SOLVENCY AND FINANCIAL CONDITION REPORT

ETHIAS SA
31/12/2022

We're here for you. ethias

NATIONAL HEAD OFFICE
Rue des Croisiers 24
4000 LIÈGE
+ 32 (0)4 220 31 11

HEAD OFFICE FOR FLANDERS
Prins-Bisschopssingel 73
3500 HASSELT
+ 32 (0)11 28 21 11

HEAD OFFICE FOR THE GERMAN-SPEAKING REGION
Klötzerbahn 24-26
4700 EUPEN
+ 32 (0)87 59 10 00

ethias.be

Content

1. Summary

The year 2022 will have been marked by the return of **inflation**. Initially resulting from the tensions following the COVID-crisis, it was then amplified by the outbreak of war in Ukraine, which accentuated the logistical tensions in supply chains. The **energy crisis**, with soaring gas and electricity prices, has hit households and businesses hard. Equity markets fell, with fears of a prolonged period of high inflation and low growth.

In this difficult context, Ethias continued its commitment to **support all sectors of society**, notably by granting premium reductions to the cultural and sports sector.

After the exceptional floods of July 2021, with more than 14,000 files opened at Ethias, the **storms of February 2022** resulted in the opening of more than 15,000 files. Ethias has made it a point of honour to demonstrate the same efficiency and to provide its clients with the best possible support.

In terms of results, Ethias has achieved a **net profit of EUR 191 million** in 2022, which is stable compared to 2021 (EUR 189 million) despite the unfavourable economic environment.

This result is mainly generated by **Non-Life** activities (EUR **173 million**), with **Life** activities bringing in EUR **85** million.

Total premium income amounts to EUR 2.91 billion, divided between EUR 1.51 billion in Non-Life (+8%) and EUR 1.40 billion in Life (+2%). Total premium income increased by 5%.

The **Solvency II ratio** amounts to **170%** after deducting the **proposed dividend of EUR 108 million**[1], impacted by the sharp rise in interest rates and high inflation. This ratio is evaluated according to the standard Solvency II formula, without recourse to long-term transitional measures.

The agency **Fitch Ratings** has affirmed Ethias SA's IFS rating (Insurer Financial Strength) at A, with a positive outlook, highlighting once again the company's high level of capitalization, its low debt ratio and its strong operational profitability.

Ethias obtained the **Top Employer Belgium 2022** certification for the first time and was awarded this certification again in **2023**.

In October, Ethias set up the **Ethias Impact Fund**. This fund, managed by the King Baudouin Foundation, will give priority to projects or associations related to the fight against child poverty, health and environmental protection.

Ethias has signed the United Nations Principles for Sustainable Insurance (UN PSI) and has joined the SBTi Net-Zero initiative to achieve carbon neutrality in line with the objectives of the Paris Climate Agreement.

Ethias has created a new subsidiary: Ethias Ventures will become the new tool for investing in start-ups active in the insurtech field as well as in ecosystems with societal added value close to insurance (Mobility, Health and Housing).

As the 3rd largest Life and Non-Life insurer in the Belgian market, Ethias is more than ever a group at the service of its clients, with human values, supporting innovation and committed to sustainability.

1 Subject to the approval of the General Assembly

2. Business and performance

2.1. Business

2.1.1 Market conditions in 2022

Entering a new macroeconomic cycle

In 2022, while the health aspect of the COVID crisis seemed to be history, its macroeconomic repercussions were beginning to be felt, mainly through increasing pressure on inflation. A spectacular reversal in the Fed's stance, which until then had considered this rise in inflation as "transitory", was the first element in a series of rapid future adjustments in monetary policy at global level. At the end of February, the outbreak of war in Ukraine was to cause a further shock to commodity and food prices, pushing oil to the 110-dollar a barrel level for the first time since 2011. A few weeks later, the Fed began to raise its key interest rates. Shortly afterwards, China re-implemented strict containment measures in its territory in an attempt to contain a new outbreak of COVID. Against this backdrop, logistical tensions in the supply chains were far from abating. At the end of the first year-half, the US stock markets "officially" entered a Bear Market after falling by more than 20% from their recent highs. In Europe, the energy crisis hit households and businesses hard after Russia unilaterally decided to stop supplying gas to a number of European Union countries, driving gas prices to a record high. This spike in gas prices will in turn affect electricity prices, due to the current functioning of the EU energy market. Faced with this situation, the ECB tightened its monetary policy in July, four months later than the United States. The "zero interest rate" policy in the Euro zone was thus abandoned. It is not until December 2022 that the inflation peak will be passed, with European inflation settling at an annualized rate of 9.2% (after a high of 10.6% reached in October).

In this context, the growth-inflation dynamic has evolved negatively in 2022 with a real risk of having a prolonged period of high inflation and low growth. Indeed, the level of inflation in Europe as well as in the United States has broken record after record while global GDP has slowed. Faced with the risk of sustained and uncontrolled inflation, central banks have therefore decided to tighten their monetary policy by announcing several rate hikes in 2022 and the end of massive liquidity injections into the markets.

The combined effects of the significant rise in inflation and the central banks' actions to contain it are beginning to be felt on the prospects for global and European growth. However, faced with the risk that all components of inflation will not decline sufficiently, central banks are likely to continue their rate hike cycle in 2023.

High market volatility

As a result of monetary tightening and high inflation, government bond rates showed a lot of volatility and ended 2022 with a significant increase, especially on the short end of the curve. For example, the Belgian 10-year bond rate ended the year 2022 at 3.22% compared to 0.19% at December 31, 2021.

The difficult economic context and the tightening of the FED's and the ECB's monetary policies were also largely unfavourable to the equity indices. For example, the EuroStoxx50 ends up at -11.74% in 2022 while the S&P500 loses more at -19.44%.

Impact on the financial management of Ethias

Despite a turbulent macroeconomic context, our financial management has limited the impact of financial market volatility on the performance of our investment portfolio. Indeed, we have not observed a significant increase in our default risk. This is mainly due to a wide diversification of issuers held but also to their very good credit quality. As Ethias has no direct exposure to Ukraine and Russia, the conflict had no direct impact on its portfolio.

In addition, as in previous crises, our investment and risk teams apply an active investment strategy, which means that they always react to current events and take appropriate measures to protect the portfolios. With a view to holding our bonds forward in relation to our ALM management, the decline in the market value of our bonds is offset by the decrease in the value of our liabilities. Measures have been taken to protect portfolios against rising interest rates, notably through hedging derivative programmes. Other risks, such as the risk of widening credit spreads, rising long-term inflation or equity risk, have also led to the implementation of targeted management measures.

Finally, the rise in interest rates has allowed Ethias to make investments on more favourable terms, thereby strengthening the average rate of return on its portfolios for the years to come. The rise in inflation had a positive impact on the performance of its inflation-linked bonds.

Impact on insurance products and technical liabilities

In this specific macro-economic context of high inflation, underwriting risk management and provisioning were impacted and tariff increases were applied. In addition, Ethias has also reviewed some of its assumptions and estimation methods to reflect the observed and expected inflation levels in its financial statements.

In response to the invasion of Ukraine, the European Union has imposed a series of sanctions against Russia. Ethias, through its Compliance department, regularly ensures that its investments and its relations with clients or intermediaries respect the rules in force.

2.1.2 The COVID-19 pandemic

Since the beginning of the pandemic, Ethias has wanted to play an active social role by providing assistance to several actors in our society. In 2022, Ethias continued this commitment by providing free Civil Liability and Bodily Injury insurance for all COVID vaccination centers and by offering - beyond insurance - its support to sectors that needed it:

- Immediately after spring half-term, Ethias distributed **1,500 jars of hydroalcoholic gel to the** insured **schools** of nursery, primary and secondary education.
- Ethias granted the **cultural sector** a **25% discount** on the 2022 fire insurance premium.
- Ethias offered a new **premium reduction** for Belgian **sports federations**.

2.1.3 Fitch rating maintained

In May 2022, the agency Fitch announced the maintenance of Ethias SA's rating at **"A (positive outlook)"**, highlighting once again the company's high level of capitalization, its low debt ratio and its strong operation a l profitability.

2.1.4 Dividend distribution

The General Meeting of May 18, 2022 approved the distribution of a dividend of 105 million euros for fiscal year 2021.

2.1.5 Storms and floods

Following the exceptional floods of July 2021, more than 14,000 claim files were opened at Ethias. At the beginning of 2022, nearly all B2C policyholders had been compensated.

In February 2022, more than 15,000 files were opened following the storms, once again mobilizing file managers to take care of the victims as quickly as possible. Ethias has made it a point of honour to demonstrate the same efficiency as during the floods and to provide its clients with the best possible support.

2.1.6 Ethias Impact Fund

In October, Ethias set up the Ethias Impact Fund. This fund, managed by the King Baudouin Foundation, will enable Ethias to carry out philanthropic actions. The fund will be the "armed wing" of the social component in Ethias' Sustainability strategy. In addition to structuring Ethias' philanthropic policy (financial donations), this fund will also have the task of developing a vast network of partners in the field, with the aim of using this network to carry out "double impact" actions for society. Ethias will therefore not only provide financial resources but also time and expertise.

For the first three years, the Ethias Impact Fund will give priority to projects or associations related to the fight against child poverty, health and environmental protection. This support will be provided mainly through calls for projects, such as the Ethias **Youth Solidarity Awards**.

2.1.7 Ethias signs the UN Principles for Sustainable Insurance (UN PSI) and joins the SBTi initiative

After joining the UN Global Compact in 2014 and the UN PRI in 2020, Ethias signed up to the United Nations Principles for Sustainable Insurance (UN PSI) in October 2022. Whether environmental, social or governance, these principles are the benchmark for insurers in terms of sustainability. Ethias thus reinforces its commitment to reduce risks, develop innovative solutions, improve business performance and contribute to environmental, social and economic sustainability. This is the logical implementation of its Sustainability strategy and its integration within the company and its entire value chain.

In line with the commitment made in 2021 when joining BACA, Ethias joined the SBTi's Net-Zero **(*Science Based Targets Initiative*)** in December 2022. This strong commitment by Ethias aims to file - and have an independent body validate - a plan containing **intermediate decarbonization objectives** with a view to achieving carbon neutrality **in line with the objectives of the Paris Climate Agreement**. Ethias is **thus pursuing its trajectory towards net-zero carbon by 2030 and is giving itself even greater means to achieve this. These ambitions go hand in hand with a growing desire to reduce the carbon footprint in a sustainable way, as well as the footprint on biodiversity.**

2.1.8 Partnerships and social player

In May 2022, Ethias signed a protocol agreement with the German-speaking Community and Proximus to deploy **fiber optics** throughout the German-speaking Community.

Moreover, as a Belgian insurer, Ethias wants to have a positive impact on society. That is why Ethias has invested in 3 new partnerships offering **real estate investments** that meet **ESG criteria**.

- **Vicinity Affordable Housing Fund** ("Vicinity") aims to provide quality rental housing with low or no energy consumption, ensuring a significant societal and environmental impact through a new property management model.
- **Revive** revives old brownfields and neglected downtown sites into green urban centers.
- **Hamsterhuren II** enables tenants to become homeowners thanks to the "Squirrel" rental system (conversion of at least 50% of a maximum of 8 years' rent into a down payment for a mortgage loan) and provided that the real estate projects are based on energy-efficient techniques and use sustainable materials.

2.1.9 Innovation dynamics

"Learn the lessons and move fast" is how Ethias intends to move forward in terms of innovation. After testing and developing several innovations and launching its services

marketplace, Ethias is moving up a gear thanks to the experience it has gained. Thus, capitalizing on the initial success of its 100% digital offer, which has been further expanded in 2022, Flora is also becoming Ethias' bridgehead for the development of *embedded insurance*. On the other hand, Ethias Ventures will become the new tool for investing in start-ups active in the Insurtech field as well as in ecosystems with societal added value close to insurance: Mobility, Health and Housing. Data at the service of the client: in addition to its use from improving the *customer* experience, Ethias has a large amount of data that can be used to assist cities and municipalities. This is the objective of UrbanData, the tool that makes an inventory of all registered claims in a city or municipality, by means of a visual map. Finally, the *Client Zone* is now accessible from the Ethias app: a way to have all services and contracts at your fingertips.

2.1.10 Closing of head offices on Mondays

Ethias has decided to expand its actions to reduce its carbon footprint and at the same time respond to the expectations of employees to move towards greater flexibility by introducing new hybrid work methods. Every Monday, the head offices in Liège and Hasselt are closed and employees are invited to work from home. Ethias also allows homeworking up to 3 days per week, i.e. 60% of the working time.

This measure, innovative on the Belgian market, will allow Ethias to reduce its dependence on fossil fuels. This is in addition to the numerous initiatives deployed over the past few years, which have enabled the company to reduce its carbon footprint by one third, four years ahead of schedule.

The closure of the offices has no impact on clients as all regional offices (including Liege, Hasselt, and Alleur) remain fully accessible.

2.1.11 Awards

In 2022, Ethias received the **"Top Employer"** certification from the Top Employers Institute (EIS). This title rewards the company's policy towards its employees and its HR practices, with a particular focus on the initiatives implemented in the areas of Well-being, Work Environment, Organization & Change and Digitalization.

As in previous years, Ethias won several **DECAVI** awards, including one for tenant insurance, workers' compensation insurance and personal liability insurance. For the third time in a row, Ethias received the DECAVI trophy for its **societal commitment**. This award confirms the relevan**ce of Ethias' commitments and its desire to put people at the center of its concerns.**

Finally, its brand image was also rewarded with the "Best Brand Award 2022", with Ethias being elected as the number one for the insurance sector.

2.1.12 Sponsorship and partnership with Wout van Aert

Since the beginning of the summer, the visibility of Ethias has increased thanks to various sponsoring initiatives, such as its presence at several French- and Dutch-speaking festivals and at several sporting events like the Ethias Tour de Wallonie, the Woman Races or the Ethias Ladies Open of Eupen.

After his exceptional performance in the Tour de France (winner on 3 stages, super combative title, green jersey) and the interest he has aroused among the media and the public, Wout van Aert is undoubtedly a quality ambassador for Ethias. The values he conveys (teamwork, application of a clear and solid strategy, hard work and surpassing oneself) are clearly in line with the company's philosophy.

2.1.13 Number of employees

Ethias SA has gone from 1,976 employees on 31/12/2021 to 1,952 employees on 31/12/2022.

2.2. Insurance results

Although the year 2022 sounded the end of the impacts related to the pandemic, it was marked from the start by the tensions between Ukraine and Russia, generating constant uncertainty and leading to historically high inflation levels. To this crisis, we must also add the adverse weather conditions of February, even if the severity of the losses is not comparable to what Belgium experienced during the 2021 floods.

The year 2022 recorded a net result of 191 million euros, i.e. an increase of 0.42% compared to 2021. After withdrawals and transfer to untaxed reserves, the result to be appropriated amounts to 189 million euros.

Total income amounts to 2,914 million euros, i.e. an increase of 5% compared to the 2021 income, mainly driven by Non-Life insurance.

2.2.1 Result of the Non-Life insurance services

The result of Non-Life business amounts to 173 million euros.

Income amounts to 1,512 million euros and increases by 8% compared to 2021. It breaks down as follows between the segments "Private Individuals" and "Public Bodies & Companies":

- Income for Private Individuals increases by 4% compared to 2021 and amounts to 617 million euros;
- Income for Public Bodies & Companies amounts to 895 million euros and increases by 11% compared to 2021.

The adjusted net combined ratio (including recurring financial income from annuities) stands at 94.6% and is below the 95% target.

The result of the Non-Life activities is clearly up compared to the year 2021 (+43%) which was strongly impacted by the July floods.

2.2.2 Result of the Life insurance services

The result of Life business amounts to 85 million euros.

Income at end-2022 is up by 2% compared to 2021 and amounts to 1,402 million euros, including 50 million euros in Private Individuals and 1,352 million euros in Public Bodies & Companies.

- Income in Life Individuals increases by 0.37% compared to 2021.
- Premium income for Life Public Bodies & Companies increases by 2.1% compared to 2021, mainly coming from the 1st pillar.
- The good result of the Life business in 2022 is explained in particular by a good insurance technical result.

These good results made it possible to endow the provision for profit-sharing (net of taxes) with 32 million euros, mainly for ring-fenced funds from the 1st pillar.

The result of the Life business is down compared to 2021 (-17%) which was strongly impacted by non-recurring financial income.

2.2.3 Investment performance

The net financial income for 2022, included under the investment income and expense headings in the BGAAP annual accounts, amounts to 381 million euros compared with 425 million euros in 2021. They are distributed as follows: 149 million euros in Non-Life, 242 million euros in Life and an expense of 10 million euros in Non-Technical.

In addition, they consist of the following main elements:

In thousands of euros	**2022**	**2021**
Net financial income of investments, without branch 23	420,293	450,778
Recurring	*414,371*	*375,366*
Non-recurring	*5,922*	*75,412*
Financial income related to reinsurance	8	31
Net financial income of investments in branch 23	-977	5,309
Financial expenses of loans and other financial payables	-26,772	-26,019
Other income and financial expenses	-11,286	-5,124
Total	**381,267**	**424,975**

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

In thousands of euros	**2022**	**2021**
Bonds	316,657	307,123
Recurring	314,605	295,125
Non-recurring	2,052	11,998
Shares & participating interests	54,983	84,310
Recurring	40,623	36,214
Non-recurring	14,360	48,096
Real estate & loans	51,131	64,317
Recurring	59,107	45,882
Non-recurring	-7,975	18,435
Derivatives & provisions	-2,387	-3,379
Recurring	-304	-810
Non-recurring	-2,083	-2,569
Cash and cash equivalents	-91	-1,593
Recurring	342	-1,044
Non-recurring	-433	-549
Total	**420,293**	**450,778**

2.3. Performance of other activities

The non-technical result before tax shows a negative contribution of 20 million euros, mainly due to the expense of subordinated loans and impairments on receivables. Tax expenses for the year amount to 47 million euros and benefit from deductions for income from innovation.

3. Governance system

3.1. General Information

3.1.1 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.

3.1.1.1 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.

3.1.1.2 Specialised committees of the Board of Directors

3.1.1.2.1 Audit and Risk Committee

The Board of Directors has 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 internal regulations, which were last amended on May 17, 2022.

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.

3.1.1.2.2 Appointments and Remuneration Committee

An Appointments and Remuneration Committee was established within the Board of Directors.

Its internal regulations were last amended on May 17, 2022.

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.

3.1.1.3 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

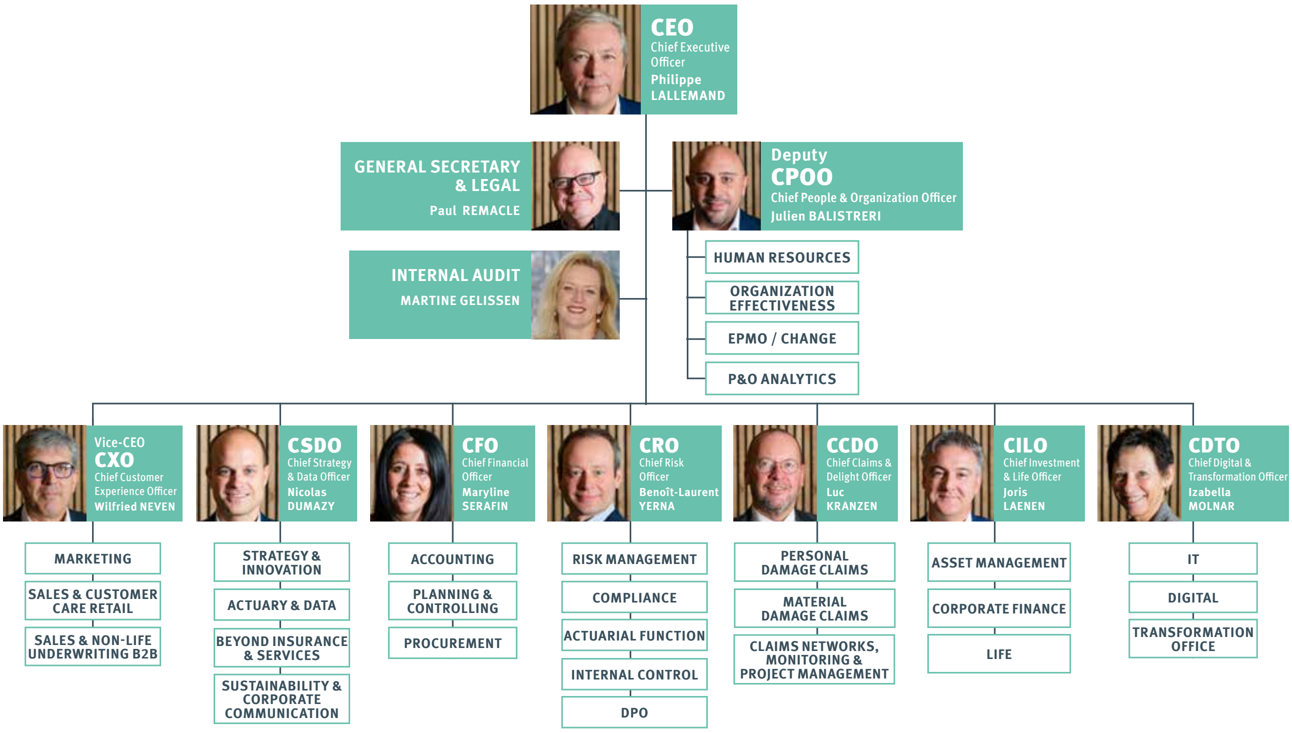
The Executive Committee consists of eight natural persons, four of whom are directors and four of whom are Dutch-speaking and four French-speaking.

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

Internal distribution of tasks

The 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.



3.1.2 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 May 2020, 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 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 operationalizes 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 is currently being revised, taking 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 and changes in the structure.

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 2022 were validated by the Board of Directors on 22 December 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 the annual report of Ethias. 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.

3.2. "Fit & Proper" requirements

3.2.1 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 May 17, 2022.

These policies are in line with the NBB's manual on the suitability of directors, members of the Executive Committee, heads of independent monitoring functions and effective managers of financial institutions ("Fit & Proper" manual). 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.

3.2.2 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.

3.3. Risk management system and ORSA

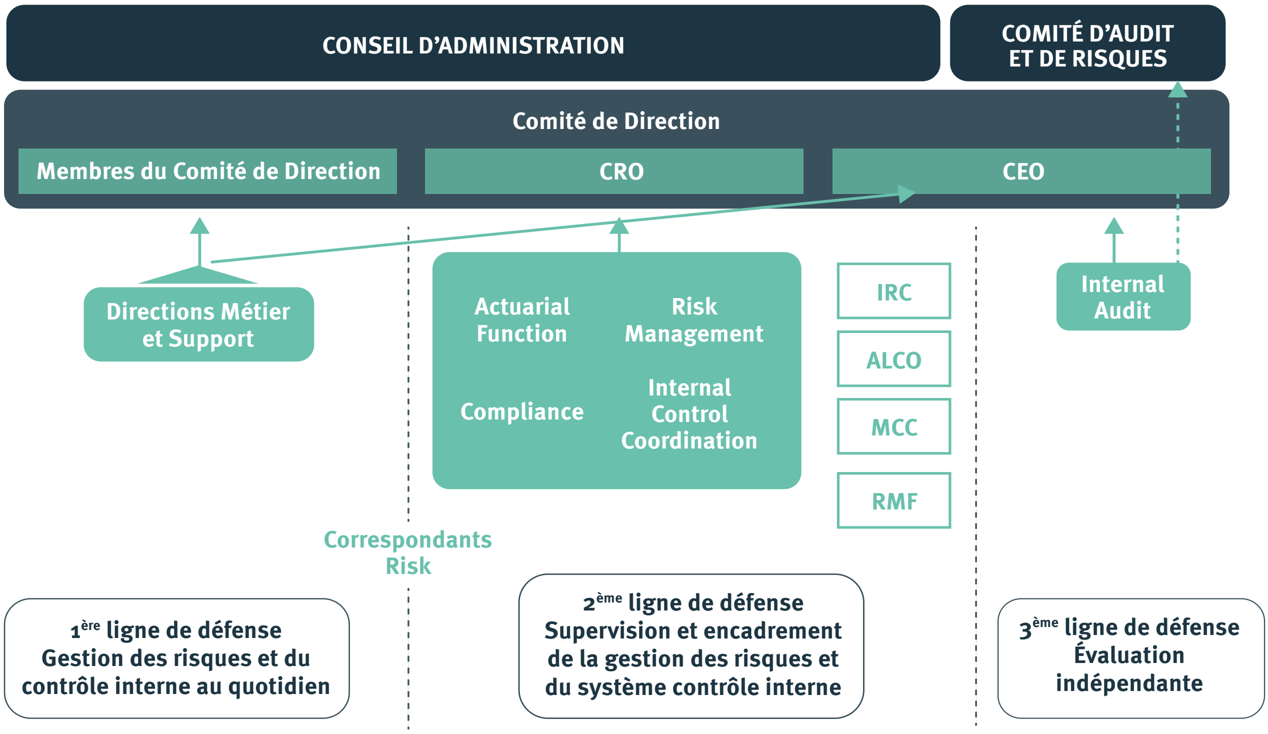
3.3.1 Risk management system

3.3.1.1 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".

3.3.1.2 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 advice 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 th**e 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.

3.3.1.3 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 underwriting risk**	**SLT Health**	**Non-SLT Health**	**Marktet risk**	**Counterpartyrisk**	**Liquidity risk**
Mortality risk	Premium and reserve risk	Catastrophe risk		Interest rate risk	Downgrade risk	Marktet 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	
Operational risks	**Other non-financial risks**
Interruption and failure of systems and activities	Model risk
Practices regarding employment and safety at work	Concentration risk
Violation of legal and regulatory obligations (Compliance)	Strategical risk
Internal and external client satisfaction	Reputational risk
Subcontracting, consultancy and supply	
Informatiebeveiligingon security	
Data privacy (GDPR)	
Insurance fraude	
Project	
Execution, management, delivery of processes	

3.3.1.4 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 cyberattackers 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.

3.3.1.5 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.

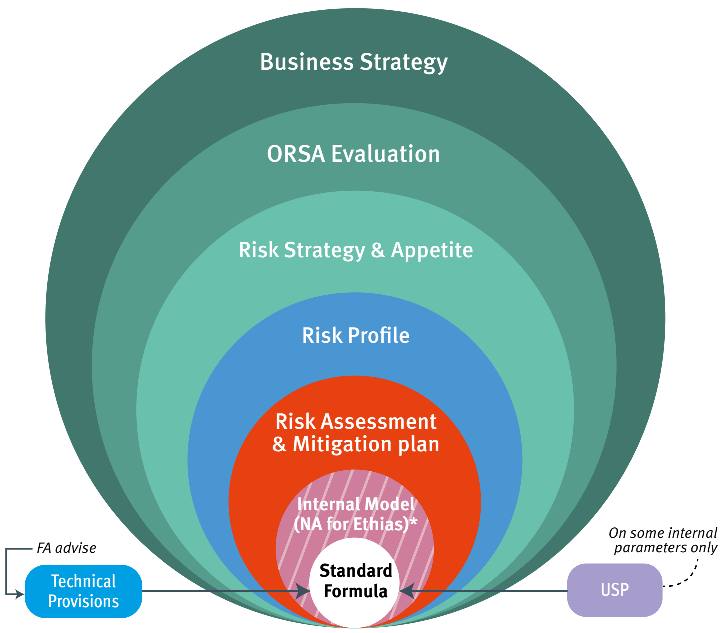
- confirms the charter of the Risk Management Function and the work programme of the Risk Management Function, previously validated by the Executive Committee;
- evaluates the quality of the risk management system at least once a year through the assessment of the governance system.
- The minutes describe 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.

3.3.2 Internal assessment of risks and solvency (ORSA)

ERM FRAMEWORK



3.3.2.1 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 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.

3.3.2.2 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”.

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.

3.4. Internal control system

3.4.1 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 within the CRO line. The main objective of this 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 (1st and 2nd lines of defence) are sufficiently robust and that they limit residual risks to an acceptable level.

This implementation of a permanent control of key risks is 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).

3.4.2 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.

3.4.2.1 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.

3.4.2.2 Legal, regulatory and specific compliance areas

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.

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:

Corporate Governance

- Rules relating to the governance system - 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 policy-holder, 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.

3.4.2.3 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.

3.4.2.4 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..

3.5. Internal Audit Function

3.5.1 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.

3.5.2 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.

3.6. 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 subjects 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.

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.

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.

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.

The Actuarial Function issues a validation report or an independent opinion for each mission, depending on the nature of the mission. The recipients and the frequency of these validation reports and opinions are detailed in its charter. These reports contain any recommendations made during the missions and their follow-up.

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 revised and approved by the Board of Directors in May 2021.

3.7. Outsourcing

3.7.1 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.

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

- 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 2022, Ethias did not outsourced any new critical activities.

4. Risk profile

4.1. 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

4.1.1 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 thousand of euros	31-dec-22	31-dec-21
Non-life (without health)	1.802.351	1.978.409
Health (similar to non-life)	361.785	325.705
Health (similar to life)	1.257.000	1.664.242
Life (without index-linked and unit-linked insurance)	8.162.532	10.252.578
index-linked and unit-linked insurance	1.633.584	1.799.049

4.1.2 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.

4.1.3 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*	2022	2021
Mortality risk		
Increase by 15% in mortality	-16,872	-33,505
Longevity risk		
Increase by 20% in longevity	27,453	53,223
Expense risk		
Increase by 10% in overheads	33,328	42,992
Doubling of inflation instead of the base-case inflation vector	102,551	109,188

Sensitivity of BE annuities

In thousands of euros	2022	2021
Longevity risk		
10% decrease in qx	37,568	46,493
Redemption risk		
50% decrease in the frequency of taking 1/3 in capital	2,976	3,683
Transition risk		
No partial recovery	45,281	56,038

4.1.4 Mitigation of underwriting risk

4.1.4.1 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).

4.1.4.2 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.

4.1.4.3 Tariffs

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

4.1.5 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.

4.2. Market risk

4.2.1 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-22	31-Dec-21
Interest	12,728,298	16,214,774
Share	1,265,130	1,503,589
Real estate	719,981	634,250
Spreads	12,146,847	15,721,991
Currency	116,935	120,050
Concentration	14,044,182	17,859,830

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-2021, exposures to the SCR market have decreased overall.

- Exposures to the SCR interest have decreased mainly due to lower volumes of government bonds and similar products, as a result of higher interest rates, partially offset by purchases of corporate bonds and by the issuance of new loans.
- Exposures within the scope of the SCR shares have decreased mainly as a result of the poor performance of the stock markets in 2022 (with the EuroStoxx50 index ending at around 3794 points on December 31, 2022, compared to around 4300 points a year earlier).
- Exposures subject to the SCR real estate increase following various investments.
- Exposures subject to the SCR spread decreased overall in 2022 as a result of the increase in rates. Those with a non-zero charge have decreased by 11%: they amount to 4,830,926 thousand euros in 2022 whereas in 2021 they stood at 5,447,723 thousand euros.
- Exposure to the SCR currency decreased as a result of the reduction in the foreign currency exposure of the funds
- 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 31/12/2022.

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.

4.2.2 Exposure to the interest rate risk

The following table shows the components of the SCR interest as at December 31, 2022 and December 31, 2021. At December 31, 2022, the derivatives are spreadlocks (whose sensitivity to interest rates, and therefore the SCR interest, is zero) and forward sells. Forward sells are used to hedge government bonds for the interest rate and spread risk. Contrary to the situation at December 31, 2021, it is important to mention that at December 31, 2022, the scenario of rising interest rates was retained, which explains the opposite changes in assets and liabilities between the two dates. The difference in magnitude is explained by the change in rates between December 31, 2021 and December 31, 2022. Indeed, as of December 31, 2021, the rate curve was relatively low and less shocked (following the application of a regulatory floor).

	Effect of interest rate hedges on the SCR interest	
In thousands of euros	**31/12/2022**	**31/12/2021**
Fixed income assets	1,163,595	-193,270
Forward starting swaps (interest rate hedging)	0	-
Net impact of spreadlocks	0	0.00000001
Inflation swaps	0	1943.185456
Forward sell	-116,170	
Liabilities	-1,004,072	199,299
SCR interest	**43,354**	**7,972**

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

	31-12-21			31-12-22		
	Assets Duration	Liab. Duration	Duration gap	Assets Duration	Liab. Duration	Duration gap
Life	8.37	9.80	0.22	6.99	7.46	0.61
Non-Life	7.38	8.96	0.56	6.11	6.54	1.05
Total with IAS 19 and Sub-loans			0.21			0.60

The sensitivity of equity to a change in interest rates is still within the risk appetite boundaries and remains unfavourably exposed to an increase in interest rates

- The significant rise in rates as well as the non-parallel curve movements had a different impact on the duration of assets and liabilities, leading to an increase in the duration gap.
- For both Life and Non-Life, the inversion of the rate curve leads to a less beneficial effect of the convergence to the UFR for the duration of liabilities. As a result, we observe an even more positive duration gap and therefore even more negative exposure to a parallel rise in rates.
- In order to reduce this upward sensitivity, derivative programs have been and continue to be implemented.
- The duration gap including commitments related to IAS 19 and subordinated loans remains less than 1 year.

4.2.3 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 2022	AAA	AA	A	BBB	BB	B	NR	TOTAL
Government bonds and similar products	732.107	3.817.832	951.086	1.686.596	-	-	41.522	7.229.143
Corporate bonds	44.710-	220.195	1.113.480	1.886.526	165.835	51.661	578.494	4.060.900
Covered bonds	78.984	19.483	30.889	-	-	-	14	129.370
Structured bonds	-	19.559	65.757	16.638	-	-	-	101.953
Loans	-	13.403	-	58.271	-	-	431.352	503.026
TOTAL	**855.801**	**4.090.472**	**2.161.212**	**3.648.031**	**165.835**	**51.661**	**1.182.204**	**12.155.215**

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	
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**

Total assets subject to the credit risk decreased significantly in 2022. The market values of the bonds have decreased due to the very significant rise in interest rates in 2022.

The decrease in government bonds in AA is mainly due to a market effect.

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. Spread risk exposure to Belgium remains the most important. 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 2022	Market value at 31 December 2021
Belgium	2.179.682	3.232.994
France	1.001.833	1.376.765
Spain	603.089	877,271
Supranational	589.544	828,855
Portugal	584.612	811,412
Germany	566.967	680,866
Italy	530.657	779,858
Ireland	369.342	556,737
Austria	163.889	181,998
United States	108.865	161,030
Slovakia	92.507	157,907
Poland	89.124	106,622
Slovenia	69.824	92,023
Latvia	67.680	117,401
Finland	66.035	97,151
Australia	49.452	76,525
Lithuania	36.359	52,864
Luxembourg	21.026	31,923
Mexico	14.397	31,391
The Netherlands	13.419	13,820
Norway	4.971	-
Denmark	3.043	3,412
Canada	2.826	4,536
Czech Republic	0	28,426
TOTAL	**7,229,143**	**10,301,786**

4.2.4 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.

4.2.5 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%	2.6%
Equities -30%	-8.1%
Real estate -15%	-3.8%
Spread Govies +0.50%	-20.8%
Interest rate +0.50%	-3.6%

The stress on the Govies has a high impact due to our high exposure to government bonds. However, this sensitivity has been reduced since 2021 following the completion of the spread locks program and in 2022 by the purchase of forward sells.

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

4.2.6 Methods of mitigating market risk

4.2.6.1 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.

4.2.6.2 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.

4.2.6.3 Limits in interest rate sensitivities

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

4.2.6.4 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 in 2022.

4.2.6.5 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.

4.2.6.6 Inflation risk hedging

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

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

4.3. Credit risk

4.3.1 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, 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 31/12/2022 and at 31/12/2021 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-22	31-Dec-21
Exposure to counterparty default	1,628,783	1,298,739

4.3.2 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 have subscribed to a site providing daily news from the reinsurance world.

Claims provisions are also covered by cash deposits or by blocked securities accounts.

4.4. Liquidity risk

4.4.1 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 of December 31, 2022, the liquid assets of our investment portfolios covered more than 91% of Ethias' technical commitments.

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 Branch 23 are considered as flows below one year.

In addition, for the majority of assets in the following classes: equities - participating interests - 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 convention, these assets are not liquid until the second projection year. In addition, a recurring income rate is incorporated on the non-modelled asset classes into their extinction profile over an investment horizon equal to the average of the different maturity classes.

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.

In thousands of euros	31 December 2022						
	Book value	Expected cash flows (undiscounted)					
		Total amount of undiscounted 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	11,241,148	15,121,123	1,794,448	3,865,838	3,626,225	3,423,563	2,411,050
Participating interests, shares, investment funds and investment properties	1,848,789	2,943,786	9,897	827,000	627,964	870,199	608,726
Loans and deposits	1,311,895	1,541,471	110,568	470,903	284,429	605,796	69,774
Cash and cash equivalents	601,476	673,168	673,168	-	-	-	-
Investments belonging to unit-linked insurance contracts	1,609,303	1,715,263	1,715,263	-	-	-	-
Derivatives	372,595	372,317	123,573	248,744	-	-	-
Total assets	**16,985,205**	**22,367,128**	**4,426,917**	**5,412,485**	**4,538,618**	**4,899,557**	**3,089,551**
Liabilities							
(a) Insurance and investment contract liabilities	12,916,391	14,923,900	1,847,338	3,794,031	2,875,372	3,612,798	2,794,361
Liabilities belonging to unit-linked insurance contracts	1,609,303	1,633,584	1,633,584	-	-	-	-
Subordinated debts	498,775	600,960	120,567	464,153	1,310	2,881	12,049
Other financial debts	545,367	545,285	545,285	-	-	-	-
Derivatives	238,821	238,543	21,960	216,583	-	-	-
Total liabilities	**15,808,658**	**17,942,272**	**4,168,733**	**4,474,767**	**2,876,682**	**3,615,680**	**2,806,410**

(a) Does not include new production (only future contractual premiums)

4.4.2 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.

4.4.3 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.

4.4.4 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 536 million euros, divided into 361 million euros in Non-Life and 175 million euros in Life.

4.5. Operational risk

4.5.1 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.

4.5.1.1 Information security and cyberattack risks

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.

In order to deal with cybercrime, Ethias - in accordance with its security policy - reassesses its security posture every year. To this end, an exhaustive analysis is carried out of Ethias' compliance with all security requirements (content of the international standards ISO 27002 and NIST as well as the circulars of the National Bank of Belgium). In addition to regulatory compliance, this analysis allows for a true assessment of the risks related to information security. On the basis of some 50 threats defined in accordance with the market, we have verified that the measures to counter them are relevant and adequate and we have drawn up a specific treatment plan to improve our security posture.

In terms of recovery, Ethias is constantly looking for increasingly effective solutions to reduce recovery times in the event of a successful cyberattack. Cyber resilience tests are carried out regularly, which also helps to improve the behaviour of the people who will be on the front line in case of an attack. The last one carried out at end-2022 highlighted the points of improvement which are followed by a treatment plan.

Ethias is aware that all these layers of protection can work properly, if above all, a proper information security awareness is regularly carried out within the company. In its information security awareness program, Ethias uses a training tool containing predefined modules for which every employee must participate in an assessment. For two consecutive years (2021 and 2022), the collective bonus was linked to the mandatory participation in various training sessions and a success rate of more than 80% for a series of relevant quizzes. At the same time, Ethias regularly raises awareness on specific topics through its company intranet or on-site. We also have a simple process for reporting suspicious e-mails, which allows us to react very quickly, both technically and in terms of steps to be taken by the employee. Tests on the ability of employees to recognize and report a phishing e-mail via this new simplified process were conducted in 2022 and will be repeated in 2023. The 2022 results are very satisfactory and highlight the awareness efforts that are still needed.

Another measure that Ethias has taken to protect itself from the risk of cybercrime is to take out a specific insurance policy 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.

More generally, 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.

Thanks to the investments made over the years in vulnerability management, software and hardware obsolescence management, installation of firewalls, network segmentation, endpoint protection and access control (including an IAM for clients and one for employees) Ethias has an adequate level of protection.

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.

4.5.1.2 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 and continues to constantly assess its level of compliance.

The technical measures outlined in the previous chapter are also applicable to personal data.

4.5.1.3 Continuity risk

As part of the development of its business continuity plan, Ethias regularly conducts business continuity tests to determine its resilience to several risk scenarios of a catastrophic nature (loss of buildings, cyberattack, terrorist attack ...).

Among other things, black-out tests are organized periodically to determine our resilience capacity in relation to our energy autonomy. These tests are all the more important in the energy context of 2022 and future fears of shortages in relation to the choices that will be made by Europe and the Belgian government on nuclear strategy. In its continuity plan, Ethias takes into account the specific studies carried out in this area and uses them to identify its test scenarios (e.g. load shedding plan, local/regional/national blackout).

In parallel, regular tests of our crisis management plan are carried out annually so as to assess our level of maturity and the need for improvement. This also serves as an awareness exercise for newcomers and a refresher for the older ones.

4.5.1.4 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

4.5.1.5 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 can be activated at any time, i.e. reinforcement of security guards and security measures for accessing the premises of Ethias SA.

4.5.2 Concentration of operational risk

4.5.2.1 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.

4.5.2.2 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.

4.5.3 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.

4.6. 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 carried out on this occasion thus make it possible to challenge the company's reinsurance policy.

In its ORSA exercise, Ethias pays 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 transitional 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 further development 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. Similarly, black-out tests are organized periodically to determine our resilience based on our energy autonomy.

4.7. 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.

Floods

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.

Inflation evolution

The year 2022 was characterized by volatile market indicators and a significant increase in inflation. These events have had a controlled impact on the company's finances thanks to the implementation of appropriate and effective hedging programmes. The increase in inflation was partially offset by changes in inflation-linked bond positions, which are the natural hedge for our workers' compensation annuities.

Initiatives geared towards our clients and aimed at preserving their purchasing power have also been put in place. For example, on October 31, 2022 Ethias launched the major campaign "Purchasing Power" with the new tagline "We’re here for you". This campaign was launched just before winter to give courage to our existing clients, but also to those who, for economic reasons, would have to face the increase in energy prices.

Ethias also organized national “check-up weeks”, during which all Ethias clients were invited to have their insurance policies checked and to seek solutions together with Ethias employees. By doing so, each client could verify that they are not over-insured, thus saving money while ensuring that they remain adequately protected.

5. Valuation for solvency purposes

Annexed to this section is the Solvency II balance sheet for the past year and the year before, as well as the comparison of the S2 and BGAAP valuations.

5.1. Valuation of assets

5.1.1 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 2022.

In thousands of euros	SII value 31/12/2022	SII value 31/12/2021	Annual change
Real estate	696,971	618,878	78,093
Equities listed	458,519	735,080	-276,561
Unlisted equities	86,735	73,120	13,615
Investment funds	885,337	811,338	73,999
Government bonds	6,615,008	9,625,894	-3,010,886
Corporate bonds	3,888,267	4,641,354	-753,087
Structured notes	171,010	224,356	-53,346
Collateralized securities	0	0	0
Property (other than for own use)	148,956	156,361	-7,405
Derivatives	133,774	-97,407	231,181
Deposits other than cash equivalents	70,967	21,992	48,975
Assets belonging to unit-linked insurance contracts	1,609,547	1,778,054	-168,507
Mortgages to individuals	403,991	426,673	-22,682
Other loans and mortgages	795,585	599,164	196,421
Loans on policies	18,132	21,272	-3,140
Total	**15,982,799**	**19,636129**	**-3,653,330**

The market value of bond investments (government, corporate and structured bonds) decreased by 3.8 billion euros in 2022. The main reasons for this change are as follows:

- Decrease in market values for -3,256 million euros explained mainly by the very significant increase in interest rates
- Net purchases of 983 million euros
- Bond maturities of 1,521 million euros

The significant decrease in the market value of listed shares of -276 million euros is mainly due to significant decreases in market value (-185 million euros) offset by net sales of 91 million euros.

The increase of 74 million euros in investments in collective investment schemes is largely explained by purchases in alternative investments (+177 million euros).

The decrease in assets backing unit-linked contracts of 168 million euros comes from new unit-linked contracts for a net amount of 107 million euros and the decrease in the market value of assets in the portfolio (-269 million euros).

The evolution of other loans and mortgage loans of +196 million euros is mainly related to new loans (+437 million euros), including the increase in the outstanding balance of the “flood” loan to the Walloon Region and investments in alternatives and loan-type real estate, offset by maturities (-180 million euros). In addition, the market values have decreased by 61 million euros following the increase in rates over 2022.

5.1.2 Valuation of other assets

5.1.2.1 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 investments as well as software and IT developments that are capitalised.

5.1.2.2 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 2022.

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 103 million increase in deferred taxes is explained by the deferred tax on the change in SII adjustments, particularly the decrease in value of financial assets.

5.1.2.3 Fixed assets held for own use

The appraised value of fixed assets held for own use has remained stable.

5.1.2.4 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 technical provisions (Best Estimate) being calculated net of recourse.

The 36 million increase in this item is mainly explained by the increase in premiums to be issued in Workers' Compensation following the impact of inflation, as well as by receivables from co-insurers and brokers.

5.1.2.5 Receivables (other than insurance receivables)

The decrease in other receivables of 34 million euros is mainly explained by the decrease in 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, the decrease in advance payments to the tax authorities and the decrease in management costs to be collected on dedicated asset funds.

5.1.2.6 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 32 million euros relating to the right of use is included, and under "Other liabilities", the lease obligation of 31 million euros 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 reinsurance receivables (+32 million euros) is mainly due to the storms, partly offset by the decrease in rights of use (-7 million euros) linked to the remaining duration of the contracts in place.

5.2. Valuation of technical provisions

5.2.1 Valuation of best estimates Life

5.2.1.1 Results

The table below shows the Best Estimates of Life provisions under SII at end-2021 and end-2022, as well as Life technical provisions in the BGAAP financial statements at end-2022.

In thousands of euros

SII line of business	SII 2022	BGAAP 2022	SII 2021
Insurances with profit participation	8,114,598	8,505,788	10,191,996
Accepted reinsurance	0	0	0
Complementary provisions BGAAP	0	1,069,348	0
TRIP provision	0	338	0
Total Life (excluding DC, unit-linked and index-linked)	**8,114,598**	**9,575,473**	**10,191,996**
CL annuities	47,934	38,769	60,582
Total Life (excluding unit-linked and index-linked)	**8,162,532**	**9,614,242**	**10,252,578**
Index-linked and unit-linked insurance	1,633,584	1,609,303	1,799,049
Overall Total	**9,796,116**	**11,223,545**	**12,051,627**

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).

5.2.1.2 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).

5.2.1.3 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.

5.2.1.4 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.

5.2.1.5 Expert judgement

The list of expert judgements has been updated on 31 December 2022.

5.2.1.6 Significant changes in assumptions

The significant changes in assumptions or modelling between 31 December 2021 and 31 December 2022 are as follows:

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

5.2.1.7 Evolution of Best Estimates Life in 2022

The first important element that influences the value of BEs is the discount rate curve provided by EIOPA. The curve at end-2022 is significantly lower than at end-2021. 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 -1.968 million.

Other modelling changes were made (notably modelling of excess mortality - aggravated risk for Whestia) with the impact of a slight increase in the BE.

5.2.2 Valuation of Best Estimates Non-Life and Health

5.2.2.1 Results

The table below shows, at end-2022, 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 31/12/2022	BGAAP value 31/12/2022	SII value 31/12/2021
Non-life (without health)	1,802,351	2,155,401	1,978,409
Health (similar to non-life)	361,785	448,861	325,705
Non-Life	*2,164,136*	*2,604,262*	*2,304,114*
Health (similar to life)	1,304,934	1,782,948	1,724,825
TOTAL non-life and health (BGAAP without recourse))	**3,469,070**	**4,387,211**	**4,028,939**
Recourse provisions	*0*	*-71,751*	*0*
TOTAL non-life and health net of recourse	**3,469,070**	**4,315,460**	**4,028,939**

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).

5.2.2.2 Amounts recoverable from reinsurance contracts

The following table sets out the amounts recoverable from reinsurance contracts as at 31 December 2022 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)	1,802,351	1,672,241	-8,858	121,252
Health (similar to non-life)	361,785	360,174	-42	1,569
Non-Life	*2,164,136*	*2,032,414*	*-8,900*	*122,821*
Health (similar to life)	1,304,934	1,286,141	0	18,793
TOTAL	**3,469,070**	**3,318,555**	**-8,900**	**141,614**
Annuities included in Life	*47,934*	*47,934*	*0*	*0*

In SII, the amounts recoverable from the reinsurance contracts are valued at total amount of 141 million euros whereas the shares of reinsurers in the technical provisions of the Belgian balance sheet amount to 225 million euros.

5.2.2.3 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.

5.2.2.4 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.

5.2.2.5 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.

5.2.2.6 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.

5.2.2.7 Taking account of the “over-inflation”

The impact on the technical provisions of the "over-inflation" encountered in the year 2022 has been incorporated by means of a specific add-on.

5.2.2.8 Significant changes in assumptions

Generic

- The cost parameters have been recalibrated by integrating the observations of the year 2022 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-2022, taking into account the expected evolution of the profitability foreseen in the business plan.

5.2.2.9 Evolution of Non-Life and Health Best Estimates in 2022

The evolution between December 31, 2021 and December 31, 2022 of the BE Non-Life is a decrease of 13.9%. This change breaks down as follows:

- Non-Life without Health: 8.9% decrease
- Health similar to Non-Life: 11.1% increase
- Health similar to Life: 24.3% decrease

		Technical provisions (SII)		
In thousands of euros		**31/12/2022**	**31/12/2021**	**Evolution**
Technical provisions - non-life (excluding health)	BE Claims	1,697,382	1.824.795	-7.0%
	BE Premium	104,969	153,614	-31.7%
	BE total	**1,802,351**	**1.978.409**	**-8.9%**
Technical provisions - health (similar to non-life)	BE Claims	379,017	344,468	10.0%
	BE Premium	-17,232	-18,762	-8.2%
	BE total	**361,785**	**325,705**	**11.1%**
Technical provisions - health (similar to life)	BE Premium	-229,195	-189,412	21.0%
	BE Annuities	1,534,129	1.914.237	-19.9%
	BE total	**1,304,934**	**1.724.825**	**-24.3%**
BE total non-life and health		**3.469.070**	**4,028,939**	**-13.9%**

The evolution of the BE "Non-life without Health" is strongly influenced by the evolution of the BE claims. This BE is influenced downwards by the decrease in the impact of the bad weather conditions in July 2021 in the BE and the favourable review of major claims and by the favourable evolution of the rate curve.

The evolution of the BE "Non-life Health similar to Non-Life" is attributable to the effect of integrating the impact of over-inflation on the branches with a high share of bodily injury claims.

The evolution of the BE "Non-Life Health similar to Life" is influenced by the decrease in the BE annuities. The latter is marked by a favourable evolution in the rate curve. The BE premiums, which relates exclusively to the branch “Health Care Individuals”, is impacted by the review of the expected premium indexation assumption.

5.2.3 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 just under 400 million euros, i.e. an additional 3.0% of the Best Estimates as of December 31, 2022.

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

In thousands of euros	Valuation of the risk margin	
SII line of business	**31/12/2022**	**31/12/2021**
Non-life (without health)	147,589	168,556
Health (similar to non-life)	52,935	60,444
Health (similar to life)	38,404	49,010
Life (without index-linked and unit-linked insurance)	153,670	221,081
Index-linked and unit-linked insurance	4,937	5,684
Total	**397,534**	**504,777**

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 is mainly explained by the increase in interest rates - especially in Life - over the year 2022, with a positive impact on the discounting and the SCRs. However, this decrease was offset by the increase in inflation rates and the shift to the scenario of massive surrenders within the frame of the SCR Life.

5.2.4 Volatility adjustment

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

The volatility adjustment increased from 3 bp at end-2021 to 19 bp at end-2022. As a result, this parameter now has more impact on the solvency ratio. The ratio without this adjustment would be 10% lower (compared to 2% at 31/12/2021). For the MCR, the cancellation of the adjustment reduces the ratio by 24%.

The effects of the volatility adjustment at end-2022 on own funds, SCR and MCR are presented in the tables below.

In thousands of euros	without VA	QRT 12/2022	Delta
Solvency Capital Requirement (SCR)	1,386,902	1,396,613	-9,711
Eligible equity capital	2,213,811	2,375,701	-161,890
surplus(+) / deficit(-)	826,909	979,088	-152,180
Coverage rate	**159.62%**	**170.10%**	**-10.48%**
	without VA	**QRT 12/2022**	**Delta**
Minimum Capital Requirement (MCR)	624,106	628,476	-4,370
Eligible equity capital MCR	1,668,770	1,830,078	-161,308
surplus(+) / deficit(-)	1,044,664	1,201,602	-156,938
MCR coverage rate	**267.39%**	**291.19%**	**-23.81%**

5.3. Valuation of other liabilities

5.3.1 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, 2022, no contingent liabilities were recognized.

5.3.2 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 million euros made in the BGAAP financial statements to cover the cost of hedging derivatives does not exist in SII as this cost is recognized in the market value of the derivatives.

5.3.3 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 decrease of 38 million euros mainly explained by the increase in the discount rate, partially offset by inflation, the decrease in the market value of the OFP assets and insurance benefits.

5.3.4 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 increase of 78 million euros is explained by the increase in securities deposits and cash deposits received in particular following the storms.

5.3.5 Debts toward credit institutions

The decrease of 181 million euros is explained by the reimbursement of repos for 309 million euros offset by the increase in collateral of 125 million euros.

5.3.6 Debts arising from direct insurance operations and amounts payable to intermediaries

The increase of 4 million euros is mainly explained by the increase in payments received in advance (mainly in Workers' Compensation) and by the increase in claims to be paid, partially offset by the decrease in the debt to co-insurers.

5.3.7 Other debts and other liabilities

The increase of 11 million euros is explained by the decrease in advance payments for payroll tax, partially offset by a decrease in the lease obligation (-6 million euros), which is explained by the decrease in the remaining duration of the contracts.

5.3.8 Subordinated liabilities

The decrease in the value of the subordinated loans (-36 million euros) is mainly due to the revaluation of the largest loan (402.7 million euros nominal value) following the increase in risk-free rates in 2022.

5.4. Notes

5.4.1S2 balance sheet compared with previous year

In thousand €	Q0-2021	Q0-2022	Variations 2021-2022
ACTIF			
Deferred tax assets	191.225	300.936	109.710
Property, plant & equipment held for own use	11.022	11.108	85
Property (other than for own use)	156.361	148.956	-7.405
Holdings in related undertakings, including participations	618.878	696.971	78.093
Equities	808.200	545.253	-262.947
Government Bonds	9.625.894	6.615.008	-3.010.886
Corporate Bonds	4.641.354	3.888.267	-753.087
Structured notes	224.356	171.010	-53.347
Collective Investments Undertakings	811.338	885.337	74.000
Derivatives	25.852	372.595	346.742
Deposits other than cash equivalents	21.992	70.967	48.975
Assets held for index-linked and unit-linked contracts	1.778.054	1.609.303	-168.751
Loans and mortgages	1.047.109	1.217.708	170.599
Reinsurance recoverables	177.844	141.614	-36.229
Deposits to cedants	3.795	3.666	-129
Insurance and intermediaries receivables	147.046	182.579	35.532
Reinsurance receivables	113.722	145.708	31.987
Receivables (trade, not insurance)	119.331	85.492	-33.838
Cash and cash equivalents	352.976	491.658	138.683
Any other assets, not elsewhere shown	57.247	50.041	-7.206
TOTAL	**20.933.596**	**17.634.178**	**-3.299.418**
PASSIF			
Own funds	2.436.250	2.092.043	-337.443
BE non-life	1.978.409	1.802.351	-176.058
RM non-life	168.556	147.589	-20.968
BE health (similar to non-life)	325.705	361.785	36.079
RM health (similar to non-life)	60.444	52.935	-7.510
BE health (similar to life)	1.664.242	1.257.000	-407.242
RM health (similar to life)	49.010	38.404	-10.607
BE life (excluding health and index-linked and unit-linked)	10.252.578	8.162.532	-2.090.046
RM life (excluding health and index-linked and unit-linked)	221.081	153.670	-67.411
BE index-linked and unit-linked	1.799.049	1.633.584	-165.466
RM Technical provisions - index-linked and unit-linked	5.684	4.937	-747
Contingent liabilities	0	0	0
Provisions other than technical provisions	19.422	11.344	-8.078
Pension benefit obligations	93.414	54.987	-38.427
Deposits from reinsurers	87.615	165.183	77.569
Deferred tax liabilities	0	0	0
Derivatives	123.259	238.821	115.562
Debts owed to credit institutions	726.327	545.367	-180.960
Insurance & intermediaries payables	161.124	165.444	4.320
Reinsurance payables	8.854	12.279	3.425
Payables (trade, not insurance)	201.884	219.389	17.505
Subordinated liabilities in Basic Own Funds	512.833	476.339	-36.494
Any other liabilities, not elsewhere shown	37.853	31.433	-6.421
TOTAL	**20.933.596**	**17.634.178**	**-3.299.418**

Balance sheet S2 versus BGAAG

In thousand €	SII Q4-2022	BGAAP Q4-2022	Variations SII - BGAAP
ACTIF			
Intangibles assets	0	108.069	-108.069
Deferred tax assets	300.936	-0	300.936
Property, plant & equipment held for own use	11.108	5.313	5.794
Property (other than for own use)	148.956	133.201	15.755
Holdings in related undertakings, including participations	696.971	504.032	192.939
Equities	545.253	443.794	101.459
Government Bonds	6.615.008	8.172.948	-1.557.939
Corporate Bonds	3.888.267	4.346.768	-458.501
Structured notes	171.010	177.823	-6.814
Collective Investments Undertakings	885.337	881.521	3.816
Derivatives	372.595	429	372.166
Deposits other than cash equivalents	70.967	70.967	0
Assets held for index-linked and unit-linked contracts	1.609.303	1.609.303	0
Loans and mortgages	1.217.708	1.309.399	-91.691
Reinsurance recoverables	141.614	224.801	-83.186
Deposits to cedants	3.666	3.666	0
Insurance and intermediaries receivables	182.579	254.329	-71.751
Reinsurance receivables	145.708	145.708	0
Receivables (trade, not insurance)	85.492	85.492	0
Cash and cash equivalents	491.658	491.658	-0
Any other assets, not elsewhere shown	50.041	18.049	31.992
TOTAAL	**17.634.178**	**18.987.271**	**-1.353.093**

PASSIF			
Own funds	2.098.806	1.737.703	361.103
BE non-life	1.802.351	2.155.308	-352.957
RM non-life	147.589	0	147.589
BE health (similar to non-life)	361.785	448.861	-87.076
RM health (similar to non-life)	52.935	0	52.935
BE health (similar to life)	1.257.000	1.744.180	-487.180
RM health (similar to life)	38.404	0	38.404
BE life (excluding health and index-linked and unit-linked)	8.162.532	9.613.829	-1.451.296
RM life (excluding health and index-linked and unit-linked)	153.670	0	153.670
BE index-linked and unit-linked	1.633.584	1.609.303	24.281
RM Technical provisions - index-linked and unit-linked	4.937	0	4.937
Contingent liabilities	0	0	0
Provisions other than technical provisions	11.344	14.929	-3.585
Pension benefit obligations	54.987	53.092	1.895
Deposits from reinsurers	165.183	165.183	0
Deferred tax liabilities	0	2.777	-2.777
Derivatives	238.821	0	238.821
Debts owed to credit institutions	545.367	545.367	-0
Insurance & intermediaries payables	165.444	165.444	0
Reinsurance payables	12.279	12.279	0
Payables (trade, not insurance)	219.389	219.389	0
Subordinated liabilities in Basic Own Funds	476.339	498.775	-22.436
Any other liabilities, not elsewhere shown	31.433	851	30.582
TOTAAL	**17.634.178**	**18.987.271**	**-1.353.093**

6. Capital management

6.1. Own funds

6.1.1 Breakdown of available own funds

In thousands of euros	Breakdown of available own funds	
	31/12/2022	31/12/2021
Tier 1 unrestricted	1,689,870	2,140,024
Tier 1 restricted	14,513	14,666
Tier 2	461,826	498,168
Tier 3	300,936	191,225
Total	**2,467,145**	**2,844,083**

At end-2022, 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 decreased between 2021 and 2022, primarily due to the poor performance of the equity markets in 2022 and the rise in inflation.

6.1.2 Breakdown of eligible own funds to meet the SCR

In thousands of euros	Breakdown of eligible own funds to meet the SCR	
	31/12/2022	31/12/2021
Tier 1 unrestricted	1,689,870	2,140,024
Tier 1 restricted	14,513	14,666
Tier 2	461,826	498,168
Tier 3	209,492	191,225
Total	**2,375,701**	**2,844,083**

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

End-2022, the eligibility limit is reached for tier 3.

6.1.3 Coverage of the Solvency Capital Requirement

The coverage ratio decreased due to the decrease in own funds only partially offset by the decrease in SCR.

The evolution is mainly explained by the macro-economy (rising interest rates and spreads, poor performance of equity markets) and the return of strong inflation.

In thousands of euros	SCR coverage	
	31/12/2022	31/12/2021
Solvency Capital Requirement	1,396,613	1,599,633
Eligible own funds to meet the SCR	2,375,701	2,844,083
Coverage rate	170.10%	177.80%

6.1.4 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-2021 and at end-2022.

In thousands of euros	Breakdown of eligible own funds to meet the MCR	
	31/12/2022	31/12/2021
Tier 1 unrestricted	1,689,870	2,140,024
Tier 1 restricted	14,513	14,666
Tier 2	125,695	143,967
Total	**1,830,078**	**2,298,657**

6.1.5 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-2021 and at end-2022 to a value higher than this interval, it is limited under this regulation to 45% of the SCR. However, the SCR decreased in 2022 (-203 million euros); this decrease therefore has a proportional impact on the MCR (-91 million euros).

In thousands of euros	MCR coverage	
	31/12/2022	31/12/2021
Minimum Capital Requirement	628,476	719,835
Eligible own funds to meet the MCR	1,830,078	2,298,657
Coverage rate	291.19%	319.33%

6.1.6 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.

In thousands of euros	31-Dec-22	31-Dec-21
Accounting own funds	1.719.325	1.633.204
Fund for future appropriations	18,379	18,379
Financial asset gains/losses	-1.769.905	1.698.622
Any other assets	1,411	943
Revaluation technical liabilities	1.799.862	-1.098.228
Other liabilities	394,361	396,548
Deferred taxes	303,713	194,614
SII own funds	**2.467.145**	**2.844.083**

6.2. SCR & MCR

6.2.1 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-2022 as at end-2021, the MCR reached the ceiling of 45% of the SCR.

In thousands of euros	31/12/2022	31/12/2021
Solvency Capital Requirement (SCR)	1,396,613	1,599,633
Minimum Capital Requirement (MCR)	628,476	719,835

6.2.2 Solvency capital required per risk module

In thousands of euros	SCR by risk module	
	31-12-22	31-12-21
Market risk	826,795	1,077,246
Counterparty default risk	87,023	82,668
Life underwriting risk	264,582	244,574
Health underwriting risk	337,058	354,225
Non-Life underwriting risk:	476,272	472,565
Diversification	-689,652	-713,179
Intangible asset risk	0	0
Basic Solvency Capital Requirement	**1,302,077**	**1,518,099**
Operational risk	108,892	124,279
Absorbing capacity of technical provisions	-14,355	-42,745
Loss-absorbing capacity of deferred taxes	0	0
Solvency Capital Requirement	**1,396,613**	**1,599,633**

At end-2022, the total SCR stands at 1.40 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-2022 and end-2021, thus formed by the SCR market, Non-Life, health.

The total Solvency Capital Requirement went from 1.60 billion euros at December 31, 2021 to 1.40 billion euros at December 31, 2022:

- The Solvency Capital Requirement for market risks has decreased by almost 23% mainly due to equity risk (decrease in the value of exposures and symmetrical adjustment), and spread risk (decrease in the value of exposures due to the rise in interest rates).
- The Solvency Capital Requirement for counterparty default risk has slightly decreased.
- The Solvency Capital Requirement for Life underwriting risks has increased as a result of the shift to the massive surrender scenario for the redemption risk.
- The Solvency Capital Requirement for health underwriting risks has decreased mainly due to the increase in rates, in line with the decrease in the BE Health similar to Life.
- The Solvency Capital Requirement for Non-Life underwriting risks has slightly increased.
- The Solvency Capital Requirement for operational risks decreased due to higher interest rates and lower Life technical reserves, mainly.
- The gain in diversification between the SCRs has decreased following the sharp drop in the SCR market.
- The adjustment effect of the profit-sharing on capital requirements amounts to -42,745 thousand euros at end-2021 against -14,355 thousand euros at end-2022 because of the rise in interest rates and the decrease in share values.
- At end-2022, the absorption capacity of the SCR by deferred taxes has remained zero.

6.2.3 Use of simplified calculations

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

6.2.4 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-2022, the scope of application of these parameters remained unchanged. The calibration method is also identical to that of end-2021.

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

6.2.5 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.

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

This item is not applicable.

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

This item is not applicable.

6.5. 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.

7. 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.

7.1. Balance sheet

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred tax assets	R0040	300.936
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	11.108
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	13.394.364
Property (other than for own use)	R0080	148.956
Holdings in related undertakings, including participations	R0090	696.971
Equities	R0100	545.253
Equities - listed	R0110	458.519
Equities - unlisted	R0120	86.735
Bonds	R0130	10.674.285
Government Bonds	R0140	6.615.008
Corporate Bonds	R0150	3.888.267
Structured notes	R0160	171.010
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	885.337
Derivatives	R0190	372.595
Deposits other than cash equivalents	R0200	70.967
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	1.609.303
Loans and mortgages	R0230	1.217.708
Loans on policies	R0240	18.132
Loans and mortgages to individuals	R0250	403.991
Other loans and mortgages	R0260	795.585
Reinsurance recoverables from:	R0270	141.614
Non-life and health similar to non-life	R0280	122.821
Non-life excluding health	R0290	121.252
Health similar to non-life	R0300	1.569
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	18.793
Health similar to life	R0320	18.793
Life excluding health and index-linked and unit-linked	R0330	0
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	3.666
Insurance and intermediaries receivables	R0360	182.579
Reinsurance receivables	R0370	145.708
Receivables (trade, not insurance)	R0380	85.492
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	491.658
Any other assets, not elsewhere shown	R0420	50.041
Total assets	R0500	**17.634.178**

		Valeur Solvabilité II
		C0010
Liabilities		
Technical provisions - non-life	R0510	2.364.659
Technical provisions - non-life (excluding health)	R0520	1.949.939
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	1.802.351
Risk margin	R0550	147.589
Technical provisions - health (similar to non-life)	R0560	414.719
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	361.785
Risk margin	R0590	52.935
Technical provisions - life (excluding index-linked and unit-linked)	R0600	9.611.606
Technical provisions - health (similar to life)	R0610	1.295.403
Technical provisions calculated as a whole	R0620	0
Best Estimate	R0630	1.257.000
Risk margin	R0640	38.404
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	8.316.202
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	8.162.532
Risk margin	R0680	153.670
Technical provisions - index-linked and unit-linked	R0690	1.638.521
Technical provisions calculated as a whole	R0700	0
Best Estimate	R0710	1.633.584
Risk margin	R0720	4.937
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	11.344
Pension benefit obligations	R0760	54.987
Deposits from reinsurers	R0770	165.183
Deferred tax liabilities	R0780	0
Derivatives	R0790	238.821
Debts owed to credit institutions	R0800	545.367
Financial liabilities other than debts owed to credit institutions	R0810	0
Insurance & intermediaries payables	R0820	165.444
Reinsurance payables	R0830	12.279
Payables (trade, not insurance)	R0840	219.389
Subordinated liabilities	R0850	476.339
Subordinated liabilities not in Basic Own Funds	R0860	0
Subordinated liabilities in Basic Own Funds	R0870	476.339
Any other liabilities, not elsewhere shown	R0880	31.433
Total liabilities	R0900	**15.535.372**
Excess of assets over liabilities	R1000	**2.098.806**

7.2. 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						
		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
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
Premiums written								
Gross - Direct Business	R0110	203.310	61.671	314.060	269.908	195.954	285	273.054
Gross - Proportional reinsurance accepted	R0120	0	0	0	0	0	0	40
Gross - Non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140	248	299	2.722	2.587	3.063	0	30.236
Net	R0200	**203.063**	**61.373**	**311.337**	**267.322**	**192.890**	**285**	**242.858**
Premiums earned								
Gross - Direct Business	R0210	203.306	61.916	314.061	269.135	195.696	295	266.347
Gross - Proportional reinsurance accepted	R0220	0	0	0	0	0	0	40
Gross - Non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240	248	299	2.722	2.587	3.063	0	30.219
Net	R0300	**203.059**	**61.618**	**311.339**	**266.548**	**192.633**	**295**	**236.168**
Claims incurred								
Gross - Direct Business	R0310	162.105	13.325	317.744	212.216	102.403	945	153.537
Gross - Proportional reinsurance accepted	R0320	0	0	0	0	0	0	32
Gross - Non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340	4	1	2.427	-3.572	-4.787	0	29.497
Net	R0400	**162.101**	**13.324**	**315.317**	**215.788**	**107.190**	**945**	**124.072**
Changes in other technical provisions								
Gross - Direct Business	R0410	3.065	0	-28.241	0	0	0	0
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0430							
Reinsurers' share	R0440	0	0	0	0	0	0	0
Net	R0500	**3.065**	**0**	**-28.241**	**0**	**0**	**0**	**0**
Expenses incurred	R0550	**30.426**	**13.330**	**52.206**	**82.757**	**50.888**	**110**	**70.719**
Other expenses	R1200							
Total expenses	R1300							

	(direct business and accepted proportional reinsurance)									
	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	Total
	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	97.663	20	41.425	45.786	8.297					1.511.433
	0	0	0	0	0					40
						-472	115	0	526	169
	4.952	0	0	0	0	0	0	0	0	44.106
	92.711	**20**	**41.425**	**45.786**	**8.297**	**-472**	**115**	**0**	**526**	**1.467.536**
	96.766	20	41.329	44.630	19.067					1.512.569
	0	0	0	0	0					40
						-472	115	0	526	169
	4.955	0	0	0	0	0	0	0	0	44.093
	91.811	**20**	**41.329**	**44.630**	**19.067**	**-472**	**115**	**0**	**526**	**1.468.685**
	71.922	0	31.098	23.724	4.602					1.093.621
	128	0	0	0	0					161
						2.807	-563	0	-218	2.026
	10.136	0	0	0	0	0	0	0	0	33.707
	61.914	**0**	**31.098**	**23.724**	**4.602**	**2.807**	**-563**	**0**	**-218**	**1.062.101**
	0	0	0	0	0					-25.177
	0	0	0	0	0					0
						0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
	0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-25.177**
	29.282	**12**	**21.311**	**19.247**	**398**	**66**	**99**	**0**	**90**	**370.940**
										39.498
										410.437

Life

		Line of Business for: life insurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance
		C0210	C0220	C0230
Premiums written				
Gross	R1410	-	1.390.173	12.207
Reinsurers' share	R1420	-	1.643	0
Net	R1500	-	1.388.530	12.207
Premiums earned				
Gross	R1510	-	1.390.173	12.207
Reinsurers' share	R1520	-	1.643	0
Net	R1600	-	1.388.530	12.207
Claims incurred				
Gross	R1610	-	1.443.327	38.729
Reinsurers' share	R1620	-	1.505	0
Net	R1700	-	1.441.822	38.729
Changes in other technical provisions				
Gross	R1710	-	52.765	-295.007
Reinsurers' share	R1720	-	-1.444	0
Net	R1800	-	54.210	-295.007
Expenses incurred	R1900	-	**50.556**	**6.318**
Other expenses	R2500			
Total expenses	R2600			

Life reinsurance obligations				
Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance	Life reinsurance	Total
C0240	C0250	C0270	C0280	C0300
0	0	0	0	1.402.380
0	0	0	0	1.643
0	0	0	0	1.400.737
0	0	0	0	1.402.380
0	0	0	0	1.643
0	0	0	0	1.400.737
0	0	0	0	1.482.055
0	0	0	0	1.505
0	0	0	0	1.480.551
0	0	0	0	-242.242
0	0	0	0	-1.444
0	0	0	0	-240.797
0	0	0	4	56.879
				2.161
				59.040

7.3. 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	1.476.301
Gross - Proportional reinsurance accepted	R0120	0
Gross - Non-proportional reinsurance accepted	R0130	119
Reinsurers' share	R0140	44.106
Net	R0200	1.432.313
Premiums earned		
Gross - Direct Business	R0210	1.477.628
Gross - Proportional reinsurance accepted	R0220	0
Gross - Non-proportional reinsurance accepted	R0230	119
Reinsurers' share	R0240	44.093
Net	R0300	1.433.654
Claims incurred		
Gross - Direct Business	R0310	1.038.496
Gross - Proportional reinsurance accepted	R0320	130
Gross - Non-proportional reinsurance accepted	R0330	2.830
Reinsurers' share	R0340	34.467
Net	R0400	1.006.991
Changes in other technical provisions		
Gross - Direct Business	R0410	-25.177
Gross - Proportional reinsurance accepted	R0420	0
Gross - Non-proportional reinsurance accepted	R0430	0
Reinsurers' share	R0440	0
Net	R0500	-25.177
Expenses incurred	R0550	**364.946**
Other expenses	R1200	
Total expenses	R1300	

Life

		Home country
		C0220
Premiums written		
Gross	R1410	1.402.380
Reinsurers' share	R1420	1.643
Net	R1500	1.400.737
Premiums earned		
Gross	R1510	1.402.380
Reinsurers' share	R1520	1.643
Net	R1600	1.400.737
Claims incurred		
Gross	R1610	1.482.055
Reinsurers' share	R1620	1.505
Net	R1700	1.480.551
Changes in other technical provisions		
Gross	R1710	-242.242
Reinsurers' share	R1720	-1.444
Net	R1800	-240.797
Expenses incurred	R1900	**56.879**
Other expenses	R2500	
Total expenses	R2600	

7.4. Life and health SLT technical provisions

			Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance		
						Contracts without options and guarantees	Contracts with options or guarantees
		C0020	C0030	C0040	C0070	C0080	C0090
Technical provisions calculated as a whole	R0010	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
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	R0030	**8.114.598**		**0**	**0**	**0**	**47.934**
Total Recoverables from reinsurance/ SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	0		0	0	0	0
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090	8.114.598		0	0	0	47.934
Risk Margin	R0100	152.549	4.937				1.121
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	R0110	0	0				0
Best estimate	R0120	0		0	0	0	0
Risk margin	R0130	0	0				0
Technical provisions - total	R0200	**8.267.147**	**1.638.521**				**49.055**

Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)
				Contracts without options and guarantees	Contracts with options or guarantees		
C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
0	0	0			0	0	0
0	0	0			0	0	0
0	**9.796.116**		**0**	**-229.195**	**1.486.195**	**0**	**1.257.000**
0	0		0	0	18.793	0	18.793
0	9.796.116		0	-229.195	1.467.402	0	1.238.207
0	158.607	17.918			20.485	0	38.404
0	0	0			0	0	0
0	0		0	0	0	0	0
0	0	0			0	0	0
0	**9.954.724**	**-211.277**			**1.506.680**	**0**	**1.295.403**

7.5. Technical provisions non-life

		Direct business and accepted proportional reinsurance						
		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
		C0020	C0030	C0040	C0050	C0060	C0070	C0080
Technical provisions calculated as a whole	R0010	**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
Technical provisions calculated as a sum of BE and RM								
Best estimate								
Premium provisions								
Gross - Total	R0060	23.096	-3.099	-37.229	16.220	9.464	24	42.073
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-79	-131	-1.104	-1.028	-604	0	-11.420
Net Best Estimate of Premium Provisions	R0150	23.175	-2.969	-36.125	17.248	10.068	24	53.493
Claims provisions								
Gross - Total	R0160	61.808	104.750	209.129	724.326	21.266	850	241.338
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	483	622	1.778	23.757	611	1	45.062
Net Best Estimate of Claims Provisions	R0250	61.325	104.128	207.351	700.569	20.655	850	196.276
Total Best estimate - gross	R0260	**84.904**	**101.651**	**171.899**	**740.545**	**30.730**	**874**	**283.411**
Total Best estimate - net	R0270	**84.500**	**101.160**	**171.226**	**717.817**	**30.723**	**874**	**249.769**
Risk margin	R0280	**9.089**	**6.642**	**36.860**	**32.590**	**14.908**	**1.817**	**42.355**
Amount of the transitional on Technical Provisions								
TP as a whole	R0290	0	0	0	0	0	0	0
Best estimate	R0300	0	0	0	0	0	0	0
Risk margin	R0310	0	0	0	0	0	0	0
Technical provisions - total								
Technical provisions - total	R0320	93.993	108.292	208.760	773.135	45.638	2.692	325.766
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	404	491	674	22.728	7	1	33.642
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	93.589	107.801	208.086	750.406	45.631	2.691	292.124

		Direct business and accepted proportional reinsurance			accepted non-proportional reinsurance				
General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
C0090	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0170**	**C0180**
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
0	0	0	0	0	0	0	0	0	0
-12.864	0	13.328	15.360	21.365	0	0	0	0	87.737
-2.696	0	-518	0	0	0	0	0	0	-17.580
-10.168	0	13.846	15.360	21.365	0	0	0	0	105.317
580.810	0	99.832	7.829	11.834	3.331	8.053	5	1.239	2.076.399
67.982	0	107	0	0	0	0	0	0	140.402
512.828	0	99.725	7.829	11.834	3.331	8.053	5	1.239	1.935.997
567.946	**0**	**113.160**	**23.189**	**33.199**	**3.331**	**8.053**	**5**	**1.239**	**2.164.136**
502.660	**0**	**113.571**	**23.189**	**33.199**	**3.331**	**8.053**	**5**	**1.239**	**2.041.315**
41.801	**91**	**5.862**	**3.285**	**3.590**	**344**	**972**	**1**	**317**	**200.523**
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
609.747	91	119.022	26.474	36.789	3.674	9.025	6	1.557	2.364.659
65.286	0	-411	0	0	0	0	0	0	122.821
544.461	91	119.433	26.474	36.789	3.674	9.025	6	1.557	2.241.838

7.6. Non-life insurance claims

Total Non-Life Business

Accident year / Underwriting year

Z0021	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											31.691	Prior	R0100	31.691	11.016.265
N-9	R0160	370.834	162.465	33.759	21.217	15.382	11.142	10.754	13.651	6.157	5.062		N-9	R0160	5.062	650.423
N-8	R0170	399.322	177.910	34.573	21.017	15.244	10.406	7.749	7.725	10.340			N-8	R0170	10.340	684.288
N-7	R0180	399.435	173.226	34.596	19.373	13.570	14.289	11.290	9.314				N-7	R0180	9.314	675.093
N-6	R0190	415.078	186.106	42.464	22.843	18.489	15.761	10.844					N-6	R0190	10.844	711.585
N-5	R0200	397.025	211.386	43.529	22.079	17.545	14.292						N-5	R0200	14.292	705.856
N-4	R0210	433.696	231.013	53.281	30.727	22.204							N-4	R0210	22.204	770.922
N-3	R0220	445.943	250.042	60.209	34.693								N-3	R0220	34.693	790.888
N-2	R0230	354.813	182.391	46.667									N-2	R0230	46.667	583.871
N-1	R0240	356.645	213.654										N-1	R0240	213.654	570.300
N	R0250	428.832											N	R0250	428.832	428.832
													Total	R0260	827.593	17.588.322

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											370.858
N-9	R0160	0	0	0	89.470	76.131	79.371	69.408	49.937	45.825	43.179	
N-8	R0170	0	0	107.181	85.446	73.767	60.047	52.725	46.396	39.290		
N-7	R0180	0	137.019	103.956	88.523	75.641	60.730	51.703	40.270			
N-6	R0190	349.321	163.857	135.044	106.091	93.757	67.913	59.396				
N-5	R0200	327.036	149.877	114.135	95.946	81.996	72.513					
N-4	R0210	375.493	160.581	124.495	108.528	88.601						
N-3	R0220	335.679	152.663	112.974	82.547							
N-2	R0230	273.487	131.881	104.574								
N-1	R0240	312.423	168.693									
N	R0250	387.114										

		C0360
Prior	R0100	320.075
N-9	R0160	37.047
N-8	R0170	34.022
N-7	R0180	34.146
N-6	R0190	51.294
N-5	R0200	63.241
N-4	R0210	76.329
N-3	R0220	71.131
N-2	R0230	92.063
N-1	R0240	151.075
N	R0250	362.687
Total	R0260	1.293.111

7.7. 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	13.614.786	0	0	161.568	0
Basic own funds	R0020	2.467.145	0	0	-160.434	0
Eligible own funds to meet Solvency Capital Requirement	R0050	2.375.701	0	0	-161.890	0
Solvency Capital Requirement	R0090	1.396.613	0	0	-9.711	0
Eligible own funds to meet Minimum Capital Requirement	R0100	1.830.078	0	0	-161.308	0
Minimum Capital Requirement	R0110	628.476	0	0	-4.370	0

7.8. Equity

Basic own funds and eligible own funds

		Total	Tier 1 - unrestricted	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	671.492	671.492			
Subordinated liabilities	R0140	476.339		14.513	461.826	0
An amount equal to the value of net deferred tax assets	R0160	300.936				300.936
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	**2.467.145**	**1.689.870**	**14.513**	**461.826**	**300.936**
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	2.467.145	1.689.870	14.513	461.826	300.936
Total available own funds to meet the MCR	R0510	2.166.209	1.689.870	14.513	461.826	
Total eligible own funds to meet the SCR	R0540	2.375.701	1.689.870	14.513	461.826	209.492
Total eligible own funds to meet the MCR	R0550	1.830.078	1.689.870	14.513	125.695	
SCR	R0580	1.396.613				
MCR	R0600	**628.476**				
Ratio of Eligible own funds to SCR	R0620	170,10%				
Ratio of Eligible own funds to MCR	R0640	**291,19%**				

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	2.098.806
Own shares (held directly and indirectly)	R0710	0
Foreseeable dividends, distributions and charges	R0720	108.000
Other basic own fund items	R0730	1.319.314
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0
Reconciliation reserve	R0760	671.492
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	174.929
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	361.321
Total Expected profits included in future premiums (EPIFP)	R0790	536.250

7.9. Solvency Capital Requirement - for groups on Standard Formula

Basic Solvency Capital Requirement

		Gross solvency capital requirement	Simplifications
		C0110	C0120
Market risk	R0010	826.795	
Counterparty default risk	R0020	87.023	
Life underwriting risk	R0030	264.582	
Health underwriting risk	R0040	337.058	String|TS/ Simplifications - SLT lapse risk [240]
Non-life underwriting risk	R0050	476.272	
Diversification	R0060	-689.652	
Intangible asset risk	R0070	0	
Basic Solvency Capital Requirement	R0100	1.302.077	

Calculation of the solvency capital requirement

		Value
		C0100
Operational risk	R0130	108.892
Loss-absorbing capacity of technical provisions	R0140	-14.355
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	1.396.613
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	1.396.613
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	
Non-life underwriting risk	R0050	

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

7.10. 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	314.159	0

		Background information			
		Non-life activities		Life activities	
		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsu-rance) written premiums in the last 12 months	Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsu-rance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
Medical expense insurance and proportional reinsurance	R0020	84.500	180.281		
Income protection insurance and proportional reinsurance	R0030	101.160	60.608		
Workers' compensation insurance and proportional reinsurance	R0040	171.226	300.688		
Motor vehicle liability insurance and proportional reinsurance	R0050	717.817	267.742		
Other motor insurance and proportional reinsurance	R0060	30.723	192.812		
Marine, aviation and transport insurance and proportional reinsurance	R0070	874	297		
Fire and other damage to property insurance and proportional reinsurance	R0080	249.769	241.779		
General liability insurance and proportional reinsurance	R0090	502.660	94.244		
Credit and suretyship insurance and proportional reinsurance	R0100	0	20		
Legal expenses insurance and proportional reinsurance	R0110	113.571	41.254		
Assistance and proportional reinsurance	R0120	23.189	45.183		
Miscellaneous financial loss insurance and proportional reinsurance	R0130	33.199	9.908		
Non-proportional health reinsurance	R0140	3.331	19		
Non-proportional casualty reinsurance	R0150	8.053	581		
Non-proportional marine, aviation and transport reinsurance	R0160	5	0		
Non-proportional property reinsurance	R0170	1.239	551		

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	27.009	314.329

		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			8.056.932	
Obligations with profit participation - future discretionary benefits	R0220			57.666	
Index-linked and unit-linked insurance obligations	R0230			1.633.584	
Other life (re)insurance and health (re)insurance obligations	R0240	1.286.141		0	
Total capital at risk for all life (re)insurance obligations	R0250				11.122.636

Overall MCR calculation

		C0130
Linear MCR	R0300	655.497
SCR	R0310	1.396.613
MCR cap	R0320	628.476
MCR floor	R0330	349.153
Combined MCR	R0340	628.476
Absolute floor of the MCR	R0350	8.000
Minimum Capital Requirement	R0400	628.476

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

		Non-life - activities	ife - activities
		C0140	C0150
Notional linear MCR	R0500	341.168	314.329
Notional SCR excluding add-on (annual or latest calculation)	R0510	726.899	669.714
Notional MCR cap	R0520	327.104	301.372
Notional MCR floor	R0530	181.725	167.429
Notional Combined MCR	R0540	327.104	301.372
Absolute floor of the notional MCR	R0550	4.000	4.000
Notional MCR	R0560	327.104	301.372