SOLVENCY AND FINANCIAL CONDITION REPORT

ETHIAS SA
31/12/2023

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 2023 is characterized by the absence of storms, a slowdown in inflation and an overall more favourable macroeconomic context than in 2022. Despite the persistent market volatility and unpredictability, the company has demonstrated resilience and adaptability in the face of unforeseen challenges.

In terms of results, Ethias achieved a **net profit of EUR 200 million** in 2023, up 4.85% compared to 2022 (EUR 191 million), underlining the effectiveness of its strategic approach and its ability to deal with unforeseen events.

This result is mainly generated by **Non-Life** activities (**EUR 200 million**), with **Life** activities bringing in **EUR 94 million**.

Total premium income amounts to EUR 3.37 billion, divided between EUR 1.67 billion in Non-Life (+10.39%) and EUR 1.70 billion in Life (+21.61%). Total premium income increased by 15.79%.

The **Solvency II ratio** amounts to **190.2%** after deducting the **proposed dividend of EUR 110 million**[1], impacted by the fall in interest rates. This ratio is evaluated according to the standard Solvency II formula, without recourse to long-term transitional measures.

Fitch Ratings has once again confirmed Ethias' **IFS rating** (Insurer Financial Strength) at A with a stable outlook, underlining the Ethias' excellent capitalization, supported by a solid solvency ratio, as well as its good operating and financial performance.

Beyond economic performance, which is obviously paramount for any company, Ethias aims to integrate sustainability and societal goals into all its operations and activities. Ethias made a commitment to young people with the 2nd edition of the Ethias Youth Solidarity Awards, aimed at combating poverty among people under the age of 30. Ethias also concluded a number of sustainable investments and partnerships, pursued its "zero-carbon 2030" plan, successfully closed the issuance of its first Green Bond for an amount of EUR 250 million and launched Ethias Lease, which offers a 100% electric fleet management. In 2023, Ethias carried out its first dual materiality analysis. The aim of this exercise is to identify the sustainability issues most relevant to its stakeholders, and to ensure that these are taken into account in the company's strategy and reporting.

Ethias obtained the **Top Employer Belgium** certification for the second year in a row and was awarded this certification again in 2024.

By integrating sustainability into all aspects of its business, Ethias strengthens its ability to be a strong and responsible player in society, creating jobs, but also finding solutions to the challenges facing every citizen.

1 Subject to the approval of the General Assembly

2. Business and performance

2.1. Business

Financial markets in 2023

A year of volatility

The year 2023 began with an almost unanimous market consensus: the very restrictive policies of the Fed and ECB were expected to maintain the upward trend in interest rates. They would also generate a severe economic recession before the end of the year. It now obvious that not everything went exactly according to plan.

After a final quarter of 2022 marked by a rapid rise in rates, the Goldilocks scenario – or soft landing – seemed to prevail in the early weeks of 2023. Central banks would succeed in bringing inflation back close to their targets, while maintaining sufficiently positive growth. As proof, the American economy showed no signs of weakness despite the sharp rise in interest rates, with unemployment reaching its lowest levels historically. This optimism would be quickly shattered by the bankruptcies of Silicon Valley Bank (SVB) and other American regional banks. The loss of a significant proportion of their deposits had been a huge blow. These events had repercussions on financial markets, raising concerns about a crisis similar to that of 2008. Central banks responded with emergency measures, but persistent volatility spread to Europe, even threatening the stability of major financial institutions like Crédit Suisse.

The second quarter saw renewed optimism, thanks in particular to solid economic indicators in the United States. Central banks continued their monetary tightening cycle, and the market began to give more weight to the *higher for longer* scenario, meaning higher rates for a longer period.

At the start of the third quarter, the end of government debt issuance programmes prompted a reconsideration of the interest rate stance, in anticipation of an imminent economic slowdown in Europe. However, the *higher for longer* assumption continued to weigh on the markets until the end of September, leading to a violent bear-steepening of the yield curves. The US 10-year yield even passed - briefly - the 5% mark, while the German 10-year was close to 3%.

The last quarter opened with a series of positive surprises on the inflation front, both in the United States and Europe. Inflation was falling faster than expected, allowing central bankers to consider early rate cuts. It was the end of *higher for longer* and the return to power of *Goldilocks* and the soft-landing scenario. Falling inflation would lead to a easing of monetary policy, which would safeguard economic growth. As a result, the risk of recession became very low. Fixed-income markets fell sharply: the 10-year Bund rate lost 100bp in three months, and the 10-year US rate fell back below 4%. Meanwhile, stock market indices were regularly breaking new records.

In conclusion, the year 2023 ended with a strong rally in rates, no sign of an imminent recession, with the certainty that falling inflation will allow central banks to cut rates within the next six months. The consensus of early 2023 did not materialize. Will 2024 be any different, or are the markets too optimistic?

Impact on the financial management of Ethias' investment policy

Ethias' investment philosophy is closely aligned with its values, social goals and insurance activities. Its investment policy is based on a long-term vision, and investment decisions are made in line with the strategic target allocation defined according to the company's risk appetite. As a responsible company, it implements a sustainable investment approach that aims to bring together the financial goals of its various stakeholders and environmental and social issues. The company is also committed to strict governance and to ensuring the best possible execution of transactions to minimise costs. In addition, Ethias has further accentuated its role as a benchmark investor by promoting sustainable economic development in Belgium in a significant proportion of its investments.

Despite an unstable macroeconomic context, the long-term nature of its investments and an active approach to asset-liability matching enabled Ethias to manage the impact of this volatility on its main performance and risk indicators as effectively as possible. Meanwhile, interest rates hovered at historically high levels. Ethias took this opportunity to boost the average yield of its portfolios by investing in securities of good credit quality. In this context, the investment portfolio proved to be particularly resilient, and did not suffer any bond-related credit events. The pursuit of its allocation strategy towards more illiquid assets continues to significantly underpin the portfolio's current and future returns. Finally, interest-rate hedging programmes generated higher-than-expected gains, also boosting the average rate of return on the investment portfolio.

The company is aware that being a responsible investor comes with a long-term responsibility in the management of legal and supplementary pensions and in supporting the local economy. In line with its allocation strategy, a significant proportion of Ethias' investments is devoted to supporting the economic development of public and private economic players in Belgium. At the end of 2023, Ethias will have invested EUR 5 billion in the Belgian economy, spread across all regions of the country. Through these investments, the company demonstrates its role as a long-term investor, contributing to the development of the economy by bringing the necessary stability to projects developed by local authorities and businesses.

In 2023, Ethias also continued to invest in companies and projects that contribute to environmental and/or societal goals. These investments are made in both equities and debt, on both listed and over-the-counter markets. Over the past two years, Ethias has increased its commitments to sustainable infrastructure funds and projects, either directly or through investment funds. Ethias has also strengthened its presence in the sustainable real estate sector. It focused on acquiring new assets that meet the strictest sustainability requirements and began major renovations in various buildings.

As a responsible investor, the company therefore implements an investment policy that aims to steer Ethias' investments towards sustainable economic development by integrating environmental and social factors. This policy is divided into 5 main areas: exclusion, integration, commitment, impact and communication. This approach is progressive and pragmatic, considering that the integration of ESG criteria in the management requires time and maturity.

Ethias has also developed an impact investment policy in order to generate a positive social or environmental impact in addition to achieving a financial return. In 2024, Ethias will still pursue this policy by investing in projects that have a positive impact on society and the environment. In addition to the collaborative commitments made in 2021, Ethias joined the Science Based Targets initiative in 2022. Through this initiative, it has committed to setting greenhouse gas emission reduction targets in line with the Paris climate agreement by 2024, with the specific aim of achieving carbon neutrality for its investment portfolio by 2050.

Impact on insurance products and technical liabilities

In this turbulent macro-economic context, with inflation trending downward but significant volatility in market indicators, 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' Compliance department regularly ensures that its investments and relations with clients and intermediaries comply with the rules in force.

Signing of the new agreement between insurers and the Walloon Region concerning the flooding of 2021

Following the floods of July 2021, the insurers and the Regions have joined forces in order to fully compensate the claims insured in Simple Risks.

An intervention protocol was signed in August 2021 to share the burden. This protocol provided that if the estimated threshold of EUR 1.7 billion was exceeded, the parties would meet again to examine and specify the cost allocation mechanism, referred to in the protocol as the "Rendezvous Clause". End 2022, the "rendez-vous" clause was activated.

In January 2023, it was agreed that the Walloon Region would intervene for an amount of EUR 1,030 million. The nine insurers concerned by the "rendez-vous" clause will take charge of all compensation due beyond the maximum amount of intervention by Wallonia, on the basis of a proportional distribution key agreed between them.

Ethias successfully closes its first Green Bond issue for a total of EUR 250 million

Ethias successfully completed the issuance of subordinated bonds, launched on 24 April 2023 as part of a Green Bond. The company will be able to pursue its sustainable and responsible investment strategy in the Belgian economy by investing in projects with a positive impact on the environment.

The issuance amounts to EUR 250 million, matures in 2033 and carries a coupon of 6,75%. It was accompanied by an offer to repurchase EUR 116.5 million of the Tier 2 subordinated debt with a 2026 maturity, issued by Ethias, and by the early reimbursement in April 2023 of the subordinated Tier 2 debt of EUR 75 million with a maturity set in July 2023.

Fitch affirms Ethias SA's IFS rating at "A"

Rating agency Fitch reconfirmed Ethias SA's Insurer Financial Strength (IFS) at "A", with a stable outlook. A fine demonstration of the insurer's solidity in a particularly volatile economic context.

The maintenance of this rating demonstrates once again Ethias' financial strength as well as its good profitability and the robustness of its business model. It also attests to the relevance of the insurer's unique positioning and of its strategic choices, allowing the company to stay on course despite an out-of-the-ordinary context of overlapping crises.

Fitch underlines the insurer's excellent capitalisation, driven by a strong solvency ratio, as well as its good operating and financial performance. It also highlights its position as a direct insurer on the Belgian market, leader in the public sector.

Dividend payment

The General Assembly of May 17, 2023 approved the distribution of a dividend of EUR 108 million for fiscal year 2022.

New member of the Ethias SA's Board of Directors

On May 17, Ethias SA's General Assembly approved the appointment of Dewi Van De Vyver as an independent director on Ethias SA's Board of Directors. With her keen sense of entrepreneurship, her recognised expertise in ICT (crowned by the title of "ICT Woman of the Year 2020"), her involvement in sustainable development and corporate social responsibility, and her commitment to gender equality, she will strengthen the skills of the Board of Directors.

Creation of Ethias Lease Corporation

With the creation of Ethias Lease Corporation in June 2023 Ethias is breaking new ground in the Belgian leasing world: it will be introducing an offer specifically designed to meet the multiple challenges faced by Belgian companies and local authorities in their transition to an electrified car fleet, while responding to the new fiscal reality. Ethias Lease draws on Santander's expertise to provide its clients with a complete, integrated leasing solution and personalized service.

Ethias Youth Solidarity Awards

In January 2023, Ethias launched the second edition of the Ethias Youth Solidarity Awards. An independent professional jury rewarded 14 projects from Public Centers for Social Action (CPAS) in Wallonia, Brussels and Flanders aimed at combating poverty among children and young people under the age of 30. Each winning initiative was rewarded with financial support of EUR 10,000, 25,000 or 40,000, for a total envelope of EUR 275,000. This 2nd edition of the Ethias Youth Solidarity Awards is an initiative of the Ethias Impact Fund, the corporate fund created by Ethias and managed by the King Baudouin Foundation. This fund is an important pillar of the company's Sustainability strategy, and aims to support organizations and projects fighting poverty or promoting environmental or health issues.

Double materiality assessment

In 2023, Ethias carried out its first double materiality assessment. The aim of this exercise is to identify the sustainability issues most relevant to its stakeholders, and to ensure that these are taken into account in the company’s strategy and reporting.

This materiality analysis shows that Ethias' Sustainability strategy already encompasses all the concerns highlighted in this first study.

Awards

Ethias is elected Top Employer for the second year in a row. With 87.82%, Ethias is above the average score for insurers in Belgium. The Top Employers Institute certifies companies that offer their employees the best possible working environment through innovative HR practices that focus on people.

Once again this year, Ethias won three DECAVI Insurance Awards Non-Life: Tenant insurance, Workers’ Compensation insurance and Family insurance. This is the 5th time that Ethias has won the Workers' Compensation insurance award, in recognition of its involvement as a socially active insurer committed to helping victims of accidents in the workplace.

In its 3rd consecutive year of assessment by EcoVadis, Ethias has consolidated its Silver Medal, making it one of the best performing companies in this area (all sectors combined). In addition to the numerous environmental and societal actions, EcoVadis highlights the company’s progress made in responsible procurement.

Partnerships

In March 2023, Ethias signed an agreement with BPI Real Estate for the acquisition of the Wood Hub building. Wood Hub can be considered as one of the most ambitious architectural project in the Benelux in terms of sustainability. This acquisition is part of the diversification process for its real estate portfolio and perfectly meets its requirements in terms of quality, comfort for future occupants and ecological sustainability.

Furthermore, Ethias has teamed up with SFPIM to create Cityforward, a real estate fund managed by the Whitewood capital fund manager, to draw up a plan for redeveloping 21 buildings of the European Commission into a sustainable urban district in line with ESG principles. SFPIM, as a government agency, will purchase the buildings and Cityforward will take care of the redevelopment work. The entire operation is the result of a collaboration with the Brussels-Capital Region, the municipalities and government bodies.

Ethias, NRB and BeCode, Belgium's largest coding school with social impact, have signed a strategic partnership aimed at developing and strengthening the training of Belgian tech talents. This initiative, rooted in the shared values of the three partners, seeks to respond to the need for professional reintegration and retraining, the development of IT professions and the shortage of local talents in the sector.

Number of employees

Ethias SA went from 1,952 employees at 31/12/2022 to 1,954 employees at 31/12/2023.

2.2. Underwriting performance

Ethias overcame the challenges of 2023 while affirming its commitment to growth, profitability and financial strength.

The year 2023 is characterized by the absence of storms, a slowdown in inflation and an overall more favourable macroeconomic context than in 2022. In addition to persistent market volatility and unpredictability, the company has demonstrated resilience. The net result of EUR 200 million, i.e. an increase of 4.85% compared with 2022, underlines the effectiveness of Ethias' strategic approach and its ability to deal with unforeseen events.

2.2.1 Non-Life underwriting result

The result of Non-Life business amounts to EUR 200 million.

Income amounts to EUR 1,669 million and increases by 10.39% compared to 2022, due to new contracts and premium indexation. It breaks down as follows between the segments Private Individuals and Public Bodies & Companies:

- Income for Private Individuals increases by 7.51% compared to 2022 and amounts to EUR 663 million;
- Income for Public Bodies & Companies amounts to EUR 1,006 million and increases by 12.48% compared to 2022.

The adjusted net combined ratio (including recurring financial income from annuities) stands at 91.9% and remains below the 92% target.

The result of the Non-Life activities is clearly up compared to the year 2022 (+15.66%) despite a higher cost for fire reinsurance. These good results can be explained in particular by the absence of major climatic events, the growth of activities and a close monitoring of profitability.

2.2.2 Life underwriting result

The result of Life business amounts to EUR 94 million.

Income at end-2022 is up by 21.61% compared to 2022 and amounts to EUR 1,705 million, including EUR 47 million in Private Individuals and EUR 1,658 million in Public Bodies & Companies:

- Income in Life Individuals decreases by 5.93% compared to 2022.
- Income for Life Public Bodies & Companies increases by 22.63% compared to 2022, both in 1st and 2nd pillars.

The result of Life business is up compared to 2022 (+10.54%) thanks to strong growth in premium income and better recurring financial results.

2.3. Investment results

The net financial income for 2023, included under the investment income and expense headings in the BGAAP annual accounts, amount to EUR 348 million compared with EUR 381 million in 2022. They are distributed as follows: EUR 125 million in Non-Life, EUR 245 million in Life and an expense of EUR 22 million in non-technical.

In addition, they consist of the following main elements:

In thousands of euros	2023	2022
Net financial income of investments, without branch 23	380,197	420,293
Recurring	*377,275*	414,371
Non-recurring	*2,922*	5,922
Financial income related to reinsurance	-289	8
Net financial income of investments in branch 23	13,265	-977
Financial expenses of loans and other financial payables	-37,489	-26,772
Other income and financial expenses	-7,728	-11,286
Total	**347,956**	**381,267**

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

In thousands of euros	2023	2022
Bonds	254,105	316,657
Recurring	*256,505*	*314,605*
Non-recurring	*-2,400*	*2,052*
Shares & participating interests	36,225	54,983
Recurring	*34,758*	*40,623*
Non-recurring	*1,467*	*14,360*
Real estate & loans	86,049	51,131
Recurring	*86,141*	59,107
Non-recurring	*-92*	-7,975
Derivatives & provisions	26	-2,387
Recurring	*-75*	-304
Non-recurring	*101*	-2,083
Cash and cash equivalents	3,792	-91
Recurring	*-54*	342
Non-recurring	*3,846*	-433
Total	**380,197**	**420,293**

2.4. Performance of other activities

The Non-Technical result before tax shows a negative contribution of EUR 35 million, mainly due to the expense of subordinated loans and impairments on receivables. Tax expenses for the year amount to EUR 59 million and benefit from deductions for income from innovation and for definitively taxed income (RDT deduction).

3. Governance system

3.1. General information on the system of governance

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 comprises 16 directors, including 4 executive directors and 4 independent directors.
The composition of the Board of Directors also complies with article 7:86 of the Belgian Code on Companies and Associations concerning the gender of directors and 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

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

Missions

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

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

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

Its responsibilities are set out in internal regulations.

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 6 non-executive directors, 4 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 also established on February 19, 2009 within the Board of Directors.

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.

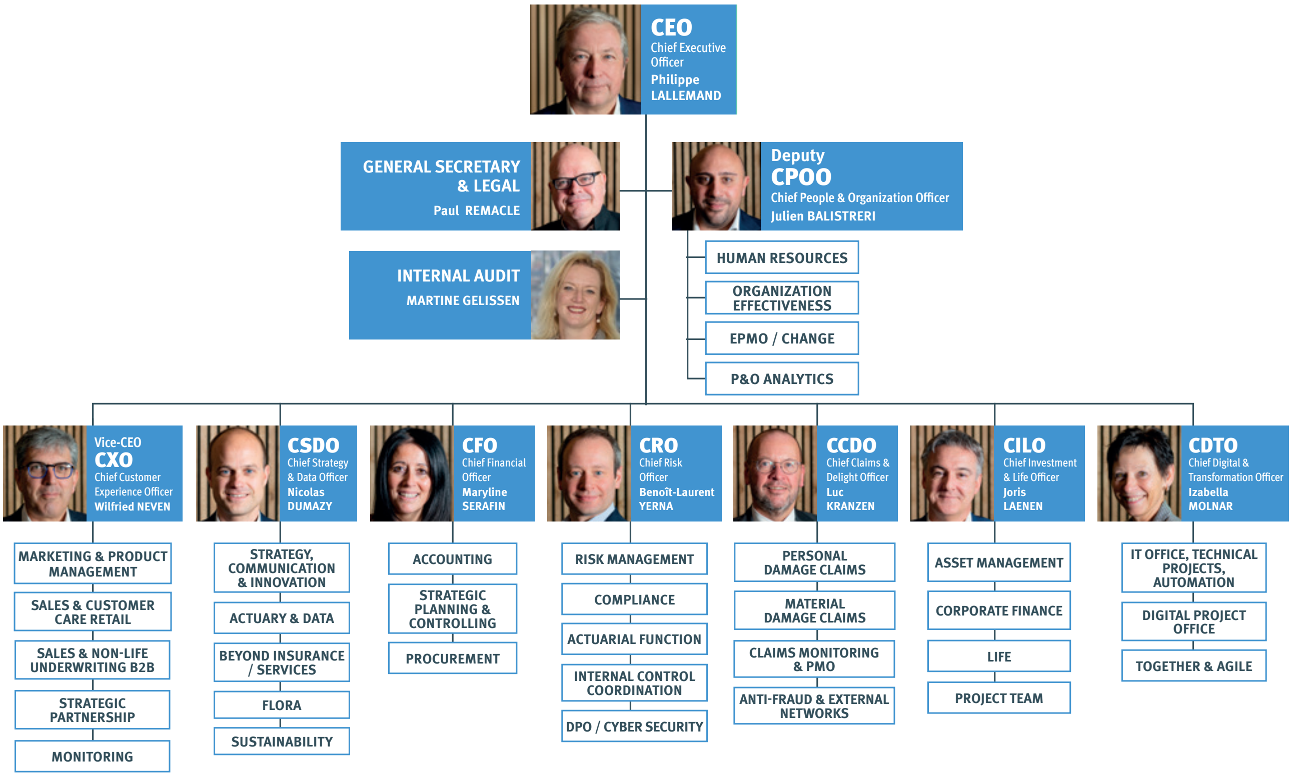
Composition

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

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

Internal distribution of tasks

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



It should be noted that the CRO has obtained authorisation 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 new remuneration policy for Ethias, which was reviewed in 2021 and most recently in 2023. The policy was last validated by the Board of Directors on December 20, 2023.

The latest update of the remuneration policy is designed to incorporate elements from the 2021 and 2022 company agreements, the recommendations from the Internal Audit and Compliance as well as the SFDR and ESG requirements.

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 ALM & Investment Solutions).

The remuneration 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 and on 21 November 2023. 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 and 2023.

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 and was amended by an addendum dated March 30, 2023. 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.

Remuneration systems for members of the Executive Committee and directors

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.

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 and proper requirements

3.2.1 “Fit & proper” policies

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 last updated on March 30, 2023.

These policies are in line with the NBB’s manual for assessing 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.

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, including the internal assessment of risks and solvency

3.3.1 Risk management system

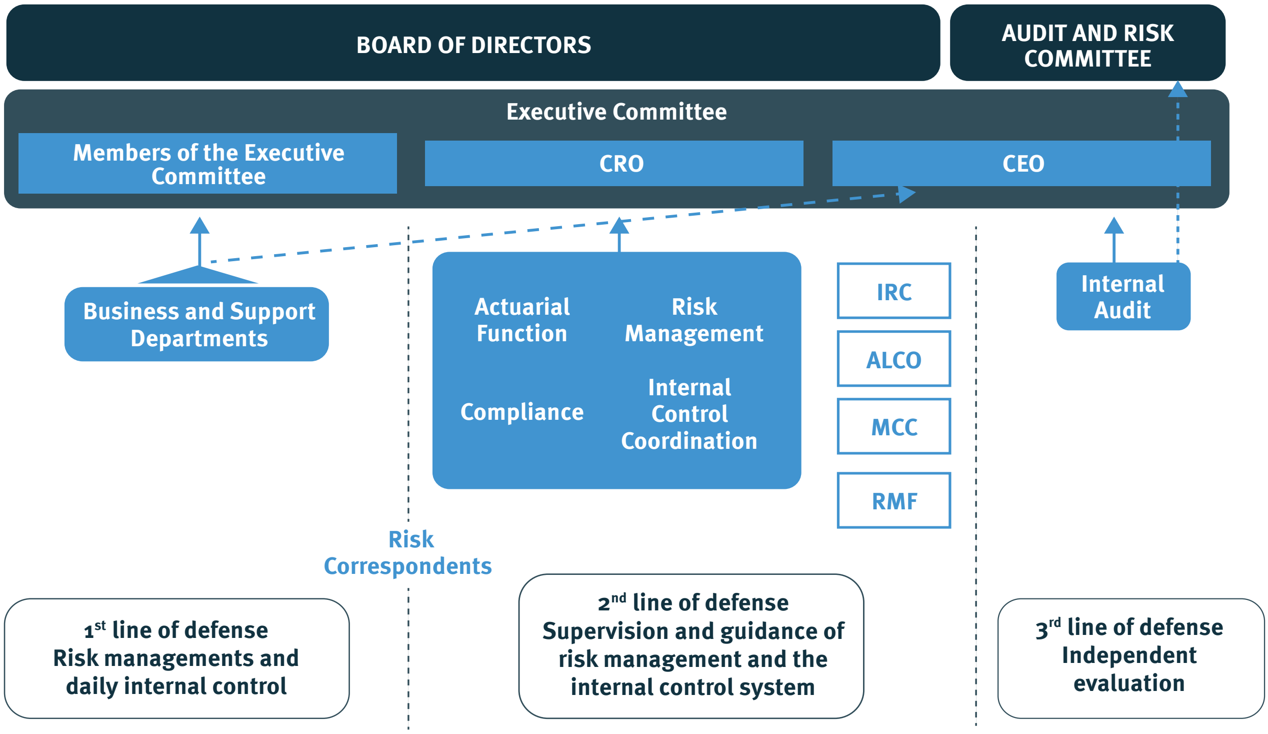
3.3.1.1 Objectives of the company's risk management

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".

The purpose is to strike the best possible balance between the objectives and the associated risks, with an excessive risk aversion itself posing a risk, and keeping in mind that, alongside each threat, opportunities do exist. Risk management in general is not an end in itself but rather a means; a tool for managing and controlling risks. Risk controlling actions must be in line with their contribution to the achievement of the company's objectives and culture. In other words, the measures taken must bring real added value and proscribe unnecessary and superfluous supervision.

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, together with the functions of the operational lines and support functions, are structured in such a way as that three lines of defence are in place.

First defence line - Daily risk supervision

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

Ethias sees to it that every employee has a suitable understanding of the risks that are likely to threaten the correct fulfilment of the activities he/she is responsible for. Hence, each employee is responsible for the identification and the assessment of the risks that are incurred on an ongoing basis.

Furthermore, a network of "risk" correspondents within the operational lines and the support functions permits to benefit from the technical skills of the experts in the field, including complaints, operational incidents and GDPR.

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.

Under the direction of the CRO function, a process of self-assessment of the adequacy of the processes put in place in order to meet the governance principles laid down in the umbrella circular is organized and coordinated with the business divisions and monitoring functions.

This exercise is based on thematic evaluation grids that the management and the heads of independent monitoring functions have completed according to their respective skills.

The 7 main themes are as follows:

1) Management structure, remuneration and shareholding;
2) Fit & proper, external functions and transactions with leaders;
3) Risk management system, ORSA process and Risk Management function;
4) Organizational structure, internal control system, Compliance Function, integrity and IT infrastructure;
5) Internal Audit function;
6) Actuarial Function;
7) Outsourcing.

The evaluation grids used are based on the umbrella circular, and reproduce line by line the requirements laid down therein. These grids are completed by the business line responsible for the activity in question, and reviewed by a second line to ensure the most objective assessment possible.

This second defence line, which is independent of the first one, maintains a methodological framework and underlying processes that allow the control and the supervision of the implemented risk management structure. In the event of exceeding the risk profile wanted by Ethias, it can intervene at the operational level to initiate changes and to help the first defence line in resolving the problems.

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

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

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

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

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

- an efficient and transparent reporting of risks;
- the selection of the most important risks;
- the definition of action plans;
- The monitoring of already identified risks, especially in case of modification (deterioration) of these risks;
- to propose to the management bodies practical and pragmatic business guidelines in accordance with the risk appetite;
- to recommend to the Executive Committee the validation of the company's risk profile.

This body does not replace the Local Risk Forums, which are organized at the operational level and which enable action plans to be drawn up at team level.

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 will 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. To ensure an even more systematic risk monitoring, we created a Risk Dashboard at the beginning of 2024, which will provide a record of observed risks and will be sent to the entire Executive Committee on a quarterly basis.

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

Ethias has drawn up a cartography of the different risks in order to ensure a common and shared comprehension of the risks managed by the company.

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 blue in the diagram)

is completed by the risks not covered by the standard formula (in orange in the diagram).

Insurance risks			
Life underwriting risk	**Non-Life underwriting risk**	**SLT Health**	**Non-SLT Health**
Mortality risk	Premium and reserve risk	Catastrophe risk	
Longevity risk	Catastrophe risk	Mortality risk	Premium and reserve risk
Disability/morbidity risk	Expense risk	Longevity risk	Termination risk (redemption)
Expense risk		Disability/morbidity risk	
Revision risk		Expense risk	
Termination risk		Revision risk	
Catastrophe risk		Termination risk (redemption)	

Financial risks			Non-financial risks	
Market risk	**Counterparty risk**	**Liquidity risk**	**Operational risks**	**Other non-financial risks**
Interest rate risk		Market liquidity risk	Customers/Third Parties, Products and Business Practices	Model risk
Stock (price) risk	Default risk	Risk of funding liquidity	Process Execution, Delivery and Management	Concentration risk
Real estate assets risk			Malfunctions in business and systems	Strategic risk
Spread risk			Employment and Safety Practices in the Workplace	Reputational risk
Foreign currency exchange risk			Damage to tangible assets	
Concentration risk			Internal fraud (incl. information security)	
Inflation risk			External fraud (incl. information security)	
			Legislative, regulatory and tax risk	
			Project Risk	

Ethias takes into account what is commonly referred to as "climate risk" through the various risk modules of its typology, considering that this is not a separate risk but rather a set of factors that will be reflected in the various risks already listed. For example, increased frequency and/or intensity in CatNat risk.

This approach is in line with the logic presented by EIOPA in appendices 3 and 4 of its opinion on the supervision of the use of climate change risk scenarios in ORSA (EIOPA-BoS-21-127).

This approach is stratified, in the sense that higher-level risk modules capture the impact of adverse factors or phenomena.

The same applies to certain "risks" that have recently come under the spotlight, including:

- cyber "risk" captured through operational risk in its security-related aspects;
- sustainability or "ESG" "risks", of which climate risk is a part, covering environmental, social and governance issues, taken into account in particular through the operational, reputational and strategic risk modules.

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 non-financial 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 Appetite, limits and indicators

Risk Appetite

Risk Appetite is the overall level of risk that the company agrees to take to meet its value creation objective. The Risk Appetite is a key strategic indicator of the risk management system. It must enable the company to achieve its strategic objectives while controlling the resulting risks. The company's Risk Appetite and its strategic objectives have to be consistent with each other.

The Risk Appetite the responsibility of the Board of Directors. In practice, it is proposed by the CRO, validated by the Executive Committee and approved by the Board of Directors. The risk policies are the direct translation of the Board of Directors' view in terms of risk appetite. Similar to the strategic objectives that are translated into operational objectives, the Risk Appetite, as it has been approved by the Board of Directors, must also be translated into operational terms by means of policies.

At its meetings in December 2023, the Board of Directors reviewed and approved Ethias SA's risk appetite.

Limits system

The Risk appetite is cascaded within the company in order to establish a coherent risk management system from the decision-making bodies to the level of operational management. This risk management system is based on a set of risk management policies, a set of limits systems and a set of processes for monitoring and reporting risks.

Hence, the description of the risk appetite of Ethias is translated into overall tolerance limits at the level of the company, which are themselves broken down into specific risk tolerance limits, to be validated by the Board of Directors. The system of risk tolerance limits thus defined in line with the Risk Appetite is broken down into operational limits within Ethias, validated by the Executive Committee.

Risk Appetite indicators

Risk appetite indicators are monitored by an ad hoc committee on the basis of a system of coloured gauges (green, orange, red) and associated limits.

Strategic risk appetite indicators are monitored by the Executive Committee, and approved and monitored by the Board of Directors. Depending on the type of risk (operational, financial, insurance technical) to which they relate, purely operational risk appetite indicators are monitored by a dedicated committee (RMF, ALCO, IRC), approved and monitored by the Executive Committee.

Depending on whether they are main indicators or operational indicators, the colour code is interpreted as follows:

- in green, the value of the indicator can vary without generating an alert on its own;
- in orange, the Executive Committee / dedicated monitoring committee explains any deviation and an action plan may be requested if deemed necessary and appropriate;
- in red, an urgent action plan is required (even if it may extend over time). It is proposed to the Board by the Board of Directors by the Executive Committee / to the Executive Committee by the dedicated monitoring committee.

3.3.1.6 Risk management function

In accordance with the Risk Management Charter, the Risk Management Function:

- ensures that all significant risks of the company are detected, measured, controlled, 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 authorised 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.

- approves the Regular Supervisory Report (RSR) and the ORSA.

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:

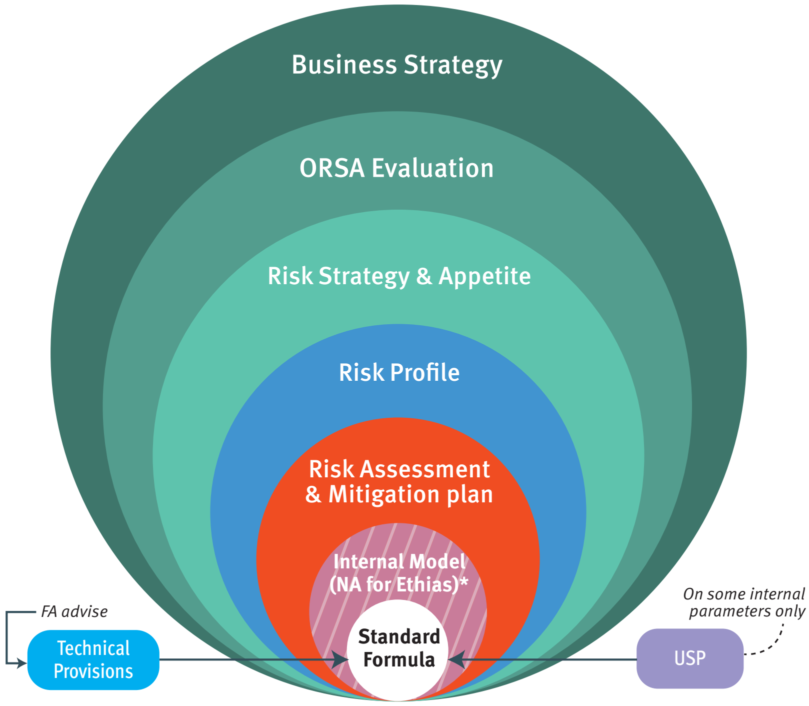
- takes note of the annual report of the Risk Management Function;
- ensures that the Executive Committee takes the necessary measures to ensure that the company has an adequate independent Risk Management Function at all times.
- confirms the charter of the Risk Management Function and the work programme 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 subprocesses (establishment and monitoring of the Ethias risk profile, identification of major risks, establishment of stress tests, elaboration of management actions, sensitivity tests, capital planning, SCR calculations, 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 necessary, defining remediation plans, outlining 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:

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

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.

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, or a significant event in the company's environment likely to have a material impact on the company, not anticipated by the regular ORSA, requires an ad hoc analysis and therefore triggers a one-off ORSA called "non-regular ORSA" or "ad hoc ORSA".

A non-regular ORSA assesses the overall solvency requirement in the light of Ethias' new risk profile.

The events that trigger the production of a non-regular ORSA may result either from events desired by Ethias (the start-up of new lines of business, changes in risk tolerance limits, changes in reinsurance structure/programme, portfolio transfers, changes in asset composition/allocation ...), or from events suffered by Ethias (cyberattacks, pandemic, war, uncontrollable inflation, climatic events ...).

The formalization of both the elements generating a non-regular ORSA and the levels of the ratio leading to such an exercise was integrated into the ORSA policy in the course of 2023.

3.4. Internal control system

3.4.1 Internal control system

The internal control system is the set of functions, framework 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.

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 (1^{st} and 2^{nd} 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).

The internal control system is notably composed of the following elements, closely related to each other:

- Control environment;
- Risk appetite and target setting;
- Identification, analysis and control of risks;
- Control activities;
- Information & communication and surveillance & monitoring.

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, confirmed by the Audit and Risk Committee on November 18, 2021 and approved by the Board of Directors on May 25, 2022.

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.

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

Financial crimes

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

Business Conduct & Consumer Protection

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

Protection of personal data

- GDPR

Ethics

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

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 06 December 2022 and the Board of Directors validated it on 14 December 2022.

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 Mission

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:

- observance of the laws, regulations, rules, procedures and contracts;
- achievement of the organization's strategic objectives, including sustainability objectives;
- reliability and integrity of the financial and operational information;
- effectiveness and efficiency of operations, programmes and control and risk management processes;
- protection and enhancement of the company's value.

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.

2 By means of including audit clauses in service contracts.

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 involved in 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 assurance 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. Ethias' Internal Audit Charter sets out the fundamental principles governing the internal audit function within the Ethias group, describing the role and responsibilities of Ethias SA's Internal Audit as well as the general operating procedures within the Group, so as to guarantee the independence and quality of internal audit assessments and the consolidation of risk reporting throughout the Ethias group.

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, recognises 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 periodically revised so as to ensure that the Internal Audit's ability to intervene is always consistent with the tasks assigned to it. The current version is based on the legal provisions of the law of March 13, 2016, the regulatory provisions applying to Ethias, in particular the NBB circulars 2015_21 & 2023_09 and the Delegated Regulation 2015/35 as well as the Internal Audit's Professional Practices Framework published in 2017. It was adopted by the Ethias Board of Directors on December 20, 2023.

The charter is brought to the attention of all Ethias employees via its publication on the Intranet as well as to the legal administrative bodies of its subsidiaries.

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.

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

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 controls in the context of:
    - pillar 1 of Solvency II for calculations carried out by Risk Management;
    - pillar 2 of Solvency II (ORSA);

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.

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

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 and opinions contain any recommendations made during the missions and their follow-up. A follow-up of these recommendations is also carried out by the Actuarial Function. Depending on the nature of the mission, the reports and opinions are intended for either the Executive Committee or the IRC (Insurance-Reinsurance Committee).

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.

The charter stipulates that the head of the Actuarial Function and his direct employees must have access to all information relevant to their mission.

In order to ensure a proper information on technical files, the head of the department is a permanent guest of the IRC and AB's (Acceptance Bureaus).

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.
- 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.

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 thousands of euros	31/12/2023	31/12/2022
Non-Life (without health)	1,790,767	1,802,351
Health (similar to Non-Life)	356,210	361,785
Health (similar to life)	1,356,284	1,257,000
Life (without index-linked and unit-linked insurance)	8,153,383	8,162,532
Index-linked and unit-linked insurance	2,183,095	1,633,584

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 tables below list 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.

With regard to the sensitivity of BE Life, the expense risk has been adjusted to take account of inflation for the 31/12/2023 closing. The shock is now a 1% increase in inflation rather than a doubling. It is therefore advisable not to compare the 2022 and 2023 sensitivity results.

Sensitivity of BE Life

In thousands of euros, *solely Ethias SA*	2023	2022
Mortality risk		
Increase by 15 % in mortality	-17,592	-16,872
Longevity risk		
Increase by 20 % in longevity	33,973	27,453
Expense risk		
Increase by 10% in overheads	38,483	33,328
Doubling of inflation instead of the base-case inflation vector	55,601	102,551

Sensitivity of BE annuities

In thousands of euros	2023	2022
Longevity risk		
10% decrease in qx	39,310	37,568
Redemption risk		
50% decrease in the frequency of taking 1/3 in capital	3,114	2,976
Transition risk		
No partial recovery	47,381	45,281

4.1.4 Mitigation of underwriting risk

Creating a new product or modifying an existing product

The penetration of a new market, the launch of a new product, the extension of services and guarantees offered to clients are subject to a complete and formal review of all potential risks associated with the launching of such initiatives and with procedures for risk acceptance that follow the hierarchical lines.

Before launching a new product or adapting an existing one, the product is studied in all its aspects: product characteristics, market and competition, adequacy test, pricing, legal, tax, profitability, ALM constraints, compliance, ESG, distribution, business case ... in accordance with the product governance and oversight policy and with associated procedures, supplemented by new aspects (IFRS, Sustainable Finance ...).

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

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.

In the public sector, policyholders do respect the guidelines that determine the limits with regard to subscription. These limits concern both the general and specific conditions of the contracts, the price setting and the degree of risk (including the business sector). They also determine the level of power that is granted according to the hierarchic level and the procedures to be followed, an "acceptance bureau" deciding at the operational level in the last instance. The second line is associated with the overrun and a statement is drawn up in the IRC (Insurance-Reinsurance Committee). In the event of disagreements, the latter can escalate matters to the IRC.

For private individuals, the policyholders are subject to risk acceptance procedures that follow the hierarchical lines and to certain limits that are implemented in the IT systems. Underwriting guidelines also set the limits on underwriting.

These risks are tested against our overall Risk Appetite policy, and all the business indicators are monitored.

Tariffs

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

Reinsurance

Reinsurance lies within the control process of the insurance risks.

It also contributes to the improvement of the solvency ratio.

Ethias SA's main insurance risks concern non-life insurances, liability insurances (miscellaneous and motor vehicle), life/health insurances and (natural or human-caused) catastrophe risks on people and/or goods.

The Reinsurance department works in close collaboration with Underwriting, the product managers and Risk Management, who express their (new or adapted) needs for the reinsurance programme. Risk Management, in collaboration with the Reinsurance department, formalizes the objectives set by the Executive Committee, which are to be pursued through the reinsurance programme.

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

The reinsurance programmes are divided into three major parts: non-life insurances, liability insurances (miscellaneous & motor vehicle) and accidents, life/health insurances (death/disability insurances, catastrophe accidents). They are reviewed annually.

The Insurance-Reinsurance Committee (IRC) supervises the reinsurance programme.

Between 2022 and 2023, reinsurance covers have been adjusted to take account of inflation (increase in capacities) and a tougher market.

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

The market risk reflects the risk related to the volatility level in the market value of the financial instruments which have an impact on the value of assets and liabilities of the company. It covers interest rate risk (sensitivity to changes in the interest rate curve), stock price risk (sensitivity to changes in the level or volatility of the stock market value), risk on real estate assets (sensitivity to changes in the level or volatility of the market value of real estate assets), spread risk (sensitivity to changes in the level or volatility of credit spreads related to the risk-free interest rate curve), foreign exchange risk (sensitivity to changes in the level or volatility of exchange rates), as well as the concentration risk.

4.2.1 Exposure to market risk

The following tables show the market risk exposure by risk module of the standard formula (interest, share, real estate, credit spread, currency, concentration) 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.

	Exposure to market risk - 31/12/2023					
In thousands of euros	**Interest**	**Action**	**Real estate**	**Spread**	**Currency**	**Concentration**
Equities		1,202,567			45,020	1,202,567
Share interests		247,010			9,437	280,629
Government bonds and similar products	7,561,221			7,822,225	17,894	7,561,221
Corporate bonds	4,097,717			4,097,717	18,801	4,097,717
Covered bonds	71,723			71,723		71,723
Complex bonds	84,052			84,052		84,052
Real estate	0		771,271			771,271
Loans	644,819			346,430	18,406	632,493
Cash	0				505	
Derivative instruments	-35,939	550				
Best estimates and reinsurance deposits	13,376,852					
Receivables						
Guarantees						
Total assets	**12,423,593**	**1,450,127**	**771,271**	**12,422,147**	**120,961**	**14,701,674**

In thousands of euros	Exposure to market risk - 31/12/2022					
	Interest	Action	Real estate	Spread	Currency	Concentration
Equities		1,026,014			51,387	1,024,729
Share interests		239,116			11,271	239,116
Government bonds and similar products	7,229,430			7,315,921	2,509	7,229,430
Corporate bonds	4,071,488			4,071,488	39,196	4,071,488
Covered bonds	129,356			129,356		129,356
Complex bonds	127,056			127,056		127,056
Real estate	0		719,981			719,981
Loans	1,041,328			503,026	12,067	503,026
Cash	0				505	
Derivative instruments	129,640					
Best estimates and reinsurance deposits	12,938,025					
Receivables						
Guarantees						
Total assets	**12,728,298**	**1,265,130**	**719,981**	**12,146,847**	**116,935**	**14,044,182**

Exposures to government bonds and similar products is subject to SCR interest rate, SCR spread, SCR currency and SCR concentration. However, according to the standard formula, only certain specific exposures have a non-zero SCR spread and SCR concentration (including issuers outside the Euro zone).

Compared to end-2022, exposures to the SCR market have increased overall.

- Exposures to the SCR interest rate were down mainly due to lower loan and derivative volumes, partly offset by the increase in government bonds and similar products.
- Exposures within the scope of the SCR shares have increased mainly as a result of the good performance of the stock markets in 2023 (with the EuroStoxx50 index ending at around 4521.44 points on December 31, 2023, compared to around 3794 points a year earlier).
- Exposures subject to the SCR real estate increase slightly following positive revaluations of certain share interests.
- Exposures subject to the SCR spread increased overall in 2023. Those with a non-zero charge have decreased by 4.78%: they amount to EUR 4,599,252 thousand in 2023 whereas in 2022 they stood at EUR 4,830,926 thousand. The decrease in complex covered bonds (no reinvestment in covered bonds) and loans is partially offset by the increase coming from corporate bonds.
- Exposure to the SCR currency increased due to higher foreign currency exposure on government bonds and similar products, equities and loans, partly offset by lower foreign currency exposure on corporate bonds and share interests.
- 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 31/12/2023.

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.

4.2.1.1 Exposure to the interest rate risk

The following table shows the effect of interest rate hedges on the components of the SCR interest as at 31/12/2023 and 31/12/2022. At December 31, 2023, the derivatives are spread locks (whose sensitivity to interest rates, and therefore the SCR interest, is zero) and forward sells. Forward sells are derivatives used to hedge government bonds in order to manage interest rate and spread risks on own funds. Note that the change between 2022 and 2023 is due to a closed duration gap.

In thousands of euros	Effect of interest rate hedges on the SCR interest	
	31/12/2023	31/12/2022
Fixed income assets	1,050,090	1,163,595
Forward starting swaps (interest rate hedging)	0	0
Net impact of spread locks	0	0
Inflation swaps	0	0
Forward sell	-77,798	-116,170
Liabilities	972,443	-1,004,072
SCR interest	**-151**	**43,354**

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

	Evolution of the asset-liability duration gap					
	31/12/2023			31/12/2022		
	Assets duration	Liabilities duration	Duration gap	Assets duration	Liabilities duration	Duration gap
Total Life	6,93	7,90	0,26	6,99	7,46	0,61
Total Non-Life	6,40	6,55	1,53	6,11	6,54	1,05
Total w/o IAS 19			0,68			0,75
Total with IAS 19 and Sub-Loans			0,44			0,60

The sensitivity of own funds to a change in interest rates is always within the limits of the risk appetite. The gap was kept closed throughout 2023 and then slightly reopened at the end of the year, in order to keep the impact of interest rates under control while slowly regaining favourable exposure to falling interest rates.

There is a regulatory effect on the duration gap: the inversion of the rate curve leads to a less beneficial effect of the convergence to the UFR for the duration of liabilities.

We manage interest-rate risk through investments (cash-flow matching) and a derivatives programme to reduce the impact of interest-rate volatility on own funds.

The duration gap including commitments related to IAS 19 and subordinated loans remains less than 1 year.

4.2.1.2 Exposure to the spread risk

4.2.1.2.1 SII Ratings

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.

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.

The following tables show changes in the average reference rating for Ethias SA and the OFP, broken down by type of bond.

In thousands of euros to 31 December 2023	AAA	AA	A	BBB	BB	B	CCC	NR	TOTAL
Government bonds and similar products	785,821	3,783,109	1,760,246	1,167,953	10,310	-	-	36,452	7,543,891
Corporate bonds	45,927	239,229	1,276,432	1,740,458	125,839	48,840	17,966	594,865	4,089,556
Covered bonds	38,494	2,368	30,861	-	-	-	-	14	71,737
Structured bonds	-	-	66,288	17,764	-	-	-	-	84,052
Loans	-	15,364	-	62,999	-	73,531	-	441,618	42,145
TOTAL	**870,242**	**4,040,072**	**3,133,827**	**2,989,173**	**136,150**	**22,372**	**17,966**	**1,072,948**	**12,382,749**

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**

Total assets subject to the credit risk increased significantly in 2023. The market values of the bonds have risen due to a fall in interest rates in 2023.

The increase in the A-rated pocket is mainly due to the increase in the A-rated pocket of government bonds and similar products following reinvestments.

The NR pocket is stable.

4.2.1.2.2 Exposure to sovereign risk

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 2023	Market value at 31 December 2022
Belgium	2,049,062	2,179,682
France	919,747	1,001,833
Spain	734,719	603,089
Portugal	693,405	584,612
Supranational	682,377	589,544
Italy	558,332	530,657
Germany	540,235	566,967
Ireland	364,929	369,342
Austria	243,133	163,889
United States	148,475	108,865
Slovakia	92,933	92,507
Poland	84,390	89,124
Slovenia	82,354	69,824
Finland	69,656	66,035
Latvia	68,113	67,680
The Netherlands	65,130	13,419
Luxembourg	59,341	21,026
Australia	52,452	49,452
Lithuania	28,864	36,359
Mexico	15,075	14,397
United Kingdom	7,036	-
Denmark	3,164	3,043
Canada	3,108	2,826
Croatia	2,922	-
TOTAL	**7,568,950**	**7,229,143**

4.2.2 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.

4.2.3 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%	2.8%
Equities -30%	-9.7%
Real estate -15%	-5.0%
Spread Govies +0.50%	-16.7%
Interest rate +0.50%	-4.2%

SII stress on govies has a high impact due to our larger exposure to government bonds than the EIOPA reference portfolio. However, this sensitivity has been reduced since 2021, taking advantage of a low spread universe, so as to reduce the sensitivity of the solvency ratio to a 50bp widening of government spreads by more than 8%.

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.

4.2.4 Method of mitigating market risk

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 Head of Asset Management and the 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, that are managed and monitored appropriately. 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.

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.

Limits in interest rate sensitivities

Limits for interest rate sensitivity are applied by activity (Life, Non-Life and ring-fenced funds) to ensure compliance with Risk Appetite tolerance limits.

Interest rate risk hedging

Several programmes for managing the asset-liability duration gap have been implemented in recent years so as to limit the impact of interest-rate volatility on Ethias' own funds.

We monitor the interest-rate risk using a global strategy and a variety of instruments: extending asset duration by purchasing long-term government bonds, and using derivatives to limit, on the one hand, the impact of rising interest rates on bond values and, on the other hand, to set reinvestment rates over the next few years. 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 sensitivity is regularly monitored. The duration gap is controlled between -1 and 1.

Spread risk hedging

The spread risk is also assessed on a regular basis: the sovereign risk remains high, but has been significantly reduced during 2023 through the deployment of a larger derivatives programme. The corporate risk is not financially hedged, but remains limited thanks to diversification, the choice of quality issuers, portfolio monitoring and the strengthening of the average rating.

Inflation risk hedging

The inflation risk was also reduced this year, thanks in particular to the acquisition of new inflation-linked bonds offering positive real returns. The choice of issuers has been extended to diversify names and to reduce the concentration risk. The inflation risk is notably also hedged by the equity portfolio, rental income from real estate and other derivatives.

1 These impacts were estimated on the solvency ratio at 31/12/2023.

4.3. 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.

4.3.1 Exposure to credit risk

Exposures at 31/12/2023 and at 31/12/2022 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. Since 31/12/2020, the commitments guaranteed by Ethias in real estate project funds are no longer taken into account in the credit risk (via the SCR counterparty), but rather partially in the market risk (via the SCR market).

	Exposure to credit / counterparty risk	
In thousands of euros	**31/12/2023**	**31/12/2022**
Equities	-	-
Share interests	-	-
Government bonds and similar products	-	-
Corporate bonds	-	-
Covered bonds	-	-
Complex bonds	-	-
Real estate	-	-
Loans	573,781	541,297
Cash	362,748	480,135
Derivative instruments	-27,799	138,341
Best estimates and reinsurance deposits	222,708	147,976
Receivables	336,849	321,035
Guarantees	0	-
Total assets	**1,468,286**	**1,628,783**

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 20%.

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

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.

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.

4.4.1 Exposure to liquidity risk

4.4.1.1 Exposure to market liquidity risk

As of December 31, 2023, the liquid assets of our investment portfolios covered more than 86% of Ethias' technical commitments.

4.4.1.2 Exposure to funding liquidity risk

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

Assets

The portfolios are projected in run-off, 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 into their extinction profile over an investment horizon equal to the average of the different maturity classes.

We also note that actual maturities may differ from contractual maturities because certain assets are accompanied by early redemption clauses, with or without penalties, or maturity extension clauses. In addition, insurance contract assets are assumed to mature in less than one year, given their profile.

Liabilities

Liabilities include insurance liabilities and financial liabilities. Insurance liabilities only include future contractual premiums, including for Non-Life business. Expected cash flows on insurance contracts are based on the redemption assumptions defined by the company.

Liabilities relating to investment contracts mainly comprise liabilities relating to Branch 23 provisions, as well as first and second pillar investment contracts. Unit-linked insurance contracts are considered to expire within the year.

Repos

The repo margin strategy was put in place to anticipate investments and the reimbursement plan depends mainly on bond maturities.

Derivative instruments

Only hedges giving rise to an exchange of cash at maturity have been taken into account in our analyses.

In thousands of euros	31 December 2023						
	Expected cash flows (undiscounted)						
	Total amount of undiscounted flows	Up to 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years and indefinite maturity
Assets							
Bonds and similar securities	14,796,753	1,648,062	1,056,034	1,083,385	856,231	1,027,197	9,125,844
Participating interests, shares, investment funds and investment property	3,093,534	276,795	203,977	148,213	139,905	123,146	2,201,498
Loans and deposits	1,697,486	177,776	85,314	252,171	173,310	84,691	924,225
Cash and cash equivalents	449,956	449,956	-	-	-	-	-
Investments belonging to unit-linked insurance contracts	2,157,763	2,157,763	-	-	-	-	-
Derivatives	259,875	106,211	152,987	677	-	-	-
Reinsurance contract assets	255,353	67,417	35,404	22,749	19,889	15,857	94,037
Total assets	**22,710,722**	**4,883,981**	**1,533,715**	**1,507,195**	**1,189,335**	**1,250,891**	**12,345,604**
Liabilities							
Insurance contract liabilities	11,148,288	1,047,969	862,030	602,259	575,254	546,647	7,514,127
Investment contract liabilities	5,738,131	2,981,747	478,985	333,258	308,849	220,603	1,414,689
Subordinated debts	787,277	62,094	31,047	309,247	17,137	17,137	350,615
Other financial debts	343,310	343,310	-	-	-	-	-
Derivatives	295,699	145,748	149,951	-	-	-	-
Total liabilities	**18,312,704**	**4,580,869**	**1,522,013**	**1,244,764**	**901,240**	**784,387**	**9,279,431**

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 realised on the markets, in a rapid manner, without undergoing significant depreciations in value;
- on the other hand, by limiting investments in less liquid assets (for example, real estate, structured products, etc.) without prior authorisation.

A system of liquid asset limits has been defined for each business line (Life, Non-Life, ring-fenced funds) in order to meet Risk Appetite tolerance limits.

Liquidity is monitored for both Life and Non-Life businesses. The definition of limits by business line is monitored according to Ethias criteria and also according to the definition of the Fitch rating agency's liquidity indicator.

Monitoring these ratios allows to cope with funding liquidity stress scenarios, by maintaining a sufficient and sufficiently diversified stock of liquid assets that can either be rapidly realised on the markets, without incurring major depreciations in value, or that can be posted as collateral for repos.

A liquid portfolio will tend to be less profitable than an illiquid one. As a result, the notion of profitability must be taken into account when analysing the portfolio's liquidity. A certain level of illiquid assets is necessary to maintain a minimum profitability.

In 2023, tolerance limits were respected.

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 swift action if a liquidity gap is detected, such as: transforming assets into cash, contracting a loan or repo ...

A system of limits in funding liquidity and in repos has been defined in order to meet the tolerance limits related to Risk Appetite for liquidity and to cover cash requirements.

4.4.4 Expected profit included in future premiums

As of 31/12/2023, the total amount of expected profit included in future premiums, calculated in accordance with the Solvency II standards, is EUR 522 million, divided into EUR 343 million in Non-Life and EUR 179 million in Life.

4.5. 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.

The definition includes legal risk, but excludes strategic and reputational risks.

The Executive Committee directly monitors the operational risk. It analyses and proposes guidelines for the corresponding mitigation/management measures in accordance with Ethias' risk management policy.

4.5.1 Exposure to operational risk

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

Ethias is committed to the security not only of its own business, but also of the data of clients, partners, suppliers and employees, and thus of its contribution to society. That's why it considers the management of cyber risks as a top priority challenge.

Ethias orchestrates information security (cybersecurity, operational resilience, physical and environmental security ...) through a risk-based approach and compliance with international regulations and standards. Hence, Ethias aligns its own security with the ISO 27002:2022, NIST CSF, CSA (Cloud Security Alliance) and CyFUN frameworks, while complying with the regulator’s circulars, and applicable regulations (NIS, DORA, GDPR ...). Moreover, Ethias has entrusted the management of its operational IT to an ISO 27001-certified service provider.

Ethias’ information security is structured around a three-lines-of-defence model (3LoD) involving a 24/7 Security Operations Center (SOC), a SecOPS team, specialized Internal Control and Governance, Internal Audit, Business Continuity and Risk Managers, as well as the DPO Office and CISO Office.

Ethias has implemented an ambitious IT vulnerability management plan, including continuous assessment, remediation and hardening exercises, advanced threat-led penetration testing (TLPT) and an external Threat Intelligence department specializing in concrete threats to the European financial sector.

Besides protection, Ethias also focuses on its capabilities for detection, continuity and recovery in the event of a **cyberattack (**business continuity plan - disaster recovery plan). Several backups, either fast or highly secure (offline and immutable) are maintained and tested to optimize resilience and RPO and RTO

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 a context of uncertain energy strategy (high price volatility, fears of shortages due to decisions by Europe and the Belgian government on nuclear power 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 and in accordance with our regulatory requirements.

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.) and regulatory developments (DORA ...).

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.

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.

In terms of Sustainability, Ethias makes its sustainability strategy concrete and actionable through all its policies, charters and codes, These documents define the sustainability principles that the company sets for itself. By publishing them, Ethias undertakes to be transparent about its sustainability strategy, its objectives and progress.

The Ethias Sustainability Framework was published in 2023. It is a document that summarizes the guiding principles of the company's sustainability strategy and its implementation in all its activities.

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

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 naturally attentive to ESG risks, including physical climate and transition risks. Their nature can affect both the profitability of its products and the very continuity of its activities.

Every year, as part of its ORSA process (Own Risk Self-Assessment), Ethias assesses the potential impact of an extreme weather scenario on its physical risks and the impact of climate change on its investments. The stress tests carried out on this occasion thus make it possible to challenge the company's reinsurance policy, its investment 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. In the same vein, black-out tests are carried out periodically in order to test our resilience based on our energy self-sufficiency.

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, climatic risks, continuity risks and cyberattack risks is also integrated into these analyses.

Volatility of market indicators

The volatility of all market indicators during 2023, in particular the interest rate volatility, required a close monitoring of the ALM risk.

Geopolitical situation

Ethias remains attentive to geopolitical conflicts and their impact, particularly in terms of price rises in the energy sector.

Generative artificial intelligence (GAI)

Generative Artificial Intelligence (GAI) is a cutting-edge technology that is transforming the way we create and interact with data. It does not just analyse or process information, but is capable of producing new content that can mimic human creativity.

The increasingly widespread use of GAI, both in companies and at personal level, means that insurers need to take rapid account of the risks associated with this new technology.

As GAI impacts critical company processes, it requires highly proactive risk management in terms of data security, particularly personal data security (GDPR) and compliance and ethics risks, without neglecting the evolution of functions engendered by this change and its impact on personnel management.

In line with its strategy, Ethias is investing in new technologies (including GAI). External emerging risks specific to these new technologies are integrated into Ethias' risk management methodology.

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 SII vs. BGAAP 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. Also, net unrealised gains or losses arising from the valuation of asset components are generally not taken into account in the financial statements. The valuation rules as they govern the valuations of assets in the financial statements are set out in the annual report of Ethias SA.

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. In this context, Ethias applies the hierarchy for determining the fair value of IFRS 13 for all assets and liabilities for which another IFRS requires, or permits, recognition at their fair value, as well as the presentation in annexe of information on their fair value measurement. The principles of valuation by hierarchical levels are explained below.

In addition to the differences in valuation methods, certain reclassifications are made between the different headings of item C. Investments in the Belgian balance sheet and the major categories of assets presented in the Solvency II economic balance sheet. A significant reclassification relates to accrued interest not yet due on debt securities. These are included in the fair value ("dirty market value") of the asset classes concerned in Solvency II, whereas they are classified as accruals in accordance with Belgian GAAP.

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

Asset class	Explanation of the difference between Solvency II and BGAAP
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 recognised 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 recognised 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 2023.

In thousands of euros	SII value 31/12/2023	SII value 31/12/2022	Annual change
Share interests	698,974	696,971	2,003
Equities listed	505,587	458,519	47,069
Unlisted equities	144,312	86,735	57,577
Investment funds	927,303	885,337	41,965
Government bonds	6,907,566	6,615,008	292,557
Corporate bonds	3,904,915	3,888,267	16,648
Structured notes	97,155	171,010	-73,855
Collateralized securities	0	0	-
Property (other than for own use)	139,233	148,956	-9,723
Derivatives	-35,824	133,774	-169,597
Deposits other than cash equivalents	58,972	70,967	-11,995
Assets belonging to unit-linked insurance contracts	2,161,659	1,609,547	552,113
Mortgages to individuals	438,337	403,991	34,346
Other loans and mortgages	906,081	795,585	110,497
Loans on policies	19,618	18,132	1,486
Total	**16,873,889**	**15,982,799**	**891,091**

The market value of bond investments (government, corporate and structured bonds) increased by EUR 235 million in 2023. The main reasons for this change are as follows:

- Increase in market values for EUR 566 million explained mainly by a decrease in interest rates
- Net purchases of EUR 1,389 million
- Bond maturities of EUR 1,712 million

The significant increase in the market value of listed shares of EUR 47 million is mainly due to significant increases in market value (EUR +57 million) offset by net sales of EUR 10 million.

The increase of EUR 42 million in investments in collective investment undertakings is largely due to purchases in alternative investments (EUR +106 million) compensated by sales of money market funds for EUR 60 million.

The increase in assets backing unit-linked contracts of EUR 551 million comes from new unit-linked contracts for a net amount of EUR 364 million and the increase in the market value of assets in the portfolio (EUR +178 million).

The increase of EUR +34 million in mortgage loans to private individuals is mainly due to capital amortization or reimbursement (EUR -35 million), compensated by continued investment in mortgage loan notes for a net amount of EUR 70 million.

5.1.2 SII vs. BGAAP valuation of other assets

5.1.2.1 Goodwill and intangible assets

Goodwill and intangible assets are not recognised 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 realised 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 2023.

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).

At the end of this recoverability test, Ethias is able to justify that the estimated future taxable profits resulting from expected new activities are sufficient not to limit the valuation of net DTA in eligible own funds (the amount of net DTA recoverable through profits is significantly higher than the other criteria that limit Tier 3 eligibility).

The decrease of EUR 56 million in deferred taxes is explained by the greater increase in market values of financial assets than in liabilities impacted by the discount rate.

5.1.2.3 Fixed assets held for own use

The increase in the appraised value of fixed assets held for own use is mainly due to the updated value of the building at Alleur.

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 increase of EUR 29 million in this item is mainly due to higher premiums in Non-Life (in direct insurance as well as in co-insurance and brokerage) and to 3 premiums to be received in in 2nd pillar Life insurance.

5.1.2.5 Receivables (other than insurance receivables)

Receivables other than insurance receivables remained stable overall. Management costs to be collected on dedicated asset funds as well as prepaid expenses increased, compensated by a decrease in amounts to be received from the NSSO-PLA (National Social Security Office for Provincial and Local Authorities) following pension payments and by a reduction in credit notes to be received.

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 EUR 32 million relating to the right of use is included, and under "Other liabilities", the lease obligation of EUR 30 million 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.

In 2023, Ethias acquired a long-term right of use for EUR 53 million on the Hasselt building, with a long-term allocation to its business operations. This real right over a company building has been classified under "Other assets".

The increase in reinsurance receivables (EUR +145 million) is mainly explained by the receipt of a new pledged-securities deposit linked to the new contract signed in 2023 reinsuring the international portfolio.

5.2. Valuation of technical provisions

5.2.1 Valuation of best estimates Life

We refer to section 5.2.2 for health products similar to Life.

5.2.1.1 Results

The table below shows the valuation of Life provisions under SII, i.e. the value of Best Estimates (BE) at end-2022 and end-2023, as well as the valuation of Life technical provisions described in the BGAAP financial statements at end-2023.

In thousands of euros

SII line of business	SII 2023	BGAAP 2023	SII 2022
Insurances with profit participation	8,103,888	8,148,917	8,114,598
Accepted reinsurance	0	0	0
Complementary provisions BGAAP	0	1,068,149	0
TRIP provision	0	344	0
Total Life (excluding DC, unit-linked and index-linked)	8,103,888	9,217,410	8,114,598
CL annuities	49,495	40,419	47,934
Total Life (excluding unit-linked and index-linked)	8,153,383	9,257,829	8,162,532
Index-linked and unit-linked insurance	2,183,095	2,161,659	1,633,584
Overall Total	**10,336,478**	**11,419,488**	**9,796,116**

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 Valuation Method

In BGAAP, the Life insurance provisions include:

- the 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 Life 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 Life 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.

5.2.1.4 Uncertainty level

There is a degree of uncertainty relating to the following elements:

- Financing funds and collective 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; an analysis having shown that its impact is non-material on the BE Life,
- 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 31/12/2023.

5.2.1.6 Significant changes in assumptions

Significant changes to assumptions or modelling between December 31, 2022 and December 31, 2023 concern the review of various calibrations (discount curve, redemption rate, expenses, mortality tables).

5.2.1.7 Change in Best Estimates Life

The first important element that influences the value of BEs is the discount rate curve provided by EIOPA. The curve at end-2023 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 EUR +296 million.

5.2.2 Valuation of Best Estimates Non-Life and Health

5.2.2.1 Results

The table below shows the valuation of Non-Life provisions under SII, i.e. the value of Best Estimates (BE) at end-2022 and end-2023, as well as the valuation of Non-Life technical provisions described in the BGAAP financial statements at end-2023.

In thousands of euros

SII line of business	SII value 31/12/2023	BGAAP value 31/12/2023	SII value 31/12/2022
Non-Life (without health)	1,790,767	2,130,056	1,802,351
Health (similar to Non-Life)	356,210	508,222	361,785
Non-Life	2,146,978	2,638,277	2,164,136
Health (similar to Life)	1,405,779	1,819,880	1,304,934
TOTAL Non-Life and health (BGAAP without recourse)	3,552,756	4,458,158	3,469,070
Recourse provisions	0	-80,206	0
TOTAL Non-Life and health net of recourse	3,552,756	4,377,952	3,469,070

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 2023 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)	1,790,767	1,583,201	-7,379	200,187
Health (similar to Non-Life)	356,210	350,535	-34	5,640
Non-Life	2,146,978	1,933,737	-7,413	205,828
Health (similar to Life)	1,405,779	1,389,511	0	16,268
TOTAL	3,552,756	3,323,248	-7,413	222,095
Annuities included in Life	49,495	49,495	0	0

In SII, the amounts recoverable from the reinsurance contracts are valued at total amount of EUR 222 million whereas the shares of reinsurers in the technical provisions of the Belgian balance sheet amount to EUR 297 million.

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 still 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.

A specific amount is also added to take account of IBNR of atypical claims when the treatment of these for a group of homogeneous risks is not done through triangulation.

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.

Adjustment

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 Workers' Compensation and Common Law

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 for the annuities Workers' Compensation and Common Law.
- 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, Liege and Charleroi attacks in the BE claims and annuities

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

The mechanism in place is as follows:

- The companies manage their claims;
- The cost of the various claims of the sector is globalized in a pool (TRIP);
- Reinsurers intervene on the basis of the pool's charge;
- The pool redistributes the charges and expenses ceded to the various companies in proportion to their market shares.

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 new information available.

BE premiums

All the parameters necessary for the use of the projection module have been recalibrated.

Since 2022, the S/Ps have been determined alongside the budgetary exercise, which is based on a projection in BE of expected expenses for the various LoBs.

BE claims

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

BE annuities

The various major assumptions were reviewed.

5.2.2.9 Evolution of Best Estimates Non-Life and Health

The evolution between 31/12/2022 and 31/12/2023 of the BE Non-Life is an increase of 2.4%. This change breaks down as follows:

- Non-Life without Health: 0.6% decrease
- Health similar to Non-Life: 1.5% decrease
- Health similar to Life: 7.7% increase

In thousands of euros		Technical provisions (SII)		
		31/12/2023	31/12/2022	Evolution
Technical provisions Non-Life (excluding health)	BE Claims	1,667,243	1.697.382	-1.8%
	BE Premium	123,524	104,969	17.7%
	BE total	**1,790,767**	**1.802.351**	**-0.6%**
Technical provisions health (similar to Non-Life)	BE Claims	421,614	379,017	11.2%
	BE Premium	-65,404	-17,232	-279.5%
	BE total	**356,210**	**361,785**	**-1.5%**
Technical provisions health (similar to Life)	BE Premium	-199,494	-229,195	13.0%
	BE Annuities	1,605,273	1.534.129	4.6%
	BE total	**1,405,779**	**1.304.934**	**7.7%**
BE total Non-Life and health		**3.552.756**	**3,469,070**	**2.4%**

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 reduced impact of the inflation 2022 add-on in the BE.

The change in the BE "Non-Life health similar to Non-Life" was primarily impacted by an increase in business volume in Healthcare Private Individuals & Public Bodies and Worker's Compensation.

The evolution of the BE "Non-Life Health similar to Life" is influenced by the increase in the BE annuities. The latter is marked by the unfavourable evolution in the rate curve. The BE premiums, which relates exclusively to the branch "Health Care Individuals", is impacted by the review of the assumption regarding the expected profitability of premiums.

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 EUR 400 million, i.e. an additional 2.7% of the Best Estimates as of December 31, 2023.

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

In thousands of euros	Valuation of the risk margin	
SII line of business	31/12/2023	31/12/2022
Non-Life (without health)	145,937	147,589
Health (similar to Non-Life)	53,357	52,935
Health (similar to life)	41,980	38,404
Life (without index-linked and unit-linked insurance)	129,152	153,670
Index-linked and unit-linked insurance	5,881	4,937
Total	**376,307**	**397,534**

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 due to the decrease in the SCR Life resulting from lower interest rates over the year 2023 (reduction in mass lapse).

5.2.4 Volatility adjustment

The solvency ratio of Ethias SA is valued using the EIOPA rate curve with the volatility adjustment. No significant changes have been made to EIOPA's methodology for taking into account the volatility adjustment.

The volatility adjustment slightly increased from 19 bp at end-2022 to 20 bp at end-2023. As a result, this parameter has a slightly greater impact on the solvency ratio. The ratio without this adjustment would be 12% lower (compared to 10% at 31/12/2022). For the MCR, the cancellation of the adjustment reduces the ratio by 37%.

At the level of the Solvency II balance sheet, the market values of the assets remain unchanged since they do not depend on the rate curve established by EIOPA with or without volatility adjustment. On the other hand, discounting the liability flows to a lower rate curve generates a higher Best Estimate of commitments, reducing the available own funds and, in particular, those eligible for capital hedging. Mechanically, the SCR increases with the rise in BE except for the mass lapse in Life, where the decrease in rates is beneficial.

The relative impact of the volatility adjustment on the SCR coverage ratio is more significant at 31/12/2023 (-0.60%/bp) than at 31/12/2022 (-0.55%/bp). This increase is explained by the fact that the decrease in mass lapse no longer offsets the rise in other SCRs (decrease in rates).

The effects of the volatility adjustment at end-2023 on own funds, SCR and MCR are presented in the tables below.

In thousands of euros	Impact of the volatility adjustment on the coverage ratio of the SCR		
	Without VA	QRT 12/2023	Delta
Solvency Capital Requirement (SCR)	1,495,310	1,494,051	1,260
Eligible equity capital SCR	2,665,329	2,841,098	-175,769
surplus(+) / deficit(-)	1,170,019	1,347,047	-177,028
SCR coverage rate	**178.25%**	**190.16%**	**-11.9%**

In thousands of euros	Impact of the volatility adjustment on the coverage ratio of the MCR		
	Without VA	QRT 12/2023	Delta
Minimum Capital Requirement (MCR)	665,576	643,456	22,120
Eligible equity capital MCR	2,050,789	2,222,764	-171,974
surplus(+) / deficit(-)	1,385,213	1,579,307	-194,094
MCR coverage rate	**308.12%**	**345.44%**	**-37.32%**

5.3. Valuation of other liabilities

5.3.1 Valuation methods for other liabilities

5.3.1.1 Subordinated debts

For loans with a call option (early redemption before maturity), Ethias assigns redemption probabilities as of the first call date. These probabilities should reflect the plausibility of the option being exercised by the issuing entities, based on the market conditions, and are subject to an expert judgement.

Under IFRS, the following hierarchy of valuation methods is applied:

Subordinated loans that are listed on an active market are valued on the basis of the "Ask" market price. They are classified under IFRS as level 1.

Subordinated loans that do not have a listed price on an active market are valued using the DCF method ("Discounted Cash Flows") with the revalued spread at the calculation date, and the call probability determined by an expert judgement reflecting the plausibility of the option being exercised based on the market conditions in line with the assumptions used internally by Ethias' management when the last Business Plan was drawn up. In this case, it is a level 3 assessment.

In SII, the DCF method is used for all subordinated loans with the original credit spread held constant. Article 75 of Directive 2009/138/EC stipulates that when liabilities are valued, no adjustment is made to take account of the credit quality of the insurance or reinsurance undertaking. The rate curve used to discount the flows is the swap rate curve.

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

As of December 31, 2022, no contingent liabilities were recognised.

5.3.1.3 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 recognised 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 EUR 5 million made in the BGAAP financial statements to cover the cost of hedging derivatives does not exist in SII as this cost is recognised in the market value of the derivatives.

5.3.1.4 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.

5.3.1.5 Deposits from reinsurers and reinsurance payables, debts owed to credit institutions, financial liabilities other than those owed to credit institutions, insurance and intermediaries receivables, reinsurance payables and other debts

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 these debts, the nominal value constitutes a value sufficiently close to the market value of the debts, with the exception of lease contracts.

5.3.2 Change in other liabilities

5.3.2.1 Subordinated loans

The increase in the value of subordinated loans (EUR +85 million) is due to the issuance of a new subordinated loan of EUR 250 million and to the revaluation of loans following the reduction in risk-free rates in 2023 (EUR +20 million), partially offset by the maturity of the loan issued in 2018 for EUR 75 million and the partial redemption of the loan issued in 2015 for a amount of EUR 114 million.

5.3.2.2 Contingent liabilities

The various scenarios considered and the amount of the resulting contingent liability have been reassessed: no contingent liabilities are recognised at end-2023.

5.3.2.3 Provisions other than technical provisions

The EUR 1 million decrease is mainly due to the reversal of a provision relating to a dispute.

5.3.2.4 Pension benefit obligations

The EUR 20 million decrease is mainly due to, on the one hand, the payment of pensions under the 60+ plan and, on the other hand, to the increase in the market value of OFP assets, which was greater than the effect of the discount rate on the pension commitment.

5.3.2.5 Deposits from reinsurers and reinsurance payables

The EUR 146 million increase is mainly explained by a EUR 139 million increase in securities deposits and cash deposits received, notably following a new contract signed in 2023 reinsuring the international portfolio, and by a EUR 7 million increase in debts towards reinsurers.

5.3.2.6 Debts owed to credit institutions

The decrease of EUR 192 million is explained by the reimbursement of the repos for EUR 66 million and the decrease in the collateral of EUR 125 million.

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

The increase of EUR 31 million is mainly explained by the increase in payments received in advance (mainly in Workers' Compensation) and by the increase in debt to co-insurers, partly offset by the decrease in experience rating, depositors' accounts and debts to brokers.

5.3.2.8 Other debts and other liabilities

The EUR 25 million increase is explained by the rise in the income tax liability, by the increase in costs on dedicated assets and by the increase in recorded invoices to be received, partially offset by the reduction in advance payments for withholding tax.

5.4. Alternative valuation methods

None.

5.5. Any other information regarding the valuation of assets and liabilities

Ethias took part in the stress-testing exercise organized by the NBB in 2023. The aim is to measure the impact on the solvency of Belgian insurance companies subject to a scenario of strongly negative interest rates, based on the situation at 12/31/2022. Following this exercise, the solvency ratio fell from 170% to 148% at 12/31/2022, viz. an impact of -22%.

With the result being positive and Ethias' solvency being intact, the NBB has granted the exemption to endow the flashing-light provision in 2023.

5.6. QRT appendices

5.6.1 S2 balance sheet compared with previous year

In thousands of €	Q0-2022	Q0-2023	Changes
ASSETS			
Deferred tax assets	300,936	244,992	-55,943
Property, plant & equipment held for own use	11,108	13,448	2,340
Property (other than for own use)	148,956	139,233	-9,723
Holdings in related undertakings, including participations	696,971	698,974	2,003
Equities	545,253	649,899	104,646
Government Bonds	6,615,008	6,907,566	292,557
Corporate Bonds	3,888,267	3,904,915	16,648
Structured notes	171,010	97,155	-73,855
Collective Investments Undertakings	885,337	927,303	41,965
Derivatives	372,595	268,330	-104,264
Deposits other than cash equivalents	70,967	58,972	-11,995
Assets held for index-linked and unit-linked contracts	1,609,303	2,161,659	552,356
Loans and mortgages	1,217,708	1,364,037	146,329
Reinsurance recoverables	141,614	222,095	80,481
Deposits to cedants	3,666	3,547	-120
Insurance and intermediaries receivables	182,579	211,429	28,850
Reinsurance receivables	145,708	290,260	144,551
Receivables (trade, not insurance)	85,492	85,653	161
Cash and cash equivalents	491,658	350,571	-141,087
Any other assets, not elsewhere shown	50,041	111,136	61,095
TOTAL	**17,634,178**	**18,711,174**	**1,076,996**

LIABILITIES			
Own funds	2,098,806	2,434,665	335,859
BE Non-Life	1,802,351	1,790,767	-11,583
RM Non-Life	147,589	145,937	-1,652
BE health (similar to Non-Life)	361,785	356,210	-5,575
RM health (similar to Non-Life)	52,935	53,357	422
BE health (similar to Life)	1,257,000	1,356,284	99,284
RM health (similar to Life)	38,404	41,980	3,577
BE Life (excluding health and index-linked and unit-linked)	8,162,532	8,153,383	-9,149
RM Life (excluding health and index-linked and unit-linked)	153,670	129,152	-24,518
BE index-linked and unit-linked	1,633,584	2,183,095	549,511
RM Technical provisions – index-linked and unit-linked	4,937	5,881	944
Contingent liabilities	0	0	0
Provisions other than technical provisions	11,344	10,789	-555
Pension benefit obligations	54,987	34,577	-20,410
Deposits from reinsurers	165,183	304,323	139,140
Deferred tax liabilities	0	0	0
Derivatives	238,821	304,154	65,333
Debts owed to credit institutions	545,367	353,487	-191,880
Insurance & intermediaries payables	165,444	196,119	30,675
Reinsurance payables	12,279	19,463	7,184
Payables (trade, not insurance)	219,389	245,130	25,742
Subordinated liabilities in Basic Own Funds	476,339	561,652	85,313
Any other liabilities, not elsewhere shown	31,433	30,768	-664
TOTAL	**17,634,178**	**18,711,174**	**1,076,996**

5.6.2 Balance sheet S2 versus BGAAP

In thousands of €	SII Q0-2023	BGAAP Q0-2023	Variations SII - BGAAP
ASSETS			
Intangible assets	0	96,731	-96,731
Deferred tax assets	244,992	-0	244,992
Property, plant & equipment held for own use	13,448	5,187	8,260
Property (other than for own use)	139,233	126,349	12,885
Holdings in related undertakings, including participations	698,974	500,434	198,540
Equities	649,899	476,344	173,555
Government Bonds	6,907,566	7,973,378	-1,065,813
Corporate Bonds	3,904,915	4,159,526	-254,611
Structured notes	97,155	102,088	-4,933
Collective Investments Undertakings	927,303	907,716	19,586
Derivatives	268,330	7,772	260,558
Deposits other than cash equivalents	58,972	58,972	0
Assets held for index-linked and unit-linked contracts	2,161,659	2,161,659	-0
Loans and mortgages	1,364,037	1,447,904	-83,868
Reinsurance recoverables	222,095	297,157	-75,062
Deposits to cedants	3,547	3,547	0
Insurance and intermediaries receivables	211,429	291,635	-80,206
Reinsurance receivables	290,260	290,260	0
Receivables (trade, not insurance)	85,653	85,653	-0
Cash and cash equivalents	350,571	350,571	0
Any other assets, not elsewhere shown	111,136	79,097	32,040
TOTAL	**18,711,174**	**19,421,982**	**-710,808**

LIABILITIES			
Own funds	2,434,665	1,833,988	600,677
BE Non-Life	1,790,767	2,130,056	-339,288
RM Non-Life	145,937	0	145,937
BE health (similar to Non-Life)	356,210	508,222	-152,011
RM health (similar to Non-Life)	53,357	0	53,357
BE health (similar to Life)	1,356,284	1,779,461	-423,178
RM health (similar to Life)	41,980	0	41,980
BE Life (excluding health and index-linked and unit-linked)	8,153,383	9,257,474	-1,104,091
RM Life (excluding health and index-linked and unit-linked)	129,152	0	129,152
BE index-linked and unit-linked	2,183,095	2,161,659	21,435
RM Technical provisions – index-linked and unit-linked	5,881	0	5,881
Contingent liabilities	0	0	0
Provisions other than technical provisions	10,789	15,609	-4,820
Pension benefit obligations	34,577	44,662	-10,085
Deposits from reinsurers	304,323	304,323	0
Deferred tax liabilities	0	2,704	-2,704
Derivatives	304,154	8,455	295,699
Debts owed to credit institutions	353,487	353,487	0
Insurance & intermediaries payables	196,119	196,119	0
Reinsurance payables	19,463	19,463	0
Payables (trade, not insurance)	245,130	245,130	0
Subordinated liabilities in Basic Own Funds	561,652	560,368	1,285
Any other liabilities, not elsewhere shown	30,768	802	29,966
TOTAL	**18,711,174**	**19,421,982**	**-710,808**

6. Capital management

6.1. Own funds

6.1.1 Breakdown of available own funds

In thousands of euros	Breakdown of available own funds	
	31/12/2023	31/12/2022
Tier 1 unrestricted	2,079,673	1,689,870
Tier 1 restricted	14,400	14,513
Tier 2	547,253	461,826
Tier 3	244,992	300,936
Total	**2,886,317**	**2,467,145**

At end-2023, the available own funds are composed of the basic own funds classified according to the following tiers:

- Tier 1 - unrestricted resulting from the excess of assets over liabilities, excluding tax assets, from which the proposed dividend (EUR 110,000 thousand) and deferred tax assets (EUR 244,992 thousand) classified in tier 3 have been removed.
- Tier 1 restricted corresponding to the balance of EUR 14,400 thousand of the perpetual loan issued in 2010 (i.e. the portion not having participated in the exchange operation carried out in 2015) valued at market value. It is classified as tier 1 under the transitional measures.
- Tier 2 comprising, on the one hand, the subordinated loan of EUR 271 million issued in 2023 and maturing in 2033 (valued at market value and classified as tier 2) and, on the other hand, the subordinated loan of EUR 276 million in nominal value issued in July and November 2015 and maturing in January 2026 (valued at market value).
- Tier 3 corresponding to deferred tax assets.

The available own funds increased between 2022 and 2023, mainly thanks to an excellent financial and operating result.

6.1.2 Composition of eligible own funds to meet the solvency capital requirement (SCR)

Available own funds detailed in the previous section are subject to different limits, set by the Solvency II regulations, which determine their eligibility for the Solvency Capital Requirement:

- Tier 1 represents at least 50% of the SCR.
- Subordinated loans classified as tier 1 may not represent more than 20% of total tier 1.
- Items classified as tier 2 and tier 3 may not exceed 50% of the SCR.
- Items classified as tier 3 may not represent more than 15% of the SCR.

In thousands of euros	Breakdown of eligible own funds to meet the SCR	
	31/12/2023	31/12/2022
Tier 1 unrestricted	2,079,673	1,689,870
Tier 1 restricted	14,400	14,513
Tier 2	547,253	461,826
Tier 3	199,773	209,492
Total	**2,841,098**	**2,375,701**

As of 31/12/2023, the eligibility limit is reached for tier 3.

6.1.3 Coverage of the Solvency Capital Requirement

The SII margin at 31/12/2023, based on the standard formula, amounts to 190.16% (after dividend), compared with 170.10% at 31/12/2022 :

In thousands of euros	SCR coverage	
	31/12/2023	31/12/2022
Solvency Capital Requirement	1,494,051	1,396,613
Eligible own funds to meet the SCR	2,841,098	2,375,701
Coverage rate	**190.16%**	**170.10%**

The coverage ratio increased due to the rise in own funds (EUR +465,397 thousand) only partially offset by the increase in the SCR (EUR +97,438 thousand).

This evolution was mainly explained by good technical and financial results. However, these effects were compensated by the increase in the SCR Market: the good performance of equity leads to an increase in the SCR equity (increase in market values of equity and rise in the symmetrical adjustment).

6.1.4 Breakdown of eligible own funds to meet the minimum capital requirement (MCR)

The different values that make up the eligible own funds to meet the minimum capital requirement (MCR) respect the maximum limits set by Solvency II regulations, namely:

- Tier 1 represents at least 80% of the MCR.
- Subordinated loans classified as tier 1 may not represent more than 20% of total tier 1.
- Items classified as tier 2 may not exceed 20% of 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 December 31, 2022 and at December 31, 2023.

In thousands of euros	Breakdown of eligible own funds to meet the MCR	
	31/12/2023	31/12/2022
Tier 1 unrestricted	2,079,673	1,689,870
Tier 1 restricted	14,400	14,513
Tier 2	128,691	125,695
Total	**2,222,764**	**1,830,078**

6.1.5 Coverage of the minimum capital requirement

The S2 standards require that the MCR should be between 25% and 45% of the SCR. The calculation of the MCR leading to a value above this range at end-2022, it is limited under this regulation at 45% of the SCR. In 2023, this limit is no longer reached.

In thousands of euros	MCR coverage	
	31/12/2023	31/12/2022
Minimum Capital Requirement	643,456	628,476
Eligible own funds to meet the MCR	2,222,764	1,830,078
Coverage rate	**345.44%**	**291.19%**

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.

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-23	31-Dec-22
Accounting own funds	1,811,078	1,719,325
Fund for future appropriations	22,910	18,379
Financial asset gains/losses	-1,128,270	-1,769,905
Any other assets	2073	1411
Revaluation technical liabilities	1,475,643	1,799,862
Other liabilities	455,187	394,361
Deferred taxes	247,696	303,713
SII own funds	**2,886,317**	**2,467,145**

6.2. Solvency capital requirement and minimum capital requirement

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 (reserve risk in the calculation of SCR premiums and reserves). At end-2022, the MCR reaches the ceiling of 45% of the SCR, but this is no longer the case at end-2023.

In thousands of euros	31/12/2023	31/12/2022
Solvency Capital Requirement (SCR)	1,494,051	1,396,613
Minimum Capital Requirement (MCR)	643,456	628,476

6.2.2 Solvency capital required per risk module

In thousands of euros	SCR by risk module	
	31/12/2023	31/12/2022
Market risk	918,822	826,795
Counterparty default risk	82,268	87,023
Life underwriting risk	217,734	264,582
Health underwriting risk	383,702	337,058
Non-Life underwriting risk:	497,463	476,272
Diversification	-706,007	-689,652
Intangible asset risk	0	0
Basic Solvency Capital Requirement	1,393,982	1,302,077
Operational risk	116,851	108,892
Absorbing capacity of technical provisions	-16,781	-14,355
Loss-absorbing capacity of deferred taxes	0	0
Solvency Capital Requirement	**1,494,051**	**1,396,613**

At end-2023, the total SCR stands at EUR 1.49 billion, 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-2023 and end-2022, thus formed by the SCR market, Non-Life, health.

The total Solvency Capital Requirement went from EUR 1.40 billion at December 31, 2022 to EUR 1.49 billion at December 31, 2023:

- The Solvency Capital Requirement for market risks has increased by almost 11% mainly due to the equity risk (increase in the value of the exposures and the symmetrical adjustment).
- The Solvency Capital Requirement for counterparty default risk has slightly decreased thanks to the reduction in type 1;
- The Solvency Capital Requirement for Life underwriting risks has decreased following the reduction in rates on mass lapse;
- The Solvency Capital Requirement for health underwriting risks has increased mainly due to the rise in the risk regarding premiums and NSLT reserves (increase in the premium volume and calibration of the USP).
- The Solvency Capital Requirement for Non-Life underwriting risks has increased due to the rise in Non-Life catastrophe;
- The Solvency Capital Requirement for operational risks has increased following the rise in premium volume. It is indeed this part that dominates this year compared to the risks on the BEs;
- The gain in diversification between the SCRs has increased following the rise in the health and Non-Life risk;
- The adjustment effect of the profit-sharing on capital requirements amounts to EUR -14,355 thousand at end-2022 against EUR -16,781 thousand at end-20233 thanks to the decrease in rates and the increase in equity values;
- At end-2023, 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 authorisation 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 authorisation concerns 5 lines of Non-Life business. Method 2 of Annex XVII of the Delegated Acts 2015/35/EC has been implemented.

At end-2023, the scope of application of these parameters remained unchanged.

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" submodule based on duration in the calculation of the solvency capital requirement

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.

6.6. Other information

None.

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, 2023.

7.1. Balance sheet

		Solvency II value
		C0010
Assets	**AR0009**	
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	-
Deferred tax assets	R0040	244,992
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	13,448
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	13,652,347
Property (other than for own use)	R0080	139,233
Holdings in related undertakings, including participations	R0090	698,974
Equities	R0100	649,899
Equities - listed	R0110	505,587
Equities - unlisted	R0120	144,312
Bonds	R0130	10,909,636
Government Bonds	R0140	6,907,566
Corporate Bonds	R0150	3,904,915
Structured notes	R0160	97,155
Collateralised securities	R0170	-
Collective Investments Undertakings	R0180	927,303
Derivatives	R0190	268,330
Deposits other than cash equivalents	R0200	58,972
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	2,161,659
Loans and mortgages	R0230	1,364,037
Loans on policies	R0240	19,618
Loans and mortgages to individuals	R0250	438,337
Other loans and mortgages	R0260	906,081
Reinsurance recoverables from:	R0270	222,095
Non-life and health similar to non-life	R0280	205,828
Non-life excluding health	R0290	200,187
Health similar to non-life	R0300	5,640
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	16,268
Health similar to life	R0320	16,268
Life excluding health and index-linked and unit-linked	R0330	-
Life index-linked and unit-linked	R0340	-
Deposits to cedants	R0350	3,547
Insurance and intermediaries receivables	R0360	211,429
Reinsurance receivables	R0370	290,260
Receivables (trade, not insurance)	R0380	85,653
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	350,571
Any other assets, not elsewhere shown	R0420	111,136
Total assets	**R0500**	**18,711,174**

Liabilities	AR0509	Valeur Solvabilité II C0010
Technical provisions - non-life	R0510	2,346,271
Technical provisions - non-life (excluding health)	R0520	1,936,704
Technical provisions calculated as a whole	R0530	-
Best Estimate	R0540	1,790,767
Risk margin	R0550	145,937
Technical provisions - health (similar to non-life)	R0560	409,567
Technical provisions calculated as a whole	R0570	-
Best Estimate	R0580	356,210
Risk margin	R0590	53,357
Technical provisions - life (excluding index-linked and unit-linked)	R0600	9,680,799
Technical provisions - health (similar to life)	R0610	1,398,264
Technical provisions calculated as a whole	R0620	-
Best Estimate	R0630	1,356,284
Risk margin	R0640	41,980
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	8,282,535
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	8,153,383
Risk margin	R0680	129,152
Technical provisions - index-linked and unit-linked	R0690	2,188,976
Technical provisions calculated as a whole	R0700	-
Best Estimate	R0710	2,183,095
Risk margin	R0720	5,881
Other technical provisions	R0730	
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	10,789
Pension benefit obligations	R0760	34,577
Deposits from reinsurers	R0770	304,323
Deferred tax liabilities	R0780	-
Derivatives	R0790	304,154
Debts owed to credit institutions	R0800	353,487
Financial liabilities other than debts owed to credit institutions	R0810	-
Insurance & intermediaries payables	R0820	196,119
Reinsurance payables	R0830	19,463
Payables (trade, not insurance)	R0840	245,130
Subordinated liabilities	R0850	561,652
Subordinated liabilities not in Basic Own Funds	R0860	-
Subordinated liabilities in Basic Own Funds	R0870	561,652
Any other liabilities, not elsewhere shown	**R0880**	**30,768**
Total liabilities	**R0900**	**16,276,509**
Excess of assets over liabilities	**R1000**	**2,434,665**

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 (direct bu						
		Medical expense insurance	Income protection insurance	Workers' compen-sation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
Premiums written	AR0109							
Gross - Direct Business	R0110	208,764	71,802	405,284	267,529	199,263	297	306,782
Gross - Proportional reinsurance accepted	R0120	-	-	-	-	-	-	8
Gross - Non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140	310	524	12,110	81,003	6,183	-	60,639
Net	R0200	208,454	71,278	393,173	186,526	193,081	297	246,151
Premiums earned	AR0209							
Gross - Direct Business	R0210	209,308	71,161	405,283	264,506	197,137	294	297,311
Gross - Proportional reinsurance accepted	R0220	-	-	-	-	-	-	8
Gross - Non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240	310	524	12,110	81,003	6,183	-	60,648
Net	R0300	208,998	70,637	393,173	183,503	190,955	294	236,672
Claims incurred	AR0309							
Gross - Direct Business	R0310	178,203	43,887	310,212	210,214	103,696	(341)	91,044
Gross - Proportional reinsurance accepted	R0320	18	-	32	(157)	-	-	380
Gross - Non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340	269	(1,942)	9,439	69,230	568	-	17,913
Net	R0400	177,953	45,829	300,805	140,827	103,128	(341)	73,510
Expenses incurred	R0550	29,476	14,357	57,678	81,726	55,033	20	76,321
Balance - other technical expenses/income	R1210							
Total technical expenses	R1300							

usiness and accepted proportional reinsurance)									Total
General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
107,559	17	45,834	50,049	4,404					1,667,584
-	-	-	-	-					8
					241	84	-	745	1,070
76,474	-	-	-	-	-	-	-	-	237,243
31,085	17	45,834	50,049	4,404	241	84	-	745	1,431,419
105,843	17	44,778	47,958	11,597					1,655,194
-	-	-	-	-					8
					241	84	-	745	1,070
76,474	-	-	-	-	-	-	-	-	237,252
29,369	17	44,778	47,958	11,597	241	84	-	745	1,419,021
33,786	-	26,733	22,183	5,774					1,025,391
(117)	-	-	-	-					156
					(309)	138	62	(69)	(178)
40,552	-	-	-	-	-	-	-	-	136,029
(6,884)	-	26,733	22,183	5,774	(309)	138	62	(69)	889,340
28,315	3	20,633	20,052	853	55	14	-	110	384,647
									72,362
									457,009

Life

		Line of Business for: life insurance obligations			
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance
		C0210	C0220	C0230	C0240
Premiums written	AR1409				
Gross	R1410	-	1,633,096	72,370	-
Reinsurers' share	R1420	-	1,778	-	-
Net	R1500	-	1,631,318	72,370	-
Premiums earned	AR1509				
Gross	R1510	-	1,633,096	72,370	-
Reinsurers' share	R1520	-	1,778	-	-
Net	R1600	-	1,631,318	72,370	-
Claims incurred	AR1609				
Gross	R1610	-	1,779,395	12,364	-
Reinsurers' share	R1620	-	1,248	-	-
Net	R1700	-	1,778,147	12,364	-
Expenses incurred	R1900	-	54,377	7,348	-
Balance - other technical expenses/income	R2510				
Total technical expenses	R2600				
Total amount of surrenders	R2700	-	119,986	310	-

		Life reinsurance obligations		
Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
C0250	C0260	C0270	C0280	C0300
-	-	-	-	1,705,466
-	-	-	-	1,778
-	-	-	-	1,703,688
-	-	-	-	1,705,466
-	-	-	-	1,778
-	-	-	-	1,703,688
-	-	-	-	1,791,760
-	-	-	-	1,248
-	-	-	-	1,790,512
-	-	-	6	61,730
				(1,082)
				60,649
-	-	-	-	120,296

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	Top 5 countries: non-life
		C0010	C0020
Premiums written (gross)	AR0019		
Gross Written Premium (direct)	R0020	1,657,363	
Gross Written Premium (proportional reinsurance)	R0021		
Gross Written Premium (non-proportional reinsurance)	R0022	1,014	
Premiums earned (gross)	AR0029		
Gross Earned Premium (direct)	R0030	1,644,958	
Gross Earned Premium (proportional reinsurance)	R0031		
Gross Earned Premium (non-proportional reinsurance)	R0032	1,014	
Claims incurred (gross)	AR0039		
Claims incurred (direct)	R0040	1,025,504	
Claims incurred (proportional reinsurance)	R0041	(156)	
Claims incurred (non-proportional reinsurance)	R0042	(160)	
Expenses incurred (gross)	AR0049		
Gross Expenses Incurred (direct)	R0050	398,118	
Gross Expenses Incurred (proportional reinsurance)	R0051	-	
Gross Expenses Incurred (non-proportional reinsurance)	R0052	179	

Life

		Home country	Top 5 countries: life and health SLT
		C0030	C0040
Gross Written Premium	R1020	1,705,466	
Gross Earned Premium	R1030	1,705,466	
Claims incurred	R1040	1,791,760	
Gross Expenses Incurred	R1050	61,730	

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		Contracts without options and guarantees	Contracts with options or guarantees
		C0020	C0030	C0040	C0050	C0060	C0070	C0080
Technical provisions calculated as a whole	R0010	-	-			-		
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	-	-			-		
Technical provisions calculated as a sum of BE and RM	AR0028							
Best Estimate	AR0029							
Gross Best Estimate	R0030	8,103,888		-	2,183,095		-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	-		-	-		-	-
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	8,103,888		-	2,183,095		-	-
Risk Margin	R0100	128,368	5,881			-		
Technical provisions - total	R0200	8,232,256	2,188,976			-		

	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)	Total (Health similar to life insurance)
					Contracts without options and guarantees	Contracts with options or guarantees			
	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
	-	-	-	-			-	-	-
	-	-	-	-			-	-	-
	49,495	-	10,336,478		-	(199,494)	1,555,778	-	1,356,284
	-	-	-		-	(0)	16,268	-	16,268
	49,495	-	10,336,478		-	(199,494)	1,539,510	-	1,340,016
	784	-	135,033	17,118			24,862	-	41,980
	50,279	-	10,471,511	(182,376)			1,580,639	-	1,398,264

7.5. Technical provisions non-life

		Direct business and accepted proportional reinsurance						
		Medical expense insurance	Income protection insurance	Workers' compen-sation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, avia-tion and transport insurance	Fire and other damage to property insurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080
Technical provisions calculated as a whole	R0010	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM	AR0057							
Best estimate	AR0058							
Premium provisions	AR0059							
Gross	R0060	17,701	(407)	(82,698)	34,175	14,023	34	32,018
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	(126)	(275)	(1,780)	(3,168)	(2,115)	-	(22,264)
Net Best Estimate of Premium Provisions	R0150	17,828	(133)	(80,918)	37,343	16,138	34	54,282
Claims provisions	AR0159							
Gross	R0160	61,052	113,920	243,750	744,526	21,966	290	189,815
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	752	1,675	5,395	64,691	2,995	-	46,148
Net Best Estimate of Claims Provisions	R0250	60,300	112,245	238,355	679,835	18,971	290	143,667
Total Best estimate - gross	R0260	78,753	113,513	161,052	778,701	35,989	324	221,833
Total Best estimate - net	R0270	78,128	112,113	157,437	717,178	35,109	324	197,949
Risk margin	R0280	8,711	6,337	37,998	28,750	11,381	2,152	52,482
Technical provisions - total	AR0319							
Technical provisions - total	R0320	87,465	119,850	199,050	807,451	47,370	2,476	274,315
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	625	1,400	3,615	61,523	880	-	23,884
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	86,839	118,450	195,436	745,928	46,490	2,476	250,431

					Accepted non-proportional reinsurance				Total Non-Life obligation
General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscella-neous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(7,918)	-	13,419	15,373	22,400	-	-	-	-	58,120
(2,424)	-	(747)	-	-	-	-	-	-	(32,900)
(5,494)	-	14,166	15,373	22,400	-	-	-	-	91,020
577,124	-	104,003	8,023	12,574	2,892	7,897	5	1,020	2,088,857
116,834	-	238	-	-	-	-	-	-	238,727
460,290	-	103,766	8,023	12,574	2,892	7,897	5	1,020	1,850,130
569,206	-	117,422	23,396	34,974	2,892	7,897	5	1,020	2,146,978
454,796	-	117,932	23,396	34,974	2,892	7,897	5	1,020	1,941,150
38,055	94	5,225	2,366	4,063	310	987	1	382	199,294
607,260	94	122,647	25,762	39,038	3,202	8,884	6	1,402	2,346,271
114,410	-	(510)	-	-	-	-	-	-	205,828
492,851	94	123,157	25,762	39,038	3,202	8,884	6	1,402	2,140,444

7.6. Non-life insurance claims

Total Non-Life Business

Accident year / Underwriting year

Z0021	Accident year [AY]

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

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											30,725
N-9	R0160	396,501	119,537	(4,142)	12,328	9,689	4,602	4,879	5,214	6,780	4,037	
N-8	R0170	395,949	109,086	(4,298)	9,522	7,128	8,756	7,149	3,714	(1,964)		
N-7	R0180	411,660	120,197	(2,660)	11,709	11,553	8,322	4,366	7,437			
N-6	R0190	394,600	139,588	(2,256)	11,326	10,868	5,845	5,770				
N-5	R0200	421,668	147,073	(1,674)	12,590	10,980	8,638					
N-4	R0210	424,438	160,302	(5,712)	16,331	8,447						
N-3	R0220	342,818	124,492	5,958	16,431							
N-2	R0230	348,926	162,639	11,034								
N-1	R0240	421,042	187,771									
N	R0250	451,807										

		In Current year	Sum of years (cumulative)
		C0170	C0180
Prior	R0100	30,725	10,187,961
N-9	R0160	4,037	559,425
N-8	R0170	(1,964)	535,041
N-7	R0180	7,437	572,584
N-6	R0190	5,770	565,740
N-5	R0200	8,638	599,275
N-4	R0210	8,447	603,806
N-3	R0220	16,431	489,699
N-2	R0230	11,034	522,600
N-1	R0240	187,771	608,813
N	R0250	451,807	451,807
Total	R0260	730,134	15,696,752

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											386,982
N-9	R0160	-	-	107,041	85,453	73,765	60,047	52,623	46,422	39,302	35,516	
N-8	R0170	-	135,995	103,956	88,518	75,633	60,610	51,731	40,287	34,653		
N-7	R0180	309,966	163,834	135,109	106,084	93,625	67,942	59,414	50,441			
N-6	R0190	330,446	149,852	114,059	95,811	82,029	72,538	68,118				
N-5	R0200	376,347	160,750	124,379	108,564	88,636	76,664					
N-4	R0210	336,831	152,450	112,987	82,571	72,674						
N-3	R0220	277,586	132,101	104,642	88,388							
N-2	R0230	313,616	168,591	136,533								
N-1	R0240	382,653	186,861									
N	R0250	404,327										

		Year end (discounted data)
		C0360
Prior	R0100	346,203
N-9	R0160	31,874
N-8	R0170	30,822
N-7	R0180	45,137
N-6	R0190	61,110
N-5	R0200	68,651
N-4	R0210	65,059
N-3	R0220	79,828
N-2	R0230	124,348
N-1	R0240	171,713
N	R0250	381,966
Total	R0260	1,406,712

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	14,216,046	-	-	177,266	-
Basic own funds	R0020	2,886,317	-	-	(125,033)	-
Eligible own funds to meet Solvency Capital Requirement	R0050	2,841,098	-	-	(175,769)	-
Solvency Capital Requirement	R0090	1,494,051	-	-	1,260	-
Eligible own funds to meet Minimum Capital Requirement	R0100	2,222,764	-	-	(171,974)	-
Minimum Capital Requirement	R0110	643,456	-	-	22,120	-

7.8. Own funds

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	AR0009					
Ordinary share capital (gross of own shares)	R0010	1,000,000	1,000,000		-	
Share premium account related to ordinary share capital	R0030	-	-		-	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	-	-		-	
Subordinated mutual member accounts	R0050	-		-		
Surplus funds	R0070	22,910	22,910			
Preference shares	R0090	-		-		
Share premium account related to preference shares	R0110	-		-	-	-
Reconciliation reserve	R0130	1,056,763	1,056,763			
Subordinated liabilities	R0140	561,652		14,400	547,253	-
An amount equal to the value of net deferred tax assets	R0160	244,992				244,992
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	-	-	-	-	-
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	AR0219					
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					
Deductions	AR0229					
Deductions for participations in financial and credit institutions	R0230	-	-	-	-	
Total basic own funds after deductions	R0290	2,886,317	2,079,673	14,400	547,253	244,992
Ancillary own funds	AR0299					
Unpaid and uncalled ordinary share capital callable on demand	R0300	-			-	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	-			-	
Unpaid and uncalled preference shares callable on demand	R0320	-			-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-			-	-
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	-			-	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	-			-	-
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	-			-	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	-			-	-
Other ancillary own funds	R0390	-			-	-
Total ancillary own funds	R0400	-			-	-
Available and eligible own funds	AR0499					
Total available own funds to meet the SCR	R0500	2,886,317	2,079,673	14,400	547,253	244,992
Total available own funds to meet the MCR	R0510	2,641,325	2,079,673	14,400	547,253	
Total eligible own funds to meet the SCR	R0540	2,841,098	2,079,673	14,400	547,253	199,773
Total eligible own funds to meet the MCR	R0550	2,222,764	2,079,673	14,400	128,691	
SCR	R0580	1,494,051				
MCR	R0600	**643,456**				
Ratio of Eligible own funds to SCR	R0620	190.16%				
Ratio of Eligible own funds to MCR	R0640	**345.44%**				

Reconciliation reserve

		Value
		C0060
Reconciliation reserve	AR0699	
Excess of assets over liabilities	R0700	2,434,665
Own shares (held directly and indirectly)	R0710	0
Foreseeable dividends, distributions and charges	R0720	110,000
Other basic own fund items	R0730	1,267,903
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	-
Reconciliation reserve	R0760	1,056,763
Expected profits	AR0769	
Expected profits included in future premiums (EPIFP) - Life business	R0770	378,295
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	143,840
Total Expected profits included in future premiums (EPIFP)	R0790	522,135

7.9. Solvency Capital Requirement - for groups on Standard Formula

Basic Solvency Capital Requirement

		Gross solvency capital requirement	Simplifications
		C0110	C0120
Market risk	R0010	918,822	Simplification not used
Counterparty default risk	R0020	82,268	
Life underwriting risk	R0030	217,734	Simplification not used
Health underwriting risk	R0040	383,702	Simplification for the Article 102a
Non-life underwriting risk	R0050	497,463	Simplification not used
Diversification	R0060	(706,007)	
Intangible asset risk	R0070	-	
Basic Solvency Capital Requirement	R0100	1,393,982	

Calculation of the solvency capital requirement

		Value
		C0100
Operational risk	R0130	116,851
Loss-absorbing capacity of technical provisions	R0140	(16,781)
Loss-absorbing capacity of deferred taxes	R0150	-
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency Capital Requirement excluding capital add-on	R0200	1,494,051
Capital add-on already set	R0210	
of which, capital add-ons already set - Article 37 (1) Type a	R0211	
of which, capital add-ons already set - Article 37 (1) Type b	R0212	
of which, capital add-ons already set - Article 37 (1) Type c	R0213	
of which, capital add-ons already set - Article 37 (1) Type d	R0214	
Solvency capital requirement	R0220	1,494,051
Other information on SCR	AR0399	
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring-fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Solvency Capital Requirement (USP)

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

Approach to the tax rate

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

Calculation of the loss-absorbing capacity of deferred taxes

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

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	298,513	

Linear formula component for life insurance and reinsurance obligations

		Background information			
		Non-life activities		Life activities	
		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
Medical expense insurance and proportional reinsurance	R0020	78,128	185,020		
Income protection insurance and proportional reinsurance	R0030	112,113	71,279		
Workers' compensation insurance and proportional reinsurance	R0040	157,437	393,173		
Motor vehicle liability insurance and proportional reinsurance	R0050	717,178	196,663		
Other motor insurance and proportional reinsurance	R0060	35,109	193,081		
Marine, aviation and transport insurance and proportional reinsurance	R0070	324	297		
Fire and other damage to property insurance and proportional reinsurance	R0080	197,949	246,219		
General liability insurance and proportional reinsurance	R0090	454,796	31,632		
Credit and suretyship insurance and proportional reinsurance	R0100	-	17		
Legal expenses insurance and proportional reinsurance	R0110	117,932	45,834		
Assistance and proportional reinsurance	R0120	23,396	50,049		
Miscellaneous financial loss insurance and proportional reinsurance	R0130	34,974	4,404		
Non-proportional health reinsurance	R0140	2,892	241		
Non-proportional casualty reinsurance	R0150	7,897	84		
Non-proportional marine, aviation and transport reinsurance	R0160	5	-		
Non-proportional property reinsurance	R0170	1,020	745		

		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	29,180	315,763

		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			8,020,272	
Obligations with profit participation - future discretionary benefits	R0220			83,616	
Index-linked and unit-linked insurance obligations	R0230			2,183,095	
Other life (re)insurance and health (re)insurance obligations	R0240	1,389,511			
Total capital at risk for all life (re) insurance obligations	R0250				11,542,373

Overall MCR calculation

		Value
		C0130
Linear MCR	R0300	643,456
SCR	R0310	1,494,051
MCR cap	R0320	672,323
MCR floor	R0330	373,513
Combined MCR	R0340	643,456
Absolute floor of the MCR	R0350	8,000
Minimum Capital Requirement	R0400	643,456

Calculation of the notional amount of the MCR in Non-Life and in Life

		Non-life activities	Life activities
		C0140	C0150
Notional linear MCR	R0500	327,693	315,763
Notional SCR excluding add-on (annual or latest calculation)	R0510	760,875	733,175
Notional MCR cap	R0520	342,394	329,929
Notional MCR floor	R0530	190,219	183,294
Notional Combined MCR	R0540	327,693	315,763
Absolute floor of the notional MCR	R0550	4,000	4,000
Notional MCR	R0560	327,693	315,763

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