

FITCH AFFIRMS AGEAS HOLDING & OPERATING COMPANIES; OUTLOOK STABLE

Fitch Ratings-Hong Kong/London-24 January 2014: Fitch Ratings has affirmed Ageas' immediate holding company, Ageas Insurance International NV, at Long term Issuer Default Rating (IDR) of 'A-'. The ultimate Ageas holding company, Ageas SA/NV, has also been affirmed at Long-term IDR 'BBB+' and Short-term IDR 'F2'.

In addition Fitch has affirmed the operating companies: AG Insurance at Insurer Financial Strength 'A+' and IDR 'A'; Ageas Insurance Company (Asia) Ltd's (AICA) at IFS 'A' and Long-term IDR 'A-'; and Milleniumbcp-Ageas operating entities (MBCPA) at IFS 'BBB-'.

The Outlooks on the IFS rating and the Long-term IDRs are all Stable, except for MBCPA entities, which are on Negative Outlook.

A full list of ratings is provided at the end of this comment.

KEY RATING DRIVERS

AG Insurance's ratings continue to be supported by its strong capital adequacy, acceptable debt leverage and leading business position in Belgium. AG Insurance continues to benefit from a strong solvency level, at around 1.9x the regulatory minimum at end-September 2013. Solvency should remain sound, supported by what Fitch expects to be strong net profit for 2013.

In December 2013, AG Insurance issued a EUR450m callable subordinated debt. The proceeds of the issue have been used to fully redeem an outstanding subordinated loan to Ageas SA/NV of a smaller amount. Therefore, debt leverage, as calculated by Fitch, has slightly increased but remains supportive of the rating. This is in line with Ageas Group's strategy to optimise the capital structure and maximise hybrid capacity at individual entities' level.

MBCPA's ratings incorporate some benefit from Ageas Group's ratings and ongoing and expected future operational and financial support. Majority owner Ageas Insurance International NV has stated that it continues to view MBCPA as a strategic investment and a long-term partnership. In addition, Ageas has indicated that together with Millennium bcp, owner of the remaining 49% of MBCPA, it would ensure the protection of existing policyholders should this be necessary. At end-September 2013, MBCPA reported a regulatory solvency ratio of 313%. The Negative Outlook on MBCPA's ratings reflects the Negative Outlook on the sovereign rating of Portugal, where its entities are based.

AICA's ratings reflect the insurer's strategic importance within Ageas Group and strengthened statutory solvency position after the injection of USD150m by its holding company in the form of preference shares in April 2013. On the other hand, due to persisting duration mismatch between assets and liabilities, its statutory capital position remains sensitive to a fall in interest rates.

The ratings of the Ageas holding companies continue to take into account the strong net cash position which Fitch expects to have totalled EUR1.9bn at end-2013. There were several transactions in 2013 outside the core insurance business, such as group finance and other holding activities, which Fitch views as positive in terms of cash generation and simplifying the legacy business arising from the breakdown of the Fortis group in 2009, although some volatility remains at holding company level.

Ageas SA/NV has launched a capital reduction programme through share buy-backs to help reach its 11% return on equity (ROE) target (8.4% annualised at end-September 2013). The group is also considering potential inorganic growth opportunities. Fitch expects Ageas SA/NV to deploy capital in a disciplined manner and that any external growth will be consistent with the group's strategy and matching prudent internal hurdles.

Following the restructuring of the Ageas group in 2008, Fitch believes that Ageas SA/NV continues to face litigation risk in Belgium and the Netherlands. Despite the company's denial of all allegations, if the actions against Ageas SA/NV are successful, they could eventually have a substantial negative financial impact on the company. This litigation risk is reflected in Ageas SA/NV's IDR being two notches lower than the IDR of AG Insurance instead of the standard one notch.

RATING SENSITIVITIES

Key rating triggers for a downgrade of AG Insurance include:

- Inability to generate positive earnings or maintain solvency at 2x the regulatory minimum on a sustained basis
- Diminished support from Ageas Holdings
- Increase of litigation risk initiated by former Fortis shareholders

All of MBCPA's operations are concentrated on the Portuguese market, which is experiencing challenging economic conditions. This has had a profound impact on life insurance, which is the group's main activity. As such, the ratings are affected by Portugal's sovereign ratings.

A downgrade could also be triggered by the deterioration of AG Insurance's and MBCPA's leading business positions in their respective domestic insurance markets, although this is unlikely in the short term given the companies' strong franchise in those markets.

An upgrade of AG Insurance's ratings is unlikely in the medium term, given the company's fairly low degree of diversification outside of Belgium.

MBCPA's Outlook could be revised to Stable if Portugal's Outlook is revised to Stable.

An upgrade of AICA's ratings is unlikely in the near term unless the entity makes significant progress in improving its small market presence in Hong Kong.

The rating actions are as follows:

AG Insurance

IFS rating affirmed at 'A+'; Outlook Stable
Long-term IDR affirmed at 'A'; Outlook Stable
Subordinated bond affirmed at 'BBB+'

Ageas SA/NV

Long-term IDR affirmed at 'BBB+'; Outlook Stable
Short-term IDR affirmed at 'F2'

Ageas Insurance International

Long-term IDR affirmed at 'A-'; Outlook Stable
Short-term IDR affirmed at 'F2'

Ageas Finance N.V.

Senior unsecured affirmed at 'BBB'

Ageas Hybrid Financing
Hybrid capital instruments affirmed at 'BB+'

Ageasfinlux SA
Hybrid capital instruments affirmed at 'BB'

Ocidental-Companhia Portuguesa de Seguros de Vida S.A.
IFS rating affirmed at 'BBB-'; Outlook Negative

Ocidental-Companhia Portuguesa de Seguros S.A.
IFS rating affirmed at 'BBB-'; Outlook Negative

Medis - Companhia Portuguesa de Seguros de Saude S.A.
IFS rating affirmed at 'BBB-'; Outlook Negative

Ageas Insurance Company (Asia) Ltd
IFS rating 'A'; Stable Outlook
Long-term IDR 'A-'; Stable Outlook

Ageas Capital (Asia) Ltd
Senior unsecured rating 'A-'

Contact:

Primary Analysts

Federico Faccio
Senior Director
+44 20 3530 1394
Fitch Ratings Limited
30 North Colonnade
London E14 5GN

Akane Nishizaki (Ageas Insurance Company (Asia) Ltd and Ageas Capital (Asia) Ltd)
Associate Director
+852 2263 9942
Fitch (Hong Kong) Limited
28th Floor, Tower Two, Lippo Centre
89 Queensway, Hong Kong

Secondary Analysts

Marc-Philippe Juilliard
Senior Director
+33 1 4429 91 37

Terrence Wong (Ageas Insurance Company (Asia) Ltd and Ageas Capital (Asia) Ltd)
Director
+852 2263 9920

Committee Chairperson
David Prowse
Senior Director
+44 20 3530 1250

Media Relations: Peter Fitzpatrick, London, Tel: +44 20 3530 1103, Email: peter.fitzpatrick@fitchratings.com.

Additional information is available at www.fitchratings.com.

Applicable criteria, "Insurance Rating Methodology", dated 13 November 2013, are available at www.fitchratings.com.

Applicable Criteria and Related Research:

Insurance Rating Methodology -- Amended

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=723072

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.