SOLVENCY AND FINANCIAL CONDITION REPORT

ETHIAS SA
31/12/2021

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I Summary

The year 2021 saw events that were out of the ordinary in several respects.

On the **macro-economic** level, the year was marked by the rebound of the economy, good performance of the financial markets and the return of inflation.

The **COVID-19** pandemic persisted, with hopes of improvement as vaccination campaigns unfolded. In line with the strategy adopted from the beginning of the health crisis, Ethias has multiplied its initiatives to protect its employees, its clients, society and the company.

The catastrophic **floods** of July 2021 took a heavy human toll and caused material damage to an unprecedented extent.

In this particular context, Ethias has continued its commitment to support all sectors of society by **investing in the recovery plans** of the federal government and the regions.

The company's management also underwent changes, with an enlarged Executive Committee of 8 members and the integration of new competencies to accelerate the development of the Group's strategic line.

In terms of results, Ethias achieved a **net profit of EUR 190 million** in 2021. Although slightly down on 2020 (EUR 205 million), it is a good performance given the unfavourable environment caused by the health crisis and the exceptional floods.

This result is mainly generated by **Non-Life** activities (EUR **121 million**), with **Life** activities bringing in EUR **102** million.

Total premium income amounts to EUR 2.77 billion, divided between EUR 1.40 billion in Non-Life and EUR 1.37 billion in Life. Prime income in each of these two activities increased by 2%.

The **Solvency II ratio** amounts to **178%** after deduction of the **proposed dividend of EUR 105 million**[1], negatively impacted (-9%) by the floods and the rise in inflation, and positively by the favourable evolution of the investment portfolio. This ratio is evaluated according to the standard Solvency II formula, without recourse to long-term transitional measures.

As for our rating, excellent news in June 2021: the agency **Fitch** upgraded Ethias SA's **IFS rating** (*Insurer Financial Strength*) by one notch **from A- to A,** and **the outlook from stable to positive,** hence underlining Ethias' financial strength, good profitability and robust business model.

It should also be noted that Ethias was awarded the **"Top Employer Belgium 2022"** certification for the first time. This title rewards its policies and practices in terms of human resources.

The year **2022** has started in a **difficult context**: on the one hand, in terms of **climate**, with heavy storms in February, and on the other hand, in terms of **geopolitics**, with the war unleashed by Russia in Ukraine. This conflict has repercussions on the financial markets, which are experiencing high volatility, and which contributes to keeping inflation higher than normal, boosted by the energy prices.

As the country's 3rd largest Life and Non-Life insurer, Ethias is ready to meet the challenges ahead, with the support of its subsidiaries and partners

1 Subject to the approval of the General Assembly

II Business and performance

II.1 Business

II.1.1 Market conditions in 2021

2021 was the year of the rebound of the economy, the financial markets and inflation. Many indicators have moved closer to their "pre-Covid" level: GDP of developed economies, unemployment rates, stock market indices, credit spreads and commodities. Financial markets were buoyed by the success of the vaccination campaigns (mitigating the effects of the pandemic), the economic recovery and growth in corporate earnings. Thanks to the measures and aid deployed by the different states and governments, the impact of the health crisis has finally remained acceptable in most economic sectors.

The combined effects of the economy's reopening (creating tensions in supply chains), commodity price increases, budgetary stimuli and wage increases (especially in the United States) have caused a sharp rise in inflation. This increase in inflation was considered transitory in Europe and more structural in the United States so that the accommodative policy of 2021 by central banks was questioned. In particular, the central banks of England, Brazil and Mexico have initiated an increase in their key rates.

In the second half of the year, China saw its economic growth slowing. It is one of the only countries to have adopted a "zero-COVID" strategy (systematic regional lockdowns) and has had to deal with the financial difficulties of a large real estate company (Evergrande). The real estate sector represents a significant part of the Chinese economy and the risk of contagion to other sectors is not neutral. In November, the arrival of the Omicron variant, considered contagious but less severe than COVID-19, did not worry the markets for long.

Against this backdrop of economic recovery, government bond rates experienced volatility but ended the year 2021 with a consistent rise across the curve. As an example, the Belgian 10-year bond rate ended the year at 0.19% compared to -0.39% at 31/12/2020.

Economic growth, against a backdrop of accommodating monetary policies by the FED and the ECB, was favourable to equity indices: EuroStoxx50 (+20.99%), S&P500 (+26.89%), CAC40 (+28.85%), DAX (+15.789%), BEL20 (+19.02%), FTSE MIB (+23%), NASDAQ (+21.39%).

More specifically, cyclical sectors performed best: technology (+37%), banking (+36%), media (+30%), construction (+26%), automotive (+25%), luxury goods (+24%), and chemicals (+20%). Defensive sectors lagged: real estate (+1.26%), utilities (+3.56%), distribution (+4.38%). The only sector that performed negatively was the leisure sector (-9.28%).

II.1.2 The COVID-19 pandemic

In 2021, Ethias has pursued its four-phase strategy that was adopted at the beginning of the health crisis, namely the protection of its employees, its clients, the company and society at large.

With regard to employee protection, Ethias has continued to take care of the well-being of its employees by implementing various initiatives (psychological support, finding solutions for relatives affected by illness or worries about childcare during school closures, continuous and interactive communication ...).

Ethias has also continued to offer initiatives in favour of its B2C and B2B clients. In addition to extending coverages and granting payment delays, Ethias has also provided free Civil Liability and Bodily Injury insurance for all vaccination centres and has offered psychological support services to students, self-employed and small businesses insured with Ethias.

With regard to the protection of society, Ethias is involved in projects related to the economic recovery at both federal and regional levels and has been able to concretize its participation through the following initiatives:

- granting a loan to SRIW;
- participating as an expert in sessions related to the organization of project financing at the federal level;
- participating in the capital increase of Finance&Invest.Brussels;
- participating in a private placement for the German-speaking region;
- an investment of 80 million euros for the 4 public funds constituted by the Walloon Region, the Flemish Region, the Federal State and the Brussels-Capital Region. It should be noted that Ethias is the largest private contributor to these stimulus funds.

It is with the same mindset that Ethias has decided for 2022, beyond the extension of the free insurance for vaccination centers in Civil/Professional Liability and in Bodily Injury, a number of additional measures to help the sectors most affected by the 4th and 5th waves:

- Education sector: a significant budget has been set aside to provide prevention kits to schools, as Ethias did in 2021 for the culture and sports sectors;

- Culture sector: granting of a 25% reduction on the fire insurance premium of the B2B policyholders concerned.
- Sports sector: granting of a 10% reduction on the sports insurance taken out by the Federations.

Ethias' investment in these various projects is important in terms of its values and the meaning it intends to give to its societal role. More than a mere investment in financial terms, it is a willingness to take responsibility for meeting the needs of society, a principle rooted in the company's DNA.

II.1.3 Flooding

In the face of the disaster that shook many regions in July 2021, Ethias was keen to respond to the needs of its policyholders in distress. Hence, Ethias has:

- directly provided an advance of 1,500 euros upon opening a claims file;
- set up "mobile crisis centers" in charge of criss-crossing the most affected cities in order to go directly to the victims to proceed with the first administrative formalities;
- offered numerous meals in several disaster-stricken cities as well as financial aid to the Red Cross;
- strengthened its Claims Management teams to speed up the processing of claims files and compensate policyholders as quickly as possible.

Given the extent of the damage, the insurers and the Regions got together and signed an intervention protocol to share the burden. This protocol stipulates that once the claims payments exceed the insurer's double intervention limit, a "loan" is recognized as financial asset item per Region. This contains the claims payments attributable to the governments, i.e. the claims amounts paid beyond the insurer's double intervention limit without any counterpart in technical accounting. An estimate of the amounts borne by the governments that the insurer will have to pay after December 31, 2021 is recorded off-balance sheet.

II.1.4 Dividend distribution

At the General Assembly of Ethias SA held in May 2021, it was decided to distribute a dividend of 103 million euros to the shareholders.

II.1.5 An Executive Committee in line with its ambitions

In December 2021, the Executive Committee was strengthened and now includes new skills and new members. The Executive Committee saw the departure of two of its members. Benoît Verwilghen, Vice-CEO, has taken over the management of EthiasCo, and Cécile Flandre, having fully accomplished her mission as CFO, is now taking on other challenges outside the group. Following their departure, Wilfried Neven has become the new Vice-CEO and now assumes the key role of Chief Customer Experience Officer. He is in charge of the commercial development for all markets.

Nicolas Dumazy, Chief Strategy & Data Officer, is entrusted with developing the strategy of the Ethias Group as well as innovation and data. As his mission also includes corporate social responsibility, he strives to strengthen the ESG (Environmental, Social & Governance) aspects at all levels of the Group.

To accelerate its digital transformation, Izabella Molnar has been appointed as Chief Digital Transformation Officer. She leads the IT division and continues the transformation and digitization of the company.

As Chief Claims & Delight Officer, Luc Kranzen is now entrusted with the development of customer delight in all the Claims departments.

The Executive Committee is also being strengthened in terms of optimizing management control, expenses and budgets with the arrival of Maryline Serafin as Chief Financial Officer.

Asset management is handled by Joris Laenen, who is also responsible for the development of the Life business as Chief Investment & Life Officer.

The function of Chief Risk Officer remains with Benoît-Laurent Yerna.

II.1.6 Increase in Fitch rating

In June 2021, the agency Fitch upgraded the IFS rating of Ethias SA from "A-, stable outlook" to "A, positive outlook".

This double increase demonstrates Ethias' financial strength, good profitability and robust business model. Through the rating upgrade, Fitch underlines that Ethias has consolidated its very strong capitalization, its low financial debt ratio (leverage), its strong operating performance since the execution of its multi-year action plan as from 2018 and its very good solvency level. The ratings actions also consider the resilience of these factors during the COVID-19 pandemic.

The positive outlook reflects Fitch's view that the Ethias Group could achieve a combined ratio sustainably below 95%, while maintaining its very strong capitalisation and low financial debt ratio (leverage) over the next 12 to 24 months.

II.1.7 Conclusion of several partnerships

Ethias continues to strengthen its digital strategy with the conclusion of two new partnerships with online comparison platforms, “Voilà” and “Test-Aankoop-Verzekeringen.be”, for the Auto product.

Furthermore, in order to meet a societal need, Ethias has entered into a partnership with DELA, the funeral care services specialist. Since October 2021, Ethias has been distributing the “Dela Funeral Provision Plan”, a Life insurance policy from branch 21.

II.1.8 Group strategy

Ethias continues to implement its group strategy, which consists of further capitalizing on the strengths and specificities of its subsidiaries (NRB, IMA Benelux, Ethias Services, etc.) in order to position the Ethias Group as a value generator group for all its stakeholders.

This strategy is based, on the one hand, on strengthening the dynamics of the Group's entities and, on the other hand, on a "beyond insurance" approach, i.e. evolving from an insurer's strategy towards a strategy of integrated services for the benefit of clients.

Within this context, Ethias Services SA (a 99.9% owned subsidiary of Ethias SA) has developed and marketed a series of new services (skills & psychosocial risk management, risk management, fire risk management, etc.), mainly for B2B clients as a first step. New services will be added as and when market needs are identified. In addition, digital acceleration, another pillar of Ethias' group strategy, is strongly supported by NRB (a 68.39% owned subsidiary), which is working on the development of numerous functionalities in favour of B2C and B2B clients (online opening and follow-up of claims, e-invoicing, e-documents, etc.). A second 100% digital insurance product is also being marketed: the cohousing insurance through Flora, Ethias' insurtech.

II.1.9 Best Brand Awards 2021

The Best Brands Awards 2021 were presented in April. Ethias came out on top in terms of "Share of Soul", i.e. the insurance brand recognized for creating the strongest emotional and affective bond. This recognition reflects the human relationship that Ethias builds every day with and for its policyholders, which is more essential than ever in the current context. In terms of “Share of Market”, Ethias is ranked third, just behind AG Insurance and KBC.

II.1.10 EcoVadis

EcoVadis, one of the leading CSR rating agencies, conducted a non-financial audit of Ethias, i.e. an assessment of the way Ethias integrates ESG elements (Environmental, Social and Governance criteria) into its operations. The scorecard is based on 4 dimensions: environment, social & human rights, ethics and responsible purchasing. With a score of 57, Ethias was awarded the silver medal, recording an 18% increase over last year and ranking in the top 25% of companies, above the sector average on all four dimensions.

II.1.11 DECAVI

For the third time, Ethias was recognized for its numerous solidarity initiatives related to the pandemic and for the second time for its societal commitment. DECAVI thus underlines the relevance of its commitments, its willingness to place the Human Being at the center of its concerns, but also its unique business model, as the 1st direct insurer standing alongside its private clients and public body clients.

Furthermore, the quality of its products and services was once again rewarded as Ethias won **5 DEVACI Trophies** in Non-Life insurance in the following areas:

- Tenant Insurance,
- Family Insurance,
- Workers’ Compensation Insurance,
- Innovation - Ethias Mobility & More.
- Prevention.

II.1.12 Youth Solidarity Awards

To fight poverty among young people, Ethias launched the **Youth Solidarity Awards** at end-2021. Through this action, Ethias encourages the Public Social Welfare Centres (PSWCs) to introduce a project aimed at helping young people in precarious situations. No less than 130 projects were sent in by the end of January 2022! Eighteen projects will be selected by a professional jury and rewarded in the spring of 2022 with a 450,000 euro grant from Ethias. This action, co-created with the PSWCs, aims to strengthen Ethias' societal role, in line with our ESG ambitions.

II.1.13 Obtaining the "Top Employer Belgium" certification

Ethias has obtained, for the first time, the "Top Employer Belgium 2022" certification. This title recognizes the company's policy towards its employees and its HR practices. It particularly focusses on the company's initiatives in the areas of Well-Being, Work Environment, Organization & Change and Digitalization.

II.1.14 Publication of our 4th CSR Report, testimony to Ethias' long-standing involvement in Corporate Social Responsibility

Ethias has published its 4th non-financial report since the transposition of the European Directive 2014/95/EU into Belgian law. This report shows the extent of Ethias' commitment to Belgian society and presents the annual overview of its actions within the framework of Corporate Social Responsibility (CSR) in three areas: People, Profitability and Planet. In addition, there is an extensive chapter on its sustainable investment strategy and governance.

Ethias' approach is anchored in global concerns and its action plan focuses on 4 of the 17 SDG's developed by the United Nations: **poverty, health, climate and sustainable cities & communities** (SDG 1, 3, 11 & 13).

II.1.15 Number of employees

Ethias SA has gone from 1,923 employees on 31/12/2020 to 1,976 employees on 31/12/2021.

II.2 Insurance results

The year 2021 recorded a net result of 190 million euros, i.e. a decrease of 7% compared to 2020. After withdrawals and transfers to untaxed reserves, the result to be appropriated amounts to 188 million euros.

Total premium income amounts to 2,779 million euros, i.e. an increase of 2% compared to 2020, thanks to an increase in the premium income of Life (+2%) and Non-Life (+2%).

II.2.1 Result of the Non-Life insurance services

The result of Non-Life business amounts to 121 million euros.

Income amounts to 1,404 million euros and increases by 2% compared to 2020. It breaks down as follows between the segments "Private Individuals" and "Public Bodies & Companies":

- Income for Private Individuals increases by 1% compared to 2020 and amounts to 596 million euros;
- Income for Public Bodies & Companies amounts to 809 million euros and increases by 2% compared to 2020.

The net operating combined ratio stands at 93%, in line with the objective of being below 95%.

The result of the Non-Life business has clearly decreased as it is strongly impacted by the floods, which is partially offset by the good financial results and the absence of a major storm in 2021.

II.2.2 Result of the Life insurance services

The result of Life business amounts to 102 million euros.

Income at end-2021 is up by 2% compared to 2020 and amounts to 1,374 million euros, including 50 million euros in Private Individuals and 1,325 million euros in Public Bodies & Companies.

Income in Life Individuals increases by 19% compared to 2020 thanks to the new production in Branch 23.

Premium income for Life Public Bodies & Companies increases by 2% compared to 2020, mainly coming from the 1st pillar.

The increase in Life business result in 2021 (+21 million euros) is explained by the growth in operating results (mortality gains) and non-recurring financial income of 30 million euros. These good results made it possible to endow the provision for profit-sharing (net of taxes) with 42 million euros, mainly for ring-fenced funds from the 1st pillar.

II.2.3 Investment performance

Net financial income amounts to 425 million euros in 2021 compared with 365 million euros in 2020. It is broken down into 115 million euros in Non-Life, 319 million euros in Life and an expense of 9 million euros in Non-Technical.

They consist of the following main elements:

In thousands of euros	2021	2020
Net financial income of investments, without branch 23	450,778	400,565
Recurring	375,366	373,517
Non-recurring	75,412	27,048
Financial income related to reinsurance	31	0
Net financial income of investments in branch 23	5,309	1,167
Financial expenses of loans and other financial payables	-26,019	-25,926
Other income and financial expenses	-5,124	-11,140
Total	**424,975**	**364,666**

Net financial income of investments by major asset classes is detailed below:

In thousands of euros	2021	2020
Bonds	307,123	324,635
Recurring	295,125	307,841
Non-recurring	11,998	16,794
Shares & participating interests	*84,310*	30,952
Recurring	*36,214*	30,490
Non-recurring	48,096	462
Real estate & loans	64,317	47,832
Recurring	*45,882*	36,896
Non-recurring	*18,435*	10,936
Derivatives & provisions	-3,379	-828
Recurring	-810	0
Non-recurring	-2,569	-828
Cash and cash equivalents	-1,593	-2,026
Recurring	-1,044	-1,709
Non-recurring	**-549**	**-317**
Total	**450,778**	**400,565**

On the non-recurring side, the change from 27 M€ in 2020 to 75 M€ in 2021 is mainly due to the item "Shares & participating interests", for which the result increases from 0.5 M€ in 2020 to 48 M€ in 2021 following the realization of significant gains on shares and Sicafi in 2021.

II.3 Performance of other activities

The non-technical result before tax shows a negative contribution of 16 million euros, mainly due to the expense of subordinated loans and impairments on receivables. Tax expenses for the year amount to 18 million euros and benefit from the use of tax losses carried forward and deductions of income from innovation.

III System of governance

III.1 General Information

III.1.1 Management and supervisory bodies

Wishing to promote efficient and prudent management, Ethias strives to make a clear distinction between, on the one hand, the senior management of the insurance company, carried out by the Executive Committee, and, on the other hand, the supervision on that management, of which the Board of Directors is in charge.

III.1.1.1 Board of Directors

Missions

The Board of Directors has ultimate responsibility for the company and defines the general strategy, the main corporate governance and risk policies as well as the integrity policy. It also oversees the company's activities and regularly evaluates the effectiveness of the governance system.

At least once a year, it verifies the proper functioning of the four independent monitoring functions and ensures that, on the basis of the periodic report drawn up by the Executive Committee, the latter takes the necessary measures to remedy any shortcomings.

It regularly assesses the general principles of the remuneration policy and monitors its implementation.

It also regularly checks whether the company has an effective internal control system with regard to the reliability of the financial reporting process.

It supervises the decisions taken by the Executive Committee, takes note of the important findings made by the independent monitoring functions, the statutory auditor, the NBB and the FSMA, and determines which actions should be taken following the recommendations of the internal audit, subsequently ensuring that they are properly carried out.

Composition

The Board of Directors has 16 directors, including 4 executive directors, 4 independent directors and 6 women (pursuant to Article 7:86 of the Belgian Code on Companies and Associations).

The composition of the Board of Directors also respects linguistic parity.

The maximum age of each director may not exceed 70 years. However, any mandate as director starting before the age of 70 may be completed.

The term of director is 6 years and is renewable.

The Board of Directors appoints a chairman from among the directors who are not Executive Committee members.

III.1.1.2 Specialised committees of the Board of Directors

III.1.1.2.1 Audit and Risk Committee

On 19 February 2009, the Board of Directors set up an Audit and Risk Committee.

Missions

In order to enhance the effectiveness of the Board of Directors' oversight of the company's activities, the Audit and Risk Committee is responsible for monitoring the process of preparing and controlling financial information, monitoring the effectiveness of the company's internal control and risk management systems, and monitoring the internal audit function and its activities.

It advises the Board of Directors on aspects relating to the definition and control of the implementation of the strategy and the level of risk tolerance, both current and future, and assists the Board in controlling the operation of the risk management function.

The committee monitors the statutory audit of the annual and consolidated accounts, including any follow-up on questions and recommendations made by the external auditor.

Its responsibilities are described in the internal regulations of the Audit and Risk Committee, adopted by the Board of Directors on November 22, 2018 and amended on October 21, 2020.

Composition

The Audit and Risk Committee is composed of at least three directors non-members of the Executive Committee, with the majority of them being independent.

A chairman is appointed from amongst these members.

At present, it is composed of 5 non-executive directors, 3 of whom are independent.

Only members are entitled to participate in the meetings of this committee. However, external persons are admitted to meetings upon decision of the chair when the case requires it.

III.1.1.2.2 Appointments and Remuneration Committee

An Appointments and Remuneration Committee was established on February 19, 2009 within the Board of Directors. It was originally common to Vitrufin and Ethias.

On July 4, 2014, it was decided to set up an Appointments and Remuneration Committee specific to each of the companies.

A new internal regulation was adopted on November 22, 2018 and amended on October 21, 2020.

Missions

The Appointments and Remuneration Committee is responsible for assisting the Board of Directors and the Executive Committee in evaluating and giving advice or taking decisions on the appointment of directors, members of the Executive Committee and heads of independent monitoring functions. It also advises the Board of Directors on remuneration matters.

Its responsibilities are described in the internal regulations of the Appointments and Remuneration Committee.

Composition

The Appointments and Remuneration Committee is composed of at least 3 non-executive directors, at least one of whom is independent, and is chaired by the Chairman of the Board of Directors. It is currently composed of 4 members, one of whom is independent.

III.1.1.3 Executive Committee

Missions

The Executive Committee has the power to perform all acts necessary or useful to achieve the company's object, except for those reserved by law to the Board of Directors and to the General Assembly.

(1) The Executive Committee carries out the concrete management of Ethias' operations as part of the strategy defined by the Board of Directors.

It implements the strategy defined and the policies approved by the Board of Directors by translating them into processes and procedures.

It ensures the management of the company's activities in accordance with the strategic objectives set and within the risk tolerance limits defined by the Board of Directors.

It supervises the operational departments and ensures compliance with the assigned competences and responsibilities.

It submits proposals to the Board of Directors for the definition of the general policy and strategy of the company.

(2) The Executive Committee also implements the risk management system defined by the Board of Directors, (i) by taking the necessary measures to ensure risk control, (ii) by monitoring changes in the company's risk profile, (iii) by ensuring that all risks are properly identified and managed, (iv) by establishing IT control and security mechanisms, and (v) by translating the risk appetite framework and general risk management policy defined by the Board of Directors into processes and procedures.

(3) The Executive Committee also puts in place the monitoring and evaluation of the organizational and operational structure for supporting the company's strategic objectives and provides for adequate internal control mechanisms. It also implements the framework necessary for the organization and proper functioning of the independent monitoring functions, executes the governance policies defined by the Board of Directors, ensures the correct application of the company's remuneration policy and organizes an internal reporting system that makes it possible to establish with reasonable certainty the reliability of financial information and prudential reporting.

(4) The Executive Committee is also responsible for implementing the integrity policy defined by the Board of Directors.

(5) Finally, the Executive Committee is responsible for reporting to the Board of Directors and to the NBB. In this respect, it communicates to the Board the information allowing it to carry out its task of supervising the company's activities, which shall include, in particular, the report on the evaluation of the effectiveness of the governance system.

Composition

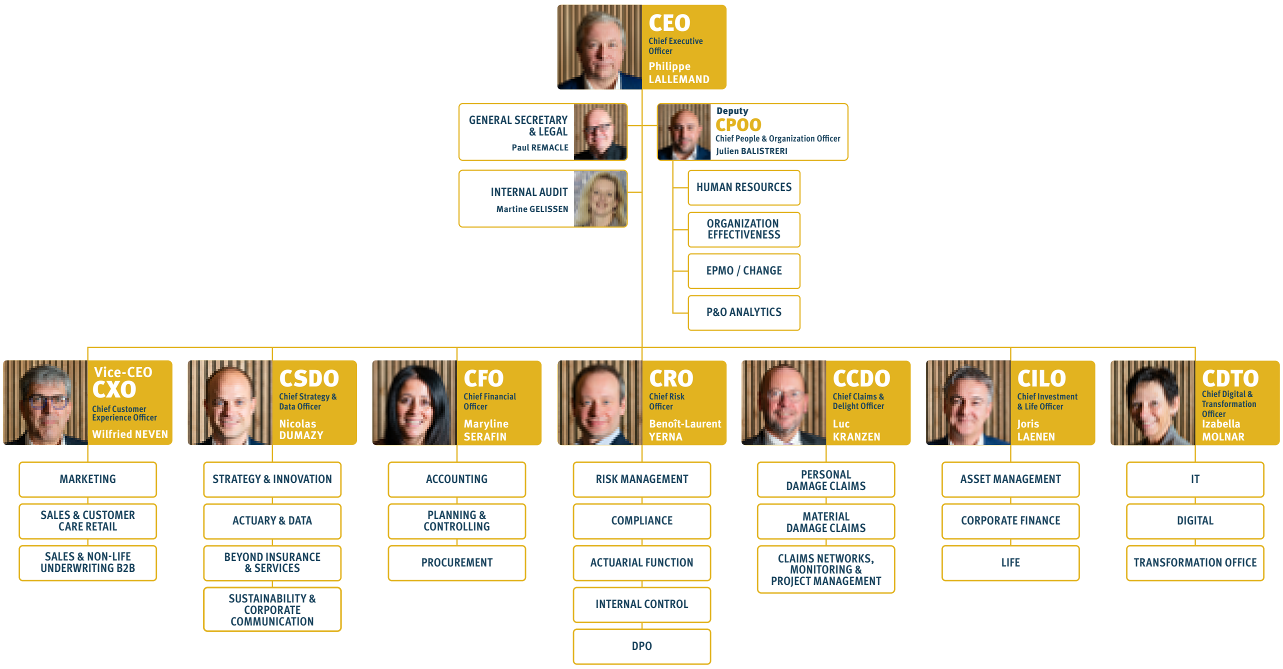
Since December 2021, the Executive Committee has consisted of eight natural persons, four of whom are directors and four of whom are Dutch-speaking and four French-speaking.

The Board of Directors appoints the members of the Executive Committee.

Internal distribution of tasks

The internal division of tasks between the members of the Executive Committee was reviewed when appointing new members at end-2021.

The operational chart, which covers the business lines under the members of the Executive Committee, can be presented as follows:



It is specified that the CRO has, in accordance with Article 56 § 3 para. 2 and 3 of the Solvency II Act, obtained authorization from the NBB to cumulate responsibility for the risk management, actuarial and compliance functions.

Periodic evaluation

The chairman of the Executive Committee shall organize an annual evaluation of the functioning of the Executive Committee. The self-assessment for the year 2021 took place in January 2022.

III.1.2 Remuneration

Remuneration policy and practices

As of December 19, 2018, the Board of Directors, on the recommendation of the Appointments and Remuneration Committee, adopted a remuneration policy for Ethias, which has been reviewed in 2021. The revised policy was approved by the Board of Directors on April 29, 2021, effective April 1st, 2021.

This policy complies with the provisions of circular NBB_2016_31 of 5 July 2016, updated in September 2018, in that it defines "identified staffs" and lays down the general principles applicable to all staff members, including independent monitoring functions, but also, through its annexes, the specific provisions applicable to members of the Executive Committee and non-executive directors. It cancels and replaces the Remuneration Policy of March 23, 2016.

Are considered as "*identified staff*" within Ethias:

- the non-executive directors,
- the members of the Executive Committee,
- the members of the Management Meeting,
- the heads of the independent monitoring functions (Head of Internal Audit, Head of Compliance, Head of Actuarial Control, CRO) and
- the persons likely to have a material impact on the risk profile of Ethias or "*risk takers*" (Head of - Level 1, Head of Investment Management and Head of Asset Allocations & Solutions).

The policy formalises and operationalises all the rules concerning rewards approved by the Executive Committee, in particular at its meetings on 6 July 2017 and 19 December 2017, as well as on 13 April 2021. The remuneration system applicable to **all**

employees of the company (with the exception of the members of the Executive Committee but including the "*identified staffs*" under Ethias employment contract) was indeed entirely reviewed during 2017 and updated in 2021. The new salary dynamic was put in place by a collective labour agreement dated December 13, 2017, which has come into effect on January 1, 2018. This new remuneration policy no longer makes any distinction depending on whether the employee is hired before or after January 1, 2007. It also puts an end to the specific regime previously applicable to inspectors.

The remuneration policy will be further adapted to take into account the provisions of the 2021 company agreement (which has, among other things, ratified a change in the *merit matrix*) and article 5 of the SFDR regulation.

The members of the Executive Committee are not covered by the general provisions of the above-mentioned remuneration policy. Following the entry into force of the new Belgian Code on Companies and Associations on 1 May 2019, their status had to be adapted and brought into line with the Code. As of 1 January 2020, all members of the Executive Committee will have the status of self-employed.

Individual and collective annual objectives as well as collective multi-annual objectives for 2021 were validated by the Board of Directors on 28 January 2021.

Non-executive directors receive an attendance fee per meeting (when there are several meetings on a single day, the attendance fee is limited to one meeting). An additional annual allowance, in the form of a fixed amount, is also allocated to them. The members of the Audit and Risk Committee as well as the members of the Appointments and Remuneration Committee receive an attendance fee and an annual allowance in the form of a fixed amount.

The total remuneration of the directors is published in Ethias' annual report (note n° 19 to the balance and income statement). Moreover, in accordance with the requirements of Article 3:12 of the Belgian Code on Companies and Associations, the individual remuneration of the directors is now published in the management report. It was also decided to voluntarily publish the annual individual remuneration of the Executive Committee members.

III.2 "Fit & Proper" requirements

III.2.1 Description of the requirements

On 22 November 2018, the Board of Directors of Ethias established a "fit & proper" policy for non-executive directors and members of the Executive Committee as well as a "fit & proper" policy for the heads of independent monitoring functions. These policies provide for processes for the selection, assessment and training of such persons. They were updated on November 25, 2021.

These policies are in line with circular NBB_2018_25 on the suitability of directors, members of the Executive Committee, heads of independent monitoring functions and effective managers of financial institutions. They establish the processes and criteria that the competent bodies of Ethias undertake to respect within the framework of the suitability assessments they carry out.

For the functions of member of the Executive Committee and non-executive director, the Appointments and Remuneration Committee not only carries out the individual assessment of the candidate's suitability but also the expertise of the body concerned collectively in order to ensure that the expertise within the management body concerned is sufficiently guaranteed with these persons in view of their knowledge, experience, skills and professional conduct. The assessment of the competence of the members of the management bodies shall take into account the different tasks entrusted to each of its members in order to ensure a diversity of qualifications, knowledge and experience in order to guarantee the professional management and supervision of Ethias. In this respect, criteria for collective expertise are detailed in competency matrices that are established and updated by the Appointments and Remuneration Committee on the basis of the above-mentioned evaluation criteria. For the heads of independent monitoring functions, it is the responsibility of the Executive Committee to carry out this individual assessment of the candidate.

III.2.2 Assessment process

The suitability is assessed before taking up office but also during the term of office and when reappointing directors, since non-executive directors, members of the Executive Committee and heads of independent monitoring functions must have at all times the suitability required for the performance of their duties.

III.3 Risk management system and ORSA

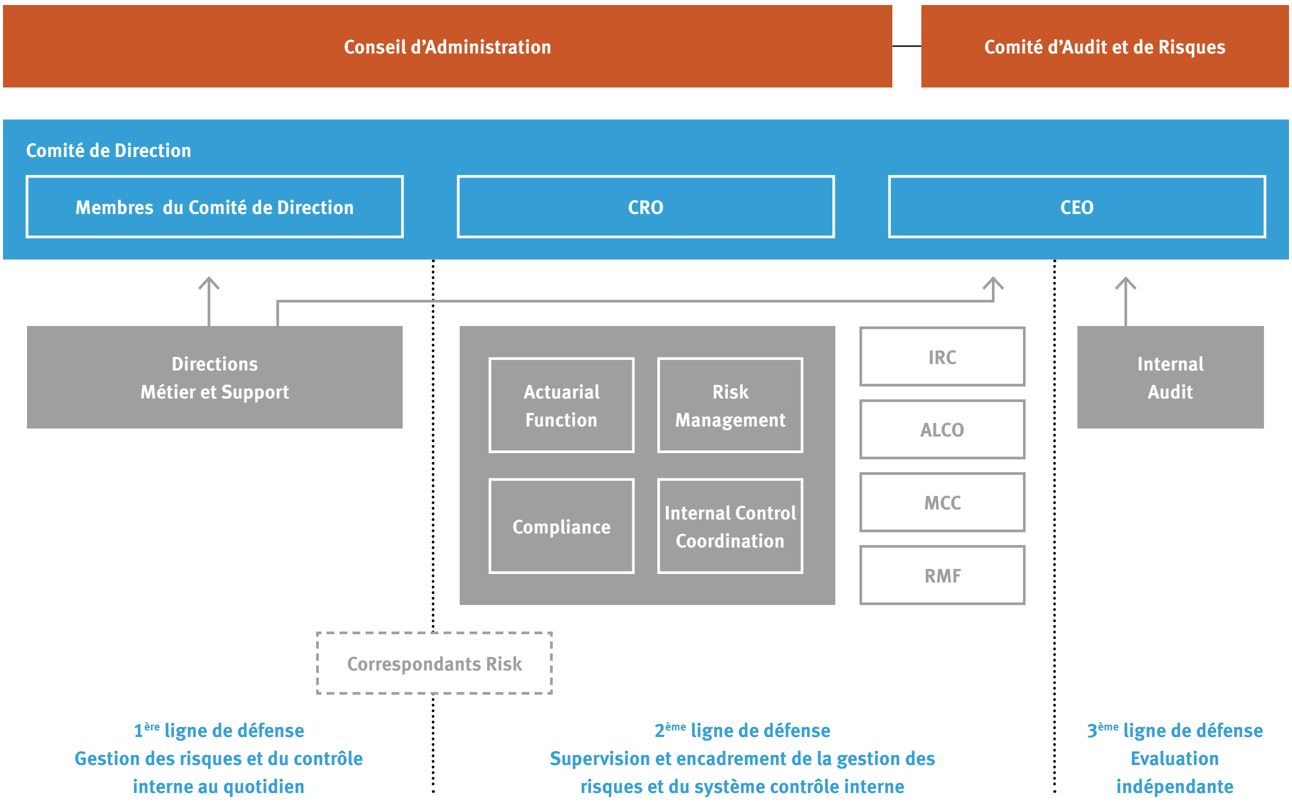
III.3.1 Risk management system

III.3.1.1 Objectives of the company's risk management

Besides its business activity of managing the risks underwritten by its clients, an insurance company, like any company, is itself confronted with various categories of risks. In such circumstances, it is a matter of managing the uncertainty as satisfactorily as possible, by identifying, assessing and effectively dealing with the risks the company is confronted with, in order to control them.

Therefore, the general risk management process aims at "offering a reasonable assurance with regard to achieving the objectives of the organization by maintaining exposure to risk within the limits of risk appetite".

III.3.1.2 The 3 lines of defence



Good governance of an insurance company requires the setting-up of the following functions: Internal Audit, Compliance, Risk Management, Internal Control and Actuarial Function. These are not only independent monitoring functions but also governance functions. Their conclusions and advices are translated into measures to reinforce the management structure, the organization and the internal control system. These functions are structured in such a way that they constitute three "defence lines":

First defence line - Daily risk supervision

The first defence line is provided by operational lines and support functions (Accounting, Asset Management, IT, Human Resources, etc.). It is their responsibility to identify the risks posed by each operation and to respect the procedures and limits set.

Second defence line - Risk supervision

The second defence line includes the control functions of the Risk Management function, the Internal Control function, the Actuarial Function and the Compliance function, which are responsible for ensuring that the risks have been identified and managed by the first line, according to the rules and procedures envisaged.

These four functions depend on the CRO, who ensures the transversal coordination of the work and the adequate exchange of relevant information.

The CRO, who is a member of the Executive Committee, has to make sure that the structure of Ethias' risk management is operational and has to improve its effectiveness and efficiency. The entities that are hierarchically answerable to the CRO assist him in his assessment of the company's risk profile, of its alignment with its strategy and risk appetite as well as in the identification of future risks.

Finally, in order to reinforce risk governance, Ethias' Executive Committee relies on committees dedicated to risk management: These committees are advisory and their recommendations are validated by the Executive Committee.

The mission of the **Model Coordination Committee (MCC)** is to monitor and contribute to the compliance, within the risk framework defined by the Board of Directors, of all internal and regulatory standards for the development and use of internal quantitative models used by Ethias for, in particular, the management of its technical and financial risks and its asset / liability management.

The mission of the **Insurance-Reinsurance Committee (IRC)** - in terms of insurance techniques, insurance contract management and reinsurance coverage - is to ensure that the business lines comply with the technical and commercial objectives and with the risk framework defined by Ethias' Executive Committee and Board of Directors. Hence, the IRC monitors the technical risks (profitability, reservation, risks) of the existing products, analyses the mitigation actions of the technical risks, analyses the modifications to existing products or the proposals for new ones and supervises the reinsurance programme. Efficient collaboration between the 1st and 2nd lines is to be highlighted, especially on files regarding underwriting (review of underwriting guides, Non-Life commercial strategy, monitoring of UFRs/CFRs, commercial dispensations, review of underwriting policies, provisioning and pricing, S/P balance, POG, risk appetite, etc.)

The **Assets and Liabilities Committee (ALCO)** has the task of contributing to the protection of Ethias SA in its liquidity, profitability and solvency aspects, through the alignment of the company's assets and liabilities.

The **Risk Management Forum (RMF**) is responsible for discussing risks, which are presented to the Audit and Risk Committee (and beforehand to the Executive Committee) in detail, so as to have a specific view of all the risks borne by the company. It is the forum for analysis of specific risks highlighted in the context of projects or activities in order to identify priorities, relevant mitigation measures and action plans as well as their target risk and to monitor their evolution in accordance with the Risk Appetite policy.

Each committee is chaired by a member of the Executive Committee. The CRO is present in each committee dedicated to risk management. It was the willingness of the Executive Committee and of the Board of Directors to create "strong committees", so as to set up an effective risk governance within the company. It is also with this aim in view that the responsibilities of each committee have been clearly established by means of internal regulations.

Third defence line - Independent assessment

The third defence line is provided by the Internal Audit, which assesses, among other things, compliance with procedures by the first and second lines of defence and, more generally, the effectiveness of the internal control system. To ensure its independence, this entity reports hierarchically to the CEO directly and functionally to the Audit and Risk Committee.

With regard to risk management, the Board of Directors of Ethias SA assumes ultimate responsibility for the effectiveness of the risk management system. To carry out its missions, it relies on the Audit and Risk Committee. The Audit and Risk Committee advises the Board of Directors on Risk Appetite and risk tolerance issues, analyses risk reporting, challenges the implementation of the risk management system by the Executive Committee, and verifies its proper application.

III.3.1.3 Typology of risks

The typology adopted by Ethias is presented in the diagrams below and

- relies on the modules of the standard formula used to calculate regulatory capital requirements in the Solvency II framework (in green in the diagram)
- is completed by the risks not covered by the standard formula (in orange in the diagram).

Insurance risks				Financial risks		
Life underwriting risk	**Non-Life under-writing risk**	**SLT Health**	**Non-SLT Health**	**Market risk**	**Counter-party risk**	**Liquidity risk**
Mortality risk	Premium and reserve risk	Catastrophe risk		Interest rate risk	Downgrade risk	Market liquidity risk
Longevity risk	Catastrophe risk	Mortality risk	Premium and reserve risk	Stock (price) risk	Default risk	Risk of funding liquidity
Disability/ morbidity risk	Expense risk	Longevity risk	Termination risk (redemption)	Real estate assets risk		
Expense risk		Disability/ morbidity risk		Spread risk		
Revision risk		Expense risk		Foreign currency exchange risk		
Termination risk		Revision risk		Concentration risk		
Catastrophe risk		Termination risk (redemption)				

Non-financial risks		External and environmental risks (*)
Operational risks	**Other non-financial risks**	**Strategic and reputational risk**
Business disruption	Model risk	
Workforce and active management	Concentration risk	
Violation of legal and regulatory obligations (Compliance)		
Internal and external client satisfaction		
Subcontracting of consultancy and supply		
Information security		
Data privacy (GDPR)		
Insurance fraud		
Project		

(*) This category includes external risks such as cyber attacks, ESG-related risks and pandemics.

III.3.1.4 Risk management process

Risk management is based on the following cyclical process:

Risk identification

The identification of events likely to have a negative impact on the achievement of the company's objectives requires the study of several elements: triggering factors, incident history, correlation between individual and aggregate risks, trends, risk identification workshops ...

Some examples of risks:

- inadequate pricing of insurance products resulting in the non-profitability of the products concerned;
- the communication by the client of incorrect information (loss already occurred at the time of subscription ...) (insurance fraud);
- incorrect identification leading to inopportune segmentation (age, postal code, etc.) or to an inadequate tax system (in the case of Life insurance);
- loss of documents signed by the client (returned signed contracts, notice of loss, ...);
- a too high risk exposure level of a financial assets portfolio;
- security breaches exploited by cyber attackers resulting in data unavailability and a major impact on reputation.
- **Risk assessment and measurement**
- Depending on the risk category, different methods for risk assessment and measurement are put into place:
- quantitative methods for assessing and measuring financial risks and insurance risks;
- semi-quantitative methods for assessing strategic, operational and other business risks in terms of their probability of occurrence and the potential impact (extent of damage) they may cause in the event of their occurrence. The subdivision of risk mapping into frequency and impact ranges in a matrix helps to decide how (controlling actions) the risks are best handled.
- The assessment of financial, insurance and operational risks is compared to Ethias' appetite matrices for risks in order to determine whether risk treatment measures are necessary.
- **Treatment and monitoring of risks**

Once the risks are identified, assessed and measured, it is necessary to define, according to the chosen risk appetite, the most appropriate response to the risk among the various possible treatment options between avoidance (suppression of the activity carrying the risk), transfer (reinsurance, insurance), mitigation, sharing (mutualisation) or acceptance of the risk (the company itself carries the risk).

Reporting

The reporting component crosses the entire organization. Effective and efficient decision-making is highly dependent on the quality of information delivered to the decision-makers. Ethias tries to provide information (of a financial, legal, economic, operational ... nature) that is adequate and relevant to the correct recipient in a timely manner, so that everyone can understand its own role in the risk management system and is able to fully assume its responsibilities.

The reporting covers internal communication but also external communication to third parties (clients, suppliers, press, supervisory authorities, etc.). Ethias focusses on ensuring an adequate granularity of the information (level of detail, periodicity) and a communication of the information in a form adapted to the profile of the recipient.

In terms of internal reporting, it is also a matter of translating the risk management action plan into concrete results within policies (the "what"), articulated in procedures (the "how") that are disseminated in order to ensure an effective implementation of the risk management measures and an ongoing risk monitoring.

III.3.1.5 Risk management function

In accordance with the Risk Management Charter approved by the Board of Directors on 22 March 2018, the Risk Management Function:

- ensures that all significant risks of the company are detected, measured, managed and correctly reported. It provides a comprehensive overview of the full range of risks to which the company is exposed. It actively participates in the development of the company's risk strategy and as well as in all management decisions that have a significant impact with regard to risk;
- Is organized within a Risk Management Department, reporting to the Chief Risk Officer.

Independent monitoring function

The Risk Management Function is an independent monitoring function, which is an integral part of the internal control system, alongside the actuarial function, compliance and internal audit.

The Risk Management Function is hierarchically and organizationally detached from the operational activities to which it relates, so that it has a status that ensures its hierarchical and organizational separation from the risk-generating functions.

In order to avoid possible conflicts of interest, the Chief Risk Officer, the Head of Risk Management (DRM) and its direct employees may not carry out any commercial functions..

The Risk Management Function must have the necessary and sufficient means to carry out its tasks independently. To this end, the Head of Risk Management draws up an annual statement of resource requirements according to the planned activities and then monitors the allocation of the resources.

The CRO may directly accede to the Board of Directors, if necessary through the Audit and Risk Committee, without having to first consult the Executive Committee. The CRO may also address the Chair of the Executive Committee, the Chair of the Board of Directors, the members of the Audit and Risk Committee, the auditors and the supervisory authority directly, if the situation so requires.

Thus, the CRO is authorized to make recommendations to the audit and risk committee. The requests for investigation into a specific area of activity must be assessed by the audit and risk committee with a view to include them in the company's audit plan.

The terms of compensation for the CRO and the risk management director meet objectives other than commercial.

The CRO may only be removed from office by the Board of Directors. It is namely essential that the Board of Directors is the only body empowered to dismiss such an official as his duties involve a review of the way in which the Executive Committee carries out its tasks. Should a removal of the CRO be removed, Ethias will inform the supervisory authority in advance so that it can examine whether the company's governance does not require the adoption of special measures.

Governance of the risk management function

The Board of Directors:

- assesses periodically, and at least once a year, the effectiveness of the governance system and, in particular, the proper functioning of the independent monitoring functions, including the Risk Management Function;
- takes the initiative to promote the Risk Management Function in the conduct of activities; It ensures that Ethias has a risk management policy and encourages its observance;
- approves the risk management policy and assesses at least once a year whether it is adapted to the company's activities.

The non-executive directors organize, at least once a year, an assessment meeting with the CRO, on:

- compliance with the charter of the Risk Management Function and the assessment of the functioning of the Risk Management Function,
- the interactions between the Risk Management Function, the Executive Committee (where appropriate via the Risk Management Committee) and the Audit and Risk Committee,
- the possible difficulties encountered in the performance of the missions and the implementation of the recommendations and advice, as well as the adequacy between the objectives and the available means.

The Audit and Risk Committee:

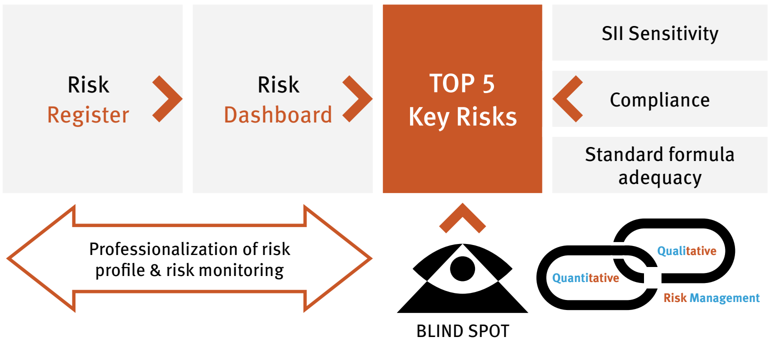
- takes note of the annual report of the Risk Management Function;
- ensures that the Executive Committee takes the necessary measures to ensure that the company has an adequate independent Risk Management Function at all times.
- confirms the charter of the Risk Management Function and the work programme of the Risk Management Function, previously validated by the Executive Committee;
- evaluates the quality of the risk management system at least once a year through the assessment of the governance system.
- The minutes describe in detail the deliberations of the Committee. It reproduces in detail the information which form the basis for the members of the Committee. It lists the result of the deliberations and all the measures decided by the Committee.

The Executive Committee:

- takes the necessary measures to ensure that Ethias has an adequate independent Risk Management Function at all times;
- is responsible for controlling the risk management system. It ensures the establishment and implementation of procedures that identify, measure, monitor and, to the extent possible, control the risks.
- also ensures the establishment of an organizational structure that defines clear responsibilities for the Risk Management Function, assigns competencies in this area and defines reporting lines.
- approves the work programme of the Risk Management Function and ensures that it receives the human and other resources that are necessary for its implementation.
- informs in a timely manner the Risk Management Function of any new elements in terms of developments, initiatives, projects and products, in order to be able to identify and control any potential risk. The Executive Committee communicates to the risk management function all the documents required for the performance of its duties, including extracts from the minutes of its meetings and background notes that have been communicated to the Executive Committee.

- informs the Audit and Risks Committee of significant shortcomings in the risk management system.
- decides on the corrective measures to be taken and on the specific sanctions it will apply in the event of non-compliance with the risk management policy or in the event of serious deficiencies identified by the risk management function, in the event of non-compliance with recommendations made by the Risk Management Function and in the event of non-existent, insufficient or late implementation of the requirements in the areas falling within the remit of the risk management function.

III.3.2 Internal assessment of risks and solvency (ORSA)



III.3.2.1 Description of the implemented ORSA process

The Own Risk and Solvency Assessment (ORSA) is the subject of a specific policy.

In order to meet the three distinct objectives[1] of the ORSA, the Ethias ORSA process is implemented through various processes and sub-processes (establishment and monitoring of the Ethias risk profile, identification of major risks, establishment of stress tests, elaboration of management actions, sensitivity tests, capital planning, adequacy of the standard formula, ...) proportionate to the nature, scale and complexity of Ethias' own risks.

Ethias is conducting the prospective assessment of its overall solvency requirement over a horizon which is at least equal to that of its business plan. The forward-looking vision presents a detailed quantification of Solvency II's "pillar 1" risks. For risks not included in "pillar 1", stress tests are performed in the capital planning exercise in order to check the adequacy of economic equity.

Ethias projects not only the SCR coverage ratio, but also that of the MCR, at least over the horizon of its business plan.

Ethias submits the identified significant risks to a sufficiently broad range of stress tests or scenarios in order to provide an adequate basis for the assessment of the overall solvency requirement.

An analysis of the adequacy of the standard formula with respect to the risk profile is also carried out.

The results of the assessment of the overall solvency requirements are translated into:

- monitoring regarding the dimensions of risk appetite;
- a level for the necessary resources (capital or other means) to deal with important risks;
- where appropriate, the definition of remediation plans;
- defining the actions planned within the framework of the monitoring for the gauges of the Risk Appetite indicators.

Regarding the compliance with the requirements for the calculation of technical provisions, the Actuarial Function of Ethias:

a) assists in determining whether Ethias permanently meets the requirements relating to the calculation of the technical provisions;

b) identifies the potential risks arising from the uncertainties associated with this calculation.

Integration of the ORSA in the management and decision-making processes

The ORSA (Own Risk and Solvency Assessment) is an internal process for the prospective assessment of the company's own risks and solvency.

It allows the Executive Committee and the Board of Directors:

- to know all the material risks to which the company is exposed, whether or not they have been included in the calculation of the statutory Solvency Capital Requirements and whether or not they are quantifiable;
- to know the consequences that strategic decisions have on the risk profile, regulatory capital requirements and overall

1 Assessment of the overall solvency requirement; assessment of the ongoing compliance with the regulatory capital requirements for the coverage of the SCR, the CRM and the requirements regarding the calculation of the technical provisions; assessment of the extent to which the risk profile of the organization deviates from the assumptions underlying the SCR calculation.

solvency needs;

- to examine whether these risks are desirable, reasonable and manageable in view of the quantity and quality of its own funds and to validate, in full knowledge of the facts, the corrective measures envisaged;
- to examine the consistency of the Risk Appetite and the company's strategy and, if necessary, review one and/or the other.
- to develop action/remedial plans or even crisis plans.

ORSA is integrated into the management of the company, and more particularly into strategic decisions and processes, both operational and management. Ethias takes into account the results of ORSA in the context of:

- its strategy and business plan: adequacy with the Risk Appetite and the dividend distribution policy.
- the management of its own funds: quantity, quality, raising additional own funds;
- the development and design of its products: appropriate level of pricing and margin setting.

The results of the ORSA are formalised in a report to the decision-making bodies and the NBB. The ORSA process, leading to the preparation of the report, is formalized.

ORSA's results and conclusions are also communicated internally to staff members for whom it is relevant, so that they can take any necessary follow-up action.

III.3.2.2 Frequency of the ORSA

Ethias carries out a regular ORSA at least annually. The schedule for the regular ORSA is linked to Ethias' strategy and business plan.

A major change in the company's risk profile triggers an ORSA qualified as “non-regular ORSA”.

III.4 Internal control system

III.4.1 Internal control system

Internal control is the set of functions and procedures that enable the company's management to ensure that :

- there is an orderly and prudent conduct of affairs, framed by well-defined objectives;
- the use of economic means is effective;
- risks are identified and managed;
- financial and management information is reliable;
- laws and directives of the supervisory authorities are strictly observed.

Articulated according to the model of the three lines of defence (described above), the internal control system set up within Ethias aims to protect the company against the risks likely to compromise the achievement of its objectives.

Finally, the internal control system was strengthened in Q4 2019 by the establishment of an Internal Control Coordination function (hereafter referred to as "ICC") within the CRO line. The main objective of this new department is to strengthen the existing internal control system by developing, implementing and coordinating an Internal Control Framework to provide reasonable assurance to the Management that the mitigating measures implemented by all process owners (1^{st} and 2^{nd} lines of defense) are sufficiently robust and that they limit residual risks to an acceptable level.

This implementation of a permanent control of key risks will be the subject of a systematic reporting on the main shortcomings identified, in order to enable the Management to be more responsive in deciding on the corrective actions to be implemented (prioritization).

III.4.2 Compliance function

The compliance function is an independent monitoring function within the company, in the second line of defence, focused on respecting the rules related to the integrity of the activities and the control of the compliance risk.

The positioning, the areas of work, the missions, the governance, the reporting, the status, the organization and the prerogatives of the function are described in a charter. This charter is based on the control legislation, the circular NBB_2016_31 on governance updated in May 2020 and the circular NBB_2012_14 / FSMA 2012_21 of 4 December 2012 relating to the compliance function. Its latest version was approved by the executive committee on November 9, 2021 and confirmed by the audit and risk committee on November 18, 2021.

III.4.2.1 Positioning of the compliance function

Within Ethias, the CRO, responsible for the risk management function and member of the Executive Committee, assumes responsibility for the tasks of the actuarial function and also for the compliance function, it being specified that the exercise of these 3 functions is carried out separately.

III.4.2.2 Legal, regulatory and specific compliance areas

III.4.2.3 The areas of work for the compliance function are specified in the compliance charter. These are the areas listed in the regulations as the scope of the compliance function and those added to the list on the proposal of the head of the compliance function. This proposal is based on a risk analysis and evaluated by the Executive Committee in consultation with the Audit and Risk Committee.

III.4.2.4 As of December 31, 2021, compliance is responsible for ensuring enforcement of the legal and/or regulatory rules of integrity and conduct in the following areas:

III.4.2.5 Corporate Governance

- Rules relating to the system of governance - provisions of article 42. §1 of the law of March 13, 2016 on the status and supervision of insurance or reinsurance undertakings
- Structure of policies required by the Solvency II law in line with the NBB's prudential expectations
- Principles regarding the remuneration policy
- Rules relating to the exercise of external functions by the executives of regulated companies,
- Loans, credits and guarantees to company executives, shareholders and related persons,
- “Fit & proper” rules,
- Rules regarding outsourcing,
- Consistency of the governance topics *sensu stricto* included in the RSR, viz. shareholding, management structure, fit & proper, incompatibilities of mandates, loans, credits and insurances to company executives, independent control functions, remuneration, conflicts of interest and outsourcing.

Financial crimes

- Prevention of money laundering and terrorist financing and limitation of the use of cash
- Enforcement of specific embargoes, including the freezing of assets of certain persons and entities,
- Tax prevention, including special mechanisms to encourage tax evasion
- FATCA (Foreign Account Tax Compliance Act) & CRS (Common Reporting Standard)

Business Conduct & Consumer Protection

- AssurMiFID / IDD rules of Conduct
- Other provisions relating to the protection of the policyholder, information to the client, advertising, marketing bans, etc.
- Complaint handling
- Mortgage credit legislation,
- Anti-discrimination legislation,

Protection of personal data

- GDPR

Ethics

- Whistleblowing
- Anti-corruption / Bribery Act
- Assuralia’s codes and rules of conduct,
- Internal values and integrity rules.

III.4.2.6 Main missions

Participation in the development of the integrity policy, its assessment and the monitoring of its respect

The compliance function participates in the development of the integrity policy and in its updating.

On the proposal of Compliance, the Executive Committee approved the latest version of the integrity policy on 4 December 2018 and the Board of Directors validated it on 24 January 2019.

Development of an action plan

The compliance function develops a written annual action plan based on a methodical risk analysis and provides a sufficiently detailed description of the nature and frequency of the monitoring missions that will be carried out during the specified year.

Identification, assessment and monitoring of the compliance risks

The reference document in this area is the "*Compliance risk management methodology*".

The monitoring carried out by the compliance function complements the control measures implemented by the operational lines and support functions, in the first line of defence. Its objective is to assess and to ensure the robustness of their risk management system.

The monitoring takes place after the prior identification and assessment of potential compliance risks detected within the framework of a regulatory monitoring carried out by the compliance function.

It includes the following activities: (I) the assessment of the procedures, controls and directives set up within the operational lines and support functions ("*tests of design*"), (II) assessment of the effectiveness and the permanence of these procedures and first-line control measures ("*tests of effectiveness*"), (III) the issuance of recommendations and the monitoring of their implementation; and (iv) the implementation of targeted controls.

Advice

The compliance function provides advice on the practical application of laws, regulations, standards and codes that fall within its working areas, either when consulted or in the exercise of its monitoring tasks and the issuance of recommendations.

Training and awareness

In collaboration with the operational lines and support functions, the compliance function ensures that employees are aware of the need to detect and control compliance risks.

It also assists in the design and organization of awareness-raising actions and training activities for employees in fields within its sphere of activity.

Implementation of the anti-money laundering system

In order to comply with the NBB's expectations regarding governance related to money laundering prevention, the Executive Committee of 13 June 2018 appointed the head of the compliance function as AMLCO, giving this person responsibility for the implementation and monitoring of this matter.

III.4.2.7 Governance

At the level of the Board of Directors and the Audit and Risk Committee set up within it

The Board of Directors takes the initiative to promote integrity in the conduct of activities. It approves the integrity policy and assesses at least once a year whether it is adapted to the company's activities.

It assesses periodically, and at least once a year, the effectiveness of the governance system and, in particular, the proper functioning of the independent monitoring functions, including compliance.

It ensures that the Executive Committee takes the necessary measures to ensure that Ethias has an adequate independent compliance function at all times.

It confirms the compliance charter and action plan and assesses at least once a year whether the compliance risks are sufficiently identified and controlled.

At the level of the Executive Committee

The Executive Committee develops the integrity policy.

It takes the necessary measures to ensure that Ethias has an adequate independent compliance function at all times.

It approves the compliance action plan and ensures that it receives the human and other resources that are necessary for its implementation.

III.5 Internal Audit Function

III.5.1 Missions

The purpose of the Internal Audit is to provide the Board of Directors and the Executive Committee with a reasonable assurance about the quality and effectiveness of the internal control, of the risk management as well as of the institution's good governance process and systems. It assists the members of these bodies in their mission in this field. The assessments carried out for these purposes by the Internal Audit within the framework of the insurance missions cover the following aspects:

1. observance of the laws, regulations, rules, procedures and contracts;
2. achieving the organization's strategic objectives;
3. the reliability and integrity of the financial and operational information;
4. the effectiveness and efficiency of the operations and programmes;
5. the protection of assets.

All processes, activities, functions, systems and operations of the institution and of its subsidiaries fall within the scope of the Internal Audit, without reserve or exception. Outsourced activities also fall within the scope of the Internal Audit, it being understood that it is the responsibility of the institution to make the necessary arrangements[2] to enable the Internal Audit to perform its task.

In this case, the Internal Audit is involved in advisory activities[3]. Before accepting them, the head of the Internal audit considers the extent to which these advisory activities are likely to create added value and improve the process of corporate governance, risk management and organizational control. This advisory function constitutes an ancillary function which can in no way compromise the core mission, nor the responsibility and independence of judgement of the Internal Audit. The Executive Committee and the Audit and Risk Committee are informed of these advisory activities, either by their inclusion in the audit plan or through the activity report.

The Internal Audit is also responsible for assessing cases of internal fraud[4] with a view to improving the governance, risk management and internal control processes.

The Internal Audit assesses, in particular through its missions and in its role as a third line of defence, whether the risks incurred by Ethias in its various activities are adequately perceived and covered.

- It is also attentive to the continuous improvement of the functioning and reputation of the Group's entities, while ensuring efficient management of the available resources. An audit agreement sets out the fundamental principles governing the Internal Audit function within these entities by describing its objectives, role, responsibilities and operating procedures. This agreement gives the Internal Audit function a state of independence vis-à-vis the audited activities, hence ensuring impartiality for the performance of its duties.
- The Internal Audit has unrestricted access to information, documents and tangible or intangible assets. It may request from any person the elements which it deems necessary for the performance of his duties.

III.5.2 Audit charter

Ethias' Internal Audit Charter, defined as the fundamental law of the auditors, recognizes their role, provides them with the necessary access to carry out their assignments and give them an identity. It also protects auditees by imposing duties and ethical principles on the auditors.The Internal Audit Charter is revised periodically and modified, when necessary, so as to ensure that the internal audit's ability to intervene is always consistent with the tasks assigned to it. The latest version, incorporating the requirements of the circular NBB_2015_21 concerning the internal control system and the Internal Audit function, was adopted by the Board of Directors of Ethias SA of October 20, 2017.

The charter is brought to the attention of all employees of Ethias via its publication on the Intranet.

The head of the Internal Audit assesses annually whether the mission, power and responsibilities set out in the charter still allow the Internal Audit department to achieve its objectives. It communicates the results of this assessment to the Executive Committee and the Board of Directors.

2 By means of including audit clauses in service contracts.

3 Examples include: formulating an advice, participating in a project or working group on a temporary basis, organizing a training session.

4 Cases of internal fraud are analysed and dealt with in collaboration with the Human Resources Department as well as the hierarchy of the person(s) involved in the fraud.

III.6 Actuarial Function

Ethias has set up an Actuarial Function with the aim of extending the duties of the actuarial function (referred to in the umbrella circular) to the control of any subject needing an independent actuarial opinion. More specifically, this function is responsible for making judgements and advising the Executive Committee and in particular the CRO on the actuarial aspects of risk management.

The Actuarial Function is detached from the operational activity on the hierarchical and organizational level and is thus attached to the CRO. The department is composed of persons with actuarial and financial knowledge and/or relevant experience to carry out the missions. The head of the department meets the requirements of the NBB for expertise and good repute.

The head of the Actuarial Function informs the Executive Committee without delay when he detects a situation which he considers as unusual. He also addresses directly the chairman of the Executive Committee, the chairman of the Board of Directors, the members of the Audit Committee and the auditors of the entity for which he is responsible, when the situation so requires.

The Actuarial Function assesses beforehand his degree of independence for each mission for which it is in charge.

The charter stipulates that the head of the Actuarial Function and his direct employees must have access to all information relevant to their mission. In order to ensure a proper information on technical files, the head of the department is a member of the Insurance/Reinsurance Committee (IRC) and is invited to the Acceptance Bureaus (AB's).

The key responsibilities of the Actuarial Function are as follows;

1. coordinating the calculation of technical provisions[5];
2. issuing an opinion on the overall underwriting and pricing policy;
3. issuing an opinion on the adequacy of the reinsurance arrangements;
4. issuing an opinion on the policy of profit sharing and refunds as well as observance of the relevant regulations;
5. issuing an opinion on the quality of the data used for the calculation of the USP (Undertaking Specific Parameters);
6. contributing to the effective implementation of the risk management system;
7. Carrying out second-line control in the context of:
    - pillar 1 of Solvency II for calculations carried out by Risk Management
    - pillar 2 of Solvency II (capital planning);
    - pillar 3 of Solvency II;
8. collaborating in major projects by ensuring internal validation;
9. approving the technical elements underlying the valuation of insurance liabilities under IFRS17.

The Actuarial Function issues a validation report or an independent opinion for each mission, depending on the nature of the mission. The recipients[6] and the frequency of these validation reports and opinions are detailed in its charter. Depending on the nature of the mission, these reports and opinions are intended for either the Executive Committee or the IRC and contain any recommendations made during the assignment. A follow-up of these recommendations is also carried out by the Actuarial Function.

It also draws up a written report at least once a year and submit it to the Board of Directors. This report relates on all the work carried out by the Actuarial Function and their results. It clearly indicates any failures and makes recommendations on how to remedy them.

The Actuarial Function Charter details the basic principles, organization, competencies, independence, key responsibilities, missions and reporting of the actuarial function.

This charter was reviewed and approved by the Board of Directors in May 2021.

5 This includes second-line controls for calculation of technical provisions (Solvency II and BGAAP) and validation of projection models.

6 Insurance/Reinsurance Risk Committee, Executive Committee, Board of Directors, Audit and Risk Committee ...

III.7 Outsourcing

III.7.1 Essential elements of the subcontracting policy

Following the update of Circular NBB_2016_31 on governance of May 2020 and Circular NBB_2020_018 of May 5, 2020 clarifying the Bank's recommendations on outsourcing to or relying on cloud services providers, Compliance has adapted the outsourcing policy. This policy was validated by the Executive Committee on 11 May 2021 and approved by the Board of Directors on 27 May 2021.

In addition, as part of strengthening the governance in the area of subcontracting, Compliance has drawn up a "practical guide to subcontracting" for all those responsible for an activity that is subcontracted or to be subcontracted. This guide clearly defines the roles and responsibilities of each stakeholder in the pre-contractual, contractual and post-contractual phases.

Subcontracting shall mean any use of third parties, service providers, to carry out activities, functions or processes specific to the insurance undertaking, whether these are intended for clients or for the undertaking itself.

Ethias' subcontracting policy sets up a management structure for the activities subcontracted by the company, developing different principles.

The same basic rules apply to all types of subcontracting, whether external subcontracting or subcontracting within the group or whether the subcontracting concerns critical or important functions or activities or not. The subcontracting of a critical or important function or activity is, however, subject to additional rules of supervision.

A function or activity is considered as critical or important when it is essential to the activities of the company to the point that it would not be able to provide its services to the policyholders without the function or activity in question.

On this basis, Ethias considers as **critical** or **important:**

- its **"core business" activities** for policyholders, provided that the size of these activities exceeds a predefined materiality threshold:
  - the pricing and design of insurance products;
  - the underwriting of insurance contracts;
  - the management of insurance contracts and claims.
- the **operations that are directly involved in their execution**:
  - the management of the portfolio of assets;
  - accounting;
  - the IT development and maintenance operations that directly participate in the execution of these activities and the storage of data.
- the **independent monitoring functions**:
  - internal audit;
  - compliance;
  - risk management;
  - actuarial function.

On the other hand, "corporate" activities aimed at the company itself, such as HR, marketing, internal and external communication, management of company buildings, legal, training or collection of unpaid premiums, are considered as non-critical.

Each internal manager performs an evaluation of the activities and functions he/she outsources. The frequency of this evaluation is annual for the outsourcing of critical or important activities or functions. The evaluation is carried out on the basis of a general framework including the following elements:

- Update of the risk analysis for the outsourced function/activity and definition of possible mitigation measures to be implemented;
- Update of the due diligence of the subcontractor which takes into account the financial health of the subcontractor, its reputation (based among other things on its clients as well as on a search for information), its technical and management capacities (innovation, new services, ...);
- Summary of monitoring outsourcing and compliance with performance and control indicators as defined in the agreement and SLA's.

In 2021, Ethias did not outsourced any new critical activities.

IV Risk profile

IV.1 Underwriting risk

The Non-Life underwriting risk arises from the volatility of Non-Life insurance obligations. It includes:

- premium and reserve risk
- catastrophe risk.

The health underwriting risk reflects the risk arising from the underwriting of health insurance obligations, both when it is exercised on a technical basis similar to that of Life insurance as well as Non-Life insurance.

Life underwriting risk reflects the risk arising from life insurance obligations It includes:

- mortality risk
- longevity risk
- disability/morbidity risk
- expense risk
- revision risk
- termination risk
- catastrophe risk

IV.1.1 Exposure to underwriting risk

Exposure to underwriting risk is assessed using the best estimate of technical provisions, by business line, shown in the following table:

In thousands of euros	c-21	31-Dec-20
Non-life (without health)	1,978,409	1,826,424
Health (similar to non-life)	325,705	400,957
Health (similar to life)	1,664,242	1,629,831
Life (without index-linked and unit-linked insurance)	10,252,578	10,585,012
Index-linked and unit-linked insurance	1,799,049	1,516,033

IV.1.2 Concentration of underwriting risk

The insurance and reinsurance activities are mainly concentrated on Belgian territory.

The activities are spread over two major segments of policy holders: Public Bodies & Companies on the one hand, and Private Individuals, on the other hand. Ethias' positioning towards the Public Bodies & Companies explains the high concentration of underwriting on this segment.

We note a concentration of underwriting risk for workers' compensation insurance activities: this is the portfolio "Work Accidents Low '71", on the one hand, and the portfolio "Work Accidents Law '67", on the other hand.

IV.1.3 Sensitivity to underwriting risk

The table below lists the risks to which Ethias is exposed. They have been estimated by difference between stressed Best Estimates and base Best Estimates (via modifications of certain assumptions). The variations in the parameters are close to the SCR shocks defined in Solvency II.

Sensitivity of BE Life

In thousands of euros; solely Ethias SA	2021	2020
Mortality risk		
Increase by 15% in mortality	-33,505	-31,857
Longevity risk		
Increase by 20% in longevity	53,223	60,385
Expense risk		
Increase by 10% in overheads	42,992	40,875
Doubling of inflation	109,188	52,210

Sensitivity of BE annuities

In thousands of euros	2021	2020
Longevity risk		
10% decrease in qx	46,493	44,403
Redemption risk		
50% decrease in the frequency of taking 1/3 in capital	3,683	3,518
Transition risk		
No partial recovery	56,038	53,519

IV.1.4 Mitigation of underwriting risk

IV.1.4.1 Creating a new product or modifying an existing product

Before the launch of a new product, it is studied in all its aspects: marketing, legal, tax, profitability, ALM constraints, compliance...

The analysis is submitted to the Insurance/Reinsurance Committee (IRC) and to the decision-making bodies for approval (Executive Committee).

IV.1.4.2 Underwriting limits

Underwriting guidelines set the limits to be respected with regard to underwriting (limits of a sectoral nature, contractual limits of insured capital, contractual limits of compensation, etc.) in accordance with our risk appetite.

IV.1.4.3 Tariffs

Tariffs are established by underwriting actuaries and are submitted to the actuarial function for an opinion.

IV.1.4.4 Reinsurance

The Reinsurance department determines the company's reinsurance needs. The treaties are reviewed annually according to the coverage needs determined by Risk Management and the requests from Production. The Insurance & Reinsurance Committee supervises the reinsurance programme.

Reinsurance is taken out on the basis of treaties that apply to a portfolio on the whole or on the basis of optional conventions relating to risks that are outside the frame of these treaties. The majority of these contracts are concluded on a non-proportional basis.

Non-Life management

The different portfolios (car, accidents, civil liability, fire, comprehensive, construction all risk and ten-year risk) are reinsured by excess of loss treaties. Reinsurance intervenes whenever a damage or an event exceeds the amount determined according to risk aversion.

The purchased capacities are a function of the underwriting limits and/or of the MPL (Maximum Possible Loss) in excess of loss per risk treaty. They are a function of very cautious catastrophe scenarios for the excess of loss per event treaty.

Life management

Death and disability are reinsured on the basis of an excess of loss treaty.

Non-Life and Life management

In case of an accident affecting at least two persons insured in accidents at work, in accidents common law; in death or in disability, an excess of loss per event treaty intervenes globally on top of the formerly presented treaties.

Terrorism is covered through the national TRIP pool. Our retention following on the TRIP intervention is also reinsured.

IV.2 Market risk

IV.2.1 Exposure to market risk

The following tables show the market risk exposure by risk module of the standard formula and by type of asset. Exposures are given at market value (including accrued interest not yet due).

We note that exposures to interest rate risk are not additive because they include assets and liabilities. The total indicated adds only the assets.

In thousands of euros	31-Dec-21	31-Dec-20
Interest	16,214,774	16,513,130
Action	1,503,589	1,165,992
Real estate	634,250	683,490
Spreads	15,721,991	15,939,309
Currency	120,050	19,980
Concentration	17,859,830	17,788,791

Exposures to government bonds and similar products are in theory subject to the SCR spread and concentration, but only certain specific exposures have, according to the standard formula, a non-zero charge (this includes the issuers outside the euro zone).

Compared to end-2020, exposures to the SCR market have increased overall.

- Exposures to the SCR interest have decreased mainly due to the decrease in the volume of government bonds and similar products and the maturity of covered bonds, partially offset by purchases of corporate bonds and by the issuance of new loans.
- Exposures to the SCR equity have increased mainly as a result of the various purchases in 2021 (equity funds, equities, infrastructure funds, strategic participating interest) and as a result of the excellent performance of the equity markets in 2021 (with the EuroStoxx50 index ending at around 4,300 points as of 31 December 2021 compared to around 3,600 points a year earlier). We also note the revaluation in H2 of one of our main strategic participating interests.
- Exposures to the SCR real estate decrease due to several sales (including those of the historical buildings of Ethias in Liège and Hasselt), partly compensated by the increase in the market value of almost all the buildings held by Ethias' real estate subsidiaries.
- Exposures to the SCR spread increased overall in 2021. However, those with a non-zero charge have increased by 1%: they amount to 6,058 million euros in 2021 whereas in 2020 they stood at 5,981 million euros. The movement is relatively neutral in total on corporate and covered bonds (no reinvestment in covered bonds), the increase coming mainly from the issuance of new loans.
- The exposure to the SCR currency has increased as a result of purchases of funds in the OFP and the granting of a foreign currency loan.
- The calculation of the SCR concentration is now carried out taking into account the look-through of the funds. This leads to a zero SCR at 31 December 2021.

All the exposures to the various market risks presented here also include the assets of Ethias Pension Fund associated with the company's pension commitments.

IV.2.2 Exposure to the interest rate risk

The following table shows the components of the SCR interest as at 31/12/2021 and 31/12/2020. At December 31, 2021, there are no longer any specific derivatives for interest rate hedging (e.g. forward starting swaps). The only derivatives at this date are spreadlocks (whose sensitivity to interest rates, and therefore the SCR interest, is zero) and (new) inflation swaps. They are used as hedges of government bonds for the spread risk and the inflation risk respectively.

In thousands of euros	contribution to the SCR interest with rate hedge at 31/12/2021	with rate hedge at 31/12/2020
fixed income assets	-193,270	-60,309
forward starting swaps (interest rate hedging)	0	0
net impact of spread lock	0	0
Inflation swaps	1,943	0
liabilities	199,299	83,793
SCR interest	**7,972**	**23,485**

The following table shows the evolution of the duration gap between assets and liabilities

	31-12-20			31-12-21		
	Assets Duration	**Liab. Duration**	**Duration gap**	**Assets Duration**	**Liab. Duration**	**Duration gap**
Total Life	8.71	10.26	(0.13)	8.37	9.8	0.22
Total Non-Life	6.65	8.93	0.03	7.38	8.96	0.56
Total w/o IAS 19			(0.03)			0.34
Total with IAS 19			(0.28)			0.09

- The sensitivity of own funds to changes in interest rates is still under control and does not present a major risk.
- Own funds are now favourably exposed to a fall in interest rates, but with little impact as the duration gap is practically closed.
- The actions taken over the last few years have enabled us to reduce the duration gap in Life, notably through our long-term investments and the implementation of our repo strategy. The duration gap in Life has become positive.
- The duration gap in Non-Life is positive and has increased as a result of long-term investments.
- The overall duration gap, including the IAS 19 commitments, is almost zero.

IV.2.3 Exposure to the spread risk

The largest spread risk exposure relates to government bonds. Ethias is also exposed, but to a lesser extent, to the risk of widening spreads on the valuation of its corporate bonds.

The following tables present the evolution of the average benchmark rating broken down by type of bond.

In accordance with Solvency 2, the benchmark rating used for each exposure is the second best rating available from Moody's, Fitch and Standard & Poor's at the balance sheet date. The distinction by asset class corresponds to the classification used by the company's management and may differ slightly from the asset categories as presented in the economic balance sheet.

In thousands of euros **to 31 December 2021**	AAA	AA	A	BBB	BB	B	NR	TOTAL
Government bonds and similar products	879,200	5,272,715	1,620,076	2,457,175	-	-	45,102	**10,274,267**
Corporate bonds	33,182	315,453	1,202,518	2,380,581	134,704	70,675	600,019	**4,737,132**
Covered bonds	106,300	26,313	34,980	-	-	-	-	**167,593**
Structured bonds	-	20,883	96,149	-	-	-	37,119	**154,151**
Loans	-	14,085	10,000	-	-	-	364,763	**388,848**
TOTAL	**1,018,683**	**5,649,449**	**2,963,722**	**4,837,756**	**134,704**	**70,675**	**1,047,003**	**15,721,991**

In thousands of euros **to 31 December 2020**	AAA	AA	A	BBB	BB	B	NR	TOTAL
Government bonds and similar products	603,482	6,083,573	1,514,335	2,301,643	-	-	66,060	10,569,093
Corporate bonds	21,551	331,805	1,079,665	2,447,486	178,307	61,747	452,239	4,572,801
Covered bonds	220,573	59,374	62,826	-	-	-	-	342,773
Structured bonds	-	21,098	96,886	-	-	-	36,766	154,750
Loans	-	30,706	60,000	-	-	-	209,184	299,891
TOTAL	**845,606**	**6,526,557**	**2,813,713**	**4,749,129**	**178,307**	**61,747**	**764,250**	**15,939,309**

Total assets subject to the spread risk decreased slightly in 2021. The market values of bonds declined due to the rise in interest rates in 2021, but new investments in government and corporate bonds and alternative investments partially offset these decreases in value.

The increase of the AAA segment in government bonds and similar products is mainly related to new purchases of supranational bonds and German bonds.

The significant decrease in government bonds in AA is due to maturities of more than 600 million euros not being renewed.

The NR segment increases mainly due to investments in alternatives (via loans or loan funds).

Exposure to sovereign risk by country

Ethias analyses the details of its exposure to the sovereign risk whilst including all debts issued or guaranteed by governments, in fair value, without restriction to their activity sector. The following table presents the company's exposure to sovereign risk at market value, by geographical area.

The majority of sovereign debt exposure is mainly in the euro zone. Exposure to the spread risk on Belgium remains the most significant, although it has decreased following the non-renewal of more than 600 M€ of maturities in 2021. Other exposures are broken down by country, with significant diversification in accordance with the limits set by the company. In addition, a hedging programme is in place to limit the impact of widening sovereign credit spreads on Ethias' solvency margin.

Country	Market value at 31 December 2021	Market value at 31 December 2020
Belgium	3,232,994	4,016,501
France	1,376,765	1,547,969
Spain	877,271	998,373
Supranational	828,855	693,761
Portugal	811,412	856,704
Italy	779,858	464,093
Germany	680,866	410,889
Ireland	556,737	564,765
Austria	181,998	181,299
United States	161,030	171,778
Slovakia	157,907	151,995
Latvia	117,401	114,758
Poland	106,622	126,558
Finland	97,151	42,083
Slovenia	92,023	90,002
Australia	76,525	-
Lithuania	52,864	60,707
Luxembourg	31,923	3,769

Country	Market value at 31 December 2021	Market value at 31 December 2020
Mexico	31,391	40,051
Czech Republic	28,426	29,577
The Netherlands	13,820	22,308
Canada	4,536	1,214
Denmark	3,412	5,623
TOTAL	**10,301,786**	**10,594,776**

IV.2.4 Concentration of market risk

Ethias manages its concentration risk through the diversification of its portfolio by issuer and sector. Moreover, the financial limits system groups the assets together per distinct asset class and defines an asset allocation strategy which allows a sound diversification at the issuer and sector level.

At the level of diversification by issuer, the fact that exposures to government bonds and similar products do not have a concentration charge implies that the capital requirements for the concentration risk in the standard formula are very low;

IV.2.5 Sensitivity to market risk

The following table presents the impacts of each scenario on the solvency ratio[1]:

Stress Test	Impact on the ratio
Spread Corporates +0.50%	7.4%
Equities -30%	-4.8%
Real estate -15%	-3.8%
Spread Govies +0.50%	-27.4%
Interest rate -0.50%	-7.2%

The stress on the Govies has a high impact due to our high exposure to government bonds. This sensitivity has been reduced during the year 2021 following the completion of the spread locks programme.

The impact of the increase in corporate spreads is a devaluation of corporate bonds, but the volatility adjustment that is added to the liability yield curve is revised upwards, which reduces the S2 value of technical provisions; the net impact is an increase in shareholders' equity S2.

IV.2.6 Methods of mitigating market risk

IV.2.6.1 Investments in accordance with the Prudent Person Principle

Asset Management manages in a profession manner both the premiums generated by the insurance business and any cumulative investment income. To this end, the Ethias asset managers manage and monitor the securities portfolios and invest within a framework that respects the prudent person principle. The company only invests in instruments that it understands and that are properly managed and monitored. Both the members of the various governance committees and the portfolio managers must act with the care, skill, prudence and diligence required by the size of the transactions concerned.

IV.2.6.2 Financial limits

A system of financial limits ensures a healthy diversification of the portfolio by asset class 'asset allocation), issuer, sector, currency and country. The system of limits also provides limits in minimum ratings according to the asset classes.

IV.2.6.3 Limits in interest rate sensitivities

Limits for interest rate sensitivity are applied to the ALM segments in order to meet Risk Appetite tolerance limits.

1 These impacts were estimated on the solvency ratio at 31/12/2020.

IV.2.6.4 Interest rate risk hedging

Several programmes for managing the asset-liability duration gap have already been implemented these previous years: lengthening the duration of assets through the purchase of very long-term government bonds, forward acquisition commitments also on government bonds in order to set the reinvestment rates over the next few years, the use of swaptions with different time horizons, the acquisition of forward starting swaps with an effect identical to the purchase of forward bonds but without identifying a credit risk during the forward period. The aim is to reduce the sensitivity of the ALM segments and consequently also the sensitivity of own funds to a movement in interest rates.

Interest rate sensitivities are regularly monitored and hedged by long-term investments in fixed income (matching assets vs. liabilities) as well as by interest rate swap programmes when necessary. The duration gap is controlled between -1 and 1; it is almost zero at end-2021.

IV.2.6.5 Spread risk hedging

The spread risk is also constantly assessed: the sovereign risk is partially hedged by successive forward sales of State bonds, while the corporate risk is not financially hedged, but is diversified.

IV.2.6.6 Inflation risk hedging

Finally, the inflation risk is also partially hedged through investments in inflation-linked bonds.

IV.3 Credit risk

IV.3.1 Exposure to credit risk

The credit risk (i.e. counterparty default risk) reflects the losses that could result from the unexpected default, or deterioration in the credit quality, of the insurance company's counterparties and debtors. The definition covers risk-mitigating contracts, such as reinsurance arrangements, securitizations and derivatives, and receivables from intermediaries, as well as any other credit risk that is not subject to the "spread risk" according to the standard formula.

Exposures at 31/12/2021 and at 31/12/2020 to the counterparty default risk are presented in the following table. Exposures consist of cash flows, mortgage loans, derivatives, receivables and deposits received from reinsurers.

In thousands of euros	31-Dec-21	31-Dec-20
Exposure to counterparty default	1,298,739	1,426,304

IV.3.2 Methods of mitigating credit risk

Besides the selection of counterparties, diversification and measures to avoid concentrations, the credit risk is mitigated by obtaining collaterals or guarantees. The value of the collateral is determined by a cautious approach, based on several criteria including the nature and the specific type of collateral as well as its liquidity and the volatility of its value.

With regard to reinsurance, the treaties are reinsured by a large panel of reinsurers being at least "A-" rated, which generally take a limited stake op 25%.

The credit risk of reinsurers is constantly monitored by the reinsurance brokers we work with, who inform us if a reinsurer's rating is downgraded. We also have access to a site listing the main financial information by reinsurer and we are subscribe to a site providing daily news from the reinsurance world.

Claims provisions

are also covered by cash deposits or deposits on blocked securities accounts.

IV.4 Liquidity risk

IV.4.1 Exposure to liquidity risk

There are two different concepts of liquidity risk.

On the one hand, the market liquidity risk: it is the risk of not being able to easily sell a position at market price position due to the insufficient depth of the market or disturbances in the markets.

The market liquidity risk is assessed by measuring exposure levels to liquid and illiquid assets and by periodically testing the liquid character of a sample of assets. In addition, financial market liquidity indicators are also monitored and alert mechanisms are defined.

As at 31 December 2021, 75% of the investment portfolios were composed of liquid assets according to internal criteria.

On the other hand, the funding liquidity risk: this is the risk of not being able to satisfy the need for present and future, expected and unexpected cash flows, without affecting its day-to-day operations or its financial position, and not being able to obtain financing on normal terms and conditions. The funding liquidity risk is assessed by projecting the expected cash flows over a period equal to the duration of the commitments or, where applicable, to a minimum equal to that of the planning horizon.

The table below shows the contractual cash flows expected by Ethias SA per category of financial assets and liabilities, grouped per maturity date. This projection is based on several assumptions as described below.

The portfolios are projected in run-off and by asset class in order to reproduce more realistically the liquidity flows actually expected. Term assets such as bonds and loans have their cash flows calculated according to their maturities and coupon rates. Cash and Banch 23 are considered as flows below one year.

In addition, for the majority of assets in the following classes: equities - participating interests - bond funds - investment properties, cash flows have been projected assuming that these asset classes would follow an extinction profile similar to that of insurance and investment contracts. Hence, a decreasing profile is applied to these assets similar to the profile of the liabilities to which they are backed. By internal conventions, these assets are only liquid from the second year of projection and a recurring income rate of 3% is incorporated in their extinction profile.

We also note that actual maturities may differ from contractual maturities because certain assets are accompanied by early redemption clauses, with or without penalties.

Regarding liabilities, only contractual future premiums are taken into account, including for the Non-Life activities, and the expected cash flows on insurance contracts are based on the repurchase assumptions defined by the company. Unit-linked insurance contracts are assumed to expire in the year.

	31-12-21						
		Expected cash flows (undiscounted)					
In thousands of euros	Book value	Total amount of undis-counted flows	Up to 1 year	Between 1 and 5 years	Between 6 and 10 years	Between 11 and 20 years	More than 20 years
Assets							
Bonds and similar securities	15,087,818	16,601,190	2,158,587	4,360,645	3,622,365	3,876,708	2,582,884
Participating interests, shares, investment funds and investment property	1,989,341	2,752,752	25,666	597,823	574,763	761,333	793,167
Loans and deposits	1,033,766	872,403	30,800	56,875	71,094	311,086	402,548
Cash and cash equivalents	373,837	491,533	491,533	-	-	-	-
Investments belonging to unit-linked insurance contracts	1,778,054	1,866,957	1,866,957	-	-	-	-
Derivatives	25,852	-	-	-	-	-	-
Total assets	**20,288,668**	**22,584,835**	**4,573,544**	**5,015,343**	**4,268,222**	**4,949,128**	**3,778,599**
Liabilities							
Insurance and investment contract liabilities	14,041,577	14,910,428	929,992	3,214,217	2,795,244	4,340,185	3,630,791
Liabilities belonging to unit-linked insurance contracts	1,778,054	1,778,054	1,778,054	-	-	-	-
Subordinated debts	494,777	596,884	22,783	541,236	1,310	2,619	28,936
Other financial debts	726,327	728,430	630,127	98,303	-	-	-
Derivatives	123,259	-	-	-	-	-	-
Total liabilities	**17,163,994**	**18,013,797**	**3,360,957**	**3,853,755**	**2,796,553**	**4,342,805**	**3,659,727**

IV.4.2 Sensitivity to liquidity risk

Analyses of the sensitivity to the funding liquidity risk are conducted on a quarterly basis in order to measure the impact of redemptions on the most exposed liabilities contracts, the impact of changes in the income, or the impact of strategic decision-making modifying the structure of the company's balance sheet.

IV.4.3 Methods of mitigating liquidity risk

The mitigation of the market liquidity risk is ensured:

- on the one hand, by verifying that a sufficient proportion of the portfolios is invested in liquid instruments, viz. they can be realized on the markets, in a rapid manner, without undergoing significant depreciations in value,
- and, on the other hand, by limiting investments in less liquid assets (for example, real estate, structured products, etc.) without prior authorization.

A system of liquid asset limits has been defined for each ALM segment in order to meet Risk Appetite tolerance limits.

The mitigation of the funding liquidity risk is ensured:

- through a regular monitoring of this risk by anticipating possible liquidity gaps between the liabilities and assets over a defined time horizon, by regularly monitoring the risk of redemptions on the most exposed liabilities contracts, by a priori defining a sufficient level of liquidity when designing new products, ...
- through a quick action if a liquidity gap is detected, such as: transforming assets into cash, contraction of a loan or repo, etc.
- A system of limits in funding liquidity and in repos has been defined in order to meet the tolerance limits related to Risk Appetite.

IV.4.4 Expected profit included in future premiums

The total amount of expected profit included in future premiums, calculated in accordance with the Solvency II standards, is 336 million euros, divided into 296 million euros in Non-Life and 40 million euros in Life.

IV.5 Operational risk

IV.5.1 Exposure to operational risk

The operational risk is described as “the risk of direct or indirect loss resulting from an inadequacy or failure attributable to procedures, processes, and people as well internal as external and to systems within the organization, or resulting from external events”.

External events are for instance natural disasters (fire, flooding...), legal changes, strikers preventing access to the workplace, etc.

By definition, the operational risk is potentially present in every activity and can cover a broad field of application: it affects all organizational levels and processes.

Operational risks are subject to a semi-quantitative assessment based on an operational risk appetite matrix dimensioned according to axes of occurrence probability and of potential impact. This matrix is asymmetric and has several areas of risk criticality according to the combination "probability x impact" reflecting the level of severity of the risk and the emergency level of risk treatment.

The model for assessing operational risks allows to weigh the risk assessment criteria on the basis of criteria that may not only be financial, but also reputation, client loss, system downtime, compliance with regulations ...

The standard formula is used to assess capital requirements resulting from exposure to operational risks.

IV.5.1.1 Cyberattack risk

The threat level of cyberattacks is growing continuously. The insurance industry is not immune to cyberattacks and other emerging risks. Like all companies, Ethias is potentially targeted by attempts to penetrate its systems for the purpose of stealing information, misappropriating personal data, disclosing confidential information, disrupting business continuity through the unavailability of computer systems, identity theft, malicious demand for money ...

Wishing to position itself as a leading player in the digital field, Ethias has taken into consideration the risks related to growing cybercrime in the various measures implemented to protect Ethias' information system. Ethias regularly tests its crisis management capabilities on cyber-attack scenarios.

The Ethias personnel is regularly made aware of the dangers of cyberattacks and the appropriate behaviour to adopt.

To protect itself from the risk of cybercrime, Ethias has taken out a specific insurance contract with an insurer covering its potential liability in this area and guaranteeing it the financial resources to absorb any damage it may incur as quickly as possible.

IV.5.1.2 Continuity risk

Ethias conducts continuity testing to assess the effectiveness of its contingency plans and the resilience to a black-out scenario over a potentially affected geographic region on the national territory. Some continuity tests are coordinated at the level of the sector.

IV.5.1.3 Risks of IT malfunction

Ethias SA evaluates regularly:

- the choice of subcontractors
- the quality of IT services provided
- the ability of the IT subcontractor to provide a service adapted to the technological evolution of Ethias SA

IV.5.1.4 Risk of terrorism

The establishment of a transversal unit for crisis management, in connection with players of the financial sector, helps to manage the risk of terrorism. Reflex and reactive measures have been defined and implemented: reinforcement of security guards and security measures for accessing the premises of Ethias SA.

IV.5.1.5 Information system security risks

Ethias implemented a set of technical and organizational security measures to ensure the protection of data, databases, data flows, networks, systems and applications used for its own needs or those of its clients.

In order to define the objectives to be met by the security measures, risk analyses are carried out at different levels: at the project level, at the level of organizational changes, at the level of the sub-units or the completeness of the information system.

IV.5.1.6 Risks of loss or alteration of personal data

With the entry into force of the General Data Protection Regulations (GDPR), Ethias has carried out a major action plan to fully comply with the standards thus put in place.

IV.5.2 Concentration of operational risk

IV.5.2.1 Risks linked to the company's transformation projects

The company's transformation projects (technological and organizational evolution of the company) alone account for an important number of operational risks that appear in the analyses of operational risks regarding security, continuity and risks on projects. These risk analyses make it possible to define the necessary remedial measures.

IV.5.2.2 Subcontracting risk

The recourse of subcontracting requires a complete and formal review of the associated risks. The company must be able to accurately assess the quality of the services provided by the contractor in relation to the initial needs and their evolution. The contractor must therefore provide the company with the indicators enabling him to steer and monitor the subcontracted activity. Where the nature of the subcontracted function is appropriate, measurable and realistic performance indicators and service level objectives are incorporated into the subcontracting agreement.

Ethias SA conducts a regular evaluation of the operational risks related to IT outsourcing. In addition, Ethias is evolving its subcontracting model by taking into account the risks associated with developments in the subcontracting market (cloud computing, etc.).

The risk of concentrating IT outsourcing with NRB was taken into account in the analysis of the choice of different IT partners related to the future technological evolution of Ethias.

IV.5.3 Methods of mitigating operational risk

Preventive, dissuasive and corrective measures are implemented to control the identified operational risks. They are the subject of action plans formalized and monitored on a regular basis. A report has been sent to the management bodies of the company.

IV.6 Other material risks

Reputational risk

Reputational risk is the risk that negative (true or false) information (publicity or otherwise) will cause a loss of confidence in the integrity of the company.

In order to protect itself from a reputation risk, Ethias takes various measures to guarantee the integrity of its image.

To this end, a communication culture using two complementary and coordinated axes has been developed.

Hence, the reputational risk is first of all dealt with through an external communication culture aimed at informing the public, the investors and the shareholders in a professional and transparent manner about the strategic and financial positioning, the operational developments and the company's commercial evolution.

Ethias also attaches particular importance to a good internal communication within the company because it contributes to the confidence of the personnel in the integrity of the company. Hence, there is a constant concern in the company to ensure a rapid, continuous and relevant information of the personnel.

Ethias' Sustainable and Responsible Investment Policy protects against taking stakes in activities whose reputation may be doubtful.

Several internal departments have established operating charters (Privacy, Risk Management, Actuarial Function, Compliance, etc.) in order to make their staff aware of the ethical behaviour that should be adopted in the performance of their activities.

Ethias regularly conducts opinion surveys to gather the opinion of its policyholders on the quality of its services. The results of these surveys carried out by independent research firms regularly demonstrate the quality of the Ethias brand name.

Climatic risks

Ethias is obviously attentive to the problem of climatic risks (global warming, pollution, etc.) likely to affect either the profitability of its products or the very continuity of its activities.

Thus, as part of its ORSA process (Own risk self assessment), Ethias evaluates the potential impacts of a natural disaster every year. The stress tests conducted on this occasion thus make it possible to challenge the company's reinsurance policy.

In its latest ORSA exercise, Ethias paid particular attention to floods, earthquakes and drought. Then, the risks related to greenhouse gas emissions are studied in a new climate change scenario. The overall objective is to identify material exposures to physical and transition risks and to assess these risks in both the short and long term. An initial approach is proposed based on market trends and the first consultations carried out by the European supervisory authorities prior to the publication of directives in this area.

A large majority of our Non-Life contracts have a one-year maturity. This allows us to adapt the pricing of insurances fairly quickly to changes in climate risks. Our reinsurance treaties take into account the evolution of climate risks as well as concentration risks. From discussions with our reinsurers, we gather information on the evolution of climate risks. This is of course incorporated into the pricing of reinsurance treaties, which provides market information on the evolution of the risks.

In addition, the Sustainable and Responsible Investment Policy excludes investments in environmentally harmful industrial activities.

As part of the development of its continuity plan, Ethias regularly conducts business continuity tests to determine its resilience capacity to risks of a catastrophic nature. In the same line of thinking, blackout tests are periodically organized to determine our resilience capacity based on our energy autonomy.

IV.7 Any other information regarding the risk profile

Stress testing

Within the framework of the planning exercise, the company regularly carries out an evaluation of its solvency (i.e. the adequacy of its internal equity to face its global risk profile). The exercise takes the specific risk profile into account: it integrates the main risks and their interactions during the carrying out of stress tests.

Stress tests are in themselves tools for measuring specific risks. Ad hoc stress tests are performed on the SCR coverage ratio, in addition to a range of stress tests that are performed annually. These stress tests are either standardized sensitivity tests or impact tests adapted to the specific risk profile of the company (see following section). The consideration of non-financial risks such as reputational risks, strategic risks, macroeconomic risks, continuity risks and cyberattack risks is also integrated into these analyses.

COVID-19 crisis

Since spring 2020, Belgium - like the rest of Europe - has been facing the COVID-19 pandemic. Although the year 2020 was marked by an unprecedented economic slowdown, the massive vaccination campaigns since spring 2021 have initiated the economic recovery within a still very low interest rate environment. In this context, the catching up of a deferred consumption following the lockdowns has pushed stock indices to new highs, but also heralded the return of an inflation which had been atonic for 40 years.

Beyond the financial impact, other insurance and operational consequences have been added to this crisis. During the two lockdown periods, Ethias took full measure of these risks and various preventive actions have been carried out, thanks among other things to the regular maintenance of our Business Continuity Plan. These decisions were motivated by Ethias' absolute priority to follow the recommendations of the public authorities and to ensure the safety of its employees and their families, its clients and its partners.

The arrival of the Omicron variant was followed with particular attention. Several indicators were warning lights for the activation of specific continuity plans. Even though the a posteriori findings were made in 2022, we would still like to mention that the Omicron wave did not have an impact on the operational activities of Ethias.

For its clients, Ethias has responded to the crisis with a four-phase plan. From the start of the crisis, Ethias has implemented a broad support plan that was appreciated by both its individual clients and public bodies and acknowledged by the authorities. This plan is based on four pillars: protection of its employees, protection of its clients, protection of the company and, finally, support for the Belgian economy's recovery. In 2021, Ethias was also awarded a DECAVI trophy for all the measures it had taken. For the second time, Ethias was indeed awarded the "Societal - Pandemic" Trophy, confirming the relevance of its unique business model as leading direct insurer, in permanent contact with its individual clients and public bodies. This 24/7 link has been strengthened during this particular period of pandemic, to be as close as possible to our clients.

Ethias has proposed, among other things:

- free extensions of coverage to insure health care staff and the thousands of volunteers who work alongside them;
- reimbursement of certain premiums, of one month's rent and discounts on car and cancellation insurances;
- support for the sports, cultural and education sectors;
- innovative solutions (teleconsultation, aid & solidarity platform for citizens ...);
- free professional psychosocial assistance to employees, students and self-employed persons;
- support for the self-employed and for SME's & micro-enterprises;
- insuring the vaccination centres;
- financial support for the federal and regional recovery plans, together with the public authorities.

In this context, the situation continues to be closely monitored by the Ethias management, who is continually ensuring that the best response is given to any new information. As such, we remain confident about Ethias' solidity in this particular context.

As an insurer, investor, societal player and entrepreneur, Ethias will continue to take all possible steps to help reduce the negative consequences of this global catastrophe on its policyholders and on Belgian society.

Flooding

During the summer of 2021, from July 13 to 16, eastern Belgium and other parts of western Europe were hit by extremely heavy rains, which caused particularly destructive and deadly flooding in the provinces of Hainaut, Namur, Liège, Luxembourg, Walloon Brabant and Limbourg. Ten days later, on July 24 and 25, 2021, a second storm ravaged central Belgium, and more particularly the Haute-Meuse. These two events have severely impacted many of Ethias' policyholders, as the insurance company has a strong presence in these geographical areas.

As soon as the flood waters began to recede, Ethias took stock of the damage and set up numerous initiatives to help its policyholders and to deal with the unprecedented number of cases:

- An "Ethias bus" travelled to the affected areas to help clients fill out their claims;
- Ethias set up a “quote factory” so as to speed up the collection of estimates for repairs to be carried out;
- An automatic cash advance for emergency expenses.
- Internally, staff was able to concentrate on handling flood-related claims by reorganizing the teams of file managers and experts.

V Valuation for solvency purposes

Annexed to this section are the Solvency II balance sheets at end-2020 and at end-2021, as well as the comparison of the S2 and BGAAP valuations.

V.1 Valuation of assets

V.1.1 Valuation of the financial asset portfolio

In the financial statements prepared in accordance with the Belgian accounting standards ("BGAAP") applicable to insurance companies, the book value of assets is, with a few exceptions, fixed on the basis of the amortized cost of the assets.

In accordance with the valuation principles set out in the Solvency II Directive, assets are valued at the amount for which they could be exchanged within the frame of a transaction concluded, under normal conditions of competition, between informed and consenting parties. This valuation principle is similar to the definition of fair value under IFRS.

The main valuation differences between Solvency II and BGAAP values by asset class are as follows:

Asset class	Difference explanation
Participating interests, shares and investment funds	With the exception of shares that are subject to impairment, the difference is explained exclusively by the fair value recorded in SII and the acquisition value of the shares or participating interests recognized in BGAAP.
Bonds	The difference in valuation between the BGAAP financial statements and the SII standards is essentially explained by the difference between the fair value recorded in SII and the amortized cost of these assets and by taking into account the accrued interest not yet due in the SII valuation. In addition, there are exceptions to this general rule: Bonds whose value has been written down to market value under Belgian accounting standards. Perpetual bonds valued in LoCoM (Lower of Cost or Market) under Belgian accounting standards.
Property	With the exception of properties that are subject to impairment, the difference in valuation between the BGAAP financial statements and the SII reference is mainly due to the difference between the fair value recorded in SII and the amortized cost of these assets.
Derivatives	Forward contracts on bonds and interest rate swaps are used in hedging transactions and benefit from hedge accounting rules (no fair value measurement in the Belgian accounting balance sheet). The market value of these instruments is only recognized in Solvency II.
Deposits other than cash equivalents	No difference in valuation.
Assets belonging to unit-linked insurance contracts	No difference in valuation.
Mortgage loans to private individuals, other loans and mortgage loans, and policy loans	With the exception of loans subject to impairment, the difference in valuation between the BGAAP financial statements and the SII standards is exclusively due to the difference between the fair value recorded in SII and the outstanding balance of the leans.

The following table shows the evolution of the market values of financial assets over 2021.

In thousands of euros	SII value 31/12/2021	SII value 31/12/2020	Annual change
Real estate	618,878	512,730	106,148
Equities listed	735,080	635,964	99,116
Unlisted equities	73,120	61,088	12,032
Investment funds	811,338	611,038,10	200,300
Government bonds	9,625,894	9,959,636	-333,742
Corporate bonds	4,641,354	4,822,042	-180,688
Structured notes	224,356	226,551	-2,195
Collateralised securities	0	0	0
Property (other than for own use)	156,361	162,185	-5,824
Derivatives	-97,407	54,718	-152,125
Deposits other than cash equivalents	21,992	1,118	20,874
Assets belonging to unit-linked insurance contracts	1,778,054	1,491,140	286,914
Mortgages to individuals	426,673	379,713	46,960
Other loans and mortgages	599,164	425,554	173,610
Loans on policies	21,272	22,247	-975
Total	**19,636,129**	**19,365,724**	**270,405**

The market value of bond investments (government, corporate and structured bonds) decreased by 514 million euros in 2021. The main reasons for this change are as follows:

- A decrease of 767 million euros in market values due to the increase in long-term government bond rates
- Net purchases of 1,667 million euros
- Bond maturities of 1,405 million euros

The significant increase in the market value of listed shares of 99 million euros is mainly due to significant increases in market value (+149 million euros) offset by net sales of 51 million euros. At the same time, unlisted shares also increased in value as a result of upward developments in the equity market in 2021.

The increase of 200 million euros in investments in collective investment schemes is largely explained by purchases in alternative investments (+168 million euros) complemented by 40 million euros of purchases in bond funds.

The increase in assets backing unit-linked contracts of 287 million euros comes from new unit-linked contracts for a net amount of 152 million euros and the increase in the market value of assets in the portfolio (+126 million euros).

The evolution of other loans and mortgages of +174 million euros is mainly related to new loans (+270 million euros) including the “flooding” loan to the Walloon Region and investments in alternatives and loan-type real estate, offset by maturities.

V.1.2 Valuation of other assets

V.1.2.1 Goodwill and intangible assets

Goodwill and intangible assets are not recognized in SII. In the BGAAP financial statements, intangible assets are mainly composed of goodwill related to the acquisition of portfolios and participating interests as well as software and IT developments that are capitalised.

V.1.2.2 Deferred taxes

Deferred tax assets (DTA) and liabilities (DTL) are generated by temporary differences between the economic and tax values of the assets and liabilities as well as by carryforwards of unused tax losses.

The preparation of the financial statements requires an estimate of income taxes and deferred tax assets and liabilities under the Belgian tax laws. Furthermore, under IAS 12, deferred tax assets and liabilities are to be measured at the tax rates that are expected to apply in the period in which the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

For the valuation of deferred tax assets and liabilities, the rate of 25% has been considered, as this is the corporate tax rate applicable under Belgian tax laws in 2021.

After all possible offsets between DTA and DTL, Ethias obtains a theoretical net DTA and consequently, in application of the SII regulation, Ethias performs a recoverability test to support the recognition of this net DTA with reference to estimated future taxable profits resulting from the new activities expected in its Business Plan (the assumptions of which are reviewed annually to take into account, among other things, the uncertainties related to the evolution of the insurance sector and the financial markets).

As a result of this recoverability test, Ethias is able to justify that the estimated future taxable profits from expected new activities are sufficient to recognize the entire theoretical net DTA as a deferred tax asset in the economic balance sheet.

The increase in deferred taxes of 21 M€ is explained by the deferred tax on the change in SII adjustments partially offset by the use of tax losses carried forward.

V.1.2.3 Fixed assets held for own use

The strong decrease of this item is explained by the sale of several buildings, including the main offices in Liège and Hasselt.

V.1.2.4 Insurance and intermediaries receivables

This asset category is valued at the nominal or acquisition value. Impairments are registered to take into account the uncertainties of their recovery. The difference in valuation on this asset class is explained by the cancellation of the technical expenses to be recovered, the fair value of the technical provisions (Best Estimate) being calculated net of recourse.

The 14 M€ decrease in this item is mainly explained by the decrease in receivables from the second pillar as well as by the decrease in receivables from foreign brokers following the discontinuation of international activities.

V.1.2.5 Receivables (other than insurance receivables)

- The increase in other receivables of 33 M€ is mainly explained by the amounts to be received from the NSSO-PLA (National Social Security Office for Provincial and Local Authorities) following the payment of pensions higher than the amounts received and an amount of taxes to be recovered from the tax authorities.

V.1.2.6 Deposits to cedants, receivables arising from reinsurance operations, other receivables and other assets

In the BGAAP financial statements, these assets are valued at their nominal value or acquisition value or at amortized cost. Impairments are registered to take into account the uncertainties of their recovery. The fair value of these assets is equal to their BGAAP net book value. Indeed, the company considers that for these receivables the net book value is sufficiently close to the market value of the receivables.

Since 1 January 2019, IFRS 16 on leases is applicable. Thus, in SII, under "Other receivables", an asset of 38 M€ relating to the right of use is included, and under "Other liabilities", the lease obligation of 37 M€ is included, corresponding to the discounted value of rental payments that have not yet been made. The asset is depreciated over its useful life or the term of the contract, if shorter. The lease obligation is reduced by the rental payments made and increased by the interests.

When a change is made to a lease contract, the lease obligation is revalued and the amount of the revaluation is carried on the right-of-use asset.

The increase in other receivables of 18 M€ is explained by the increase in rights of use (20 M€ due to new buildings leased in 2021 for 24 M€, less depreciation) and by the decrease in improvements to the buildings (-2 M€).

- The decrease in reinsurance receivables (-10 M€) is linked to the maturity of deposits, partially offset by the increase in amounts to be recovered following the floods.

V.2 Valuation of technical provisions

V.2.1 Valuation of best estimates Life

V.2.1.1 Results

The table below shows the Best Estimates of Life provisions under SII at end-2020 and end-2021, as well as Life technical provisions in the BGAAP financial statements at end-2021.

In thousands of euros

SII line of business	SII 2021	BGAAP 2021	SII 2020
Insurances with profit participation	10,191,996	8,497,739	10,536,168
Accepted reinsurance	0	0	0
Complementary provisions BGAAP	0	1,071,114	0
TRIP provision	0	344	0
Total Life (excluding DC, unit-linked and index-linked)	**10,191,996**	**9,569,198**	**10,536,168**
CL annuities	60,582	36,060	48,844
Total Life (excluding unit-linked and index-linked)	10,252,578	9,605,258	10,585,012
Index-linked and unit-linked insurance	1,799,049	1,778,054	1,516,033
Overall Total	**12,051,627**	**11,383,312**	**12,101,045**

To the life segments, we must add the annuities of Common Law in Non-Life: General CL and CL Car (see section 5.2.2).

In addition, Group insurance policies for Ethias employees are valued as prescribed by IAS19 and are included in the pension provisions in the SII (see section 5.3.3).

V.2.1.2 General method of internal valuation of BE Life

In BGAAP, the Life insurance provisions include:

- mathematical provisions
- The supplementary "flashing-light" provisions designed to fund the difference between the mathematical reserves calculated at the guaranteed rate of the contract and those calculated at the "flashing-light" rate in such a way as defined in Article 31 of the Royal Decree of 14/11/2003.
- The supplementary longevity provisions, designed to take account of the increase in life expectancy and constituted on annuity products.

They include the allocated profit sharing. To this must be added the decease cover profit-sharing set up to cover the benefits of the decease cover profit-sharing in the coming fiscal year.

Under Solvency II, the Best Estimates are calculated by projecting determined flows to be in line with the economic, demographic... reality. The current valuation of future cash flows is calculated using a discount rate curve provided by EIOPA with volatility adjustment. Flows include specific risks such as options and guarantees not subject to detailed rules on provisioning in BGAAP. The Best Estimates include a determined profit-sharing in a stochastic way, viz. by generating a large number of possible futures chosen at random. Besides the different assumptions used to determine the flows, the Best Estimates are also conditioned by different Expert Judgements. Future management decisions can also be taken into account in the calculation of Best Estimates.

The additional provisions which are part of the BGAAP reserves, namely the longevity provision and the flashing-light provision, are not included in Solvency II as such. However, the risk they cover is well integrated into the SII when valuating the BE using the assumptions chosen. Similarly, the fund for decease cover profit-sharing does not appear as such under SII but future decease cover profit-sharings allocated to future flows supplement these flows.

Life insurance products are classified according to the type of management, namely:

- individual life insurance products,
- group life insurance products.

In individual life insurance, our portfolio consists of the following products:

- classic products
- insurance account products, called "First"
- annuities.

In Life Public Sector & Companies, a distinction is made between

- pension insurances (1st pillar)
- group Insurances (2nd pillar)
- capitalization products.

Pension insurance is an insurance contract taken out by a public employer for the benefit of its staff and whose object is the constitution of statutory pension benefits or contributions owed to the Solidarity Fund. The reserves set up are managed collectively (in the general fund or in separate funds), and may fall under either branch 21 or branch 23.

Finally, we note that the portfolio contains products relating to branch 21, branch 23 and branch 26.

Some segments of liabilities are not yet part of the general SII modelling methodology for reasons of complexity, non-materiality or non-availability of the data. For non-modelled segments, the BGAAP accounting reserve will generally be used as Best Estimate (an add-on may be added in some cases if necessary).

V.2.1.3 Main assumptions

While the BGAAP accounting technical reserves, without complementary provisions (flashing-light and longevity) are calculated on the basis of the contractual tariff conditions, the SII technical provisions take into account the expected reality. In general, we can synthesize the assumption differences between the calculations carried out in BGAAP and those carried out under Solvency II in the following table:

Parameters	BGAAP	Solvency II
Contractual surcharges	tariff (without commercial surcharges)	tariff & costs related to asset management
Life tables	tariff	prospective
Future redemptions	not considered	considered
Future reductions	not considered	considered
Protection costs Br21	provisioned separately	considered
Overhead costs	not considered	considered
Future profit-sharing	not considered	considered
Future premiums	Periodic premiums only taken into account if necessary for the calculation of the mathematical provision	taken into account within the limits of the contract boundaries
Discount rate	guaranteed tariff rate	EIOPA curve
Future inflation	not considered	considered
Variable future guaranteed rates	not considered	considered

Contractual surcharges and costs related to asset management

The surcharges are derived from the pricing. The calculation of the BGAAP provisions is carried out in inventory bases while the Best Estimates also take into account commercial surcharges.

Mortality tables

For the calculation of the Best Estimate under Solvency II, Ethias uses prospective tables (which take into account an estimate of the future evolution of the life expectancy), which is not the case for its pricing.

Redemption rates

Redemption is the operation which allows the underwriter to obtain before the term of the contract, the total or partial payment of his savings resulting from the payments carried out.

The redemption rates are not taken into account in the valuation of the BGAAP provisions.

Reductions

The right to reduction is the possibility for the policyholder to terminate the payment of his/her premiums at a given moment anticipatively.

The discount rate is not taken into account in the valuation of BGAAP provisions.

Overheads

We must take into account the various overheads and expenses Ethias faces. We distinguish:

- overheads, allocated according to the cut derived from the "Activity Based Costing" analysis
- the annual contribution to the Branch 21 protection fund, which is calculated on the reserves of the contracts concerned.

overheads are not taken into account in the valuation of BGAAP provisions.

Profit-sharing

The Best Estimate in Solvency II includes the estimation of future life profit-sharing; on the other hand, future life profit-sharing is not taken into account in the valuation of the BGAAP provisions.

In the case of future decease cover profit-sharing, in BGAAP, only the reserve in the fund of the decease cover profit-sharing is taken into account so as to ensure the decease cover profit-sharing to be paid in the course of the next financial year, while under SII, the Best Estimate includes all future decease cover profit-sharing.

Taking certain future premiums into account

The modelling is done under the assumption of a run-off of the contracts while respecting the limits of the contracts under Solvency II. Therefore, we do not consider any new production. On the other hand, we take into account contractual periodic premiums, i.e. the premiums that the insured is obliged to pay at the risk of seeing his/her coverage reduced. Are also considered: the premiums on which Ethias has a rate commitment in the 1st pillar or for certain financing funds or collective funds as well as for certain FIRST-type products. On the other hand, with regard to the second pillar, the premiums for temporary death insurances, priced in an ancillary manner to a life component, are taken into account.

On the contrary, when valuing provisions in BGAAP, future premiums are only taken into account if they are necessary for the calculation of the mathematical provision (as in group life policies where the reserve is the difference between the insurer's commitment and the insured’s commitment). In general, only premiums already received are included in the provisions.

Economic assumptions

The economic assumptions used in the calculation of Best Estimate are:

- the discount curve,
- the inflation rate,
- future guaranteed rates.

The discount curve is the one provided by EIOPA, including the volatility adjustment. Inflation is calculated using the economic scenario generator.

As long as the results of the Liability Adequacy Tests (LAT) are satisfactory, the calculation of BGAAP provisions only takes into account guaranteed tariff rates and is not influenced by inflation. It was only through the complementary "flashing-light" provision, and indirectly, that the regulation imposed an obligation to take into account the possible difference between the guaranteed rates and the market rates.

The calculation of BGAAP provisions does not take into account future guaranteed rates if they are variable. On the other hand, under Solvency II, when the future guaranteed rate of the contracts is variable (essentially in 1st pillar and more rarely in 2nd pillar), it is determined through the economic scenario generator.

V.2.1.4 Uncertainty level

A level of uncertainty relates to the following elements:

- Financing funds are subject to assumptions about their evolution.
- Accepted co-insurance reserves are assumed to evolve in the same way as those of the corresponding segment.
- Branch 23 is partially modelled.
- Reinsurance is not modelled.
- Modelling of redemptions is based on a single rate regardless of the age group.
- The stochastic modelling of profit-sharing is not yet entirely completed.

V.2.1.5 Expert judgement

The list of expert judgements has been updated on 31 December 2021.

V.2.1.6 Significant changes in assumptions

The significant changes in assumptions or modelling between 31 December 2020 and 31 December 2021 are as follows:

The different calibrations (redemption rate, costs, mortality tables) have been reviewed.

V.2.1.7 Evolution of Best Estimates Life in 2021

The first important element that influences the value of BEs is the discount rate curve provided by EIOPA. The curve at end-2021 is significantly lower than at end-2020. However, this effect is partially offset by the use of a floating guaranteed rate, mainly in the 1st pillar. The curve effect is estimated at -475 million.

Other modelling changes were made (modelling of guaranteed income insurance ...) with the impact of a slight increase in the BE.

V.2.2 Valuation of Best Estimates Non-Life and Health

V.2.2.1 Results

The table below shows, at end-2021, the Best Estimates of the Non-Life provisions under SII, as well as the Non-Life technical provisions in the BGAAP financial statements.

In thousands of euros

SII line of business	SII value 31/12/2021	BGAAP value 31/12/2021	SII value 31/12/2020
Non-life (without health)	1,978,409	2,092,343	1,826,424
Health (similar to non-life)	325,705	421,011	400,957
Non-Life	2,304,114	2,513,354	2,227,381
Health (similar to life)	1,724,825	1,713,254	1,678,674
TOTAL non-life and health (BGAAP without recourse)	**4,028,939**	**4,226,608**	**3,906,055**
Recourse provisions	0	-65,480	0
TOTAL non-life and health net of recourse	**4,028,939**	**4,161,128**	**3,906,055**

In SII, the BEs are calculated net of recourse and the BEs of the CL annuities and CL Car are classified in Life (see section 5.2.1).

V.2.2.2 Amounts recoverable from reinsurance contracts

The following table sets out the amounts recoverable from reinsurance contracts as at 31 December 2021 with the SII balance sheet categories.

In thousands of euros

SII line of business	Gross technical provisions	Net technical provisions before adjustment	Adjustment	Ceded technical provisions
Non-life (without health)	1,978,409	1,816,335	-1,853	160,220
Health (similar to non-life)	325,705	323,714	-41	1,951
Non-Life	2,304,114	2,140,048	-1,894	162,171
Health (similar to life)	1,724,825	1,709,152	0	15,672
TOTAL	**4,028,939**	**3,849,201**	**-1,894**	**177,844**
Annuities included in Life	60,582	60,582	0	0

In SII, the amounts recoverable from the reinsurance contracts are valued at total amount of 178 million euros whereas the shares of reinsurers in the technical provisions of the Belgian balance sheet amount to 226 million euros.

V.2.2.3 General valuation method of the BE claims

- Benefits and external costs

The calculations of the future flows of benefits and external costs for the management of claims in run-off are based on traditional triangulation methods in both BGAAP and SII. There are, however, some differences in the calculations within the two frames:

- The flows are not updated in BGAAP.
- A Value at Risk (VaR) linked to the risk appetite of the company is integrated into the BGAAP evaluations whereas the calculation of the BE SII is an average scenario.

Internal claims handling costs, overheads and investment costs

In SII, investment and support costs are determined using a proportion of the expenses.

In BGAAP, a percentage of the provisions is used to determine the provision for internal claims handling costs.

Add-ons and simplified method

A set of elements are excluded from our calculation a priori because of their specific nature. These items, called "add-ons", are estimated separately and added to the technical provisions.

Reinsurance

The share of reinsurers in the technical provisions is determined in the BGAAP financial statements and the SII standard by applying the reinsurance programme to the various claims. Certain parts of the reinsurance programme, the impact of which was judged to be non-material in view of the complexity of the required IT developments, were not modelled.

In BGAAP, the reinsurance programme is applied on the basis of the BGAAP claims burden, while in SII the programme applies to the SII claims burden.

The adjustment of claims costs recoverable from reinsurance contracts is a prudential concept imposed by SII to cover the insolvency risk of reinsurers and this does not have a counterpart in BGAAP.

V.2.2.4 General valuation method of the BE annuities

Work Accident annuities

In addition to the methods, the technical parameters used for annuities are different in BGAAP and SII.

In BGAAP, a method based on scales is applied.

In SII, the calculation is essentially based on a present value calculation of projected flows, which takes into account, from a forward-looking perspective, the various mechanisms specific to the branch.

V.2.2.5 General valuation method of the BE premiums

Methods and assumptions

The BE of gross premiums is an SII concept that does not have its equivalent in BGAAP. An analogy can be made with the PFUR (provision for unexpired risks) and the PFUP (provision for unearned premiums). The BE of premiums are calculated using an internally developed and calibrated premium and exposure projection model.

Reinsurance

The BE of premiums net of reinsurance is an SII concept that does not have its equivalent in BGAAP.

The valuation in SII is identical to the valuation of BE of gross premiums.

V.2.2.6 Taking into account the intervention of TRIP in the Brussels and Charleroi attacks

Different branches are affected by the Brussels attacks, mainly Objective CL and Work Accidents.

In order for the BE to reflect the actual commitments as closely as possible, we have proceeded as follows:

- Cancellation in the BE calculations of annuities and claims of the flows related to the claims that are linked to the attacks.
- Creation of an add-on based on the BGAAP amounts after allocation by the pool.

V.2.2.7 Significant changes in assumptions

Generic

- The cost parameters have been recalibrated by integrating the observations of the year 2021 and their expected evolution.

BE claims

- The triangulations have been updated by adding an additional diagonal to the various triangles.

BE premiums

- All the parameters necessary for the use of the projection module have been recalibrated.
- The economic S/P ratios have been recalculated on the basis of the data at end-2021, taking into account the expected evolution of the profitability foreseen in the business plan. As has been done in the framework of the BE claims, a separate ratio is determined for the contracts with a Third Party Administrator (TPAs).

V.2.2.8 Evolution of Non-Life and Health Best Estimates in 2021

The evolution between 31/12/2020 and 31/12/2021 of the Non-Life BE is an increase of 3.1%. This change breaks down as follows:

- Non-Life without Health: 8.3% increase
- Health similar to Non-Life: 18.8% decrease
- Health similar to Life: 2.8% increase

		Technical provisions (SII)		
In thousands of euros		31/12/2021	31/12/2020	Evolution
Technical provisions - non-life (excluding health)	BE Claims	1,824,795	1,654,821	10.3%
	BE Premium	153,614	171,603	-10.5%
	BE total	**1,978,409**	**1,826,424**	**8.3%**
Technical provisions - health (similar to non-life)	BE Claims	344,468	352,137	-2.2%
	BE Premium	-18,762	48,820	-138.5%
	BE total	**325,705**	**400,957**	**-18.8%**
Technical provisions - health (similar to life)	BE Premium	-189,412	-149,871	26.38%
	BE Annuities	1,914,237	1.828.545	4.69%
	BE total	**1,724,825**	**1.678.674**	**2.8%**
BE total non-life and health		**4.028.939**	**3,906,055**	**3.1%**

The evolution of the BE "Non-life without Health" is strongly influenced by the evolution of the BE claims. This BE is influenced upwards by the increase in the volume of claims induced by a relative return to normal after COVID-19 but especially by the bad weather conditions in July.

The evolution of the BE "Non-Life Health similar to Non-Life" comes essentially from the "Workers' Compensation" branches for which the BE premium evolves favourably through the evolution of the expected future profitability resulting from the consolidation campaigns carried out in 2021 and taking effect in 2022.

The evolution of the BE "Non-Life Health similar to Life" is influenced by the increase in the BE annuities. The BE annuities is marked by a growing portfolio of annuitants increased by an unfavourable inflation effect. The BE premiums, which relates exclusively to the branch "Health Care Individuals", is impacted by the review of the expected premium indexation assumption.

V.2.3 Valuation of the risk margin

The risk margin represents, under Solvency II (as the concept is not applied under BGAAP), the present value of the financing cost of future SCRs related to the insurance business considered in run-off on the portfolio existing at the closing date. It is in addition to the Best Estimates for establishing together the technical provisions. It represents a little over 500 M€, i.e. an additional 3.2% of the Best Estimates as of December 31, 2021.

The following table presents the risk margin by SII activity line.

In thousands of euros	Valuation of the risk margin	
SII line of business	31-12-21	31/12/2020
Non-life (without health)	168,556	163,494
Health (similar to non-life)	60,444	52,232
Health (similar to life)	49,010	45,610
Life (without index-linked and unit-linked insurance)	221,081	257,861
Index-linked and unit-linked insurance	5,684	5,478
Total	504,777	524,675

The amount of the risk margin has followed the evolution of its components, i.e. the SCRs and the horizon over which they are projected. The observed decrease in the risk margin (-20 M€) is explained, especially in Life, mainly by the increase in interest rates over the year 2021, with a positive impact on the discounting and a decrease in the SCRs. However, this decrease was offset by the increase in inflation rates.

V.2.4 Volatility adjustment

The solvency ratio of Ethias SA is valued using the EIOPA rate curve with the volatility adjustment.

The volatility adjustment decreased from 7 bp at end-2020 to 3 bp at end-2021. As a result, this parameter now has less impact on the solvency ratio. The ratio without this adjustment would be 2% lower (compared to 6% at 31/12/2020). As for the MCR, the volatility adjustment increases the ratio by 5%.

The effects of the volatility adjustment at end-2021 on own funds, SCR and MCR are presented in the tables below.

In thousands of euros	Impact of the volatility adjustment on the coverage ratio of the SCR		
	Without VA	QRT 12/2021	Delta
Solvency Capital Requirement (SCR)	1,601,414	1,599,633	1,781
Eligible equity capital SCR	2,818,684	2,844,083	-25,399
surplus(+) / deficit(-)	1,217,270	1,244,450	-27,180
SCR coverage rate	176.01%	177.80%	-1.78%

In thousands of euros	Impact of the volatility adjustment on the coverage ratio of the MCR		
	Without VA	QRT 12/2021	Delta
Minimum Capital Requirement (MCR)	720,636	719,835	801
Eligible equity capital MCR	2,264,952	2,298,657	-33,705
surplus(+) / deficit(-)	1,544,315	1,578,822	-34,507
MCR coverage rate	314.30%	319.33%	-5.03%

V.3 Valuation of other liabilities

V.3.1 Contingent liabilities

A contingent liability is:

- a possible liability resulting from past events and whose existence will be confirmed only by the occurrence or not of one or more uncertain future events not fully within the company's control; or
- a present liability resulting from past events, but not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the liability or that the amount of the liability cannot be measured with sufficient reliability.

Contingent liabilities are assessed continually to determine whether an outflow of economic benefits has become probable or assessable with sufficient reliability, in which case a provision is recognized in the economic balance sheet of the accounting year in which the change in probability or evaluation occurs.

As of December 3, 2021, no contingent liabilities were recognized.

V.3.2 Provisions other than technical provisions

The amount of the provisions should correspond to the best estimate of the expenditure required to extinguish the obligation existing at the closing date. The estimates are based on the management's judgement complemented by the experience of similar transactions. Provisions are recognized when:

- the entity has a legal or implied obligation resulting from past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- it is possible to reliably estimate the exact amount of the obligation.

If these three conditions are not met, no provision should be recorded.

The provision of 3 M€s made in the BGAAP financial statements to cover the cost of hedging derivatives does not exist in S2 as the derivatives are recognized in market value. The 3.5 M€ provision for the end-of-career plan is valued under the item "Pension benefit obligations".

V.3.3 Pension benefit obligations

Employee benefits have been valued in accordance with the principles of IAS 19 and include post-employment benefits (mainly pension commitments), long-term benefits and end-of-contract benefits.

The difference in valuation between the BGAAP and SII financial statements is due to the difference between the fair value recorded in the SII as a result of the discounting of the post-employment benefits and the end-of-contract benefits, and the value of these commitments recorded in the BGAAP financial statements, as well as the recognition of long-term benefits in SII.

The 48 M€ decrease in the provision for pensions is mainly explained by the financial result of the OFP (20 M€), by the increase in discount rates partially offset by inflation (-19 M€) and by the payment of pensions under the "60+ Plan" (-12 M€).

V.3.4 Deposits from reinsurers

The fair value of these liabilities is equal to their nominal value, which corresponds to the BGAAP net book value. Indeed, the company considers that for this type of debts the nominal value is sufficiently close to the market value of the debts.

The decrease of 39 M€ is mainly explained by the expiry of a reinsurance deposit.

V.3.5 Debts toward credit institutions

The 104 M€ increase is generated by new repo's for 151 M€ offset by the 45 M€ decrease in collateral.

V.3.6 Debts arising from direct insurance operations and amounts payable to intermediaries

The 9 M€ increase results from the increase in payments received in advance (2022 annual invoices issued and sent in December 2021), the increase in debt to co-insurers, and the decrease in the debt to brokers.

V.3.7 Other debts and other liabilities

The increase is mainly explained by the increase in the lease obligation following the inclusion of the new 2021 lease contracts.

V.3.8 Subordinated liabilities

The decrease in the value of the subordinated loans (-8 M€) is mainly due to the revaluation of the largest loan (402.7 M€ nominal value) following the increase in risk-free rates in 2021.

V.4 Notes

V.4.1 S2 balance sheet compared with previous year

In thousands €	S II Q4-2020	S II Q4-2021	Variations 2020-2021
ASSETS			
Deferred tax assets	170.714	191.225	20.511
Property, plant & equipment held for own use	69.106	11.022	-58.084
Property (other than for own use)	162.185	156.361	-5.824
Holdings in related undertakings, including participations	512.731	618.878	106.148
Equities	697.052	808.200	111.148
Government Bonds	9.959.636	9.625.894	-333.742
Corporate Bonds	4.822.042	4.641.354	-180.688
Structured notes	226.551	224.356	-2.195
Collective Investments Undertakings	611.038	811.338	200.300
Derivatives	29.376	25.852	-3.524
Deposits other than cash equivalents	1.118	21.992	20.874
Assets held for index-linked and unit-linked contracts	1.491.140	1.778.054	286.914
Loans and mortgages	827.513	1.047.109	219.595
Reinsurance recoverables	123.238	177.844	54.606
Deposits to cedants	3.889	3.795	-93
Insurance and intermediaries receivables	161.345	147.046	-14.299
Reinsurance receivables	124.132	113.722	-10.410
Receivables (trade, not insurance)	86.171	119.331	33.160
Cash and cash equivalents	479.793	352.976	-126.817
Any other assets, not elsewhere shown	39.102	57.247	18.145
TOTAL	**20.597.872**	**20.933.596**	**335.724**

LIABILITIES			
Own funds	2.323.229	2.436.250	113.021
BE non-life	1.826.424	1.978.409	151.985
RM non-life	163.494	168.556	5.063
BE health (similar to non-life)	400.957	325.705	-75.252
RM health (similar to non-life)	52.232	60.444	8.213
BE health (similar to life)	1.629.831	1.664.242	34.412
RM health (similar to life)	45.610	49.010	3.401
BE life (excluding health and index-linked and unit-linked)	10.585.012	10.252.578	-332.434
RM life (excluding health and index-linked and unit-linked)	257.861	221.081	-36.780
BE index-linked and unit-linked	1.516.033	1.799.049	283.016
RM Technical provisions – index-linked and unit-linked	5.478	5.684	206
Contingent liabilities	13.681	0	-13.681
Provisions other than technical provisions	20.163	19.422	-741
Pension benefit obligations	141.180	93.414	-47.766
Deposits from reinsurers	126.815	87.615	-39.200
Deferred tax liabilities	0	0	0
Derivatives	925	123.259	122.334
Debts owed to credit institutions	622.201	726.327	104.126
Insurance & intermediaries payables	152.084	161.124	9.040
Reinsurance payables	6.460	8.854	2.394
Payables (trade, not insurance)	168.989	201.884	32.894
Subordinated liabilities in Basic Own Funds	520.886	512.833	-8.053
Any other liabilities, not elsewhere shown	18.328	37.853	19.525
TOTAL	**20.597.872**	**20.933.596**	**335.724**

V.4.2 Balance sheet S2 versus BGAAP

In thousands €	SII Q4-2021	BGAAP Q4-2021	Variations SII - BGAAP
ASSETS			
Intangibles assets	0	110.454	-110.454
Deferred tax assets	191.225	-0	191.225
Property, plant & equipment held for own use	11.022	5.439	5.583
Property (other than for own use)	156.361	146.020	10.341
Holdings in related undertakings, including participations	618.878	451.591	167.287
Equities	808.200	514.380	293.820
Government Bonds	9.625.894	8.546.516	1.079.378
Corporate Bonds	4.641.354	4.447.953	193.401
Structured notes	224.356	217.205	7.151
Collective Investments Undertakings	811.338	771.215	40.122
Derivatives	25.852	-94.926	120.778
Deposits other than cash equivalents	21.992	21.992	0
Assets held for index-linked and unit-linked contracts	1.778.054	1.778.054	0
Loans and mortgages	1.047.109	1.032.635	14.473
Reinsurance recoverables	177.844	225.730	-47.886
Deposits to cedants	3.795	3.795	0
Insurance and intermediaries receivables	147.046	212.526	-65.480
Reinsurance receivables	113.722	113.722	0
Receivables (trade, not insurance)	119.331	119.331	0
Cash and cash equivalents	352.976	352.976	0
Any other assets, not elsewhere shown	57.247	19.462	37.785
TOTAL	**20.933.596**	**18.996.070**	**1.937.526**

LIABILITIES			
Own funds	2.436.250	1.651.583	784.667
BE non-life	1.978.409	2.092.343	-113.934
RM non-life	168.556	0	168.556
BE health (similar to non-life)	325.705	421.011	-95.306
RM health (similar to non-life)	60.444	0	60.444
BE health (similar to life)	1.664.242	1.677.194	-12.951
RM health (similar to life)	49.010	0	49.010
BE life (excluding health and index-linked and unit-linked)	10.252.578	9.604.803	647.775
RM life (excluding health and index-linked and unit-linked)	221.081	0	221.081
BE index-linked and unit-linked	1.799.049	1.778.054	20.995
RM Technical provisions – index-linked and unit-linked	5.684	0	5.684
Contingent liabilities	0	0	0
Provisions other than technical provisions	19.422	26.193	-6.770
Pension benefit obligations	93.414	59.908	33.506
Deposits from reinsurers	87.615	87.615	0
Deferred tax liabilities	0	3.389	-3.389
Derivatives	123.259	0	123.259
Debts owed to credit institutions	726.327	726.327	-0
Insurance & intermediaries payables	161.124	161.124	0
Reinsurance payables	8.854	8.854	0
Payables (trade, not insurance)	201.884	201.884	0
Subordinated liabilities in Basic Own Funds	512.833	494.778	18.056
Any other liabilities, not elsewhere shown	37.853	1.012	36.842
TOTAL	**20.933.596**	**18.996.070**	**1.937.526**

VI Capital management

VI.1 Own funds

VI.1.1 Breakdown of available own funds

In thousands of euros	Breakdown of available own funds	
	31-12-21	31/12/2020
Tier 1 unrestricted	2,140,024	2,049,514
Tier 1 restricted	14,666	14,827
Tier 2	498,168	506,059
Tier 3	191,225	170,714
Total	**2,844,083**	**2,741,115**

At end-2021, the available own funds are composed of the basic own funds classified according to the following levels:

- Tier 1 unrestricted results from the excess of assets over liabilities, excluding deferred tax assets that are classified in level 3.
- Tier 1 restricted corresponding to the remaining 15 million euros of the perpetual loan issued in 2005 that did not participate in the exchange transaction carried out in 2015. It is classified as level 1 under the transitional measures.
- Tier 2 comprises, on the one hand, the subordinated loan of 75 million euros issued in 2008 and maturing in July 2023, classified as tier 2 in application of the transitional measures, and, on the other hand, the subordinated loan of 402.7 million euros in nominal value issued in 2015 and maturing in January 2026.
- Tier 3 corresponds to deferred tax assets.

Available own funds increased between 2020 and 2021, mainly thanks to the strong performance of the equity markets in 2021 and the good management of financial assets which allows to keep the duration gap between assets and liabilities reduced despite the negative impact of higher inflation and the July floods.

VI.1.2 Breakdown of eligible own funds to meet the SCR

In thousands of euros	Breakdown of eligible own funds to meet the SCR	
	31-12-21	31/12/2020
Tier 1 unrestricted	2,140,024	2,049,514
Tier 1 restricted	14,666	14,827
Tier 2	498,168	506,059
Tier 3	191,225	170,714
Total	**2,844,083**	**2,741,115**

Available own funds detailed in the previous section are subject to different limits which determine their eligibility for the Solvency Capital Requirement.

At end-2021, available own funds are fully eligible for SCR coverage. This was also the case at end-2020.

VI.1.3 Coverage of the Solvency Capital Requirement

The coverage ratio decreased due to the increase in the SCR, despite the rise in own funds.

The decrease in the SCR ratio is mainly due to the negative impact of inflation on annuities (technical provisions and SCR) and the floods in July 2021. However, these effects were mitigated by the rise in interest rates and the excellent performance of the equity markets in 2021.

In thousands of euros	SCR coverage	
	31-12-21	31/12/2020
Solvency Capital Requirement	1,599,633	1,466,207
Eligible own funds to meet the SCR	2,844,083	2,741,115
Coverage rate	177.80%	186.95%

VI.1.4 Breakdown of eligible own funds to meet the MCR

Available Tier 1 own funds are fully eligible for MCR coverage.

However, only part of the available Tier 2 own funds, up to 20% of the MCR, is eligible for MCR coverage. This eligibility limit is reached at end-2020 and at end-2021.

In thousands of euros	Breakdown of eligible own funds to meet the MCR	
	31-12-21	31/12/2020
Tier 1 unrestricted	2,140,024	2,049,514
Tier 1 restricted	14,666	14,827
Tier 2	143,967	131,959
Total	2,298,657	2,196,300

VI.1.5 Coverage of the minimum capital requirement

The S2 standards require that the MCR be between 25% and 45% of the SCR. Since the calculation of the MCR leads both at end-2020 and at end-2021 to a value higher than this interval, it is limited under this regulation to 45% of the SCR. However, the SCR increased in 2021 (+133 million euros); this increase therefore has a proportional impact on the MCR (+60 million euros).

In thousands of euros	MCR coverage	
	31-12-21	31/12/2020
Minimum Capital Requirement	719,835	659,793
Eligible own funds to meet the MCR	2,298,657	2,196,300
Coverage rate	319.33%	332.88%

VI.1.6 Differences between the own funds in BGAAP and in Solvency II

The table below shows the transition from own funds under Belgian accounting standards (BGAAP) to own funds available in Solvency II. Transitional measures on own funds are taken into account, resulting in the eligibility of all subordinated loans as own funds for SCR coverage purposes.

The main sources of differences between accounting and Solvency II own funds are the revaluations of financial assets and technical liabilities, as well as subordinated loans (included in other liabilities for 513 million euros).

In thousands of euros	31-Dec-21	31-Dec-20
Accounting own funds	1,633,204	1,564,310
Fund for future appropriations	18,379	18,379
Financial asset gains	1,698,622	2,273,624
Any other assets	943	-14
Revaluation technical liabilities	-1,098,228	-1,665,913
Other liabilities	396,548	376,501
Deferred taxes	194,614	174,229
SII own funds	**2,844,083**	**2,741,115**

VI.2 SCR & MCR

VI.2.1 Solvency capital requirement (SCR) and minimum capital requirement (MCR)

The SCR and the MCR are evaluated according to the standard formula modulo the use of certain USPs. At end-2021 as at end-2020, the MCR reached the ceiling of 45% of the SCR.

In thousands of euros	31/12/2021	31/12/2020
Solvency Capital Requirement (SCR)	1,599,633	1,466,207
Minimum Capital Requirement (MCR)	719,835	659,793

VI.2.2 Solvency capital required per risk module

In thousands of euros	SCR by risk module	
	31-12-21	31/12/2020
Market risk	1,077,246	931,616
Counterparty default risk	82,668	90,981
Life underwriting risk	244,574	270,333
Health underwriting risk	354,225	306,983
Non-Life underwriting risk:	472,565	462,778
Diversification	-713,179	-686,322
Intangible asset risk	0	0
Basic Solvency Capital Requirement	**1,518,099**	**1,376,369**
Operational risk	124,279	123,102
Absorbing capacity of technical provisions	-42,745	-33,264
Loss-absorbing capacity of deferred taxes	0	0
Solvency Capital Requirement	**1,599,633**	**1,466,207**

At end-2021, the total SCR stands at 1.60 billion euros, composed in descending order of importance by the SCR market, Non-Life, health, Life, operational and default. The ranking of the 3 main SCRs in descending order of importance is identical at end-2021 and end-2020, thus formed by the SCR market, Non-Life, health.

The total Solvency Capital Requirement went from 1.47 billion euros at December 31, 2020 to 1.60 billion euros at December 31, 2021:

- The Solvency Capital Requirement for market risks has increased by almost 16% mainly due to the equity risk (increase in exposure and symmetrical adjustment).
- The Solvency Capital Requirement for counterparty default risk has slightly decreased.
- The Solvency Capital Requirement for Life underwriting risks has decreased in line with the decrease in the Best Estimates Life.
- The Solvency Capital Requirement for health underwriting risks has increased mainly due to the increase in the tariff risk (increase in premium volume in Workers' Compensation).
- The Solvency Capital Requirement for Non-Life underwriting risks has increased mainly due to the increase in the catastrophe risk (inflation on fire insurance sums).
- The Solvency Capital Requirement for operational risks has remained stable.
- The gain in diversification between SCRs has increased as a result of the increase in the SCR health, Non-Life and market
- The adjustment effect of the profit-sharing on capital requirements is -43 M€ at end-2021 compared to -33 M€ at end-2020 due to the increase in the capital required for the market risk on equities.
- At end-2021, the absorption capacity of the SCR by deferred taxes has remained zero.

VI.2.3 Use of simplified calculations

Ethias SA does not use material simplification in the application of the standard formula.

VI.2.4 Use of company-specific parameters

In 2020, Ethias received authorization from the National Bank of Belgium (NBB) to use its own USPs *(undertaking specific parameters)* for the reserve risk in the calculation of the SCR premiums and reserves. This authorization concerns 5 lines of Non-Life business. Method 2 of Annex XVII of the Delegated Acts 2015/35/EC has been implemented.

At end-2021, the scope of application of these parameters remained unchanged. The calibration method is also identical to that of end-2020.

Line of business	Description
2	Guaranteed income
3	Workers' Compensation
4	Civil Liability Car
5	Car Others
7	Fire

VI.2.5 Data used by the company to calculate the MCR

The intermediate data used to calculate the MCR can be found in the quantitative tables in the appendix.

VI.3 Use of the "equity risk" sub-module based on duration in the calculation of the SCR

This item is not applicable.

VI.4 Differences between the standard formula and any other internal model used

This item is not applicable.

VI.5 Non-compliance with the MCR and non-compliance with the SCR

The minimum capital requirement and the solvency capital requirement were respected during the reference period.

VII Quantitative data templates

The following tables present the quantitative data models to be published in this report, expressed in thousands of euros and as of December 31, 2021.

VII.1 Balance sheet

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	0
Deferred tax assets	R0040	191.225
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	11.022
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	16.934.226
Property (other than for own use)	R0080	156.361
Holdings in related undertakings, including participations	R0090	618.878
Equities	R0100	808.200
Equities - listed	R0110	735.080
Equities - unlisted	R0120	73.120
Bonds	R0130	14.491.605
Government Bonds	R0140	9.625.894
Corporate Bonds	R0150	4.641.354
Structured notes	R0160	224.356
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	811.338
Derivatives	R0190	25.852
Deposits other than cash equivalents	R0200	21.992
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	1.778.054
Loans and mortgages	R0230	1.047.109
Loans on policies	R0240	21.272
Loans and mortgages to individuals	R0250	426.673
Other loans and mortgages	R0260	599.164
Reinsurance recoverables from:	R0270	177.844
Non-life and health similar to non-life	R0280	162.171
Non-life excluding health	R0290	160.220
Health similar to non-life	R0300	1.951
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	15.672
Health similar to life	R0320	15.672
Life excluding health and index-linked and unit-linked	R0330	0
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	3.795
Insurance and intermediaries receivables	R0360	147.046
Reinsurance receivables	R0370	113.722
Receivables (trade, not insurance)	R0380	119.331
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	352.976
Any other assets, not elsewhere shown	R0420	57.247
Total assets	**R0500**	**20.933.596**

		Solvency II value
		C0010
Liabilities		
Technical provisions - non-life	R0510	2.533.115
Technical provisions - non-life (excluding health)	R0520	2.146.965
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	1.978.409
Risk margin	R0550	168.556
Technical provisions - health (similar to non-life)	R0560	386.150
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	325.705
Risk margin	R0590	60.444
Technical provisions - life (excluding index-linked and unit-linked)	R0600	12.186.912
Technical provisions - health (similar to life)	R0610	1.713.253
Technical provisions calculated as a whole	R0620	0
Best Estimate	R0630	1.664.242
Risk margin	R0640	49.010
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	10.473.660
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	10.252.578
Risk margin	R0680	221.081
Technical provisions - index-linked and unit-linked	R0690	1.804.733
Technical provisions calculated as a whole	R0700	0
Best Estimate	R0710	1.799.049
Risk margin	R0720	5.684
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	19.422
Pension benefit obligations	R0760	93.414
Deposits from reinsurers	R0770	87.615
Deferred tax liabilities	R0780	0
Derivatives	R0790	123.259
Debts owed to credit institutions	R0800	726.327
Financial liabilities other than debts owed to credit institutions	R0810	0
Insurance & intermediaries payables	R0820	161.124
Reinsurance payables	R0830	8.854
Payables (trade, not insurance)	R0840	201.884
Subordinated liabilities	R0850	512.833
Subordinated liabilities not in Basic Own Funds	R0860	0
Subordinated liabilities in Basic Own Funds	R0870	512.833
Any other liabilities, not elsewhere shown	R0880	37.853
Total liabilities	**R0900**	**18.497.346**
Excess of assets over liabilities	**R1000**	**2.436.250**

VII.2 Premiums, claims and expenses by line of business

Non-Life and accepted non-proportional reinsurance

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of Business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct Business	R0110	177.693	59.763	265.084	266.634	193.736	281	250.604	97.139	58	40.169	42.872	9.015					1.403.047
Gross - Proportional reinsurance accepted	R0120	0	0	0	0	0	0	32	0	0	0	0	0					32
Gross - Non-proportional reinsurance accepted	R0130													18	552	0	679	1.249
Reinsurers' share	R0140	276	72	2.761	2.521	1.995	0	26.277	5.292	0	0	0	0	0	0	0	0	39.195
Net	R0200	**177.416**	**59.690**	**262.323**	**264.113**	**191.740**	**281**	**224.359**	**91.847**	**58**	**40.169**	**42.872**	**9.015**	**18**	**552**	**0**	**679**	**1.365.133**
Premiums earned																		
Gross - Direct Business	R0210	177.552	59.659	265.082	268.600	193.959	282	248.171	96.973	58	40.157	42.572	10.363					1.403.427
Gross - Proportional reinsurance accepted	R0220	0	0	0	0	0	0	45	0	0	0	0	0					45
Gross - Non-proportional reinsurance accepted	R0230													18	802	0	679	1.499
Reinsurers' share	R0240	276	72	2.761	2.521	1.995	0	26.247	5.735	0	0	0	0	0	0	0	0	39.608
Net	R0300	**177.275**	**59.587**	**262.322**	**266.079**	**191.963**	**282**	**221.969**	**91.237**	**58**	**40.157**	**42.572**	**10.363**	**18**	**802**	**0**	**679**	**1.365.363**
Claims incurred																		
Gross - Direct Business	R0310	119.252	49.314	227.279	183.470	101.516	-66	316.455	62.367	0	13.579	10.353	5.416					1.088.935
Gross - Proportional reinsurance accepted	R0320	-2.181	0	70	0	0	0	-409	-194	0	0	0	0					-2.715
Gross - Non-proportional reinsurance accepted	R0330	0	0	0	0	0	0	0	0	0	0	0	0	-17	-458	0	394	-81
Reinsurers' share	R0340	40	8	3.439	10.785	17.635	0	75.745	2.818	0	0	0	0	0	0	0	0	110.469
Net	R0400	**117.031**	**49.307**	**223.910**	**172.684**	**83.881**	**-66**	**240.301**	**59.355**	**0**	**13.579**	**10.353**	**5.416**	**-17**	**-458**	**0**	**394**	**975.671**
Changes in other technical provisions																		
Gross - Direct Business	R0410	841	0	-568	0	0	0	0	0	0	0	0	0					273
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross - Non-proportional reinsurance accepted	R0430													0	0	0	0	0
Reinsurers' share	R0440	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net	R0500	**841**	**0**	**-568**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**273**
Expenses incurred	R0550	**28.387**	**15.238**	**49.426**	**80.252**	**48.516**	**49**	**70.866**	**28.225**	**11**	**19.626**	**18.267**	**423**	**3**	**127**	**0**	**84**	**359.500**
Other expenses	R1200																	**26.129**
Total expenses	R1300																	**385.630**

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	-	1.370.959	3.465	-	-	-	-	-	1.374.424
Reinsurers' share	R1420	-	1.362	-	-	-	-	-	-	1.362
Net	R1500	**-**	**1.369.597**	**3.465**	**-**	**-**	**-**	**-**	**-**	**1.373.063**
Premiums earned		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Gross	R1510	-	1.370.959	3.465	-	-	-	-	-	1.374.424
Reinsurers' share	R1520	-	1.362	-	-	-	-	-	-	1.362
Net	R1600	**-**	**1.369.597**	**3.465**	**-**	**-**	**-**	**-**	**-**	**1.373.063**
Claims incurred		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Gross	R1610	-	1.428.881	623	-	-	-	-	-	1.429.504
Reinsurers' share	R1620	-	340	-	-	-	-	-	-	340
Net	R1700	**-**	**1.428.541**	**623**	**-**	**-**	**-**	**-**	**-**	**1.429.164**
Changes in other technical provisions		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Gross	R1710	-	100.006	140.424	-	-	-	-	-	240.430
Reinsurers' share	R1720	-	1.612	-	-	-	-	-	-	1.612
Net	R1800	**-**	**98.394**	**140.424**	**-**	**-**	**-**	**-**	**-**	**238.818**
Expenses incurred	R1900	**-**	**48.838**	**6.121**	**-**	**-**	**-**	**-**	**4**	**54.964**
Other expenses	R2500	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7.067**
Total expenses	R2600	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**62.031**

VII.3 Premiums, claims and expenses by country

As the volume of Ethias SA's gross written premiums, only through direct business in Belgium, is well over 90% of Ethias SA's total gross written premiums, the following table only shows the amounts for the country of origin (Belgium).

Non-Life

		Home country
		C0080
Premiums written		
Gross - Direct Business	R0110	1.362.027
Gross - Proportional reinsurance accepted	R0120	0
Gross - Non-proportional reinsurance accepted	R0130	1.042
Reinsurers' share	R0140	38.370
Net	R0200	**1.324.699**
Premiums earned		
Gross - Direct Business	R0210	1.362.285
Gross - Proportional reinsurance accepted	R0220	0
Gross - Non-proportional reinsurance accepted	R0230	1.292
Reinsurers' share	R0240	38.783
Net	R0300	**1.324.794**
Claims incurred		
Gross - Direct Business	R0310	1.058.062
Gross - Proportional reinsurance accepted	R0320	-209
Gross - Non-proportional reinsurance accepted	R0330	-108
Reinsurers' share	R0340	110.461
Net	R0400	**947.284**
Changes in other technical provisions		
Gross - Direct Business	R0410	273
Gross - Proportional reinsurance accepted	R0420	0
Gross - Non-proportional reinsurance accepted	R0430	0
Reinsurers' share	R0440	0
Net	R0500	**273**
Expenses incurred	R0550	**351.883**
Other expenses	R1200	
Total expenses	R1300	

Life

		Home country
		C0220
Premiums written		
Gross	R1410	1.374.424
Reinsurers' share	R1420	1.362
Net	R1500	**1.373.063**
Premiums earned		
Gross	R1510	1.374.424
Reinsurers' share	R1520	1.362
Net	R1600	**1.373.063**
Claims incurred		
Gross	R1610	1.429.504
Reinsurers' share	R1620	340
Net	R1700	**1.429.164**
Changes in other technical provisions		
Gross	R1710	240.430
Reinsurers' share	R1720	1.612
Net	R1800	**238.818**
Expenses incurred	R1900	**54.964**
Other expenses	R2500	
Total expenses	R2600	

Life and health SLT technical

VII.4 Life and health SLT technical provisions

				Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations			Health insurance (direct business)				
			Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees		Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)		Contrats sans options ni garanties	Contrats avec options ou garanties	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0010	**0**	**0**			**0**			**0**	**0**	**0**	**0**			**0**	**0**	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020	**0**	**0**			**0**			**0**	**0**	**0**	**0**			**0**	**0**	**0**
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	R0030	10.191.996		0	1.799.049		0	0	60.582	0	12.051.628		0	-189.412	1.853.654	0	1.664.242
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	0		0	0		0	0	0	0	0		0	0	15.672	0	15.672
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	10.191.996		0	1.799.049		0	0	60.582	0	12.051.628		0	-189.412	1.837.982	0	1.648.570
Risk Margin	R0100	220.073	5.684			0			1.008	0	226.765	16.009			33.001	0	49.010
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	R0110	0	0			0			0	0	0	0			0	0	0
Best estimate	R0120	0		0	0		0	0	0	0	0		0	0	0	0	0
Risk margin	R0130	0	0			0			0	0	0	0			0	0	0
Technical provisions - total	R0200	10.412.070	1.804.733			0			61.590	0	12.278.393	-173.403			1.886.655	0	1.713.253

VII.5 Technical provisions non-life

		Direct business and accepted proportional reinsurance									Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compen-sation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscel-laneous financial loss	Non-propor-tional health reinsurance	Non-pro-portional casualty reinsurance	Non-pro-portional marine, aviation and transport reinsurance	Non-pro-portional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Recoverables from reinsurance/ SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Technical provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross	R0060	11.983	-1.873	-28.872	48.670	4.319	28	43.332	8.447	0	8.802	9.264	30.752	0	0	0	0	134.852
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-269	-73	-387	-1.170	-1.468	0	-15.416	-4.940	0	1	0	0	0	0	0	0	-23.723
Net Best Estimate of Premium Provisions	R0150	12.252	-1.801	-28.485	49.840	5.788	28	58.748	13.388	0	8.802	9.264	30.752	0	0	0	0	158.574
Claims provisions																		
Gross	R0160	47.430	112.141	180.914	770.161	20.980	78	259.803	673.732	0	70.964	4.040	14.178	3.983	9.503	5	1.352	2.169.262
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	535	772	1.373	27.915	6.756	0	54.687	93.516	0	301	39	0	0	0	0	0	185.894
Net Best Estimate of Claims Provisions	R0250	46.895	111.369	179.541	742.246	14.224	78	205.116	580.216	0	70.662	4.001	14.178	3.983	9.503	5	1.352	1.983.368
Total Best estimate - gross	R0260	59.413	110.268	152.042	818.831	25.299	105	303.135	682.180	0	79.766	13.303	44.930	3.983	9.503	5	1.352	2.304.114
Total Best estimate - net	R0270	59.147	109.569	151.056	792.086	20.012	105	263.863	593.604	0	79.464	13.265	44.930	3.983	9.503	5	1.352	2.141.943
Risk margin	R0280	9.878	8.380	41.720	38.918	16.175	2.107	43.296	53.975	106	5.491	3.265	3.579	466	1.349	1	295	229.001
Amount of the transitional on Technical Provisions																		
Technical Provisions calculated as a whole	R0290	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Best estimate	R0300	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk margin	R0310	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Technical provisions - total																		
Technical provisions - total	R0320	69.291	118.648	193.762	857.749	41.474	2.212	346.431	736.155	106	85.257	16.568	48.509	4.449	10.851	6	1.647	2.533.115
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	266	699	986	26.745	5.287	0	39.272	88.575	0	302	39	0	0	0	0	0	162.171
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	69.025	117.949	192.777	831.004	36.187	2.212	307.160	647.579	106	84.955	16.529	48.509	4.449	10.851	6	1.647	2.370.944

VII.6 Non-life insurance claims

Total Non-Life Business

Accident year / Underwriting year

Z0010	AY

Gross Claims Paid (non-cumulative) (absolute amount)

		0	1	2	3	4	5	6	7	8	9	10 & +			In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110			C0170	C0180
Prior	R0100											27.861	Prior	R0100	27.861	10.029.752
N-9	R0160	364.729	167.455	32.774	14.047	15.445	10.409	8.928	7.275	5.265	6.695		N-9	R0160	6.695	633.023
N-8	R0170	370.919	162.530	33.750	21.222	15.382	11.142	10.749	13.651	6.157			N-8	R0170	6.157	645.502
N-7	R0180	399.453	177.992	34.593	21.019	15.248	10.405	7.735	7.734				N-7	R0180	7.734	674.178
N-6	R0190	399.512	173.282	34.596	19.381	13.570	14.291	11.290					N-6	R0190	11.290	665.922
N-5	R0200	415.240	186.181	42.508	22.850	18.502	15.755						N-5	R0200	15.755	701.035
N-4	R0210	397.132	211.479	43.510	22.070	17.621							N-4	R0210	17.621	691.812
N-3	R0220	434.000	231.114	53.284	30.718								N-3	R0220	30.718	749.116
N-2	R0230	446.189	250.236	60.248									N-2	R0230	60.248	756.673
N-1	R0240	354.978	182.482										N-1	R0240	182.482	537.460
N	R0250	356.683											N	R0250	356.683	356.683
													Total	R0260	723.244	16.441.155

Gross undiscounted Best Estimate Claims Provisions (absolute amount)

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											372.430
N-9	R0160	0	0	0	0	72.861	65.208	59.526	53.161	47.228	41.723	
N-8	R0170	0	0	0	89.470	76.131	79.371	69.408	49.937	45.825		
N-7	R0180	0	0	107.181	85.446	73.767	60.047	52.725	46.396			
N-6	R0190	0	137.019	103.956	88.523	75.641	60.730	51.703				
N-5	R0200	349.321	163.857	135.044	106.091	93.757	67.913					
N-4	R0210	327.036	149.877	114.135	95.946	81.996						
N-3	R0220	375.493	160.581	124.495	108.528							
N-2	R0230	335.679	152.663	112.974								
N-1	R0240	273.487	131.881									
N	R0250	312.423										

		Year end (discounted data)
		C0360
Prior	R0100	373.081
N-9	R0160	41.647
N-8	R0170	45.719
N-7	R0180	46.239
N-6	R0190	51.479
N-5	R0200	67.699
N-4	R0210	81.725
N-3	R0220	108.193
N-2	R0230	112.481
N-1	R0240	131.416
N	R0250	312.350
Total	R0260	1.372.029

VII.7 Impact of long term guarantees and transitional measures

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	16.524.761	0	0	33.991	0
Basic own funds	R0020	2.844.083	0	0	-25.399	0
Eligible own funds to meet Solvency Capital Requirement	R0050	2.844.083	0	0	-25.399	0
Solvency Capital Requirement	R0090	1.599.633	0	0	1.781	0
Eligible own funds to meet Minimum Capital Requirement	R0100	2.298.657	0	0	-33.705	0
Minimum Capital Requirement	R0110	719.835	0	0	801	0

VII.8 Equity

Basic own funds and eligible own funds

		Total	Tier 1 - unres-tricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	1.000.000	1.000.000		0	
Share premium account related to ordinary share capital	R0030	0	0		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0	0		0	
Subordinated mutual member accounts	R0050	0		0	0	0
Surplus funds	R0070	18.379	18.379			
Preference shares	R0090	0		0	0	0
Share premium account related to preference shares	R0110	0		0	0	0
Reconciliation reserve	R0130	1.121.646	1.121.646			
Subordinated liabilities	R0140	512.833		14.666	498.168	0
An amount equal to the value of net deferred tax assets	R0160	191.225				191.225
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	0				
Deductions						
Deductions for participations in financial and credit institutions	R0230	0	0	0	0	
Total basic own funds after deductions	R0290	**2.844.083**	**2.140.024**	**14.666**	**498.168**	**191.225**
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0			0	
Unpaid and uncalled preference shares callable on demand	R0320	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0			0	0
Other ancillary own funds	R0390	0			0	0
Total ancillary own funds	R0400	**0**			**0**	**0**
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	2.844.083	2.140.024	14.666	498.168	191.225
Total available own funds to meet the MCR	R0510	2.652.858	2.140.024	14.666	498.168	
Total eligible own funds to meet the SCR	R0540	2.844.083	2.140.024	14.666	498.168	191.225
Total eligible own funds to meet the MCR	R0550	2.298.657	2.140.024	14.666	143.967	
SCR	R0580	**1.599.633**				
MCR	R0600	**719.835**				
Ratio of Eligible own funds to SCR	R0620	**177,80%**				
Ratio of Eligible own funds to MCR	R0640	**319,33%**				

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	2.436.250
Own shares (held directly and indirectly)	R0710	0
Foreseeable dividends, distributions and charges	R0720	105.000
Other basic own fund items	R0730	1.209.604
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0
Reconciliation reserve	R0760	**1.121.646**
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	39.877
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	296.229
Total Expected profits included in future premiums (EPIFP)	R0790	**336.107**

VII.9 Solvency Capital Requirement - for groups on Standard Formula

Basic Solvency Capital Requirement

		Gross solvency capital requirement	Simplifications
		C0110	C0120
Market risk	R0010	1.077.246	
Counterparty default risk	R0020	82.668	
Life underwriting risk	R0030	244.574	
Health underwriting risk	R0040	354.225	Simplification for the Article 102a
Non-life underwriting risk	R0050	472.565	
Diversification	R0060	-713.179	
Intangible asset risk	R0070	0	
Basic Solvency Capital Requirement	R0100	1.518.099	

Calculation of the solvency capital requirement

		Value
		C0100
Operational risk	R0130	**124.279**
Loss-absorbing capacity of technical provisions	R0140	**-42.745**
Loss-absorbing capacity of deferred taxes	R0150	**0**
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	**0**
Solvency Capital Requirement excluding capital add-on	R0200	**1.599.633**
Capital add-on already set	R0210	**0**
Solvency capital requirement	R0220	**1.599.633**
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

Solvency Capital Requirement (USP)

		USP
		C0090
Life underwriting risk	R0030	
Health underwriting risk	R0040	5
Non-life underwriting risk	R0050	8

Approach to the tax rate

		Yes/No
		C0109
Approach based on average tax rate	R0590	Approach not based on average tax rate

Calculation of the loss-absorbing capacity of deferred taxes

		LAC DT
		C0130
LAC DT	R0640	0
LAC DT justified by reversion of deferred tax liabilities	R0650	0
LAC DT justified by reference to probable future taxable economic profit	R0660	0
LAC DT justified by carry back, current year	R0670	0
LAC DT justified by carry back, future years	R0680	0
Maximum LAC DT	R0690	0

VII.10 Minimum Capital Requirement - Both life and non-life insurance activity

Linear formula component for non-life insurance and reinsurance obligations

		MCR components	
		Non-life activities	Life activities
		MCR (NL, NL) Result	MCR (NL, L) Result
		C0010	C0020
Linear formula component for non-life insurance and reinsurance obligations	R0010	318.502	0

		Non-life activities		Life activities	
		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
Medical expense insurance and proportional reinsurance	R0020	59.147	157.609		
Income protection insurance and proportional reinsurance	R0030	109.569	59.690		
Workers' compensation insurance and proportional reinsurance	R0040	151.056	262.323		
Motor vehicle liability insurance and proportional reinsurance	R0050	792.086	264.080		
Other motor insurance and proportional reinsurance	R0060	20.012	191.740		
Marine, aviation and transport insurance and proportional reinsurance	R0070	105	281		
Fire and other damage to property insurance and proportional reinsurance	R0080	263.863	224.359		
General liability insurance and proportional reinsurance	R0090	593.604	91.847		
Credit and suretyship insurance and proportional reinsurance	R0100	0	58		
Legal expenses insurance and proportional reinsurance	R0110	79.464	40.169		
Assistance and proportional reinsurance	R0120	13.265	42.872		
Miscellaneous financial loss insurance and proportional reinsurance	R0130	44.930	9.015		
Non-proportional health reinsurance	R0140	3.983	18		
Non-proportional casualty reinsurance	R0150	9.503	552		
Non-proportional marine, aviation and transport reinsurance	R0160	5	0		
Non-proportional property reinsurance	R0170	1.352	679		

Linear formula component for life insurance and reinsurance obligations

		Non-life activities	Life activities
		MCR(L, NL) Result	MCR(L, L) Result
		C0070	C0080
Linear formula component for life insurance and reinsurance obligations	R0200	35.892	384.467

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0090	C0100	C0110	C0120
Obligations with profit participation - guaranteed benefits	R0210			10.047.751	
Obligations with profit participation - future discretionary benefits	R0220			144.245	
Index-linked and unit-linked insurance obligations	R0230			1.799.049	
Other life (re)insurance and health (re)insurance obligations	R0240	1.709.152		0	
Total capital at risk for all life (re) insurance obligations	R0250				10.867.843

Overall MCR calculation

		C0130
Linear MCR	R0300	738.861
SCR	R0310	1.599.633
MCR cap	R0320	719.835
MCR floor	R0330	399.908
Combined MCR	R0340	719.835
Absolute floor of the MCR	R0350	7.400
Minimum Capital Requirement	R0400	719.835

Calculation of the notional amount of the MCR in non-life and in life

		Non-life activities	Life activities
		C0140	C0150
Notional linear MCR	R0500	354.394	384.467
Notional SCR excluding add-on (annual or latest calculation)	R0510	767.263	832.370
Notional MCR cap	R0520	345.268	374.567
Notional MCR floor	R0530	191.816	208.093
Notional Combined MCR	R0540	345.268	374.567
Absolute floor of the notional MCR	R0550	3.700	3.700
Notional MCR	R0560	345.268	374.567

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