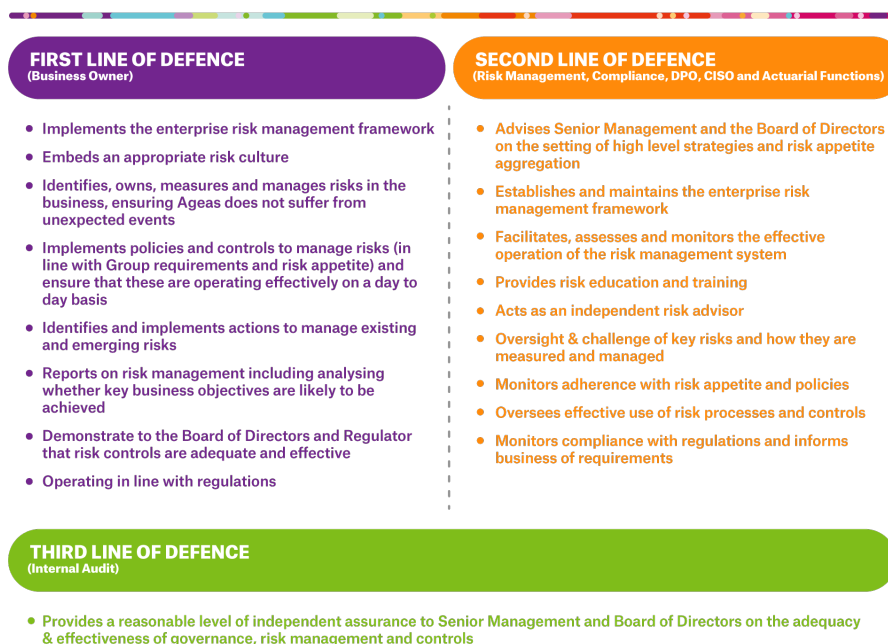
Each OpCo is responsible for ensuring that it has a comprehensive risk management framework in place, and for managing its risks within the limits, policies and guidelines set by Regulators, Ageas Group and its local Board of Directors.

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

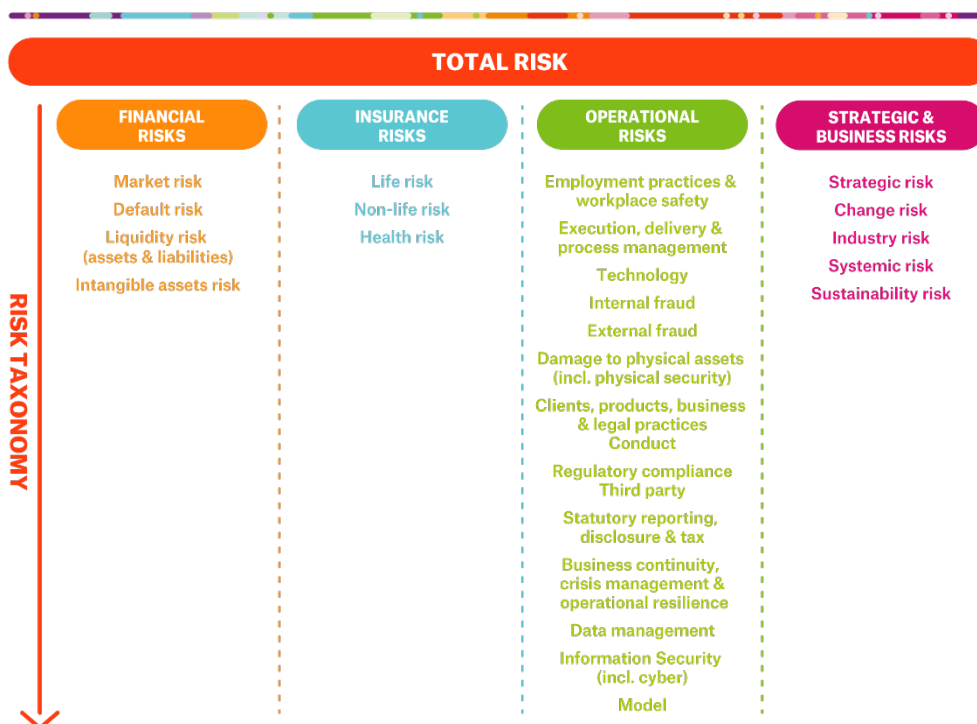
- a Management Risk Committee, which supports its management team in ensuring that key risks are well understood, and appropriate risk management procedures are in place
- an ALM Committee whose role includes the monitoring of market risks to ensure they are managed in accordance with the risk framework 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 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 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 output of the process is documented in a quarterly Group Top Risk Report.

The top key risks that Ageas faced during 2021 continued to be:

- Volatile / unfavourable market movements (including impacts due to the COVID-19 pandemic)
- Interest Rate Risk: prolonged low interest rate / sudden rise of interest rate combined with mass lapses
- Higher Inflation Risk
- Information Security risk (including cyber and data protection).

Ageas is carefully monitoring the developing situation in Ukraine and Russia, in particular with regards to indirect macro-economic effects such as the future evolution of interest rates and inflation in markets where we are active. The Group is not active in either country through subsidiaries or affiliates and has only limited direct exposure through financial investments or underwriting.

3.4.2 Regarding 2021 events:

Volatile / unfavourable market movements (including impacts due to the COVID-19 pandemic)

The COVID-19 pandemic and its uncertain recovery path (including inflation trajectory and supply-chain issues) has increased volatile / unfavourable market movements.

Following the unprecedented and massive interventions taken from Central Banks and Governments to help stabilise some of the economic and financial consequences triggered by the pandemic, support measures are starting to be wound down. Consequences from increased deficits and debts are highly difficult to anticipate and measure.

The evolution of COVID-19 and its impacts have been closely monitored and assessed throughout 2021 and Ageas entities have demonstrated both financial and operational resilience amidst the unsettling circumstances caused by the pandemic.

Interest Rate Risk: prolonged low interest rate / sudden rise of interest rate combined with mass lapses.

Central banks in advanced economies may keep interest rates low as governments struggle to manage their higher debt loads. Some are likely to tolerate higher inflation in future to achieve this aim. The biggest risk is a sudden increase in inflation without an increase in nominal interest rates (decreasing real interest rates).

Despite the increase observed over the first three quarters of 2021, interest rates remain at historically low/negative levels among others suffering from the downside pressure induced by the Covid-19 situation and the related monetary policies which further challenges the equilibria on which the Life Insurance business model is based.

These economic uncertainties give rise to the risk of potential losses from spread movements, equity market corrections, counterparty default and downgrades on the investment portfolio and potential broker and customer debt default.

Ageas has implemented actions to mitigate exposure to this risk.

Higher Inflation Risk

Major economies are currently experiencing inflation rates far above Central Bank targets. The debate is ongoing on whether this is a transitory rise triggered by supply-chain issues at the reopening of the global economy, or a more long-term effect.

The general increase in inflation is partially a consequence of the economic recovery observed lately, which has to adjust to the (probably temporary) bottlenecks in the production and transport processes during the lockdown periods. In parallel, other factors are clearly playing a role in this phenomenon, such as the energy price crisis – while in the past energy prices often fell at relatively the same pace as they rose, factors such as the Paris climate agreement, European Green Deal, Geo-Political tension (e.g. Ukraine-Russia, USA...), differing energy policies adopted by different states... could imply that fossil fuel prices will stay elevated and possibly continue to rise.

A sudden increase in inflation (resulting from post-Covid economic recovery) not immediately followed by an increase in the nominal interest rates (decreasing real interest rates) is considered to be an additional risk for insurers. A stress test was conducted for the 2021 ORSA.

Information Security (including cyber and data protection)

As global focus remains on the pandemic, cybercriminals continue their efforts to exploit the situation. Due to the COVID-19 situation, the majority of staff across our operating companies and JVs are working from home, which can increase our vulnerability to information security risk (including cyber risk). Whilst cybercrime activities / threats are heightened, no major successful cyber-attacks are reported across Ageas entities – education, vigilance and awareness of all staff is key to combatting cyber threats so naturally significant time and effort is spent on ensuring personnel are aware of the latest approaches that malicious actors may use.

Cyber security risks are mitigated by implementing and embedding the Group Information Security framework, which is part of the broader Enterprise Risk Management framework. Furthermore, a Group Information Security Community is established and chaired by the Group Chief Information Security Officer (CISO). This Community serves as a platform for the exchange of information and best practices regarding Information Security within Ageas Group operating companies, as well as the identification of synergies and common initiatives regarding Information Security.

A Security Operating Centre is established to facilitate a 24/7 overview of Ageas' critical infrastructure and enables security teams to respond immediately to any identified security threats – including cyber-attacks – which may have a critical impact on Ageas' business. Additionally, specific Ageas Group training programs on data and information security (in addition to continuous awareness and education initiatives) are in place to further strengthen Ageas' operational resilience.

A yearly information security assessment is performed based on the Information Security Forum Security HealthCheck (ISF SHC)². The insurance worldwide result is used as a benchmark. The results of this assessment are reviewed and confirmed by an independent third-party. Each local Ageas entity agrees and defines local actions based on the results of this yearly assessment. Progress of these actions is monitored within the Information Security Community.

3.4.3 Emerging Risk Reporting (including sustainability risks)

Ageas has also implemented an Emerging Risk Process. This is a risk identification exercise to determine possible threats / risks that stem from emerging trends / opportunities for the business that, by their nature, are uncertain and difficult to quantify.

An Horizon Scan process led by Group Strategy occurs annually with stakeholders from across Group entities that make up a Think2030 working group, a forward looking strategically focused group. Identified emerging trends are then scored based on artificial intelligence, and the opinion of Ageas' employees. All these components support in building the Horizon Scan radar to define focus and priorities in Horizon Scan report. The Horizon Scan report, Regional / OpCo emerging risk radars and reports together with numerous external sources (insurance industry reports, forums, peer reports...) provide key inputs into the Emerging Risk Reporting Process.

Business relevant emerging risks are categorised using PESTLE methodology (Political, Economic, Social, Technological, Legal, Environmental), are assessed and managed using Ageas' emerging risk rating methodology where proximity and impact criteria are used to guide the most appropriate course of action. Regions / OpCos compile local emerging risk reports on an annual basis which feed into a Group Emerging Risk Report. 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.

² ISF SHC is available in ISF Standard of Good Practice (SoGP) and/or ISO 27k formats. Global results for Ageas Group are reported in the ISF SoGP format comprising 17 chapters against which the assessment is performed.

The top (high proximity, major impact) Emerging Risks for Ageas as at end 2021 are:

- Cybercrime
- Future of work
- Societal sustainability and ethical way of doing business
- Environmental sustainability (climate change / extreme weather).

It should be noted that some of these emerging risks are also reported as key risks – the (currently) existing impacts of these risks are managed through the KRR process, whilst the emerging / future anticipated risk impacts are followed up through the emerging risk reporting process.

Cyber Crime (PESTLE category – Technological)

With the increased use of technology (Internet of Things, wearables, digitalization, cloud computing, etc.) and data becoming even more valuable, private and corporate data is subject to more cyberattacks. COVID 19 resulted in workforces across the globe working remotely from home or other locations with high reliance on computer systems, mobile devices and the internet to work. There is evidence that malicious actors are exploiting these vulnerabilities to their own advantage as cybercrime is on the rise. 'Silent cyber risk' is an area requiring specific focus – it includes the potential cyber-related losses stemming from traditional non-life policies that were as such not designed to cover cyber risk.

To date, actual impact on the business has been minimal and the reporting of this risk reflects industry-wide evidence that malicious activity is on the increase, and the importance of regularly reviewing and evolving controls against an ever-changing threat landscape. For example, the industry and the business have seen the number of phishing scams, the sending of fraudulent messages designed to trick a human victim into revealing sensitive information to the attacker or to deploy malicious software on the victim's infrastructure, continue to rise.

Please refer to the actions covered under the KRR 'Information Security (including cyber and data protection)'.

Future of Work (PESTLE category – Social)

The growing adoption of AI in the workplace, expansion of the workforce to include internal & external stakeholders, remote workforce, flex working, sustainability, dependency on technology, talent attraction & retention, unemployment, social shifts...are shaping the future of work.

COVID-19 has accelerated the pace at which companies are responding to and rethinking what the future of work should entail for their organisation. This contributes to an increasingly competitive market for talent attraction and retention. Factors such as sustainability and increased remote working may further result in companies downsizing or relocating office space (potential real estate portfolio impact). In the longer-term, it may be likely that people will increasingly co-work with machines and robotics – social aspects of the workplace may further deteriorate potentially leading to mental health issues, impacting overall well-being, human interactions and experiences.

With stakeholder engagement, Ageas has established projects and actions to collectively define what the future of work may entail. The future of work project, new way of working project, digital workplace project, and smart automation represent the key actions underway in this area.

Societal Sustainability & ethical ways of doing business (PESTLE category – Social)

Social sustainability is about identifying & managing business impacts on people (from employees & customers to communities).

Society is increasingly concerned about environmental and social issues, opting more towards conscious rather than conspicuous consumption. Maintaining a transparent and strong ethical way of doing business, supported by products, services, societal / environmental initiatives and actions are becoming more vital than ever to support long-term business viability and success.

In the event that the business does not evidence an ethical way of doing business in a growingly complex world (technological advances, big data, AI, sustainability/ESG, supply chains, pandemics, viruses, cybercrime) the long-term viability of the business could be materially adversely impacted from regulatory, reputational and customer retention perspectives.

Ethical use of AI and Explainable AI are topics that are being prioritized in a Data Management & Governance Taskforce. Ethical & interpretable / explainable AI is being explored with respect to pricing where the exact needs of practitioners are being assessed. With respect to Sustainability, focused effort on the Sustainable Development Goals and in particular the Social element of ESG, responsible insurance, responsible investments and responsible operations is reported on in this report. With the launch of a new 3-year strategic cycle ('Impact 24'), work is commencing on Product Innovation to achieve the target of 25% of GWP (Gross Written Premiums) coming from products stimulating our customers in the transition towards a more sustainable world by 2024 and 100% of products to be reviewed for transparency by 2024.

Environmental sustainability (climate change / extreme weather) (PESTLE category – Environmental)

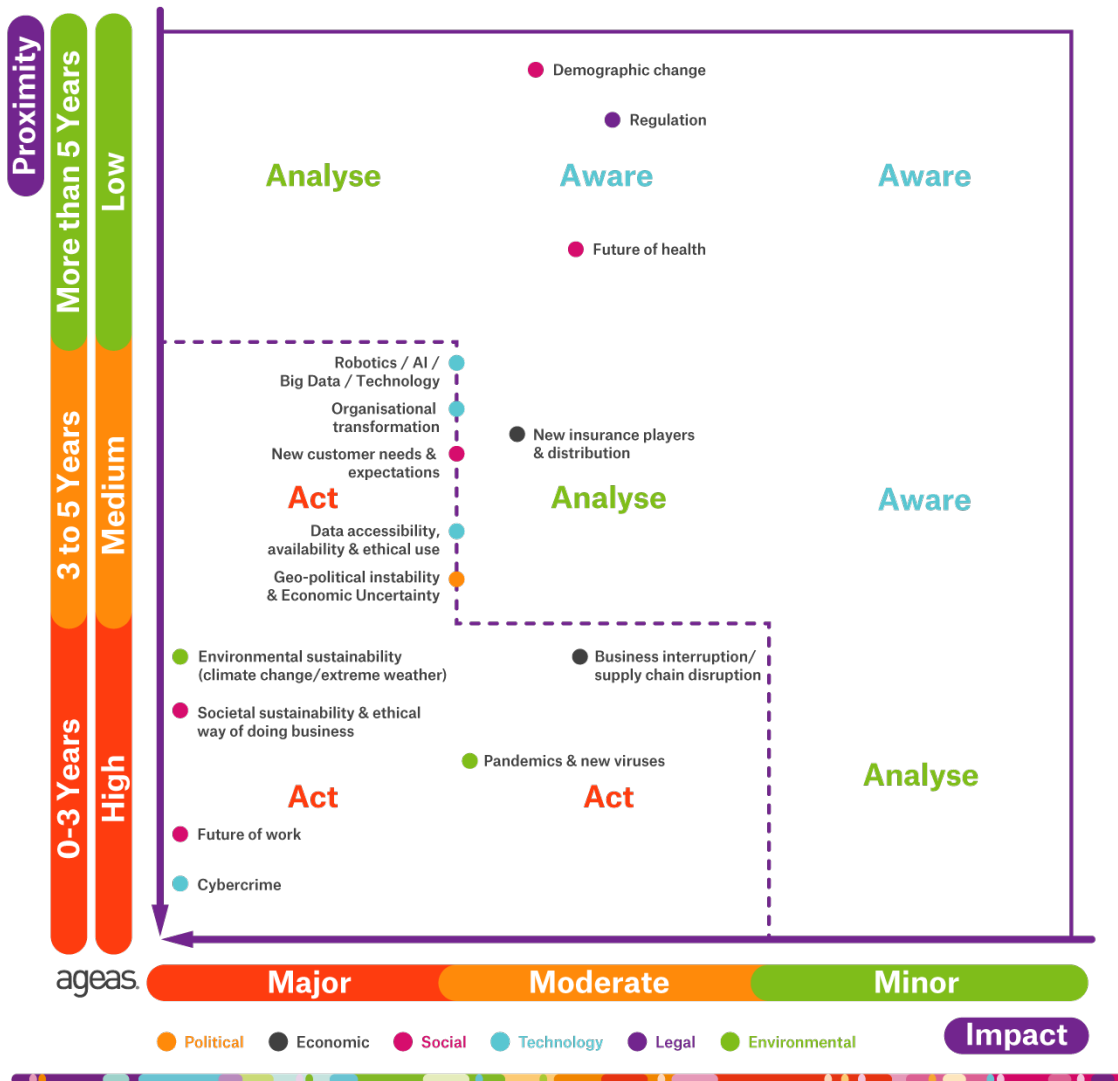
Human activities change the earth's climate and are presently driving climate change through global warming. Extreme weather includes unexpected, unusual, unpredictable, severe, or unseasonal weather. Often, extreme events are based on a location's recorded weather history and defined as lying in the most unusual ten percent.

The ability of the global insurance industry to manage society's risks is being threatened by climate change: more frequent extreme weather events are driving up uninsured losses and making certain assets uninsurable. More natural catastrophes are expected which can impact, for example, fire & household business lines but also profitability of the sector, with disaster-related costs becoming unsustainable. Furthermore, as the physical effects of climate change are contributing to more frequent and extreme global weather events, this will in turn have a direct impact on re/insurance, whereby reinsurers are likely to change their risk appetite.

As part of Ageas' 3-year strategic cycle 'Impact 24', Ageas will take a long-term, responsible approach to how Ageas invests, contributing to solutions for sustainable cities, local economies and climate change. Ageas is also committed to GHG (Greenhouse gases) emission reduction - within this strategic impact area, Ageas has defined actions to reduce its environmental impact. Ageas also performed a scenario

programme as part of the ORSA 2021 exercise – the approach and resulting actions are further detailed below in this section.

The Group Emerging Risk Radar below reflects the emerging risks most relevant to business activities that have been identified as part of the 2021 Emerging Risk Process.



Spotlight: Climate Change Risk Assessment

With its new strategy Impact 24, Ageas puts sustainability and long-term thinking at the heart of the Group's decision-making to make a positive and lasting impact for all stakeholders. In the new strategy, Ageas will strengthen the long-term, responsible approach to investment (the ambition of net zero by 2050) and reduce its environmental impact to become GHG-neutral in its own operations. While Management is convinced that these are critical steps to contribute to addressing the climate change challenges, Ageas strives to ensure an efficient management of the potential mid and long-term impacts of different climate change evolution and the implications for the insurance business and operations.

In 2021, for the first time, to better understand and manage the short-, medium-, and long-term risks from climate change and how they will affect its business model, Ageas performed climate change stress testing as part of its ORSA process. Ageas defined its approach, based on the Bank of England / Prudential Regulation Authority (PRA) stress test approach in the Climate Biennial Exploratory Scenario (CBES).

Scenario Definition

PRA 2021 Biennial Exploratory Scenario (BeS)³ served as inspiration for asset and liabilities stresses for transition and physical risks, considering type of investment and sector allocation.

The impacts of the three hypothetical climate scenarios⁴ cover a **30-year time horizon** on selected metrics of their business models and asset valuations:

- **Early Action:** the transition to a net-zero emissions economy starts in 2021 so carbon taxes and other policies intensify relatively gradually over the scenario horizon leading to a drop in global carbon dioxide emissions to net-zero around 2050. Global warming is limited to 1.8°C by the end of the scenario (2050) relative to pre-industrial levels. Some sectors are more adversely affected by the transition than others, but the overall impact on GDP growth is muted, particularly in the latter half of the scenario once a significant portion of the required transition has occurred and the productivity benefits of green technology investments begin to be realized.
- **Late Action:** the transition is delayed until 2031, at which point there is a sudden increase in the intensity of climate policy, leading to a successful reduction of greenhouse gas emissions to net-zero around 2050, but the transition required to achieve that is abrupt and therefore disorderly. Global warming is limited to 1.8°C by the end of the scenario (2050) relative to pre-industrial levels. The more compressed nature of the reduction in emissions results in material short-term macroeconomic disruption. This affects the whole economy but is particularly concentrated in carbon-intensive sectors.

- **The No Additional Action scenario.** In this scenario, no new climate policies are introduced beyond those already implemented prior to 2021. The Bank has calibrated that scenario based on the physical risks that might be expected to materialize in the period from 2050 to 2080 if no further policy action were taken. The absence of transition policies leads to a growing concentration of greenhouse gas emissions in the atmosphere and, as a result, global temperature levels continue to increase, reaching 3.3°C relative to pre-industrial levels by the end of the scenario. This leads to chronic changes in precipitation, ecosystems and sea-level. There is also a rise in the frequency and severity of extreme weather events such as heatwaves, droughts, wildfires, tropical cyclones and flooding. There are permanent impacts on living and working conditions, buildings and infrastructure. Changes in physical hazards are unevenly distributed with tropical and subtropical regions affected more severely. Many of the impacts from physical risks are expected to become more severe later in the 21st century and some will become irreversible. So the headwinds facing the economy would be expected to increase further into the future.

The CBES scenario specification builds upon a subset of the Network for Greening the Financial System (NGFS) climate scenarios, which aim to provide central banks and supervisors with a common starting point for analysing climate risks under different future pathways. The Bank of England has expanded on the NGFS scenarios by including additional risk transmission channels and adding additional variables (working with climate scientists, academics and industry experts). As a result, the CBES scenarios are not identical to those produced by the NGFS, but they are consistent across many variables.

Both the Early Action & Late Action scenarios correspond to the NGFS Zero 2050 scenario, with the difference being the suddenness of the transition shock, leading to additional economic dislocation in the Late Action scenario. The NGFS assumptions driving transition risks were derived using the REMIND-MagPIE 2.1-4.2 Integrated Assessment Model. Both scenarios roughly correspond to the RCP 2.6° pathway.

The No Additional Action corresponds to the NGFS Current Policy scenario, with the caveat that most of the physical risks manifesting beyond the 2050 horizon are brought forward, in order to include them in the stress test horizon. The underlying assumptions were obtained by considering the GCAM 5.3 Integrated Assessment Model at the 90th percentile, contrasting with the 50th percentile for the Early & Late Action scenarios. This scenario roughly corresponds to the RCP 6.0° pathway.

³ The Bank of England has developed its 2021 biennial exploratory scenario on the financial risks from climate change. This scenario aims at testing the resilience of the current business models of large insurers to physical and transition risks stemming from climate change.

⁴ The CBES scenario specification builds upon a subset of the Network for Greening the Financial System (NGFS) climate scenarios, which aim to provide central banks and supervisors with a common starting point for analyzing climate risks under different future pathways. The Bank of England has expanded on the NGFS scenarios by including additional risk transmission channels and adding additional variables (working with climate scientists, academics and industry experts). As a result, the CBES scenarios are not identical to those produced by the NGFS, but they are consistent across many variables.

Impact assessment

Assessing these three scenarios allows Ageas to assess the financial impact via 2 primary channels:

- Physical risks: associated with an increase in claims and losses due to climatic events (such as floods, droughts, storms), and changes in climatic trends (such as changing weather conditions or sea level rise). Physical risks can be broken down into two categories:
 - Acute physical risks: those which arise from certain events, especially weather-related events (e.g. floods, storms).
 - Chronic physical risks: those which arise from longer-term shifts in climate patterns (e.g. temperature changes, rising sea levels, changing soil moisture).
- Transition risks are related to asset value losses and increased operating costs resulting from disruptions and shifts associated with a (sudden) transition from a carbon-intensive to a low-carbon economy.

With these scenarios, Ageas also considers EIOPA's recommendations published in April 2021 in their Opinion on the supervision of the use of climate change risk scenarios in ORSA, where insurance companies are recommended to identify material climate change risks and identify the materiality of the exposures to the risks through a combination of qualitative and quantitative analysis.

Given that materialisation of risks related to climate change will extend over the long term, the assessment is not limited to the multi-year budget horizon, but prolonged until 2050 by considering 6 reference years being 2026, 2031, 2035, 2040, 2045 and 20505.

For the assets, the impacts reflect an instantaneous sensitivity under the three scenarios coming with a shock by type of assets and sector, reflecting a higher impact for less sustainable sectors while allowing a lower impact for more sustainable sectors. Ageas also selected the relevant financial variables for the ORSA exercise namely government bonds, corporate bonds, risk-free rates, real estate and equity. Gross Value Added (GVA) paths are also considered for each individual industry sector, reflecting the degree of exposure of each individual sector to climate risks.

The impact assessment of climate change on the insurance liabilities was a local exercise with a focus on both qualitative and quantitative assessment. Physical risks are associated with an increase in claims and losses due to climatic events (such as floods, storms, etc), and changes in climatic trends (such as changing weather conditions or sea level rise).

To support the process of developing models on Climate Change, for internal risk assessment and regulatory/rating agencies requests, Ageas

also decided to collaborate with different external partners, considered to be leaders of climate change understanding in the insurance sector and notably in conducting specific quantitative exercises focusing on Natural Catastrophe for entities covered by the Non-life Internal Model in collaboration.

The results of the quantitative scenario analysis undertaken to assess the impact of physical risk on underwriting liabilities ultimately demonstrate that business-wide gross impacts on future peril (flood, subsidence) losses under all scenarios are considered manageable.

Mitigation actions

Different mitigation actions are already identified and considered in Ageas Risk management strategy, for both assets and liabilities:

- Impact24: Ageas Group Strategy commits to EUR10 billion of investments making a positive contribution to the transition towards a more sustainable world, and ESG to be considered in 100% of investments
- The adherence to a Responsible Investment Framework which requires ESG to be integrated within the investment analysis and decision-making process
- Investment Policy: Updated to include specific reference to climate risk identification, mitigation and monitoring
- Judiciously choosing the sectors in which to invest. Given the fact that the sectors most resilient to physical risks are not necessarily the same as the sectors most resilient to transition risks, an arbitrage is to be operated in this choice.
- Reinsurance consideration to absorb claims cost for natural catastrophes. Natural catastrophe risks (particularly those arising from Flood and Storms) are already monitored on a regular basis at local level to ensure that Cat models and reinsurance mitigation remains appropriate to our risk profile.
- Short-term climate-related physical risk is heavily mitigated by the short-dated duration of liabilities, allowing for flexible risk selection and pricing accordingly.
- External partnerships: Engagement with external firms considered to be leaders of climate change understanding in the insurance sector
- 'New way of working' for employees. allowing our employees to work flexibly and remotely (limits the potential for natural catastrophes to compromise operations).

It is important to note that this exercise was the first Ageas has performed in this important area and the business will continue to (i) develop and expand climate change modelling to cover additional perils (such as wildfire, subsidence...) and potential impacts, and (ii) refine these initial modelling approaches to make outputs as meaningful as possible

5 2026 can be considered in this context as representative for the MYB horizon (2022-2026), 2031 is the pivotal year in the late action subscenario, while the others are based on 5-year periods until 2050. All the computations start from the balance sheet at Q2 2021, and therefore do not include any other movement in the fair value of assets than those foreseen in the subscenario. This is clearly not a realistic assumption for a long-term prevision, but it allows for comparability and shows the long-term vulnerability of the current asset mix to long term trends related to climate change.

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

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

Solvency

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

Earnings

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

Liquidity

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

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 testing⁶ (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.

⁶ The stress testing process selected applied must vary at least every 3 years

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

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

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

3.5.2 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 SCRageas 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 elements⁷, 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 deontological provisions to promote the ethical values of the company to play an active role in the sustainability of reputation and customer centricity and to support the company's decision process.

Group Compliance oversees, directly or indirectly, all subsidiaries, organisational entities and affiliates of Ageas worldwide. Group Compliance has no authority with respect to affiliates it is however the aim to be informed of major compliance risks, evolving legislation that could impact 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.

⁷ The elements are based on the Internal Control Components from the COSO framework: Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring.

4.2.2 Compliance Mission

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

The Group Director Compliance has the following areas of responsibility:

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

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

4.2.3 Compliance Scope

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

- Prevention and detection of criminal activities (e.g. Money Laundering / Counter-Terrorism Financing)
- Corruption and Anti-Bribery
- Customer identification, acceptance and follow-up ("Know Your Customer")
- Duty of care, product suitability and adequate information to customers, market practices and consumer protection ("Treating Customers Fairly, Conduct Risk, Customer Best Interest")
- Third Party and Counterparty Risk, (Financial) Embargoes
- Corporate Governance, Suitability and Fit & Proper rules, Remuneration Policy, Code of Ethics and Conflicts of Interest, Integrity
- Prevention of Insider Trading and Market Abuse
- Fair competition
- Privacy protection (in collaboration with the Data Protection Officer - DPO)

- Foreign laws that may impact on compliance domains (e.g. FATCA) as well as
- All topics required by local law or imposed by the local control authority
- Any additional topic requested by the Management or Supervisory body of the undertaking.

4.2.4 Compliance organisation

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

The Group Director Compliance reports to the Ageas Chief Risk Officer (and directly to the Ageas Chief Executive Officer for forensic audit matters). He has direct access to the Executive Committee and to the Risk and Capital Committee⁸. He informs the Board of Directors quarterly.

The Compliance function is part of a coherent set of independent control functions between which cooperation is necessary in order for (reasonable) assurance to be given to Management. A Memorandum of Understanding on the Cooperation between the Compliance function and (i) the other independent control functions, and (ii) the Legal function and the Company Secretarial function and the Data Protection Office is set up in each consolidated entity of the Group, and describes to what extent these functions cooperate, and clarifies the procedures for information exchange and control in that regard.

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

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

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

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

⁸ It was previously via the Audit Committee but, further to a legal change, Compliance henceforth reports to the Risk and Capital Committee of the Board of Directors.

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 assess whether the internal processes, as designed and operated by management of the entities, are adequate and functioning.

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

From a Group perspective, the Chief Audit Executive:

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

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

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

- **Head of the Group Actuarial Function:**
He bears the ultimate responsibility for the Actuarial Report at group level. The requirements as in the Ageas' Fit & Proper Policy apply to the Head of the Group Actuarial Function. He also organizes and monitors the information flows and reporting.
- **Opinion on Non-Life domain:**
Director of Quantitative Risk Management reporting to the Group Chief Risk Officer bears the responsibility of (i) content-wise determination of Non-Life Insurance related information to be up streamed and (ii) the monitoring, challenging and consolidating of that information.
- **Opinion on Life domain:**
Director of Quantitative Risk Management reporting to the Group Chief Risk Officer bears the responsibility of (i) content-wise determination of the Life Insurance related information to be up streamed and (ii) monitoring, challenging and consolidating of that information.

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

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

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

7

Outsourcing

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, 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.

Overview of critical / Material Outsourcing contracts Reporting as per 31 December 2021

No.	Territorial Jurisdiction where provider is located	Activity	Business Line Support Function
1	Belgium	IT management	IT
2	Belgium	Investment Management	Finance
3	Belgium	Ageas Cloud (including The Valuation Platform)	CDO



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.

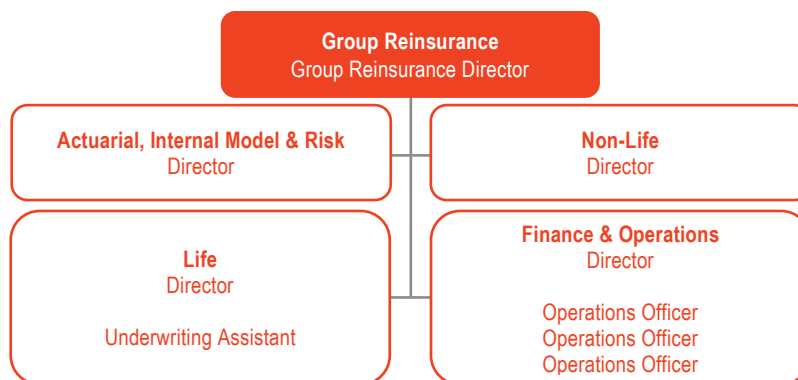
The members of the RRRC are:

- The Ageas MDE (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 Finance & Operations
- 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 realized underwriting.

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



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

- The Group Reinsurance Director (chair)
- The Group Reinsurance Director Non-Life (chair in absence of the Group Reinsurance Director)
- The Group Reinsurance Director Life
- The Group Reinsurance Director Actuarial, Modelling and Risk
- The Group Reinsurance Director Finance and Operations.

The Ageas MDE has a standing invitation to the RMC.

The roles and responsibilities of the RMC are:

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

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

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

The core members are:

- The Group Reinsurance Director Actuarial, Modeling and Risk (Chair)
- (Secretary)– idem
- The Group Reinsurance Director Non-Life
- The Group Reinsurance Director Life
- The Group Reinsurance Director Finance and Operations
- Standing invitation: the Group Reinsurance Director, the Ageas Local Actuarial Function
- Invitation depending on the topic: members of Group Risk, Finance, Group Compliance Function.

In line with scheduled topics, other stakeholders may be invited.

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

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

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 RMC
- The Ageas Finance Director Consolidation and Reporting
- The Ageas Business Risk Manager Group Reinsurance.

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

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 a deviation in the mortality rate leads to an increase in the value of insurance liabilities.

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

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

B. DISABILITY/MORBIDITY RISK

Disability/morbidity risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of disability, sickness and morbidity rates. This can, for example, arise in the disability business, health business and 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's insurance companies take into account experience with similar cases and historical trends, such as reserving patterns, exposure growth, loss payments, pending levels of unpaid claims, as well as Court decisions and economic conditions.

To mitigate the claims risk, Ageas's insurance companies adopt selection and underwriting policies based on their historical claims experience and modelling. They do this by client segment and class of business based on knowledge or expectations of future movements in claims frequency and severity. Ageas's insurance companies also 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, the Ageas's insurance companies adopt selection rules, control their risk concentration and subscribe adequate reinsurance Catastrophe treaties.

D. LAPSE RISK

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

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

The management of Non-life 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.

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

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

1.3.5 Testing

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

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

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

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, yield, or volatility of real estate.

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

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

F. MARKET RISK CONCENTRATION

Market risk concentration refers to risks stemming from a lack of diversification in the asset portfolio originating from a large exposure 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 in order to control the nature and level of financial risks and to ensure that risks being taken are appropriate for both customer and shareholder and are appropriately rewarded.

The overall asset mix is determined by local businesses based on asset mix studies to identify the appropriate strategic assets, their adequacy from an Asset Liability Management (ALM) perspective and on regular monitoring of the market situation and prospects to decide on the tactical allocation. The decision process needs to balance risk appetite, capital requirements, long-term risks and return, policyholder expectations, profit sharing requirements, tax and liquidity issues to arrive at an appropriate target mix. The 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_{P1M}) and the Pillar 2 Solvency Ratio (SCR_{Ageas}) as at Q4 2021 to the specific stand-alone risk factors:

Key conclusions for each sensitivity are as follows:

Pillar 1					Impact	Impact
As per 31/12/21					S/R	S/R 2020
Based on Solvency II _{P1M}		OF	SCR	Solvency		
Base case	<i>Before stress</i>	7,956	4,226	188%		
Yield curve	<i>Down -50bps</i>	7,804	4,378	178%	-10%	-11%
Yield curve	<i>Up +50bps</i>	8,056	4,083	197%	9%	8%
Equity	<i>Down -25%</i>	7,358	4,034	182%	-6%	-5%
Spreads	<i>Corporate spreads up +50bps</i>	8,093	4,118	197%	8%	9%
Spreads	<i>Government spreads up +50bps</i>	7,348	4,666	157%	-31%	-40%
Spreads	<i>Corporate & government spreads up +50bps</i>	7,489	4,468	168%	-21%	-31%
Property	<i>Down -10%</i>	7,685	4,378	176%	-13%	-13%
UFR	<i>UFR -15bps</i>	7,940	4,277	186%	-3%	-1%
Inflation	<i>Parallel Shock +50 bps</i>	7,828	4,298	182%	-6%	-5%

Pillar II

As per 31/12/21		OF	SCR	Solvency	Impact S/R	Impact S/R 2020
Based on Solvency II _{Ageas}						
Base case	<i>Before stress</i>	8,135	4,128	197%		
Yield curve	<i>Down -50bps</i>	7,962	4,318	184%	-13%	-12%
Yield curve	<i>Up +50bps</i>	8,200	3,935	208%	11%	10%
Equity	<i>Down -25%</i>	7,549	3,962	191%	-7%	-5%
Spreads	<i>Corporate spreads up +50bps</i>	8,120	4,141	196%	-1%	-1%
Spreads	<i>Government spreads up +50bps</i>	7,904	4,201	188%	-9%	-10%
Spreads	<i>Corporate & government spreads up +50bps</i>	7,912	4,201	188%	-9%	-12%
Property	<i>Down -10%</i>	7,843	4,265	184%	-13%	-13%
UFR	<i>UFR -15bps</i>	8,096	4,148	195%	-2%	-1%
Inflation	<i>Parallel Shock +50 bps</i>	8,011	4,172	192%	-5%	-4%

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 3.60%, in line with the EIOPA guidance. No floor is applied, allowing negative interest rates.
- The Impact on the own funds is limited thanks to the matching between assets and liabilities.

b. Up + 50bps

- Sensitivity applies a shock on the yield curve of +50 bps. The shock is applied on the non-extrapolated part of the yield curve impacting both assets & liabilities. This shocked market data is extrapolated to the UFR reaching 3.60%, in line with the EIOPA guidance.
- This sensitivity is the reverse of the downward scenario and results consequently in a positive impact on the Solvency II ratio explained by increasing own funds strengthened by a decreasing SCR.

Equity - 25%

This sensitivity applies a shock on the equity portfolio of -25%.

- Note that the impact is mitigated by a corresponding decrease of the equity shock in the SCR thanks to a review of the equity symmetric adjustment to -8.3%. 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 2021, the sensitivity to Equity increases due to the stronger impact on Own Funds (in line with the increased exposure due to re-risking and market movements) while the impact on SCR benefits from the lower

equity shock (in line with the negative equity symmetric adjustment after the sensitivity applies). The equity SCR shock is more stable 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 EIOPA equity symmetric adjustment while another part is invested in equity funds benefiting from embedded downward protection.

Property - 10%

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

Credit Spread

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

a. Sovereign and Corporate Spread + 50 bps

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

b. Corporate Spreads +50 bps

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

c. Sovereign Spread + 50bps

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

Ultimate Forward Rate (UFR) – 15bps

- The UFR of the Solvency II yield curve is reviewed downwards with 15bps to 3.45% (instead of 3.60%) impacting only the extrapolation of the yield curve.
- This reduction is applicable for the calculation of the risk-free interest rates as of 1 January 2022.
- The reduction in the UFR corresponds to EIOPA's current long term target assessment, hence Ageas removed the additional scenario with a -25bps reduction.

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 some feeling of potential impacts.

This sensitivity reflects a first attempt to assess the impact of market inflation on direct exposure where an explicit modelling of inflation is taken into account. In case of increase of 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 2020 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 by sector based on the credit ratings
- monitoring of concentrated exposure.

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

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

B. COUNTERPARTY DEFAULT RISK

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

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

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

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

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

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 2021.

Highest Exposure Top 10	Group Rating	Fair Value	Nominal Value
Kingdom of Belgium	AA-	20 069	15 166
French Republic	AA	6 274	4 777
Portuguese Republic	BBB	3 792	3 119
Kingdom of Spain	A-	2 418	1 797
Republic of Austria	AA+	2 307	1 744
Republic of Italy	BBB	1 541	1 537
Federal Republic of Germany	AAA	1 446	1 101
BNP Paribas SA	A+	1 039	834
EUROPEAN INVESTMENT BANK	AAA	1 106	918
EFSF	AA+	771	613
Total		40 763	31 606

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.

4

Liquidity risk

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

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

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

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

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

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

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

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

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

- Cash flow forecasts
- Asset allocation and maturity profile
- The 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 354 million as at year-end 2021 (2020: EUR 354 million).

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



5

Operational risk



Operational risk is defined as the risk of losses arising from 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.

One of the top operational risks faced by Ageas Group in 2021 has remained information security risk (including cyber and data protection). Further details are provided in section 3.4 of this SFCR.



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 2021 were Interest Rate Risk: prolonged low interest rate / sudden rise of interest rate combined with mass lapses, 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, climate change stress tests were performed in the 2021 ORSA.

7

Any other information

C.7.1 Reinsurance activity within ageas SA/NV

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

The risk profile of its Protection business (mainly non-proportional reinsurance accepted from its entities) is slightly different. This non-proportional business is largely retroceded to the external reinsurance market, in 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	2021 Solvency 2 Valuation	2020 Solvency 2 Valuation
Total Assets	111 138	109 981	3 891	113 874	115 317
Goodwill, Deferred acquisition costs, Intangible assets	1 740	1 468	(1 468)		0
Pension benefit surplus	81	50		50	45
Deferred tax assets	100	99	10	109	129
Property, plant & equipment held for own use	1 732	491	256	747	696
Investments (other than assets held for index-linked and unit-linked funds)	69 146	72 841	3 982	76 823	80 750
Property (other than for own use)	3 117	3 910	1 527	5 438	5 082
Holdings in related undertakings, including participations	5 328	5 316	163	5 479	5 149
Equities	5 703	2 727		2 727	2 150
Bonds	54 074	56 561	2 291	58 853	64 216
Collective Investments Undertakings		3 459		3 459	3 094
Derivatives	40	9		9	22
Deposits other than cash equivalents	715	859		859	1 037
Other investments	168				
Assets held for index-linked and unit-linked funds	18 899	18 899		18 899	17 088
Loans & mortgages	13 777	12 335	930	13 265	12 572
Reinsurance recoverables	801	801	29	833	806
Receivables	1 348	1 285	(16)	1 269	1 157
Own shares			241	241	331
Cash and cash equivalents	1 937	1 339		1 339	1 452
Any other assets, not elsewhere shown	1 576	340	(72)	268	291
Total Liabilities	96 966	96 103	6 004	102 106	103 980
Technical provisions – Non-life	7 889	5 604	(879)	4 725	4 604
Technical provisions - Life	59 305	61 645	7 788	69 433	72 728
Technical provisions – index-linked and unit-linked	18 887	18 887	(459)	18 428	16 720
Other technical provisions					
Provisions other than technical provisions	182	180	(21)	159	299
Pension benefit obligations	1 074	978		978	950
Deposits from reinsurers	74	74		74	77
Deferred tax liabilities	971	904	(512)	392	448
Derivatives	41	48		48	48
Debts owed to credit institutions	2 917	2 563		2 568	2 859
Financial liabilities other than debts owed to credit institutions	625	363		402	367
Insurance & intermediaries payables	485	485		485	521
Reinsurance payables	25	25		25	25
Payables (trade, not insurance)	946	924		925	839
Subordinated liabilities not in BOF					
Subordinated liabilities in BOF	2 748	2 748	58	2 806	2 936
Any other liabilities, not elsewhere shown	798	675	(16)	658	560
Excess Assets over Liabilities	14 172	13 878	(2 112)	11 769	11 337

The most relevant reclassifications:

- The minority share in the Interparking participation is not reported in the Solvency II MCBS as a proportional consolidation method is applied under Solvency II (as of Q4 2020), 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 and Held to maturity (HTM) investments are recorded at amortised cost under IFRS, while these are valued at fair value under Solvency II.
- Liabilities (technical provisions) arising from (re)insurance and investment contracts are recognised at market-consistent values

- Revaluation of participations in material European Economic Area (EEA) insurance entities to fair value (use of the adjusted equity method)
- Recognition of contingent liabilities under Solvency II.

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	Intangible assets consist of: <ul style="list-style-type: none"> - VOBA (value of business acquired): valued at nil. - Intangibles: valued at nil - Parking concessions valued at nil.
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>

Asset class	Basis, methods, and main assumptions used for Solvency II
Holdings in related undertakings, including participations	<p>Fair value Material European Economic Area (EEA) insurance participations are presented as participations and are valued at fair value using as a proxy the adjusted equity method. This can be applied under the condition that underlying assets/ liabilities of that participation are valued at fair value according to article 75 of the SII Directive.</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 Valued using quoted market price in active markets for the same assets that are sourced independently.</p>
Equities – unlisted	<p>Fair value Valued using alternative valuation methods where no quoted market prices are available for the same or similar assets. The fair value is determined using discounted cash flow models. Discount factors are based on a swap curve plus a spread reflecting the risk characteristics of the instrument.</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>
Government Bonds Corporate Bonds Structured notes Collateralised securities Other investments	<p>Fair value 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>Fair value Use of mark to market based on quoted prices in active markets for the same or similar assets that are sourced independently or use of alternative valuation methods. The fair value is determined using discounted cash flow models. Discount factors are based on a swap curve plus a spread reflecting the risk characteristics of the instrument.</p>
Derivatives	<p>Fair value The derivatives are held for trading or hedging purposes and relate to interest rate and equity options, interest rate swaps and foreign exchange contracts. Derivatives held for trading are valued based on alternative valuation methods using, as appropriate, discounted cash flow models and option pricing models based on observable market data in active markets.</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>Fair value Deposits are valued using alternative valuation methods using discounted cash flow methodology discounting yield curve is the swap curve plus spread (assets) or the swap curve minus spread (liabilities) spread is based on (amongst others) credit standing and can be derived from the commercial margin computed based on the average of new production during last 3 months.</p> <p>Deposits with a remaining maturity shorter than one year are valued at redemption value or the nominal value.</p>

Asset class	Basis, methods, and main assumptions used for Solvency II
Assets held for index-linked and unit-linked funds	<p>Fair value 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>Fair value To the extent loans are originated or purchased from third parties, their fair value is based on the transfer price of such loans/debt securities to third party at the year-end date of the MCBS. The valuation may involve using alternative valuation models if there are no readily available market prices for such loans.</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 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>Fair value Valued at amortised cost (IFRS valuation) because of immaterial differences between amortised cost and fair value due to the short term of the receivables.</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 current tax receivables and prepayments.</p>
Own shares	<p>Fair value 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 79 million (2020: EUR 71 million). The tax losses that have not been recognised amount to EUR 3,200 million at 31 December 2021 (2020: EUR 3,308 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 100 million. In Solvency II the deferred tax assets amount to EUR 109 million.



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 liquidity of the insurance liabilities being valued.

The reference valuation curve is constructed using:

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

For Pillar I purposes, Ageas has applied the Volatility Adjustment (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 liquidity premium, based on its own portfolio and ALM profile, instead of the EIOPA VA which is based on an EU average portfolio.

2.2.2 Volatilities

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

2.2.3 Stochastic valuation

Where the value of options and guarantees is taken into account, the best estimate liabilities are calculated using stochastic valuation techniques. In practice, Monte Carlo simulation based on risk-neutral

scenarios is employed. Each simulation will have impacts on the variable cash flows, whereas fixed cash-flows will remain constant.

2.2.4 Inflation

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

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

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

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

For Non-life insurance, inflation can be considered through direct or indirect methods. Indirect methods will consider inflation implicitly when forecasting future claims and expense cash flows. Direct methods are employed in certain lines (e.g., 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 represent the actual commissions for the past calendar year. The commission assumptions cover acquisition commissions, renewal commissions, bonus commissions and claw-back of unearned commission in case of lapse. Since future new contracts are out of scope for solvency purposes, acquisition commissions for these contracts are not included in the valuation of technical provisions.

Acquisition Expenses

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

Administration and Operating costs

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

Asset management rules

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

Profit sharing rules

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

2.3.2 Non-life assumptions for the best estimate valuation

Claims payments

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

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

The main reason for isolating attritional, large and Cat claims is that, in many cases, large claims require a dedicated valuation technique. Methods to 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 Basic SCR, Operational SCR and adjustment of loss absorption of technical provisions at time step zero are run off following selected risk drivers. Risk drivers can be benefit payments or exposure to which there is an obligation from the insurer toward the policyholder. The level of granularity of this projection depends on the operating company and can vary from the company level to the level of homogenous risk groups. A cost of capital rate of 6% is applied to the projected capital requirements as required by Solvency II.

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 2021, no material changes in assumptions took place.

D.2.7 Material differences between Solvency II and IFRS

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

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

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

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 2021, the factor 11/16 was applied, to be updated to 10/16 starting 01/01/2022. 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>Fair value</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 valued at nil if they cannot be valued reliable.</p> <p>The contingent liabilities are disclosed in note 43 of the 2021 Ageas consolidated financial statements.</p>
Provisions other than technical provisions	<p>Fair value</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 2021 Ageas consolidated financial statements.</p>
Pension benefit obligations	<p>Fair value</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 2021 Ageas consolidated financial statements.</p>
Deposits from reinsurers and Debts owed to credit institutions	<p>Both are valued at fair value</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 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 2,078 million as disclosed in note 21 in the 2021 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>

Other liability class	Basis, methods and main assumptions used for Solvency II
Deferred tax liabilities (DTL)	<p>Nominal value The valuation of the DTL is based on the difference between the underlying assets and liabilities of the MCBS and the tax base balance sheet. The measurement principles of IAS 12 are applied in valuing deferred tax liabilities.</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>
Derivatives	<p>Fair value The derivatives are held for trading or hedging purposes and relate to interest rate and equity options, interest rate swaps and foreign exchange contracts. Derivatives held for trading based on alternative valuation methods using, as appropriate, discounted cash flow models and option pricing models based on observable market data in active markets.</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) Any other liabilities, not elsewhere shown	<p>Fair value The valuation is based on amortised cost (IFRS valuation) because of immaterial differences between amortised cost and fair value due to the short-term nature of the payables.</p> <p>We refer to note 23 in the 2021 Ageas financial statements with regard to the valuation of RPN(I).</p>
Any other liabilities, not elsewhere shown	<p>Any other liabilities include amongst other current tax payables and cost accruals. Fair value The valuation is based on amortised cost (IFRS valuation) because of immaterial differences between amortised cost and fair value due to the short-term nature of the items included.</p>
Subordinated liabilities not in Basic Own Funds Subordinated liabilities in Basic Own Funds	<p>Fair value Long-term subordinated loans are fair valued applying a discounted cash flow methodology. Changes in own credit standing of the issuer are excluded from the valuation of these liabilities. The issuer considers its own credit standing at inception and subsequently ignores any changes in its own credit standing.</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"> - 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. - Under IFRS, contingent liabilities are valued at nil if less likely than not or they cannot be valued reliably.
Deposits from reinsurers Debts owed to credit institutions	<ul style="list-style-type: none"> - Under SII, long-term deposits and debts owed to credit institutions are valued applying a discounted cash flow methodology. Changes in Ageas's own credit standing are excluded in the valuation. - Under IFRS, these deposits are valued at cost.
Subordinated liabilities	<ul style="list-style-type: none"> - Under SII, long-term subordinated loans are valued applying a discounted cash flow methodology. Changes in Ageas's own credit standing are excluded in the valuation. - Under IFRS, these liabilities are valued at cost.

4

Alternative methods for valuation

D.4.1

Identification of assets and liabilities for which alternative valuation methods apply

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

D.4.2

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

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

D.4.3

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

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

D.4.4

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

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

5

Any other information

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

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

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

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

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

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 2021	31 December 2020
Own Funds to meet group SCR:	7 956	7 869
Unrestricted Tier 1	5 205	5 047
Eligible Restricted Tier 1	1 164	1 205
Available Restricted Tier 1	1 164	1 205
Overflow to Tier 2	0	0
Eligible Tier 2	1 525	1 537
Overflow from Tier 1	0	0
Available Tier 2	1 525	1 537
Tier 3	63	79

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 2021, 80.0% of the eligible Own Funds are of the highest quality (Tier 1). At year-end 2021, the sum of the restricted Tier 1 components amounts to 18.3% of total Tier 1 capital.

The increase of the OF during 2021 is mainly due to the dividend payment of participations in Asia not included in SII, the operational performance of the insurance business and favourable financial market movements (interest rates and equities, largely offset by inflation). Own funds were also impacted by the Share Buy Back and the expected outgoing dividends.

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

Subordinated liabilities

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

	31 December 2021	31 December 2020
Tier 1	1 187	1 234
(1) FRESH	384	384
(2) Millenniumbcp Ageas Fixed to Floating Subordinated Callable Subordinated Grandfathered Restricted Tier Loan	59	59
(3) ageas SA/NV Perpetual Subordinated Fixed Rate Resettable Temporary Write-Down Notes	744	791
Tier 2	1 619	1 701
(4) AG Insurance Fixed-to-floating Callable Subordinated Notes	112	113
(5) AG Insurance Dated Fixed Rate Subordinated Notes	451	473
(6) AG Insurance Subordinated Fixed to Floating Rate Tier 2 Loan	68	73
(7) ageas SA/NV Subordinated Fixed to Floating Rate Notes (Cinnamon)	510	539
(8) ageas SA/NV Subordinated Fixed to Floating Rate Notes (Magna)	478	503
Total subordinated liabilities	2 806	2 935

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 2021.

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 2021 amount to EUR 495 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.

Subordinated liabilities – Tier 1 Own Funds

(1) *FRESH Grandfathered Restricted Tier 1 Notes*

On 7 May 2002, Ageasfinlux SA 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 is rated A- by Standard & Poor's, Baa2 by Moody's and BBB by Fitch.

The securities were issued by Ageasfinlux SA, with ageas SA/NV acting as co-obligor. The principal amount of the securities will not be repaid in cash. The sole recourse of the holders of the FRESH against the co-obligor with respect to the principal amount are the currently outstanding 1.2 million Ageas shares that Ageasfinlux SA pledges 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 2021 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. Please refer to note 32 for the resulting impact on profit or loss of these FRESH tenders. 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.

(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 Milleniumbcp 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 (See (1))

(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 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 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 Subordinated Tier 2 Securities 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 as a partial replacement for the USD 550 million which had been redeemed in March 2019. The intercompany loan between Ageas and AG Insurance is eliminated at Ageas group level.

(7) ageas SA/NV Subordinated Fixed to Floating Rate 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 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

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 2021 the amount for the non-transferable minority interest equals 975 million, which is split over the different tiers: Tier 1 unrestricted 857,1 million, Tier 1 restricted 22,9 million, Tier 2 95,0 million and Tier 3 0,0 million (see also public disclosure QRT S.23.01.22).

The net deferred tax assets on group level (63.1 million EUR) equals the sum of the net def tax assets of the individual entities. The amount is included in the Tier3 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)
- 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 2021	31 December 2020
IFRS Equity	14 175	13774
Shareholders' equity	11916,5	11555
Non-controlling interest	2258,7	2219
Qualifying Subordinated Liabilities	2806,4	2936
Scope changes at IFRS value	-5646,6	-5326
Exclusion of expected dividend	-494,9	-485
Proportional consolidation (Minority interest in ancillary services company)	-294,6	-296
Derecognition of Equity Associates	-4857,1	-4545
Valuation differences	-2350,3	-2473
Revaluation of Property Investments	1783,1	1667
Derecognition of parking concessions	-407,2	-360
Derecognition of goodwill	-610	-596
Revaluation of Insurance related balance sheet items (Technical Provisions, Reinsurance Recoverables, VOBA and DAC)	-7037,2	-8137
Revaluation of assets which, under IFRS are not accounted for at fair value (Held to Maturity Bonds, Loans, Mortgages)	3384,4	4442
Tax impact on valuation differences	521,4	617
Other	15,2	-106
Total Solvency II Own Funds	8984,5	8911
Non Transferable Own Funds	-1028,1	-1043
Total Eligible Solvency II Own Funds	7956,4	7868
Group Required Capital under Partial Internal Model (SCR)	4225,9	3962,4
Capital Ratio	188,3%	198,6%

E.1.5

Deduction from and restrictions to funds

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

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

2

Solvency Capital Requirement and Minimum Capital Requirement

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.

The SCR and Own Funds of the material insurance participation Tesco are included on a proportional basis, without diversification effect, as per article 336 (b) of Regulation 2015/35. The total amount of the Pillar 1 capital requirement for this non-controlled participation requirements was EUR 70 million as of 31 December 2020. Ageas has disposed of Tesco in Q2 2021.

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 Turkey) 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). In 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 taxes⁹'. 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 2021	31 December 2020
Market Risk	5 000	4 648
Counterparty Default Risk	323	325
Life Underwriting Risk	944	842
Health Underwriting Risk	338	331
Non-life Underwriting Risk	875	796
Diversification between above mentioned risks	-1 673	-1 549
Non Diversifiable Risks	552	537
Loss-Absorption through Technical Provisions	-1 378	-1 193
Loss-Absorption through Deferred Taxes	-755	-774
Group Required Capital under Partial Internal Model (SCR)	4 226	3 963
Impact of Non-life Internal Model on Non-life Underwriting Risk	226	245
Impact of Non-life Internal Model on Diversification and other risks	-117	-122
Impact of Non-life Internal Model on Loss-Absorption through Deferred Taxes	12	8
Group Required Capital under the SII Standard Formula	4 347	4 094

The increase in SCR compared to last year is mainly due to the higher SCR for market risk in line with the re-risking in the strategic asset allocation and positive market developments. This is partially offset by the higher Loss Absorbing Capacity of Technical Provisions.

The Group PIM SCR for Non-life Underwriting Risk of EUR 874,6 million consists of an amount EUR 713,6 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 2021	31 December 2020
Total Eligible Solvency II Own Funds to meet the Group SCR	7 956,4	7 869,0
Group Required Capital under Partial Internal Model (SCR)	4 225,9	3 962,4
Capital Ratio	188,3%	198,6%
Total Eligible Solvency II Own Funds to meet the minimum consolidated Group SCR	6 809,9	6 685,2
Minimum consolidated Group SCR	2 205,4	2 162,5
Capital ratio	308,8%	309,1%

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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_{ageas}.

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_{ageas}. This SCR is called the SCR_{ageas} which is reported by Ageas under Pillar 2. For further details we refer to B.3.4.2.

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

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 th .
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.

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.

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,

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 99.5th percentile and the mean of the distribution.

Thanks to an appropriate level of granularity and a generation of the dependencies at the source, the P&L results can be obtained at entity level as well as for each sub-risk type and Line of Business. This allows 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: the sub-risks are similar between SF and IM; the premium risk is split into attritional and large losses in the internal model. Lapse Risk is not calculated in the IM but is aggregated with other sub-risks.

Lines of business are more granular in the internal model.

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

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

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

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

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

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

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 2021	31 December 2020
Group Partial Internal Model SCR	4 226	3 962
Impact of Real Estate Internal Model	-184	-270
Additional Spread Risk	252	617
Delta Diversification	-19	11
Less adjustment Technical Provision	-156	-80
Less Deferred Tax Loss Mitigation	9	-70
Group SCR ageas	4 128	4 171

The movement in the Group SCRageas in 2021 is as follows:

Group SCR ageas (1 January 2021)	4,171
Model refinements	(250)
Change in Solvency II Scope	80
Market impact	177
Operational impact	3
Exceptional items	3
Capital transactions	9
M&A Activities	(65)
Group SCR ageas (31 December 2021)	4,128

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

	31 December 2021	31 December 2020
Group Eligible Solvency II Own Funds under Partial Internal Model	7 956	7 869
Revaluation of Technical Provision	-112	-221
Recognition of Parking Concessions	399	362
Recalculation of Non Transferable	-108	46
Group Eligible Solvency II ageas Own Funds	8 135	8 056

The movement in the Own Funds SCRageas in 2021 is as follows:

Group Solvency II ageas Own Funds (1 January 2021)	8057
Foreseeable dividend to be paid in 2021	485
Model refinements	40
Change in Solvency II Scope	86
Market impact	64
Operational impact	629
Exceptional items	-47
M&A – acquisitions	-140
Paid dividend in 2021	-485
Foreseeable dividend to be paid in 2022	-495
Group Solvency II ageas Own Funds (31 December 2021)	8135

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

	31 December 2021			31 December 2020		
	Own Funds	SCR	Solvency Ratio	Own Funds	SCR	Solvency Ratio
Belgium	6116	2884	212%	5882	3019	195%
UK	751	431	174%	840	463	182%
Continental Europe	1172	728	161%	1051	634	166%
Reinsurance	905	405	223%	832	407	204%
Non Transferable Own Funds/Diversification	-1012	-415		-844	-419	
Total Insurance	7932	4033	197%	7762	4103	189%
Impact of the inclusion of the General Account	204	95		295	68	
Total Ageas	8135	4 128	197%	8057	4171	193%

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 2021	31 December 2020
Total Eligible Solvency II Own Funds to meet the Solo SCR	6 228	6 058
Solo Required Capital (SCR)	1 665	1 613
Capital Ratio	374%	376%
Total Eligible Solvency II Own Funds to meet the minimum Solo SCR	5 479	5 332
Minimum Solo SCR	416	403
Capital ratio	1317%	1323%

The ageas SA/NV Solvency II ratio is of 374,9% at end 2021, stable compared with 375,5% at the end of 2020.



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