Solvency and Financial Condition Report 2019

Athora Belgium S.A

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Introduction

Athora Belgium, falling under the scope of Solvency II Directive reporting, is required to disclose its own Solvency and Financial Condition Report (SFCR).

This is in accordance with the Directive 2009/138/EC ('Solvency II Directive) as well as with the Delegated Regulation 2015/35/EC ('Delegated Act') and related Guidelines.

The objective of the Solvency and Financial Condition Report is to increase transparency in the insurance market requiring insurance and reinsurance undertakings to disclose publicly, at least on an annual basis, a report on their solvency and financial condition.

The document has been approved by the Board of Directors of Athora Belgium.

Policyholders and beneficiaries are the main addresses of the Solvency and Financial Condition Report benefitting from an increased market discipline, that encourages best practices, as well as from a higher market confidence, that leads to an improved understanding of business.

The Solvency and Financial Condition Report provides detailed information on the essential aspects of its businesses, such as a description of the activity and performance of the undertaking, the system of governance, risk profile, evaluation of assets and liabilities and capital management for solvency purposes.

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Glossary

Attritional Claims: The claims triangles used to evaluate the best estimate liability relative to the Outstanding Claims reserve are usually split by claims size in: Attritional, Large and Extremely Large Claims. The definition of Attritional and Large Claims is customized according to claims and portfolio peculiarities (in most of the cases qualitative criteria are adopted to split attritional and large claims). The Extremely Large Claims are defined as those claims that, have, or might have, a great social and/or economic impact and a high relevance within the mass media.

Basic own funds: According to art. 88 of Solvency II Directive 2009/138/CE, Basic Own Funds are defined as the sum of the excess of assets over liabilities measured on market consistent principles in accordance with art. 75 of Solvency II Directive 2009/138/CE and reduced by the amount of own shares held by the insurance or reinsurance undertaking, and subordinated liabilities.

Best estimate liability: The best estimate liability represents the expected present value of future cash-flows related to insurance and reinsurance obligations in force at valuation date. The best estimate liability is calculated on a gross of reinsurance basis, i.e. without any deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles.

Best estimate operating assumptions: The assumptions on all those non-financial factors which can have an impact on future cash-flows, including not only the most common operating factors (i.e. mortality/longevity, disability/morbidity, lapses, expenses), but also those contractual policyholders' options that can be exercised by policyholders at pre-determined conditions (e.g. annuity take-up rates, voluntary premium increases, maturity extensions…).

Cash and cash equivalents: the item includes cash and highly-liquid short-term financial investments (readily convertible in specific amounts of cash which are subject to an irrelevant risk of change in value). Furthermore this asset class includes also short term deposits and money-market investment funds.

Combined Ratio (COR): It is a technical performance indicator of the Properties & Casualties segment, calculated as the weight of the loss ratio and the acquisition and general expenses (expense ratio) on the earned premiums.

Contract boundaries: This is the limit beyond which relevant cash flows are excluded from the calculation of technical provisions. It is defined in line with Article 18 of the Delegated Acts, and refers to future dates where the insurance undertaking has a unilateral right either to terminate the contract, or to reject payable premiums or to amend the payable premiums or the benefits in such a way that the premiums fully reflect the risks.

Counterparty default risk adjustment: The counterparty default adjustment is the amount of reinsurance recoverables that the Company expects not to be able to recover as a consequence of the possible default of the reinsurance counterparty at any point in time in the future.

Equity investments: shares and other securities equivalent to share representing corporations' capital, i.e. representing ownership in a corporation.

Equivalent consolidation area: Refers to equivalent consolidation scope.

Equity investments: direct investments in quoted and unquoted equity instruments. Moreover, this asset class includes also investments funds mainly exposed to investments or risks similar to direct investments presented within this asset class, including also private equity and hedge funds.

Equivalent terms: Refers to equivalent exchange rates and equivalent consolidation scope.

Expected Profit Included in Future Premiums (EPIFP): it is the expected present value of future cash flows, if positive, which results from the inclusion in technical provisions of premiums relating to existing insurance and reinsurance contracts that are expected to be received in the future, but that may not be received for any reason, other than because the insured event has occurred, regardless of the legal or contractual rights of the policyholder to discontinue the policy.

Extremely Large Claims: The claims triangles used to evaluate the best estimate liability relative to the Outstanding Claims reserve are usually split by claims size in: Attritional, Large and Extremely Large Claims. The definition of Attritional and Large Claims is customized according to claims and portfolio peculiarities (in most of the cases qualitative criteria are adopted to split attritional and large claims). The Extremely Large Claims are defined as those claims that, have, or might have, a great social and/or economic impact and a high relevance within the mass media.

Fixed income instruments: direct investments in government and corporate bonds, loans, term deposits other than those presented as cash and cash equivalents, and reinsurance deposits. Moreover, this asset class includes also investments funds mainly exposed to investments or risks similar to direct investments presented within this asset class.

Gross written premiums: Equal to gross written premiums of direct business and accepted by third parties.

Gross direct premiums: Equal to gross written premiums of direct business.

Insurance contracts: a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary [Appendix A, IFRS4].

Investments back to unit and index-linked policies: includes various types of investments backing insurance liabilities related to unit and index-linked policies

Investment contracts: investment contracts that have the legal form of insurance contracts but as they substantially expose the insurer to significant insurance risk (such as the mortality risk or similar insurance risks cannot be classified as insurance contracts. In accordance with the definitions of IFRS 4 and IAS 39 39 these contracts are recognized as financial liabilities. Investment contracts that have the legal form of an insurance contract but as they substantially expose the insurer to significant insurance risk (such as the mortality risk or similar insurance risks) cannot be classified as such. In line with the definitions of IFRS 4 and IAS 39 these contracts are recognized as financial liabilities.

Investments properties: direct investments in real-estates. Moreover, this asset class includes also investments funds mainly exposed to real-estate investments.

Large Claims: The claims triangles used to evaluate the best estimate liability relative to the Outstanding Claims reserve are usually split by claims size in: Attritional, Large and Extremely Large Claims. The definition of Attritional and Large Claims is customized according to claims and portfolio peculiarities (in most of the cases qualitative criteria are adopted to split attritional and large claims). The Extremely Large Claims are defined as those claims that, have, or might have, a great social and/or economic impact and a high relevance within the mass media.

Long term guarantee adjustments and transitional measures: This expression refers to the matching adjustment (as set out in article 77b of Solvency II Directive 2009/138/CE), the volatility adjustment (as set out in article 77d of Solvency II Directive 2009/138/CE), the transitional measure on the risk-free interest rates (as set out in article 308c of Solvency II Directive 2009/138/CE) and the transitional measure on technical provisions (as set out in article 308d of Solvency II Directive 2009/138/CE).

Matching adjustment: it refers to an adjustment applicable on top of the risk free rate curve. The application of such an adjustment is subject to prior supervisory approval and to strict requirements on the related portfolio of assets and liabilities. In particular, this adjustment can be applied for the valuation of matched business, i.e. in case of business where asset cash flows match (in terms of timing and amounts) liability cash flows. The calculation of the adjustment reflects the spread over the risk free rate of the assigned portfolio of assets, after a deduction for default and downgrade.

Minimum Capital Requirement (MCR): The Minimum Capital Requirement corresponds to an amount of eligible basic own funds below which policyholders and beneficiaries are exposed to an unacceptable level of risk were insurance and reinsurance undertakings allowed to continue their operations. It corresponds to the Value-at-Risk of the basic own funds subject to a confidence level of 85% over a one-year period (Solvency II Directive 2009/138/CE, Art. 129).

Net cash inflows: it is an indicator of cash flows generation of the life segment. It is equal to the amount of premiums collected net of benefits paid.

Other investments: includes participations in non-consolidated Group companies, derivative investments and receivables form banks and customers, the latter mainly related to Group banking operations.

Outstanding Claims Reserves: The Outstanding Claims Reserves (or Claims Provisions) are reserves for the outstanding claims, whether reported or not, occurred before the evaluation date whose costs and related expenses have not been completely paid by that date.

Own funds: According to art. 87 of Solvency II Directive 2009/138/CE, Own Funds are defined as the sum of basic own funds and ancillary own funds.

Premiums Reserves: The Premiums Reserves (or Premium Provisions) are reserves for contracts that are either in force at the valuation date or for which a legal obligation exists to provide coverage.

Reinsurance recoverables: Reinsurance recoverables represent the amount of best estimate liability expected to be recovered via reinsurance treaties or special purpose reinsurance vehicles and correspond to the expected present value of the future cash flows referring to the in force reinsurance agreements.

Reserves for loss adjustment expenses: As part of the overall Loss Adjustment Expense reserves, payments to experts and lawyers and payments for loss assessment, as well as other expenses directly arising from a particular compensation case, constitute the reserve for Allocated Loss Adjustment Expenses (ALAE). The funds drawn for expenses not directly arising from a particular compensation case constitutes the reserve for Unallocated Loss Adjustment Expenses (ULAE). These payments are related to the whole package of services offered by an Insurance Company (overhead expenses) and often do not have an automatic association with specific individual claims.

Return on investments: The indicators for the return on investments are presented, obtained as the ratio:

- ✓ Current return: between interest and other income, including income from financial instruments at fair value through profit and loss (excluding income from financial instruments related to linked contracts) net of depreciation on real estate investments and the average investments calculated on IAS book value);

- ✓ The profit and loss return is equal to the current return plus the harvesting rate (net realized gains, net impairment losses and realized and unrealized gains and losses from financial instruments at fair value through profit and loss (excluding those from financial instruments related to linked contracts) net of investment management expenses and foreign exchange impact recorded within the consolidated profit or loss and the average investments calculated on IAS book value);
- ✓ The comprehensive return is equal to the profit and loss return plus fair value and other movement recorder within OCI on available for sale financial assets and the average investments calculated on IAS book value).

The average investments (calculated on IAS book value) included land and buildings (investment properties), investments in subsidiaries, associated companies and joint ventures, loans and receivables, available for sale financial assets, financial assets at fair value through profit or loss less financial assets and liabilities related to linked contracts, derivatives classified as financial liabilities at fair value through profit or loss and cash and cash equivalents. Total investments are adjusted for derivative instruments classified as financial liabilities at fair value through profit of loss and REPOs classified as other financial liabilities. The average is calculated on the average asset base of each quarter of the reporting period.

Risk Adjusted Capital (RAC): The Risk Adjusted Capital is defined as the one-year change in basic own funds calculated at various percentiles (e.g. 1-in-10, 1-in-200). It is derived by reading the points from the full Probability Distribution Forecast (PDF) of the one-year changes in own funds, generated by the Partial Internal Model.

Risk Appetite Framework (RAF): The Risk Appetite Framework sets the overall risk strategy in terms of aggregate level of risk that Athora Group is willing to accept or avoid in order to achieve its business objectives.

Risk margin: The risk margin is the part of technical provisions that should ensure that the overall value of the technical provisions is equivalent to the amount a third party would theoretically require in order to take over and meet the insurance liabilities, taking into account the cost of capital required to support those liabilities over their remaining future lifetime and regarding non-hedgeable risks such as underwriting and operational risks.

Solvency II ratio: defined as the ratio between the Eligible Own Funds and the Group Solvency Capital requirement, both calculated according to the definitions of the SII regime. Own funds are determined net of proposed dividend. The ratio has to be intended as preliminary since the definitive Regulatory Solvency Ratio will be submitted to the supervisory authority in accordance with the timing provided by the Solvency II regulations for the official reporting.

Solvency Capital Requirement (SCR): The Solvency Capital Requirement is determined as the economic capital to be held by insurance and reinsurance undertakings in order to ensure that ruin occurs no more often than once in every 200 cases or, alternatively, that those undertakings will still be in a position, with a probability of at least 99.5%, to meet their obligations to policyholders and beneficiaries over the following 12 months (Solvency II Directive 2009/138/CE, Introduction, c. 64).

Standard formula: The standard formula is a standard method defined by Solvency II Directive for the calculation of the Solvency Capital Requirement. The standard formula covers the following risks: non-life underwriting risk, life underwriting risk, health underwriting risk, market risk, counterparty default risk and operational risk.

Technical provisions: The technical provisions correspond to the algebraic sum of the best estimate liability and risk margin. In case technical provisions are considered on a net of reinsurance basis, the amount of reinsurance recoverables after counterparty default adjustment is deducted from the technical provisions.

Volatility Adjustment (VA): Volatility Adjustment (VA) allows insurance and reinsurance undertakings to adjust the relevant risk-free interest rate term structure used for the calculation of the best estimate of technical provisions to mitigate the effect of bond spreads widening. The VA is calculated by EIOPA and amounts to 65% of the risk-corrected spread between the interest rate that could be earned from bonds included in a reference portfolio and the basic risk-free interest rates. The VA is derived for each relevant currency (based on currency specific reference portfolios) and, where relevant, for national insurance markets (based on country specific reference portfolios).

Executive Summary

Athora Group

Athora Group, thanks to its subsidiaries, is a solutions provider on the European insurance market. The Group offers acquisitions, transfers of portfolios and reinsurance solutions to insurers in order to make capital available, managerial capabilities and resources. The main subsidiaries of the Group are Athora Lebensversicherung AG, located in Wiesbaden (Germany), Athora Ireland plc in Dublin (Ireland), and Athora Life Re, a reinsurer located in Bermuda. The Athora Group employs about 800 people and has more than 800.000 policyholders, for total consolidated assets of around 15 billion € (VIVAT excl.).

Athora Belgium

Athora Belgium (ex Generali Belgium) is established in Belgium since 1901 and is a composite undertaking. Athora Belgium, part of Athora Group since 2 January 2019, is providing solutions to retail and corporate clients through a broad network of independent brokers with a focus on Life insurance, both guaranteed and Unit Linked, Non-Life and Protection products. The purpose of the company is insurance business, co-insurance and reinsurance, against all risks, and management of group pension funds.

Athora's Mission is as follows:

- Athora is an insurance and reinsurance company focused on Europe where it intends to establish itself as the best provider of Life Guaranteed Products;
- Athora offers acquisitions, portfolio transfers and reinsurance solutions to insurers with the objective of freeing-up capital, management capacity and operating resources;
- Thanks to our business model, we are able to make our existing policyholders the sole center of our focus such that we fully dedicate our capital, time and skills to them and, through the products we provide, develop a trusted, long-term relationship to fulfil their expectations, needs and requirements.

In terms of strategy, Athora Belgium aims at working in a simple, smart and fast way in order to best serve the clients. It's therefore key to launch new solutions meeting customers' expectations, fitted to their needs and providing more than a guarantee. In order to reach this, Athora Belgium operations are supported by an efficient and agile organization at the forefront of digital innovation.

2019 Major Events

- Generali Belgium was acquired by Athora Group and rebranded in June 2019 to become Athora Belgium.
- The Non-Life portfolio of Athora Belgium was announced to be transferred to Baloise in November 2019, pending to NBB approval expected in Q2 2020. The strategy of the Athora Belgium is indeed to focus on Life insurance products which, traditionally, constituted its strength and market positioning. Once confirmed, Baloise Insurance will take over more than 360.000 insurance policies and nearly 160 employees.
- Finally, on December 20th 2019, Athora Belgium S.A. (Athora Belgium) concluded an agreement with the investment manager PATRIZIA AG concerning the transfer of 100% of Athora Real Estate Investments B.V. (AREI) shares, among which 7 real estate currently held by AREI[1].

2019 Business and Performance

In 2019, the gross premiums written decreased by 7,7%, totalling €632.378 thousand, and are below the strategic plan (€720.555 thousand). Athora Belgium is presenting a decrease of the GWP in Life business (-7,8%). However, we observed a double digit growth in Unit Linked regular (+29,5%) and a 3,4% growth in Protection business. For Non-life in 2019, premiums reduced by 7,6% to reach € 140.472 thousand but this fall is in line

[1] AREI: wholly owned subsidiary of Athora Belgium and which is part of the assets of the policyholders

with the 2019 Forecast. The decrease of the existing portfolio and of the new business of Motor and Personal due to uncertainty on the future of the business explain this evolution compared to 2018.

Compared to 2018, the total Operating Result amounted to € 114.796,4 thousand in 2019 representing an increase of 118,8% mainly driven by Life business.

The Life Operating Result increased significantly to reach € 105.437,2 thousand (vs. € 35.929,6 thousand in 2018) mainly explained by higher Life realized gains due to the rotation of the portfolio to reach the new SAA. The Non-Life segment reached a total of € 9.359,2 thousand compared to € 16.528,3 thousand in 2018 (- 43,4%), mainly explained by the decrease of the bonds revenues due the portfolio rotation for the new SAA.

The total Non-Operating result increased by € 6.591,8 thousand to reach € -20.796,6 thousand in 2019 due to the increase of the non-operating expenses linked to the integration and the result of discontinued activities taken into account in the non-operating result.

The Net Result is therefore increasing from € 15.850,7 thousand in 2018 to € 65.022,7 thousand in 2019. Taxes amounted to € 28.977,2 thousand compared to € 9.218,8 thousand a year ago.

2019 Solvency and Capital Management:

The Solvency Capital Requirement coverage ratio at YE’19 amounts to 150,8% which means that Athora Belgium owns about 1,5 time what is needed to cover its capital needs. This ratio is deemed sufficient according to the Risk Appetite Framework of the Company.

Athora Belgium S.A. Solvency Ratio in Standard Formula

(€ thousand)	31/12/2019
Own Funds	480.762
Solvency Capital Requirement	318.729
Surplus	162.033
Solvency Ratio	150,8%

The Minimum Capital Requirement ratio at YE’19 amounts to 248,6% which means that Athora Belgium owns nearly 2,5 times what is required as absolute minimum in term of capital needs.

Over 2019, Athora Belgium has:

1. Progressed toward implementing it new strategic asset allocation in line with its new risk appetite. To that end, de-risking activities were performed to reduce exposure on sovereign bonds where credit spread volatilities were outside of its risk appetite, and re-risked activities were performed in line with Athora’s strategy focused on private debts
2. Significantly reduced its interest rate and sovereign spread risk putting in place hedging strategies to stabilise its own funds and protect its solvency ratio. Particularly, it kept the duration gap under control while rotating the assets portfolio with the appropriate use of derivatives thanks to active and continuous monitoring of interest rate risk exposures using DV01 technics. More specifically
   - In January 2019 Athora Belgium reduced OLO exposure and reduced the duration gap
   - A second wave of duration gap reduction was done in late March – early April 2019
   - Exit from non-core European exposure was done during Q2 (last trades in July)

3. Improved its hedging strategy to mitigate existing risks that were inherited from Generali and to align its exposure to its new risk appetite

This has enable Athora Belgium to constantly comply with the hard limit of 150% solvency ratio committed to the NBB, despite market dislocations.

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A. Business Performance

A.1. Business

GENERAL OVERVIEW

The undertaking's name and legal form is Athora Belgium SA and its supervisory authority responsible for its financial supervision is the National Bank of Belgium (NBB). Within Athora Group, Athora Belgium depends on Athora Europe Holding Ltd. This latest depends on Athora Life Re Ltd (based in Bermuda), which supervisory authority is the Bermuda Monetary Authority. The contact details thereof are:

Bermuda Monetary Authority
BMA House
43 Victoria Street
Hamilton HM12
Bermuda
Phone: (441) 295 5278

National Bank of Belgium
Prudential supervision of insurance and reinsurance companies
Boulevard de Berlaimont 14
BE-1000 Brussels
Belgium
Email: insurance.supervision@nbb.be
Phone: +32 2 221 27 31
Fax: +32 2 221 31 36

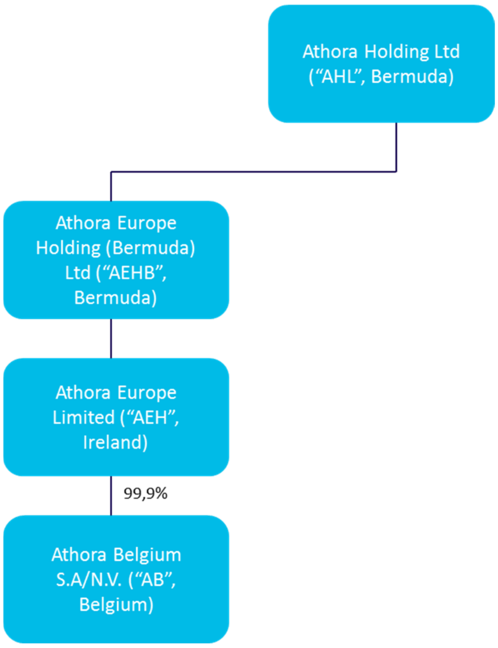
Athora Belgium SA is being audited by EY Réviseurs d'Entreprises srl, represented by Christel Weymeersch, Audit Partner. Contact details are below:

EY Réviseurs d'Entreprises srl
De Kleetlaan 2
BE-1831 Diegem
Belgium

The holders of qualifying holdings of Athora Belgium SA are:

Name	% of share	Nb of actions
Athora Europe Holding Limitied	99,9998%	962.908
M.Jan Moskala	0,0001%	1
Mme Micheline Osterwind	0,0001%	1
Total	**100,0%**	

Below the position of Athora Belgium SA within the legal structure of Athora Holding Limited.:

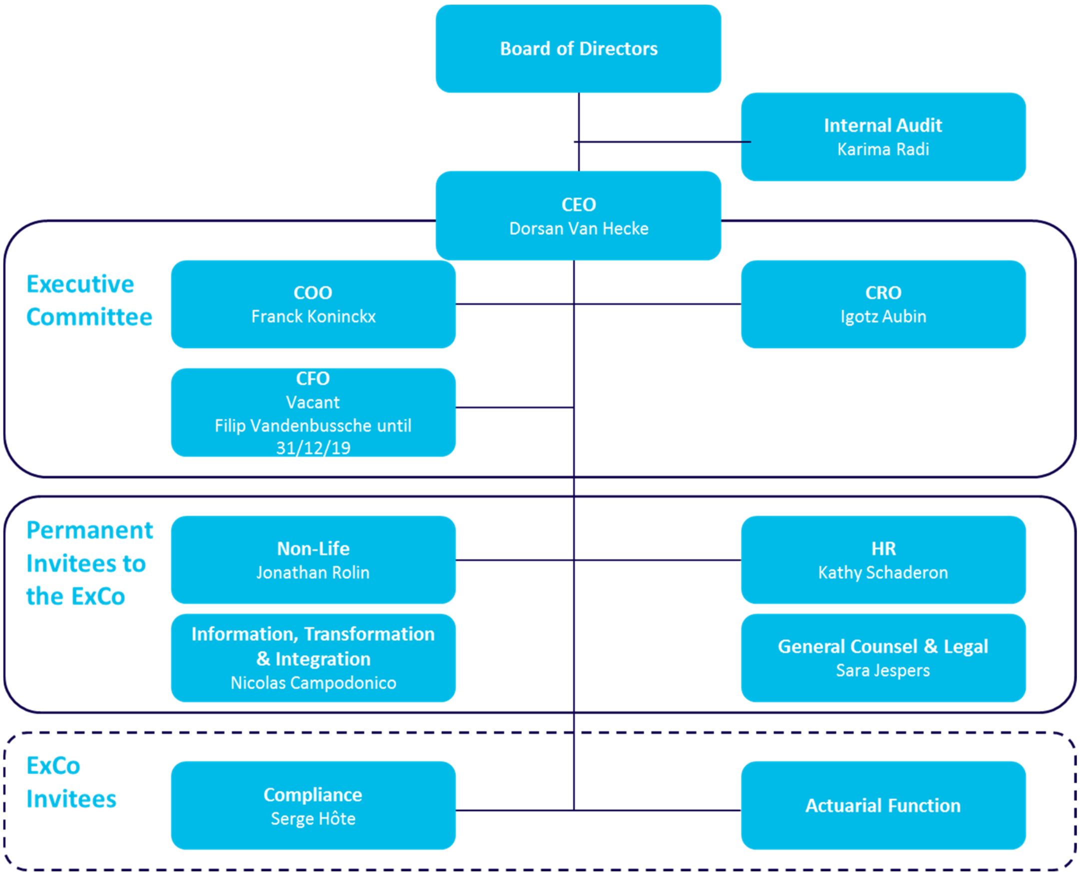


The company Athora Holding Limited with € 2.200.000,0 thousand of committed capital is registered in Pembroke (Bermuda), 94 Pitts Bay Road .

Athora Belgium SA's main participations are the following:

Name	Country	Currency	Book Value	Activity	% Group in Capital
Dedale S.A. (1)	BE	EUR	2.008	Brokerage	100
Verzekeringskant. Soenen N.V. (1)	BE	EUR	2.016	Brokerage	100
Groupe GVA-BC Assurances. (1)	BE	EUR	1.553	Brokerage	100
Webbroker S.A. (1)	BE	EUR	1.400	Brokerage	100
Athora Belgium FCP-SIF (3)	LU	EUR	55.477	FCP	100
Generali Senior Homes FCP-SIF (3)	LU	EUR	160.284	FCP	100

The organizational structure of Athora Belgium SA (31st of December 2019 view) is as follows:



In 2019, Athora Belgium operates in Belgium selling both Life and Non-Life Insurance products.

In Life segment, Athora Belgium is active in the following Line of Business:

- ✓ Saving & Pension (“Branche 21 & 26”)
- ✓ Protection
- ✓ Unit Linked (“Branche 23”)

In Non-Life segment, Athora Belgium is active in the following Line of Business:

- ✓ Motor, both third party liability and material damage
- ✓ Personal, including multi risk household, general liability and legal Expenses
- ✓ Commercial, mainly commercial fire and commercial general liability
- ✓ Accidents, including Passengers insurance

MAJOR EVENTS

Generali Belgium was acquired by Athora Group and rebranded in June 2019 to become Athora Belgium.

The Non-Life portfolio of Athora Belgium was transferred to Baloise in November 2019, pending to NBB approval expected 2020. The strategy of the Athora Belgium is indeed to focus on Life insurance products which, traditionally, constituted its strength and market positioning. Once confirmed, Baloise Insurance will take over more than 360.000 insurance policies and nearly 160 employees.

Finally, on December 20th 2019, Athora Belgium S.A. concluded an agreement with the investment manager PATRIZIA AG concerning the transfer of 100% of Athora Real Estate Investments B.V. (AREI) shares, among which 7 real estate currently held by AREI.

OVERALL PERFORMANCE

In 2019, the gross premiums written decreased by 7,7%, totalling €632.378 thousand, and are below the strategic plan (€720.555 thousand). Athora Belgium is presenting a decrease of the GWP in Life business (-7,8%). However, we observed a double digit growth in Unit Linked regular (+29,5%) and a 3,4% growth in Protection business. For Non-life in 2019, premiums reduced by 7,6% to reach € 140.472 thousand but this fall is in line with the 2019 Forecast. The decrease of the existing portfolio and of the new business of Motor and Personal due to uncertainty on the future of the business explain this evolution compared to 2018.

Compared to 2018, the total Operating Result amounted to € 114.796,4 thousand in 2019 representing an increase of 118,8% mainly driven by Life business.

The Life Operating Result increased significantly to reach € 104.266,0 thousand (vs. € 35.929,6 thousand in 2018) mainly explained by higher Life realized gains due to the rotation of the portfolio to reach the new SAA. The Non-Life segment reached a total of € 10.530,4 thousand compared to € 16.528,3 thousand in 2018 (- 36,3%), mainly explained by the decrease of the bonds revenues due the portfolio rotation for the new SAA.

The total Non-Operating result increased by € 6.591,8 thousand to reach € -20.796,6 thousand in 2019 due to the increase of the non-operating expenses linked to the integration and the result of discontinued activities taken into account in the non-operating result.

The Net Result is therefore increasing from € 15.850,7 thousand in 2018 to € 65.022,7 thousand in 2019. Taxes amounted to € 28.977,2 thousand compared to € 9.218,8 thousand a year ago.

A.2. Underwriting performance

LIFE

In terms of Annual Premiums Equivalent (APE), volumes have decreased in 2019 by 6% as compared to 2018 from € 45.712,1 thousand to € 42.840,6 thousand driven by a less important underwriting performance in the first quarter of 2019 for the single premiums of unit-linked (-35%). This was gradually corrected throughout the year. We note however, that in the same time horizon, APE for regular premiums increased by 21%, mainly driven by the Saving Business from (+€ 7.911,1 thousand vs € 9.575 thousand).

In terms of NBV, we note a decrease in profitability when comparing 2019 and 2018 year-end figures with a diminution in the value of this metric by 28% driven equally by a drop of profitability in both regular and single premiums of the Savings business. In contrast, Protection businesses and Unit-linked exhibit an improvement by respectively 6,5% and 43,6%, Unit Linked continuing meeting profitability thresholds with a contribution of € 8.528,2 while Protection keeps supporting the NBV with € 8.083,3 thousand.

NON-LIFE

In Non-Life, gross direct premiums decreased by 7,7% to € 140.448,3 thousand. This evolution is driven by the transfer of Workmen’s Compensation new business at YE 2018 that leads to an impact of € -3.564,6 thousand (€ 232,3 thousand GWP in Q4’19 versus € 3.796,9 thousand at Q4’18). The decrease of the existing portfolio and of the new business of Motor and Personal due to uncertainty on the future of the business also explain this evolution.

In Non-life business, the provisions for losses and other technical provisions were constituted in accordance with the usual imperatives of sound management and with the regulatory requirements.

Despite the difficult context, Athora Belgium maintained a net combined ratio below 100,0% in all the line of business, except Commercial. For all the business, Athora showed a better ratio than last year (from 97,1% à 96,0%).

The improvement of the loss ratio (from 59,7 % to 56,0%) is explained by lower claims than in 2018 (€ -7.564,9 thousand) combined with a decrease of the net earned premiums (€ 4.885,3 thousand).

A.3. Investment performance

Regarding financial markets, after having been strongly shaken end 2018, the optimism is back and the equity markets clearly rebounded at the beginning of 2019, especially in the advanced economies. The stock prices have thereafter followed a more erratic evolution, sometimes restricted by the concerns linked to the trade tensions, sometimes supported by the conciliatory communications on this topic and by the relieving measures of the central banks. The more accommodating orientation of the monetary policies all in all contributed to the improvement of the financing conditions of the advanced economies and, to a lesser extent, of the emerging economies.

Despite an uneasy context on the Belgian and European financial markets, Athora Belgium maintained a solid financial result.

Several elements contributed to this result:

- ✓ realized gains on bonds due to the rotation of the portfolio ;
- ✓ the dividends linked to the multi-credit funds were not distributed but capitalized in the funds;
- ✓ creation of a coverage (hedge) on the equity portfolio at Q3 to decrease the risk ;
- ✓ creation of a coverage (hedge and non-hedge) on the bonds portfolio in order to decrease our exposure to risk.

Below the different elements of the financial income and expenses of Athora Belgium:

(€ Thousand)	31/12/2019	31/12/2018
Income from Fixed Income Instruments	118.417	152.277
Income from Equity	1.917	5.678
Income from Real Estate	5.216	13.648
Realized Gains & Losses	122.835	-11.067
Reversals & Write-offs	-10.975	-1.304
Unrealized (excluding Write-offs)	15.681	-1.603
Investment Portfolio	5.236.468	5.011.116
Portfolio Return*	2,4%	3,4%

*without exceptional operations

The increase of the political uncertainty and the aggravation of the country-specific vulnerabilities caused periods of increasing volatility of the financial markets in 2019. The investor sentiment was affected by the worsening of the trade tensions, the high level of the debt, important geopolitical risks, and by the evolution of the oil market and the uncertainty concerning the direction that the monetary policy of the United States will take.

A.4. Performance of other activities

Athora Belgium has no other activities to be disclosed.

A.5. Any other information

Athora Belgium, like other companies of the Group, receives administrative services from the following companies:

- AHL (Athora Holding Limited), is a Bermuda-based holding company
- ARE (Athora Life Re Ltd) , is a Bermuda-based reinsurance company offering to European life insurers innovative and creative solutions of capital optimization and risk management
- ASB (Athora Service Belgium), subsidiary of Athora Group in Belgium, it provides services for all the Athora Group.
- AUK (Athora UK Service), subsidiary of Athora Group in the United Kingdom, it provides services for all the Athora
- ABS (Athora Bermuda Service), Bermuda-based subsidiary of Athora Group, it provides services for all the Athora Group include AIS.

Other administrative services received by companies in partnership with Athora Group.

- Apollo Asset Management Europe LLP, is a management company and provide services in management and give advices in portfolio of assets. it provides advices for all the Athora Belgium portfolio

Annex

Premiums, claims and expenses by line of business (1/3)

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)								
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
Premiums written									
Gross - Direct Business	354	4.148	232	40.326	25.100	0	51.992	13.357	0
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0	0
Reinsurers' share	0	738	224	1.686	0	0	10.584	506	0
Net	354	3.410	8	38.640	25.100	0	41.408	12.851	0
Premiums earned									
Gross - Direct Business	353	4.205	234	41.315	25.360	0	53.234	13.690	0
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0	0
Reinsurers' share	0	738	225	1.686	0	0	10.767	507	0
Net	353	3.467	9	39.629	25.360	0	42.466	13.183	0
Claims incurred									
Gross - Direct Business	480	2.252	-1.567	23.427	18.190	0	24.645	5.928	0
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0	0
Reinsurers' share	0	165	68	3.161	0	0	5.214	177	0
Net	480	2.087	-1.635	20.265	18.190	0	19.432	5.751	0
Changes in other technical									
Gross - Direct Business	-28	-93	61	0	0	0	-5.883	3.695	0
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0	0
Reinsurers' share	0	0	0	0	0	0	0	0	0
Net	-28	-93	61	0	0	0	-5.883	3.695	0
Expenses incurred	244	882	2.023	18.647	9.263	1	22.140	8.371	0
Other expenses	0	0	0	0	0	0	0	0	0
Total expenses	0	0	0	0	0	0	0	0	0

Premiums, claims and expenses by line of business (2/3)

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of Business for: accepted non-proportional reinsurance				Total
	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
Premiums written								
Gross - Direct Business	4.215	0	725	0	0	0	0	140.448
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	24	24
Reinsurers' share	0	0	164	0	0	0	18	13.920
Net	4.215	0	561	0	0	0	6	126.552
Premiums earned								
Gross - Direct Business	4.285	0	982	0	0	0	0	143.658
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	24	24
Reinsurers' share	0	0	335	0	0	0	18	14.276
Net	4.285	0	647	0	0	0	6	129.405
Claims incurred								
Gross - Direct Business	182	0	2.072	0	0	0	0	75.609
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	-69	-69
Reinsurers' share	0	0	2.904	0	0	0	-8	11.682
Net	182	0	-832	0	0	0	-61	63.858
Changes in other technical provisions								
Gross - Direct Business	0	0	0	0	0	0	0	-2.247
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0
Reinsurers' share	0	0	0	0	0	0	0	0
Net	0	0	0	0	0	0	0	-2.247
Expenses incurred	2.501	0	273	0	0	0	-7	64.338
Other expenses	0	0	0	0	0	0	0	0
Total expenses	0	0	0	0	0	0	0	64.338

Premiums, claims and expenses by line of business (3/3)

	Line of Business for: life insurance obligations						Life reinsurance obligations		
	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to	Annuities stemming from non-life insurance contracts and relating to	Health reinsurance	Life reinsurance	Total
Premiums written									
Gross	0	250.616	194.022	44.710	0	0	0	2.558	**491.906**
Reinsurers' share	0	0	0	32.682	0	0	0	2.049	**34.732**
Net	**0**	**250.616**	**194.022**	**12.027**	**0**	**0**	**0**	**509**	**457.174**
Premiums earned									
Gross	0	250.616	194.022	44.710	0	0	0	2.558	**491.906**
Reinsurers' share	0	0	0	32.682	0	0	0	2.049	**34.732**
Net	**0**	**250.616**	**194.022**	**12.027**	**0**	**0**	**0**	**509**	**457.174**
Claims incurred									
Gross	0	283.590	37.684	39.411	0	0	0	2.360	**363.045**
Reinsurers' share	0	0	0	28.429	0	0	0	1.905	**30.334**
Net	**0**	**283.590**	**37.684**	**10.982**	**0**	**0**	**0**	**455**	**332.711**
Changes in other technical provisions									
Gross	0	-51.928	-254.321	2.014	0	0	0	-850	**-305.086**
Reinsurers' share	0	0	0	1.530	0	0	0	-723	**807**
Net	**0**	**-51.928**	**-254.321**	**484**	**0**	**0**	**0**	**-128**	**-305.893**
Expenses incurred	**0**	**42.836**	**21.295**	**2.445**	**0**	**0**	**0**	**-186**	**66.390**
Other expenses	0	0	0	0	0	0	0	0	**0**
Total expenses	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**66.390**

Premiums, claims and expenses by country (1/2)

	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
	BE	FR	LU	NL	DE	GB	0
Premium written							
Gross - Direct Business	140.144	47	64	168	11	0	290
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	24	0	0	0	0	0	0
Reinsurers' share	13.912	1	8	-1	0	0	8
Net	**126.256**	**46**	**56**	**169**	**11**	**0**	**282**
Premium earned							
Gross - Direct Business	143.457	53	94	26	13	0	186
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	24	0	0	0	0	0	0
Reinsurers' share	14.168	4	31	73	0	0	108
Net	**129.312**	**48**	**63**	**-46**	**12**	**0**	**78**
Caims incurred							
Gross - Direct Business	75.563	1	43	3	0	0	46
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	-69	0	0	0	0	0	0
Reinsurers' share	11.682	0	0	0	0	0	0
Net	**63.813**	**1**	**43**	**3**	**0**	**0**	**46**
Changes in other technical provisions							
Gross - Direct Business	-2.260	2	-5	16	0	0	13
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
Reinsurers' share	0	0	0	0	0	0	0
Net	-2.260	2	-5	16	0	0	13
Expenses incurred	**64.241**	**16**	**33**	**38**	**5**	**0**	**93**

Premiums, claims and expenses by country (2/2)

	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
	BE	NL	0	0	0	0	
Premium written							
Gross	491.906	0	0	0	0	0	0
Reinsurers' share	34.732	0	0	0	0	0	0
Net	**457.174**	**0**	**0**	**0**	**0**	**0**	**0**
Premium earned							
Gross	491.906	0	0	0	0	0	0
Reinsurers' share	34.732	0	0	0	0	0	0
Net	**457.174**	**0**	**0**	**0**	**0**	**0**	**0**
Caims incurred							
Gross	359.186	3.859	0	0	0	0	3.859
Reinsurers' share	30.334	0	0	0	0	0	0
Net	**328.852**	**3.859**	**0**	**0**	**0**	**0**	**3.859**
Changes in other technical provisions							
Gross	-308.772	3.686	0	0	0	0	3.686
Reinsurers' share	807	0	0	0	0	0	0
Net	**-309.579**	**3.686**	**0**	**0**	**0**	**0**	**3.686**
Expenses inccured	**66.378**	**12**	**0**	**0**	**0**	**0**	**12**

B. System of governance

B.1. General Information on the system of governance

INFORMATION ON GENERAL GOVERNANCE: STRUCTURE OF ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODIES, DESCRIPTION OF ROLES AND RESPONSIBILITIES, DETAILS ON THE SEGREGATION OF RESPONSIBILITIES

Athora Belgium roles and responsibilities are divided in 3 functions:

- ✓ Board of Directors
- ✓ Executive Committee
- ✓ Key Functions

THE BOARD OF DIRECTORS

The Board of Directors, which acts collegially, is the highest decision-making body of Athora Belgium, except in matters which the Companies and Associations Code or the (Group) guidelines reserve for the Executive Committee, General Meeting of Shareholders or for another body. The Board of Directors holds the final responsibility of the insurance company.

In general, the Board of Directors has two specific functions:

- ✓ the determination of the general policy of the strategy and objectives of the Company, and the risk policy and the integrity policy;
- ✓ the supervision of management;

➢ Strategy, Risk Policy and Integrity Policy

In accordance with Article 44 of the Solvency II law, the Board of Directors defines ‘

- ✓ The general strategy and the objectives of the Athora Belgium: this mainly includes defining the objectives of the Company and the main axes of the organizational structure, validation of the main policies
- ✓ The risk policy, including the general limits on risks’: this mainly includes approval of the Own Risk Self-Assessment Report and set the Risk Appetite level and the limits of the general risk tolerance and in general of the risk management system, approval of the main risk management policies.
- ✓ The Board also approves the integrity policy, which establishes the company’s fundamental ethical principles and includes the following: rules on conflicts of interest, rules on whistleblowing, rules on the prevention of money laundering and terrorist financing, codes of conduct, etc.

➢ Supervision function

The supervision of activities and regular evaluation of the effectiveness of Athora Belgium’s governance system is the other main axis of responsibilities allocated to the Board of Directors. The supervision must cover all the areas of activity of the Athora Belgium and focus in particular on the Executive Committee and compliancy with the risk policy.

This mainly includes: assessment of the effectiveness of the governance system, check periodically the proper functioning of the four independent monitoring functions and determine what actions must be taken further to their conclusions and recommendations, reporting to the regulators, being responsible for the integrity of the accounting and declaration of financial information systems.

- **Integrity Policy**

The Board also approves the integrity policy, which establishes the company's fundamental ethical principles and includes the following: rules on conflicts of interest, rules on whistleblowing, rules on the prevention of money laundering and terrorist financing, codes of conduct, etc.

- **Committees within the Board of Directors**

In order to reinforce the effectiveness of the supervision and monitoring of activities, the functioning and risk profile of the Athora Belgium, the Board of Directors has established three specialized committees:

The Audit & Risk committee

- ✓ In accordance with the Solvency II regulations, the Audit & Risk Committee assists the Board of Directors in its supervisory role in the following domains: financial reporting, internal control, internal audit and the statutory auditor.
- ✓ The Audit & Risk Committee advises the Board of Directors in all aspects concerning the actual and future risk strategy and risk tolerance level and assists the Board of Directors in the supervision on the implementation of the strategy by the Executive Committee.

The Board of Directors has opted for a merged Audit & Risk instead of a separate Audit and separate Risk Committee, because of the scale of the Board of Directors and because the roles and responsibilities of both committees are so much linked that it is more appropriate that the topics are discussed in the same company organ

The Nomination and Remuneration Committee:

- ✓ The remuneration related role comprises mainly an advisory task to avoid that the remuneration policy and its incentives would encourage to take excessive risks within the Athora Belgium or to lead to behaviour that is not in the interest of the Athora Belgium of its stakeholders. For the preparation of the decisions on remuneration, the N&R Committee shall take into account the long-term interests of the shareholders, investors and other interested parties of the Company, as well as the general interest
- ✓ The nomination related role comprises mainly an advisory task to prepare the nominations of new Board of Directors or Executive Committee members and Head of independent control functions

The Conflicts Committee:

- ✓ This committee is set up within the Board to advise the Board on intra group transactions above 100K euro.

These committees are given the task of preparing the decisions taken by the Board of Directors in their respective areas, but do not deprive the Board of Directors of its areas of competence.

THE EXECUTIVE COMMITTEE

The Board of Directors of Athora Belgium has decided on September 24th, 2014 to delegate some of its powers to an Executive Committee.

➢ In general

The Executive Committee is a decision-making and collegial body basically charged with the task of managing the operational activities of Athora Belgium (the management function). The delegation of powers from the Board of Directors to the Executive Committee does not, however, relate either to the determination of the general strategy of the Athora Belgium or to the acts reserved by law for the Board of Directors.

➢ Management function

The management role of the Executive Committee comprises the following activities and responsibilities:

Execution of the strategy defined by the Board of Directors and managing the Athora Belgium: this mainly includes:

- ✓ Including the strategy in processes and procedures,
- ✓ Ensuring the day to day management of the Athora Belgium accordance with the strategic goals and the risk tolerance limits,
- ✓ Installing an adequate management structure, drawing up plans and budgets,
- ✓ Ensuring the development of a corporate culture characterized by strict ethics, impeccable integrity and a pronounced sense of responsibility.

Execution of the risk management system: this mainly includes:

- ✓ Translating in processes and procedures of the risk management framework as defined by the Board of Directors,
- ✓ Taking measures necessary to mitigate the risks, ensuring that all relevant risks of the Athora Belgium (financial risks, insurance risks, operational and other risks) were properly identified, measured, managed, controlled and reported.

Implementing, follow up and evaluation of the organizational- and operational structure: this mainly includes:

- ✓ Setting up an organizational- and operational structure to support the strategic goals and to ensure the coherence with the framework of risk appetite
- ✓ Setting up adequate internal control mechanism at all levels of the Athora Belgium and assess the adequacy of these mechanism;
- ✓ Executing the framework necessary for the organization and the proper functioning of the independent control functions;
- ✓ Executing by setting up procedures and processes for the governance policies as defined by the Board of Directors;
- ✓ Approval of the outsourcing of critical or important functions/activities;
- ✓ Organizing an internal reporting system so as to establish with a reasonable degree of certainty the reliability of the financial information and the prudential reporting.

Implementing the integrity policy:

- ✓ As established by the board of directors (covering in particular conflicts of interest, whistleblowing, rules on the prevention of money laundering and terrorist financing) by translating them into concrete procedures and processes.

The Executive Committee should decide on the following matters:

- ✓ Investments related matters outside of the asset management framework;
- ✓ Approval of the infra-group transactions;
- ✓ Provision of goods and services, having a value higher than € 5.000 thousand;
- ✓ Cooperation agreements for the exercise and development of Athora Belgium's business above € 15.000 thousand;
- ✓ Issuance of financial instruments, having a value higher than € 5M;
- ✓ Granting loans, execution (as borrower) of loan agreements and guarantees (not pertaining the insurance activity)or similar transactions, having a value higher than € 5M;
- ✓ Settlement agreements, having a value higher than € 5M.

Reporting to the Board of Directors and the NBB:

- ✓ Passing on all relevant information and data to enable the Board of Directors (or its subcommittees) to monitor the activities of the Athora Belgium;
- ✓ Providing the prudential reporting to the National Bank of Belgium;
- ✓ Providing the report on the adequacy of the governance system to the Board of Directors, the external auditor and the National Bank of Belgium.

➢ **Division of powers and committees within the Executive Committee**

The Executive Committee is above all a collegial body in which all the responsibilities are assumed by the body.

Without prejudice to this general rule, specific (though not exclusive) responsibilities are allocated individually to the members and permanent guest members of the Executive Committee. This internal distribution of responsibilities (which must be balanced) makes it possible to improve the efficiency of the day-to-day management of the Athora Belgium and to adequately manage conflicts of interest, arising from the Athora Belgium's various fields of operation.

These specific areas of competence are established in line with the scope covered by each member individually in terms of the day-to-day management and the activities and responsibilities are therefore set out in more detail in their job description.

The Executive Committee has established the following advisory and preparatory committees:

- ✓ Company Investment Committee: the investment committee advises the Executive Committee on investment decisions by analysing the investment proposals and the investment results. Furthermore it does the follow up of the investment policies.
- ✓ Risk Management Committee: this is an advisory body to provide support to the Executive Committee in defining the Athora Belgium's target risk and according levels of economic capital.

- ✓ Product and Underwriting Committees Life and Non-Life: these Committees monitor the strategies, principles and processes to be followed in performing underwriting, reinsurance and reserving activities related to life/non-life business. They also follow up the measures in place to identify, assess and manage present and forward-looking risks with regards to underwriting and reserving to which the Athora Belgium is exposed to.

KEY FUNCTIONS

Sound governance implies the set-up of independent control functions, more particularly: compliance, risk management, internal audit, and the actuarial function.

The Compliance function

The Compliance function is a permanent and independent function within the Athora Belgium, centered on observance of the rules in connection with:

- ✓ The integrity of the activities specific to Athora Belgium, and
- ✓ Control of its main Compliance risks: the risk of legal or regulatory sanctions, financial loss or harm to its good reputation that an insurance Athora Belgium or its members of staff runs further to a case of non-observance of the law, regulations and administrative provisions applicable to its activities.

The compliance function informs the Board of Directors and Executive Committee on a regular basis on the compliance with the legal and regulatory rules that are applicable on the insurance activity, more in particular, the rules concerning integrity, and behaviour in these activities. The compliance function also gives recommendations on these topics to these organs.

The Risk Management Function

The Risk Management Function guarantees the accurate implementation of the risk management system in accordance with the Solvency II Directive, the other applicable legal and regulatory provisions, the directions given by the Board of Directors and the provisions of the Group Risk Management Policy.

The Risk Management function is responsible for the overall risk profile monitoring and reporting to the Board of Directors, Senior Management and Risk Owners (within the limits of their competencies), as defined in the regulatory framework and in the Internal Control and Risk Management system.

This Function supports the Board of Directors and Executive Committee in defining the risk management strategies and tools for identifying, monitoring, managing and measuring risks. It also provides the information needed to evaluate the adequacy of the risk management system as a whole, through an adequate reporting system.

The Actuarial Function

The Actuarial function provides quality assurance for the actuarial calculations and the underlying hypothesis. In this respect, the function regularly reports to the Board of Directors (as the case may be via the Audit & Risk Committee) and the Executive Committee on its activities, including its findings, the possible shortcomings and its recommendations to solve these.

The Actuarial Function should in any case inform the Board of Directors and the Executive Committee if specific risk developments could have a negative impact on the Athora Belgium or could harm its reputation.

With regards to the technical provisions, the information provided by the Actuarial Function to the Board of Directors and to the Executive Committee should include a reasoned analysis on the accuracy and adequacy of the calculations of these, and on the sources and the level of uncertainty of the estimation of the technical provisions. This reasoned analysis is substantiated by a sensitivity analysis in which the sensitivity of the technical provisions is assessed for each of the major risks linked to the obligations that are covered by the technical provisions. The actuarial function mentions and explains any point of concern with regards to the adequacy of the technical provision

- **The Internal Audit Function**

The Internal Audit Function is an independent, effective and objective function established by the Board of Directors to examine and evaluate the adequacy, functioning, effectiveness and efficiency of the internal control system and all other elements of the system of governance, with a view of improving the efficacy and efficiency of the internal control system of the organization and of the governance processes.

The Internal Audit function supports the Board of Directors in identifying the strategies and guidelines on internal control and risk management, ensuring they are appropriate and valid over time and provides the Board of Directors with analysis, appraisals, recommendations and information concerning the activities reviewed; it also carries out assurance and advisory activities for the benefit of the Board of Directors, the Executive Committee and other departments.

CHANGES IN THE SYSTEM OF GOVERNANCE (ONLY MATERIAL CHANGES THAT HAVE TAKEN PLACE OVER THE REPORTING PERIOD MUST BE DISCLOSED)

During the reporting period, there were no major changes in the system of governance that should be disclosed.

REMUNERATION POLICY (FIXED AND VARIABLE COMPONENTS, PERFORMANCE CRITERIA, SUPPLEMENTARY PENSIONS)

The Company has adopted the remuneration policy in order to set forth the Company’s philosophy and principles with regard to how and the structure under which it compensates and incentivizes is employees, including Identified and Non-Identified Staff (defined later) in line with Solvency II regulations, where applicable. The Policy provides guidance to management, employees and Human Resources professionals on the remuneration aspects of our Human Resources Strategy, which in turn aligns to the risk appetite of the Company and supports the Company Strategy and the business objectives across the group. Further details concerning some aspects of the policy, which may vary on an annual basis and which may be subject to an annual review by the Control Functions, are contained within the separate 'Total Reward Guideline' of the HR department. Exceptions to the principles of this Policy may be permitted only with the express advance consent of the Board and/or the NRC, as delegated.

In line with the Twin Peaks II law (30 July 2013) and the Royal Decree (21 February 2014) irrespective of the means of assessing compensation as set out in this policy, all employee shall at all times respect the fundamental rules of conduct as set out in 'Assur MIFID', acting honestly, fairly and professionally to serve the best interests of the client.

The Company's Total Reward proposition consists of a range of financial and non-financial benefits.

Financial benefits most commonly comprise cash remuneration, but in some cases this can also be defined as shares or other financial instruments, contributions to retirement plans, etc.

Typical non-financial benefits can include funding for healthcare and other insured benefits, as appropriate to our markets. Importantly, non-financial benefits are also deemed to include a positive and productive work environment, leading edge performance management practices, a range of developmental and/or educational experiences and the opportunity for structured career progression.

Most elements are tested routinely against market data and these analyses are undertaken with the support of independent specialists.

The reward package of an employee will potentially consist of a number of the following elements: fixed basic remuneration, variable compensation, benefits including pensions, recognition awards.

INFORMATION ON RISK MANAGEMENT, INTERNAL AUDIT, COMPLIANCE AND ACTUARIAL FUNCTIONS INTEGRATION INTO THE ORGANIZATIONAL STRUCTURE AND THE DECISION MAKING PROCESSES OF THE UNDERTAKING. STATUS AND RESOURCES OF THE FOUR FUNCTIONS WITHIN THE UNDERTAKING

INTEGRATION IN THE ORGANIZATIONAL STRUCTURE AND DECISION MAKING PROCESS

The independent control functions will report on their activities, findings to the Board of Directors and the Executive Committee and will give recommendations.

The frequency and content of the reporting and the planning of the activities is steered by the legal and regulatory requirements and the Group guidelines.

The Board of Directors and the Executive Committee take note of these findings and decides on the measure to be taken based on this information and to supervise the execution of these measures. These measures aim to reinforce the governance structure, organization or internal control systems

In order to strengthen the cooperation and synergies between the different control functions, coordination meetings are held once or twice a quarter between the responsible officers of the different control functions.

This coordination makes it possible to take stock of the assignments/activities carried out and to appraise any warning signs (issues or risks) that a control function has detected during the course of its work. It also makes it possible to coordinate the presentations to be made to the Audit and Risk Committee.

STATUS AND RESOURCES OF THE INDEPENDENT CONTROL FUNCTIONS

The 4 control functions are all functions of the Executive level (CRO) or reporting to an Executive Committee member. The control function departments have the following structure (situation at 31st of December 2019):

Compliance Department

- ✓ Head of Compliance + 3 compliance experts

Risk Department

- ✓ Chief Risk officer
    - Risk & Value - Model & Strategy Department: 1 manager and 3 experts
    - Risk & Value – Management & Controlling Department: 1 manager + 1 expert
    - Internal Control & Operational Risk Department: 1 manager + 4 experts

Internal Audit Department

- ✓ Head of Internal Audit + 2 experts

Actuarial Function

- ✓ Head of Actuarial Function (outsourced)

INFORMATION ON AUTHORITIES, RESOURCES, PROFESSIONAL QUALIFICATIONS, KNOWLEDGE, EXPERIENCE AND OPERATIONAL INDEPENDENCE OF THE FUNCTIONS AND HOW THEY REPORT TO AND ADVISE THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODY OF THE INSURANCE OR REINSURANCE UNDERTAKING

AUTHORITY

In order to guarantee their integrity and independence in the fulfilment of their mission, the independent control functions have been accorded certain specific rights, namely:

- ✓ They have the right of initiative and authorization to intervene in all structures, access all documents needed for the performance of their duties (establishment procedures, files and information, minutes of the meetings,…) and obtain any assistance they need from the members of staff of the

Athora Belgium where the missions are being carried out as well as ad-hoc assistance from other specialized in-house departments or services external to the Athora Belgium,

- ✓ They have been given the guarantee to be able to express itself and freely make known all findings and assessments in the framework of their mission to the Executive Committee and, if necessary, to the Audit & Risk Committee, the Board of Directors, the external auditor or the supervisory authorities,

In order to guarantee their independence, the heads of the independent control functions have direct access to the Board of Directors, as the case may be via the Audit & Risk Committee. This direct access (which means that these functions does not have to pass via the Executive Committee) enables the Board of Directors to exercise in a strict way its supervision function on the execution of the strategy and the working of the Athora Belgium.

RESOURCES

The information on the resources of the independent control departments is given above in chapter B.1.4.

PROFESSIONAL QUALIFICATIONS, KNOWLEDGE AND EXPERIENCE

The Heads of the Control Functions are persons which meet the requirements of the local Regulation Authority's Regime and Solvency II Regulation as well as the Athora Group requirements. They must have a solid relevant experience within areas like audit, control, insurance, finance, risk or in the auditing of financial statements.

Also the other personnel belonging to the Independent control departments shall have skills and a proven track record commensurate with the degree of complexity of the activities to be carried out. They must behave in an impeccable manner at all times, making proof of high integrity standards, and information coming to their knowledge when carrying out their tasks and duties must always be kept completely confidential.

The Nomination and Remuneration Committee assesses the candidates on their appropriate knowledge, skills and experience (general and specific dedicated professional expertise). Each Head of Control Function must possess specific dedicated professional expertise according to the Control Function he works for. The specific dedicated professional expertise must be completed in the Self-Assessment form and an evaluation of this specific professional expertise must occur in accordance with the job function as determined by Athora Belgium.

The guidelines on the Fit and Proper assessment and monitoring (see chapter B.2.) are also applicable to nomination of the independent control functions.

OPERATIONAL INDEPENDENCE

The Control Functions are independent functions within Athora Belgium. This means that:

- ✓ The members of the control functions do not have direct operational responsibility or authority over any of the activities controlled. Accordingly, they are not involved in operational organization of the Athora Belgium or in developing, introducing or implementing organizational or internal control measures. However, the need of impartiality does not exclude the possibility to request from the control function an opinion on specific matters related to the control principles to be complied with;

- ✓ The members of the control functions must be protected against any possible conflict of interests between their responsibility as control function and other responsibilities (particularly of a commercial nature);
- ✓ The members of the control functions must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. They must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.
- ✓ To prevent potential conflicts of interest from arising, it is necessary to ensure that the provider of the control activities has not previously been charged with an advisory function in the area for which it is sought unless adequate measures have been taken to ensure the objectivity of the supplier, such as long enough cooling-off period. Attention should also be paid to other factors that could prejudice the objectivity of the expert, such as financial interests and personal and business relationships.

REPORTING AND ADVISING TO THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE

The following reporting's are foreseen by the independent control functions:

At least once a year, the independent control functions report on the execution of their mission

The **Compliance Function** informs the Board of Directors and the Executive Committee on a regular basis on the compliance with the legal and regulatory rules that are applicable on the insurance activity, more in particular, the rules concerning integrity, and behaviour in these activities. The compliance function also gives recommendations on these topics to these organs.

The **Risk Management Function** regularly reports to the Board of Directors in a detailed way on the risk management matters such as those related to strategic questions (Athora Belgium strategy, mergers and acquisitions, projects and investments). The function reports in this case on the risks that have been identified as potentially material and gives information on other risk domains. If the Athora Belgium applies an internal model, the Risk Management functions inform the Board of Directors (and the Executive Committee) on the functioning of this model and on the necessary enhancements and on the progress made to remedy the weaknesses.

The **Internal Audit Function** informs the Board of Directors (this can be done via the Audit & Risk Committee) and the Executive Committee on its assessment and recommendations on the quality of the internal control. It is the task of the Board of Directors to decide on the measure to be taken based on this information and to supervise the execution of these measures.

The **Actuarial Function** regularly reports (as the case may be via the Audit &Risk Committee) on its activities regarding the quality assurance for the actuarial calculations and the underlying hypothesis. This reporting includes findings, the possible shortcomings and its recommendations to solve these. With regards to the technical provisions, the Actuarial functions provides for the Board of Directors (and the Executive Committee) a reasoned analysis on the accuracy and adequacy of the calculations of these, and on the sources and the level of uncertainty of the estimation of the technical provisions.

The **independent control functions** inform the Board of Directors and the Executive Committee at their own initiative, on their concerns and warn the Board of Directors and the Executive Committee if specific risk developments (could) have a negative impact on the Athora Belgium and could harm its reputation.

B.2. Fit and proper requirement

DESCRIPTION OF SKILLS, KNOWLEDGE AND EXPERTISE REQUIRED FOR PERSONS WHO EFFECTIVELY RUN THE UNDERTAKING OR HAVE OTHER KEY FUNCTIONS

Athora Belgium fit and proper requirements apply first to the members of the Board of Directors and of the Executive Committee as well as to the members of the control function, referred herein after together as "Relevant Personnel".

Athora Belgium considers that, in accordance with the NBB Handbook on assessment of fitness and propriety letter, an assessment of expertise, in theory, always deals with an individual. However, when the assessment relates to a directorship (whether executive or not) on a Board of Directors made up of a number of persons, account must also be taken of the composition and operation of the management Board of Directors as a whole. This means that there must be checks on whether the expertise within the Board of Directors made up of a number of persons is sufficiently guaranteed with this person, in view of his or her knowledge and specific experience, skills and professional behaviour.

The aim of Athora Belgium is to have a Board of Director and Executive Committee which is effective and efficient, taking decisions within the social interest of the company. Therefore, the composition is based on a necessary diversity as well as a complementariness of experiences, knowledge and competencies. This objective is also applicable when selecting the members of the Executive Committee.

In this respect, Athora Belgium details the various domains of expertise that must be represented in the Board of Director and the Executive Committee. These domains are assessed in combination with the data completed in the applicant's file in order to assess the "fit & proper" status of the candidate.

COLLECTIVE EXPERTISE OF THE BOARD OF DIRECTORS

It is the aim to have directors who have the individual skills and expertise to fulfil their respective tasks and to have a Board of Directors that has a diversity in qualifications, knowledge and relevant experience to steer and control the company in a professional way.

The Board of Director as a whole has the appropriate qualifications, experience and knowledge in the following domains:

- ✓ Insurance and financial markets
- ✓ The company strategy and business model
- ✓ The governance system
- ✓ Financial and actuarial analyses
- ✓ The regulatory framework and regulatory requirements

COLLECTIVE EXPERTISE OF THE AUDIT & RISK COMMITTEE

Athora Belgium as opted to have a merged Audit & Risk Committee and this means that the legally required collective expertise for this committee is the following:

- ✓ At least one member has the individual expertise in the domain of accountancy and/or audit;
- ✓ All members have individually the appropriate knowledge, expertise, experience or skills to understand and comprehend the risk strategy and the risk tolerance of an insurance company. (this does not exclude

certain certificates or backgrounds but this means that the members need the professional or academically background to understand and treat the audit and risk topic s with an critical mind.
- The Audit and Risk Committee has collectively the expertise on the activities of the company and accountancy and audit.

DEFINITIONS OF THE SPECIFIC CRITERIA FOR THE SELECTION OF MEMBERS OF THE BOARD OF DIRECTORS

Appropriate knowledge and experience

A member of the Board of Director needs to have an appropriate knowledge and professional experience in a sufficient number of the following areas:

- Corporate governance, incl. compliance;
- Planning, control and reporting (strategic and multi-annual plans, budgets, quarterly reports, annual accounts);
- Life and Non-Life insurance technique;
- Asset management, incl. real estate;
- Accounting, internal control, risk-management and audit;
- Marketing and sale of insurance products;
- Information and Communication Technology;
- Organization and change management;
- Human Resources Management;
- Law (insurance, tax).

Skills

A member of the Board of Director needs to have personal skills that allow him/her to function effectively and efficiently, such as:

- Managerial attitude;
- Ability to function in a multinational environment;
- Business orientation;
- Team-player;
- Active and open in communication;
- Independent judgment;
- Balanced/prudent decision-making.

DEFINITIONS OF THE SPECIFIC CRITERIA FOR THE SELECTION OF MEMBERS OF THE EXECUTIVE COMMITTEE

The members of the Executive Committee shall be assessed as members of the Board of Director and as members of the Executive Committee. As a consequence, the members of the Executive Committee complete the questionnaire for members of the Board of Director and the questionnaire for the members of the Executive Committee. This Fit & Proper assessment is independent from the assessment of specific knowledge and experience required for the exercise of the function these relevant personnel occupy.

Appropriate knowledge and experience

In addition to the knowledge and experience required for a member of the Board of Director, a member of the Executive Committee needs to have an appropriate knowledge and professional experience in a sufficient number of the following areas:

- ✓ Strategic planning & understanding of business strategy;
- ✓ Operational planning & management;
- ✓ Group Objectives focus;
- ✓ Financial planning & management;
- ✓ Internal control & Risk management;
- ✓ Delegation of powers;
- ✓ Program planning and management;
- ✓ Team & People management;
- ✓ Human resources planning and management;
- ✓ Community relations.

➢ **Skills**

The skills required for the members of the Executive Committee are defined as follows:

- ✓ Leadership;
- ✓ Adaptability;
- ✓ Integrity;
- ✓ Solve problems;
- ✓ Think strategically;
- ✓ Focus on client needs;
- ✓ Creativity/innovation;
- ✓ Communication ability.

DEFINITIONS OF THE SPECIFIC CRITERIA FOR THE SELECTION OF RESPONSIBLE OF THE CONTROL FUNCTIONS

This Fit & Proper assessment is independent from the assessment of specific knowledge and experience required for the exercise of the function these relevant personnel occupy in accordance with the regulatory requirements. With respect to the Fit & Proper requirements, it is expected that the following topics are considered:

➢ **Appropriate knowledge and experience**

The Heads of the control functions need to have an appropriate knowledge and professional experience in a sufficient number of the following areas:

- ✓ Life and Non-Life insurance technique
- ✓ Team & People management;
- ✓ Internal control & Risk
- ✓ Understanding of business strategy;
- ✓ Understanding of financial statements;

- ✓ Specific dedicated professional expertise for each Head of Control Function (according to the control function).

As regards the professional expertise, a clear distinction is made between general and specific dedicated professional expertise. Each Head of Control Function must possess specific dedicated professional expertise according to the Control Function he works for. The specific dedicated professional expertise must be completed in the Self-Assessment form and an evaluation of this specific professional expertise must occur in accordance with the job function as determined by Athora Belgium.

Each of the control functions has also to fulfil specific knowledge on their own domain. These are detailed in their Charters or specified by the Law.

- **Skills**

The skills required for the Heads of Control functions are defined as follows:

- ✓ Management experience and Leadership;
- ✓ Adaptability;
- ✓ Integrity;
- ✓ Independence;
- ✓ Solve problems;
- ✓ Creativity/innovation;
- ✓ Communication ability;
- ✓ Ability to work at the executive level;
- ✓ Ability to work with other departments.

DEFINITIONS OF THE COMMON CRITERIA FOR THE SELECTION OF THE RELEVANT PERSONNEL

- **Professional behaviour**

The professional behaviour of the candidate shall be assessed by the Nomination.

In this respect, and based on the information available, the following points should be taken into consideration when assessing the professional behaviour of the candidate:

- ✓ A member/candidate to a function qualified as being in the scope of this policy ought to have enough time to fulfil his function. In this context, the following aspects are to be taken into consideration:
  - Number of other mandates or time-consuming professional obligations;
  - Must be in compliance with the amount of time which has been determined as the amount of time which probably will be the minimum time needed to carry out the function (taking into account the fact that the president of the Board of Director will have to invest more time).
- ✓ For the evaluation of independence the following potential reasons for conflicts of interest need to be disclosed:
  - Functions previously assumed within Athora Belgium and positions previously held in other companies;

- Personal, professional and economic connections with majority shareholders of Athora Belgium or its affiliates, personal or economic connections with key position holders of the credit institute or its affiliates.

- **Background**

The background, as defined by Athora Belgium, is assessed on the basis of. Information about the professional integrity of the person subject to the assessment.

- **Professional integrity**

Apart from the professional criteria, personal reliability and a good reputation are also prerequisites for a person to be eligible. A candidate is considered to have a good reputation if there is no reason to assume anything to the contrary. Any indications that may give rise to well-founded doubts about the ability of the candidate to ensure a reliable and prudent management of the company are detrimental to a good reputation.

The professional integrity of the person is assessed on the basis of indications in the following areas:

- ✓ Criminal convictions (either in Belgium or abroad);
- ✓ Negative assessments by financial supervisory authorities (either in Belgium or abroad);
- ✓ Administrative or disciplinary measures (either in Belgium or abroad);
- ✓ Dismissal or termination of contract on grounds of serious misconduct (either in Belgium or abroad);
- ✓ Companies / institutions / Board of Directories at which positions are or were held which falls within the scope of the law, or where policy is or was influenced in another significant way, or in which significant interests are or were held;
- ✓ Public aid received by a company in which positions are or were held which falls within the scope of the law, or where policy is or was influenced in another significant way, or in which significant interests are or were held;
- ✓ Settlements or agreements involving the candidate or a company in which positions are or were held which falls within the scope of the law, or where policy is or was influenced in another significant way, or in which significant interests are or were held by the candidate;
- ✓ Adjustment or discharge of either personal debts or a company's debts;
- ✓ Bankruptcy;
- ✓ Refusal by external auditors to certify company accounts of a company in which positions are or were held which falls within the scope of the law, or where policy is or was influenced in another significant way, or in which significant interests are or were held.

The following criteria should be taken into account when assessing convictions, proceedings, previous professional activities and bankruptcy.

If there were convictions or if proceedings are pending, further information shall be gathered and additional investigations shall be carried out. In addition, the person concerned shall be contacted personally to get more detailed information about the actual circumstances of the case at hand.

Whether the facts are relevant for a specific position or not shall be determined on the basis of a case-by-case evaluation taking into consideration the different criteria such as type of conviction, time lapse, impact on reputation etc.

If several not serious offences are ascertained which per se do not cast any doubt on the personal reliability and the good reputation of a person, these offences shall be taken together and be analysed as to their impact on the reliability and good reputation.

When evaluating the previous professional activities of a person, the following circumstances are to be considered as particularly serious and as such detrimental to the personal reliability and the good reputation of the candidate:

- ✓ Exclusion from a managerial function by a regulatory authority;
- ✓ Proof that the person concerned has not behaved in an open and cooperative way during procedures of regulatory authorities;
- ✓ Refusal to be awarded a license or professional permit and withdrawal, termination or revocation of such permits as well as dismissals from government positions or positions held with regulatory authorities;
- ✓ Discharge from managerial functions and positions which are based on a fiduciary authority or similar professional authority and which involve a high degree of trust, with such discharge being due to issues with regard to the integrity, sincerity and honesty of the person;
- ✓ Same reasons for the withdrawal of a person from the above-mentioned positions if such withdrawal was not originally initiated by the person concerned.

With respect to bankruptcy, further investigations should be performed aimed at obtaining information about the declaration of bankruptcy from the relevant local authority in order to assess whether the candidate does not handle his/her financial affairs in a prudent manner and/or has assumed unreasonably high financial obligations.

PROCESS FOR ASSESSING THE FITNESS AND THE PROPRIETY OF THE PERSONS

PROCESS FOR THE EVALUATION OF SUITABILITY OF THE MEMBERS OF THE BOARD OF DIRECTOR

- **Responsibility**

The Board of Directors in charge of the assessment of the members of the Board of Director is the Nomination and Remuneration Committee (hereafter “Nomination Committee”) as stipulated in the Charter of the Nomination Committee of the company.

However, and as stated in this principle, the Nomination Committee assesses all applicant’s files and gives a formal opinion and recommendation for the attention of the members of the Board of Director. On the basis of these opinions and recommendations, the Board of Director shall then finalize the list of candidates that will be subject to final approval by the General Meeting.

The Nomination Committee is made up of non-executive members of the Board of Director which have to be at least two.

The results of the assessments shall be submitted to the members of the General Meeting.

- **Evaluation and decision-making process**

In General

The suitability of potential new member(s) or current member(s) of the Board of Director must be assessed by the Nomination Committee prior to the entry into function on the basis of the documents to be obtained (see below). The results of this assessment are submitted to the members of the Board of Director which will then finalize the list of candidates that will be subject to final approval by the General Meeting. The suitability of a potential new candidate must be assessed by the Nomination Committee prior to the entry into function on the basis of the documents to be obtained (see below). The results of this assessment are submitted to the members of the Board of Director for final approbation and appointment.

On the basis of the assessment of the new candidate(s) made by the Nomination Committee, and as stated in point 9 of the Charter of the Board of Director, the Board of Director will assess whether the expertise within the Board of Director is sufficiently guaranteed with this new candidate, in view of his or her knowledge and specific experience, skills and professional behaviour. This assessment must be stated in the meeting minutes of the Board of Director meeting during which this global assessment takes place.

Once the members of the Board of Director finalize the list of candidates to be presented to the General Meeting, the applicant's files as well as the assessments are sent to the National Bank of Belgium in due time for their appraisal.

In theory the appointment may not become effective and may not be made public until the National Bank of Belgium has made a ruling except in exceptional circumstances where the appointment may take place subject to a condition precedent, and may be made public provided that this condition is mentioned.

Particular cases

The members of the Nomination Committee carry out the assessment of the candidates to the Board of Director and of the members of the Board of Director.

When a member of the Nomination Committee happens to be in a situation of potential conflict of interest, the procedure foresees that this member of the Nomination Committee must withdraw from the assessment process in order to preserve a maximum objectivity and legitimacy of the assessment.

In the eventuality where a member of the Nomination Committee in charge of the assessment of the candidates or members of the Board of Director is him/herself subject to a suitability assessment, the procedure foresees temporary withdrawal of the member subject to the assessment for the duration of said assessment in order to ensure the highest level of impartiality and legitimacy to the assessment exercise. Should this situation lead to an assessment to be performed by only one member (or none), the procedure foresees to contact the Athora Group (e.g. the Regional Officer who is in charge of Belgium) in order to obtain a complementary and independent opinion on the assessment or to nominate another representative of the Athora Group to provide a complementary and independent opinion.

Documents to be obtained

Athora Belgium's procedure, under Form I of the NBB Handbook on assessment of fitness and propriety, contains all documents to be submitted by the candidate and the questionnaire to be filled in by him for the appraisal by the National Bank of Belgium. These documents also have to be put at the disposal of the company in order to perform its own assessment.

Hence, and as a minimum, Athora Belgium decided that the following documents have to be submitted within the framework of the evaluation of suitability:

- ✓ The applicable standard application file drafted by the National Bank of Belgium;
- ✓ Curriculum vitae;
- ✓ Extract from the judicial record;
- ✓ Any degree or certificate of attendance to trainings that can demonstrate a sufficient aptitude for the required competencies;
- ✓ Any other document that can show a certain aptitude for the required competencies (i.e. recommendation letters, ...);
- ✓ Athora Belgium assessment questionnaire.

These documents are required for new appointments and re-appointments.

Athora Belgium developed its own assessment questionnaires in order to perform its own evaluation of suitability. These questionnaires are built in order to meet the requirements stated under principle 2 of the Governance Charter of Athora Belgium.

In line with Athora Belgium's privacy policy, the extract from the judicial record will be consulted for the evaluation and kept the time required for preparation of the candidate's file. Once the preparation of the file is closed, the extract from the judicial record has to be sent to the NBB. The extract from the judicial record cannot be older than three months.

Execution

The candidate/member of the Board of Director must complete a questionnaire to assess his/her competences. The Nomination Committee reviews and confirms or amends the assessment for an advice to the Board of Director on the candidate. The Board of Director is responsible for the communication of the findings to the shareholders during the General Meeting.

The competence in each area of knowledge and experience is assessed separately. The result can be 'very good' (in-depth expert competency), 'good', 'satisfactory' or ''to improve' (competency with minor gaps). In all other cases the competence is 'inadequate".

The assessment for a non-executive director has to be 'good' in at least five areas – including at any rate Planning, control and reporting – while only for two areas the assessment 'to improve' or 'inadequate' can be accepted provided that there will be a remedial action (see below).

The contribution of the individual members has to result in a board having at least 75% of its members with a 'very good' or 'good' contribution in the first five areas listed in (Knowledge and Experience of Board members).

For the other areas the Board of Director needs to have at least two members with a ‘very good’ or ‘good’ contribution.

The assessment of individual skills ((Skills of Board of Director) is not done one-by-one, but will be done by the candidate based on an overall approach using the list as a framework. The outcome has to be at least ‘good’.

The assessment is based on the documents obtained in accordance as well as on the assessment questionnaire of Athora Belgium. Besides, the Nomination Committee can interview the candidates to or current members of the Board of Director. All fields on this questionnaire are mandatory and even fully satisfactory assessments require comments.

The members of the Nomination Committee must finalize their assessment by means of a global assessment of the fit & proper character of the candidate by assessing whether he is:

- ✓ “fit & proper”;
- ✓ “fit & proper subject to the fulfilment of conditions”; or
- ✓ “Not meeting up the fit & proper legal requirements” to a sufficient extent”.

If the professional suitability, the personal reliability, the good reputation and the governance criteria meet the requirements, a positive overall evaluation can be given and such evaluation is then to be confirmed by a notice in the meeting minutes of the Nomination Committee and a completed assessment questionnaire.

These assessments are hence presented to the Board of Director who will finalize the list of candidates before presenting them for final approval to the shareholders.

PROCESS FOR THE EVALUATION OF SUITABILITY OF THE MEMBERS OF THE EXECUTIVE COMMITTEE

- **Responsibility**

The Board of Directors in charge of the assessment of the members of the Executive Committee is the Nomination Committee for the assessment of the candidates or members of the Executive Committee.

As stated in this principle, the Nomination Committee assesses all applicants’ files and gives a formal opinion and recommendation for the attention of the members of the Board of Director. On the basis of these opinions and recommendations, the Board of Director shall then finalize the list of candidates and determines the members of the Executive Committee.

The Nomination Committee is made up of non-executive members of the Board of Director which have to be at least two.

- **Evaluation and decision-making process**

In General

The suitability of potential new member(s) or current member(s) of the Executive Committee must be assessed by the Nomination Committee prior to the entry into function on the basis of the documents to be obtained (see below). However, as stated in principle 6 of the Governance Charter of the Company, the results of this assessment are submitted to the members of the Board of Director which will then finalize the list of candidates. The suitability of the potential new candidate must be already assessed by the Nomination Committee prior to the entry into function on the basis of the documents to be obtained (see below). As stated in principle 7 of the Charter of the Board of Director, the suitability of the current members is also assessed by the Nomination Committee and these results are submitted to the members of the Board of Director for decision-making. The results of this assessment are submitted to the members of the Board of Director for final approbation and appointment.

On the basis of the assessment of the new candidate(s) made by the Nomination Committee, the Board of Director will assess whether the expertise within the Executive Committee is sufficiently guaranteed with this new candidate, in view of his or her knowledge and specific experience, skills and professional behaviour. This assessment must be stated in the meeting minutes of the Board of Director meeting during which this global assessment takes place.

Once the members of the Board of Director finalize the list of candidates to the Executive Committee, the applicant's files as well as the assessments are sent to the NBB in due time for their appraisal.

In theory the appointment may not become effective and may not be made public until the NBB has made a ruling except in exceptional circumstances where the appointment may take place subject to a condition precedent, and may be made public provided that this condition is mentioned.

- **Documents to be obtained**

Athora Belgium's procedure, under Form I of the Handbook, contains all documents to be submitted by the candidate and the questionnaire to be filled in by him for the appraisal by the NBB. These documents also have to be put at the disposal of the company in order to perform its own assessment.

Hence, and as a minimum, Athora Belgium decided that the following documents have to be submitted within the framework of the evaluation of suitability:

- ✓ The applicable standard application file drafted by the NBB;
- ✓ Curriculum vitae;
- ✓ Extract from the judicial record;
- ✓ Any degree or certificate of attendance to trainings that can demonstrate a sufficient aptitude for the required competencies;
- ✓ Any other document that can show a certain aptitude for the required competencies (i.e. recommendation letters, ...);
- ✓ Athora Belgium assessment questionnaire.

These documents are required for new appointments and re-appointments.

Athora Belgium developed its own assessment questionnaires in order to perform its own evaluation of suitability. These questionnaires are built in order to meet the requirements stated under principle 2 of the Governance Charter of Athora Belgium.

In line with Athora Belgium's privacy policy, the extract from the judicial record will be consulted for the evaluation and kept the time required for preparation of the candidate's file. Once the preparation of the file is closed, the extract from the judicial record has to be sent to the National Bank of Belgium. The extract from the judicial record cannot be older than three months.

➢ **Execution**

For the assessment of the selection criteria detailed above (criteria for the selection of Executive Committee members) the candidate/member of the Executive Committee must complete a questionnaire to assess his/her competences. The Nomination Committee reviews and confirms or amends the assessment for an advice to the Board of Director on the candidate.

The competence in each area of knowledge and experience is assessed separately. The result can be ‘very good’ (in-depth expert competency), ‘good’, ‘satisfactory’ or ‘to improve’ (competency with minor gaps). In all other cases the competence is ‘inadequate”.

In addition to the results obtained in the questionnaires as members of the Board of Director, the assessment for an executive director has to be ‘good’ in at least five areas – including at any rate financial planning & management – while only for two areas the assessment ‘to improve’ or ‘inadequate’ can be accepted provided that there will be a remedial action

The contribution of the individual members has to result in a Executive Committee having 75% of its members with a ‘very good’ or ‘good’ contribution in the first five areas (Knowledge and Experience of Executive Committee members).

For the other areas the Executive Committee needs to have at least two members with a ‘very good’ or ‘good’ contribution.

The assessment of individual skills (Skills of Executive Committee members) is not done on-by-one, but will be done by the candidate based on an overall approach using the list as a framework. The outcome has to be at least ‘good’.

The assessment is based on the documents obtained as well as on the assessment questionnaire of Athora Belgium. Besides, the Nomination Committee can interview the candidates to or current members of the Executive Committee. All fields on this questionnaire are mandatory and even fully satisfactory assessments require comments.

The members of the Nomination Committee must finalize their assessment by means of a global assessment of the fit & proper character of the candidate by assessing whether he is:

- ✓ “fit & proper”;
- ✓ “fit & proper subject to the fulfilment of conditions”; or
- ✓ “Not meeting up the fit & proper legal requirements” to a sufficient extent”.

If the professional suitability, the personal reliability, the good reputation and the governance criteria meet the requirements, a positive overall evaluation can be given and such evaluation is then to be confirmed by a notice in the meeting minutes of the Nomination Committee and a completed assessment questionnaire.

These assessments are hence presented to the Board of Director who will finalize the list of candidates and decide the final composition of the Executive Committee.

PROCESS FOR THE EVALUATION OF SUITABILITY OF THE HEAD OF CONTROL FUNCTIONS

➢ Responsibility

The Board of Directors in charge of the assessment of the Head of Control functions in scope of the NBB Handbook on assessment of fitness and propriety is the Nomination Committee, whereas the other Heads of Control functions are assessed by the Executive Committee.

The Nomination Committee assesses all applicants' files and gives a formal opinion and recommendation for the attention of the members of the Board of Director. On the basis of these opinions and recommendations, the Board of Director shall then finalize the appointment of the Head of the Control function subject to the appraisal of the NBB.

The files of the other Heads of control functions are assessed by the Executive Committee.

➢ Evaluation and decision-making process

In General

The suitability of the candidates to the Heads of control functions must be assessed by the Nomination Committee prior to the entry into function on the basis of the documents to be obtained (see below). The results of this assessment are submitted to the members of the Board of Director which will then finalize the list of candidates. The suitability of the potential new candidate must be already assessed by the Nomination Committee prior to the entry into function on the basis of the documents to be obtained (see below). The results of this assessment are submitted to the members of the Board of Director for final approbation and appointment.

On the basis of the assessment of the new candidate(s) made by the Nomination Committee, the Board of Director will assess whether the requested expertise is sufficiently guaranteed with this new candidate, in view of his or her knowledge and specific experience, skills and professional behaviour. This assessment must be stated in the meeting minutes of the Board of Director meeting during which this global assessment takes place.

Once the members of the Board of Director finalize their review and appointment, the applicant's files as well as the assessments are sent to the National Bank of Belgium in due time for their appraisal.

In theory the appointment may not become effective and may not be made public until the NBB has made a ruling except in exceptional circumstances where the appointment may take place subject to a condition precedent, and may be made public provided that this condition is mentioned.

➢ Documents to be obtained

Athora Belgium's procedure, contains all documents to be submitted by the candidate and the questionnaire to be filled in by him for the appraisal by the NBB. These documents also have to be put at the disposal of the company in order to perform its own assessment.

Hence, and as a minimum, Athora Belgium decided that the following documents have to be submitted within the framework of the evaluation of suitability:

- ✓ The applicable standard application file drafted by the NBB for the control functions in scope of Handbook the NBB Handbook on assessment of fitness and propriety ;

- ✓ Curriculum vitae;
- ✓ Extract from the judicial record;
- ✓ any degree or certificate of attendance to trainings that can demonstrate a sufficient aptitude for the required competencies;
- ✓ Any other document that can show a certain aptitude for the required competencies (i.e. recommendation letters, ...);
- ✓ Athora Belgium assessment questionnaire.

These documents are required for new appointments and re-appointments.

In line with the Group Fit & Proper policy attached to this policy, the members of the Board of Director and Executive Committee also complete form Annex A containing the Fit & Proper declaration and the heads of control functions complete form Annex B.

Athora Belgium developed its own assessment questionnaires in order to perform its own evaluation of suitability. These questionnaires are built in order to meet the requirements stated under principle 2 of the Governance Charter of Athora Belgium.

In line with Athora Belgium's privacy policy, the extract from the judicial record will be consulted for the evaluation and kept the time required for preparation of the candidate's file. Once the preparation of the file is closed, the extract from the judicial record has to be sent to the National Bank of Belgium. The extract from the judicial record cannot be older than three months.

- **Execution**

For the assessment of the selection criteria detailed (criteria for the selection of the Head of Control Functions) the candidate/member as Head of the considered control function must complete a questionnaire to assess his/her competences. The Nomination Committee reviews and confirms or amends the assessment for an advice to the Board of Director on the candidate. Ongoing monitoring of the Heads of the control functions is performed by the members of the Audit Risk Committee.

The competence in each area of knowledge and experience is assessed separately. The result can be 'very good' (in-depth expert competency), 'good', 'satisfactory, or 'to improve' (competency with minor gaps). In all other cases the competence is 'inadequate".

The assessment for a Head of a Control function has to be 'good' in at least five areas – including at any rate Internal control & Risk management and Understanding of business strategy – while only for two areas the assessment 'to improve' or 'inadequate' can be accepted provided that there will be a remedial action.

The assessment of individual skills is not done on-by-one, but will be done by the candidate based on an overall approach using the list as a framework. The outcome has to be at least 'good'.

The assessment is based on the documents obtained in accordance as well as on the assessment questionnaire of Athora Belgium. Besides, the Nomination Committee can interview the candidates to or current members of the Heads of control functions. All fields on this questionnaire are mandatory and even fully satisfactory assessments require comments.

The members of the Nomination Committee must finalize their assessment by means of a global assessment of the fit & proper character of the candidate by assessing whether he is:

- ✓ “fit & proper”;
- ✓ “fit & proper subject to the fulfilment of conditions”; or
- ✓ “Not meeting up the fit & proper legal requirements” to a sufficient extent”.

If the professional suitability, the personal reliability, the good reputation and the governance criteria meet the requirements, a positive overall evaluation can be given and such evaluation is then to be confirmed by a notice in the meeting minutes of the Nomination Committee and a completed assessment questionnaire.

These assessments are hence presented to the Board of Director who will finalize the review of the candidate’s file and decide the final appointment of the candidate.

COMMON CRITERIA APPLICABLE FOR THE EVALUATION OF SUITABILITY OF ALL THE CATEGORIES OF RELEVANT PERSONNEL

- **Measures in case of “fit & proper”**

In case the candidate is assessed as meeting the required “fit & proper” criteria by the Nomination Committee or the Executive Committee, he shall then be considered as appointed by the Nomination Committee as a potential occupant of the function under consideration.

Should the assessed function be in the scope of the NBB Handbook on assessment of fitness and propriety 2018_25, the final appointment is subject to the appraisal of the National Bank of Belgium.

- **Measures in case of “fit & proper subject to the fulfilment of conditions”**

If individual sections only partly meet the criteria and if, in addition, there is no accumulation of only partially complying criteria, the Nomination Committee may suggest and the Board of Director may at its own discretion determine conditions (e. g. training measures) which the candidate has to fulfil within a specific period of time. During this allocated period of time to comply, the candidate may occupy the relevant position for the time being (“fit & proper conditions”).

For the collegial Board of Directories, this is only possible if the collective suitability of the Board of Directors is guaranteed. However for candidates to the Board of Director, in such cases, these action plans are subject to the approval of the shareholders.

At the end of the specific period of time, the assessment is performed again on the points to be improved identified during the first assessment in order to assess whether the candidate has become “fit & proper” or not. If the candidate has become “fit & proper” and the member of the Relevant personnel is subject to the requirements of Handbook on assessment of fitness and propriety 2018_25, the NBB is informed hereof.

- **Measures in case of a negative evaluation “not fit & proper”**

In any case a candidate is assessed as “not meeting up the fit & proper legal requirements to a sufficient extent” if he fails to fulfil clearly defined legal requirements (see e.g. the grounds for exclusion pursuant to art 526ter of the Company Code or serious criminal convictions).

Besides, if a candidate who has been evaluated as “fit & proper subject to the fulfilment of conditions” does not fulfil the conditions within the prescribed period of time and if it does not seem to be reasonable to extend the period for the fulfilment of the conditions imposed, this candidate shall be evaluated as “not fit & proper” and the company shall file in the Form 2 – Exit of the Handbook on assessment of fitness and propriety of the National Bank of Belgium if the function under assessment is subject to the requirements of this handbook.

If a future member of the Board of Director has received a negative evaluation (“not fit & proper”), he must not be appointed. If the member already fulfils his functions, Athora Belgium shall replace him with a suitable person.

If the assessment of the Relevant personnel is negative (“not fit & proper”) and the function falls in the scope of Handbook on assessment of fitness and propriety of the NBB_2018_25, the NBB shall be informed thereof by completing Form 2 – Exit of the handbook. At the same time Athora Belgium shall take measures in order to ensure that the suitability of the collegial Board of Directories as a whole is restored.

- **Frequency of the suitability assessment**

The assessment of candidates to functions occupied by relevant personnel shall be operated prior to the taking up of the position.

For candidates to the Board of Director, following this assessment, the required application file and documentary evidence together with the assessment questionnaire shall be provided to the National Bank of Belgium at the latest one month before the General Meeting appointing the candidates to the Board of Director.

For the other candidates to functions comprised in the Relevant personnel functions, should the function fall in the scope of the NBB Handbook on assessment of fitness and propriety 2018_25, the required application file and documentary evidence together with the assessment questionnaire shall be provided to the National Bank of Belgium in the briefest delays following their assessments by the Board of Director. The other relevant functions may consider their appointment finalized upon validation by the Executive Committee.

All occupants of functions identified in this policy shall be reminded yearly, by means of a written declaration, that she/he confirms that she/he will unreservedly abide by the current fit & proper standards for this position and that she/he will give immediate notice of any events which might turn out to be important in this respect. As a general rule, this yearly declaration shall be performed when approving the annual financial statements and shall be requested by the Human Resource Department.

- **New elements**

Any new element which might have an impact upon the “fit & proper” status of a person who falls within the scope of the law must be sent to the supervisory authority without delay.

Athora Belgium considers that any new element having an impact on the information previously provided under “Form 1 – Title VI. Information about the professional integrity of the person in question”, must be considered as a triggering moment for a re-assessment of the suitability of the member of the relevant personnel.

Therefore, should it happen that new elements might have an impact upon the “fit & proper” status of a person in function and falling within the scope of the NBB Handbook on assessment of fitness and propriety 2018_25, the concerned member must notify this without delay to the president of the Nomination Committee.

The Nomination Committee or the Executive Committee performs an assessment of the impact of the new element on the “fit & proper” status of the person. Should the impact of this new element jeopardies the fit & proper status of the person occupying a Relevant function in the scope of the NBB Handbook on assessment of fitness and propriety 2018_25, this must be mentioned in the assessment of the Nomination Committee and be submitted to the Board of Director for final decision and “Form 3 – New elements “of the Handbook must be sent, duly completed and signed, to the National Bank of Belgium without delay.

Moreover, all members of the Relevant personnel shall be reminded yearly, by means of a written declaration, that she/he confirms that she/he will unreservedly abide by the current fit & proper standards for this position and that she/he will give immediate notice of any events which might turn out to be important in this respect.

- **Exit**

As stated in the Handbook, when an occupant of a Relevant function leaves the company and the Relevant function falls in the scope of the NBB Handbook on assessment of fitness and propriety 2018_25, the company must file Form 2 – Exit of the Handbook informing the National Bank of Belgium of the reason for leaving (no renewal of an expiring mandate, internal reorganization, voluntary redundancy, dismissal on grounds of serious misconduct, expiry of contract, retirement or other reasons).

- **Documentary evidence**

All assessments and declarations by the occupants of relevant functions shall be dated and signed by the person performing the assessment. A copy of all assessment documents (except the extract from the judicial record), a copy of the candidate’s file and meeting minutes of the Nomination Committee, the Board of Director, the General Meeting and the Executive Committee shall be stored by the General Counsel. These documents must be easily gathered upon request of the supervisory authorities or any independent control function which is required to assess the compliance of the company with the “fit and proper” legal requirements.

B.3. Risk management system including the own risk and assessment

B.3.1. Risk management system

The purpose of the Risk Management system is to ensure that all risks to which the Company is exposed to are properly and effectively managed on the basis of the risk strategy defined, following a set of processes and procedures and based on clear governance provisions.

The principles defining the Risk Management system are provided in the Risk Management Policy which is the cornerstone of all risk-related policies and guidelines. The Risk Management Policy covers all risks the Company is exposed to, on a current basis or on forward-looking basis.

The Risk Management Policy covers all Solvency II risk categories and, in order to adequately deal with each specific risk category and underlying business processes.

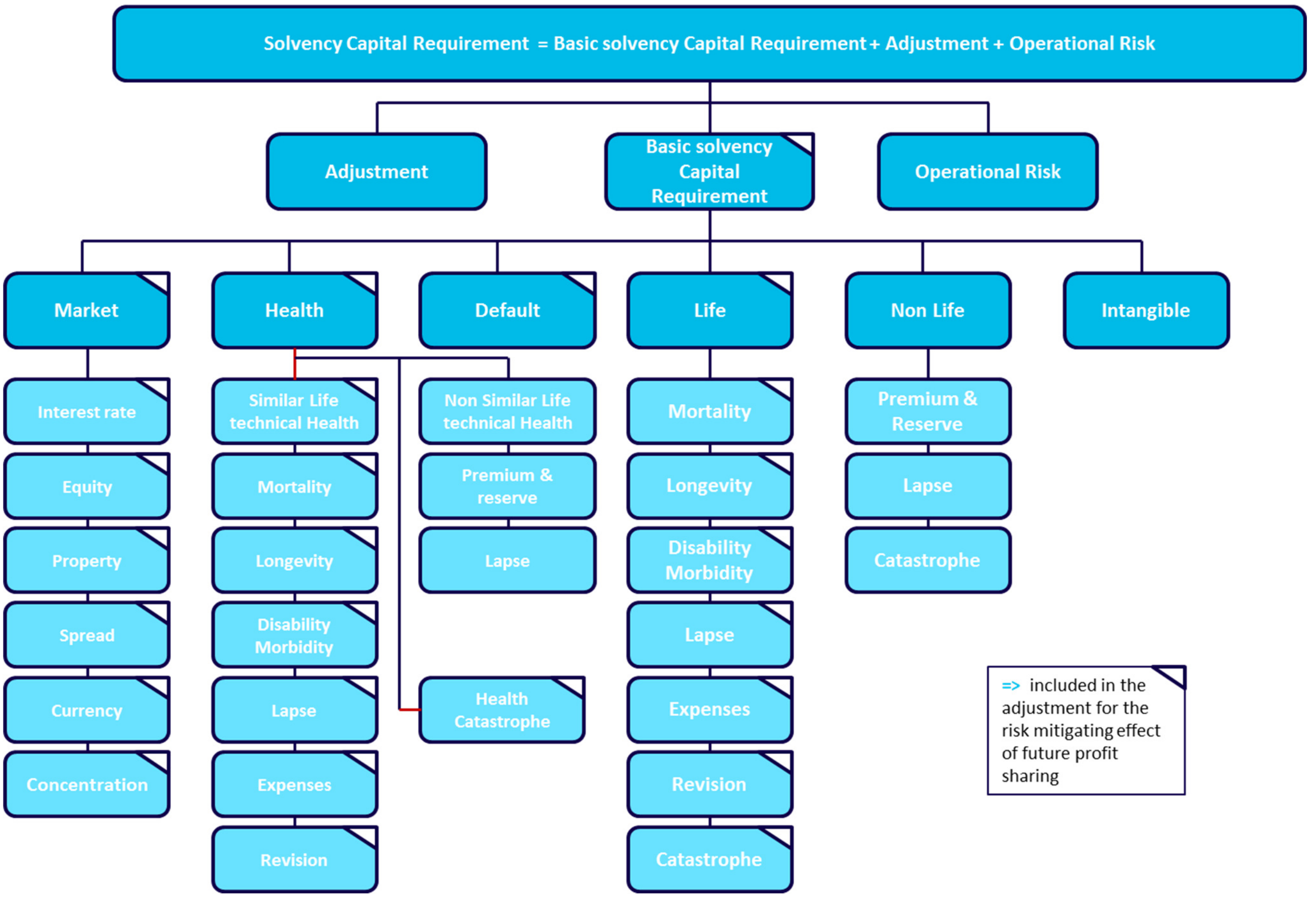
The alignment of Athora Belgium's risk policies to Group requirements has stated and will continue over 2020.

Risk Management process is defined on the following phases:

1. Risk identification

The purpose of the Risk Management system is to ensure that all material risks to which the Company is exposed to are properly and effectively managed on the basis of the risk strategy defined, following a set of processes and procedures and based on clear governance provisions.

The principles defining the Risk Management system are provided in the Risk Management Policy which is the cornerstone of all risk-related policies and guidelines. The Risk Management Policy covers all risks the Company is exposed to on a current basis or on forward-looking basis.



The Company has also developed an effective Risk Management system for those risks which are not included in the Solvency Capital Requirement calculation, such as Liquidity Risk and Other Risks (so called 'non-quantifiable risks', i.e. Reputational Risk, Contagion Risk and Emerging Risks).

Please see sections C.4 Liquidity Risk and C.6 Other Material Risks for further details.

2. Risk measurement

The risks identified during this 1st phase are then measured through their contributions to the Solvency Capital Requirement, eventually complemented by other modelling techniques deemed appropriate and proportionate to better reflect the Company risk profile. Using the same metric for measuring the risks and the Solvency Capital Requirement ensures that each risk is covered by an adequate amount of Solvency Capital which could absorb the loss incurred if the risk went to materialize.

In compliance with Solvency II regulation, the Solvency Capital Requirement is calculated based on the EIOPA Standard Formula.

Risks not included in the Solvency Capital Requirement calculation, such as Liquidity Risk and the Other Risks are evaluated based on quantitative and qualitative techniques and models.

3. Risk Management and control

Athora Belgium operates under a sound Risk Management system in line with the processes and the strategy set in place. To ensure that the risks are managed according to the risk strategy, Athora Belgium follows the governance defined in the Risk Appetite Framework which provides a framework for risk management embedding in day-to-day and extraordinary business operations, control mechanisms as well as escalation and reporting processes.

The purpose of the Risk Appetite Framework is to set the desired level of risk on the basis of the Company strategy. The Risk Appetite Framework statement is complemented by qualitative assertions (risk preferences) supporting the decision-making processes as well as by risk tolerances providing quantitative boundaries, limiting excessive risk-taking. These are expressed in terms of hard and soft tolerances.

Without Group intervention, Athora Belgium aims at maintaining a capital position enabling, given its risk exposure, to support a one on ten shock and remain solvent, and actively pursues the diversification of its risks.

The integration of the Risk Appetite Framework in the business process is in particular foreseen for the strategic planning process, the strategic asset allocation, the product development process, as well as for extraordinary operations management.

Athora embeds its Risk Appetite into the key decision making processes looking at two main dimensions and has defined consistent risk metrics to ensure that its risk profile is managed within the stated appetite and regulatory requirements, triggering actions whenever tolerance levels breached.

The Risk Appetite framework is developed on the basis of the Athora Group Risk Appetite Framework, embedding Belgian specificities.

4. Risk reporting

The purpose of risk reporting is to keep business Functions, Senior Management, Board of Directors and also the Supervisory Authority aware and informed on the development of the risk profile, on the risk trends and on the breaches of risk tolerances.

A description of how the Risk Management Function is implemented and integrated into the organizational structure and decision-taking processes of the undertaking is provided under paragraph B.1.

The Own Risk and Solvency Assessment (ORSA) is the main risk reporting process, coordinated by the Risk Management Function. Its purpose is to provide the assessment of risks and of the overall solvency needs on a current and forward-looking basis. The Own Risk and Solvency Assessment process ensures ongoing assessment of the solvency position in line with the Strategic Plan and Capital Management Plan, followed by a regular communication of Own Risk and Solvency Assessment Results to the Supervisory Authority after Board of Directors approval. More details are provided on the Own Risk Solvency Assessment in section B.3.3.

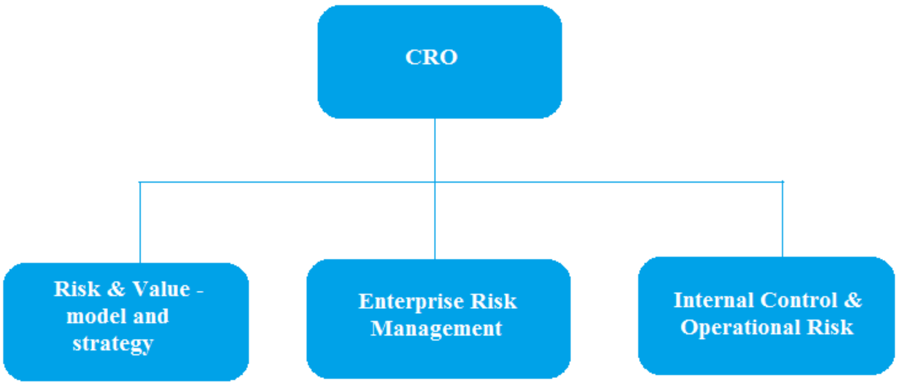
Risk Management Function Roles and Responsibilities

The Integrated Risk Management Policy states that the Risk Management function acts as guarantor for the effective implementation of the risk management system, as required by law and as established by the Board of Directors.

The function supports the Board of Directors and Executive Committee in the definition of the risk management strategy and the development of tools. During the year, the Risk Management Function worked on the further strengthening of the Risk Governance and operating model, supported by the Group Risk Management framework and following the circular on Governance as well as the local Solvency II regulatory framework.

Risk Management is led by CRO, in charge of performing risk management activities. A reporting line between Athora Belgium's CRO and Group CRO is in place.

In 2019, the organisational structure of the Risk Management Department was the following:



The current Risk Management function is compound of 3 different units: Enterprise Risk Management, Risk & Value – Model & Strategy and Internal Control & Operational Risk which main responsibilities are described here under.

The Risk and Value, Model and Strategy is composed out of 4 FTE's. Its objectives are the following:

- The Life and Non-Life Technical Provisions under Solvency II are calculated on a quarterly basis; the actuarial platform is managed and validated;
- The modelling of the Risk measures is done according all latest EIOPA or Local Regulatory Guidelines within the Actuarial Platform and approved jointly with the Actuarial Function;
- Risk measures are calculated according to the legal framework (EIOPA Standard Formula) for (1) all required reporting periods, (2) quarterly sensitivities analysis, (3) Stress-Testing exercise and (4) ad-hoc requests.
- The projected Risk measures are calculated on the Strategic Plan horizon to assure the alignment between the Company strategy and the Risk Appetite Framework;
- The Risk profile is measured according to the local methodology foreseen in the ORSA process;
- The impact of new products on the risk profile is analyzed;
- The Risk calculations embed the required level of first line controls and documentation;
- The internal methodology is understood and its suitability is analyzed.

The ERM team is composed of 4 FTE’s. Its objectives are the following:

- The Standard Formula results are reviewed by an independent control function, issuing review reports and recommendations when relevant;
- The ORSA process is run in the Company and the outcomes are regularly reported to the Top Management and to the Supervisor;
- The Risk Profile assessment is reviewed and challenged by an independent party;
- The Risk indicators are defined, measured, monitored and reported, as well as their limits, within the risk appetite framework. Specific attention is given to the ALM risk monitoring DV01, CS01, liquidity risk);
- The Risk Strategy & Appetite and Risk Appetite Framework are monitored and translated into operational limits embedding the risk profile in the business;
- Policies and guidelines on pillar I and other risks are approved, implemented and monitored according to the Risk Appetite Framework;
- The assumptions underlying the Capital requirement projections are reviewed and challenged;
- The operational limits cascaded down from the Risk Appetite Framework are continuously monitored.

The Internal Control & Operational Risk team is composed of 5 FTE’s. Its objectives are the following:

- The policies & guidelines on operational and Internal Control System are approved, implemented and monitored;
- The operational risks are assessed based on a forward-looking risk assessment performed jointly with the Compliance function and which consists in evaluating the gross exposure of the company to operational risks and, taking into account the mitigation actions in force, the residual risk;
- An incident database is created, continuously updated and alimented in order to allow for a better comprehension of the risk profile of the company and the definition and implementation of adequate mitigation actions;
- A scenario analysis on the most critical identified risks is run, analyzed and reported;
- The Loss Data Collection process is effectively in place and the results are monitored and reported;
- The Internal Control is implemented in the main process of the company and integrated in the day to day business activities;
- The key Operational Risk Indicators are defined, measured, monitored and reported;
- The financial reporting risks are under control and are monitored constantly.

The Risk Management, relying on the framework set through the Group Risk Management Governance, focuses on a sized and materiality fitted approach to embed the Risk Management System in the Company. Moreover, the Risk Management ensure a proper deployment of the Risk Management System in full compliance with the Belgian regulatory framework and aligned on the market practice.

B.3.2. Own Risk Solvency Assessment Process

The Own Risk and Solvency Assessment process is a key component of the Risk Management system which aims at assessing the adequacy of the solvency position and the risk profile on a current and forward-looking basis.

The Own Risk and Solvency Assessment process documents and properly assess the main risks Athora Belgium is exposed to, or might be exposed on the basis of its Strategic Plan. It includes the assessment of the risks in scope of the Solvency Capital Requirement calculation, but also the Other Risks not included in Solvency Capital Requirement calculation. In terms of risk assessment techniques, stress test and sensitivity analysis are also performed with the purpose to assess the resilience of Athora Belgium risk profile to changed market conditions or specific risk factors.

The Own Risk and Solvency Assessment Reporting process is implemented according to the requirements provided by the National Bank of Belgium (NBB_2017_13 circular) and following the Risk Management Policy and the Own Risk and Solvency Assessment Reporting Guideline

The Chief Risk Officer coordinates the Own Risk and Solvency Assessment process within his area and with the contribution of other departments (mainly Finance, Actuarial Function and Business). The results are mainly produced by the Actuarial Platform (actuarial tools used within Athora).

The Local Own Risk and Solvency Assessment Report is prepared at least annually as required by the local Belgian regulator. The Own Risk and Solvency Assessment Yearly Report is presented and validated by the Executive Committee and by the Board of Directors of Athora Belgium before being sent to the regulator.

On a quarterly basis, a light Own Risk and Solvency Assessment report (presented under the form of a Risk Dashboard), focusing on the key risk and performance indicators is shared by the Chief Risk Officer with the Executive Committee and the Board of Directors, aiming at keeping their members continuously and properly informed about the risk profile development and thus, supporting the decision-making process of the Company.

During the strategic plan finalization phase, the forward looking risk assessment is also updated in line with the Capital Management Plan.

A non-regular Own Risk and Solvency Assessment report is also produced in case of significant change of the risk profile.

The Own Risk and Solvency Assessment results are presented to and challenged and approved by the Board of Directors. The Company submits the approved report to the National Bank of Belgium within the 15 days following the Board of Directors approval, and this in compliance with the Belgian Circular NBB_2017_13.

B.3.3. Risk embedding in capital management process

Risk and capital management processes are closely integrated processes. This integration is deemed essential in order to align business and capital management processes. Through its Own Risk and Solvency Assessment Process, Athora Belgium aims at achieving the assessment of its risk profile under a short or long term perspective according to its business planning. This will, on a continuous manner, aim for the inclusion of the risk strategy into the operating business and enhancement of a common risk mindset fully embedded within Athora Belgium system of Governance.

The integration of the Own Risk and Solvency Assessment process with business planning is particularly needed in order to enable Own Risk and Solvency Assessment outputs to feed the business strategy update and to constructively contribute to the planning. Moreover, the Strategic Planning exercise is used as input underlying the Solvency projections aiming at giving a risk and return perspective on the mid-term strategy of Athora Belgium.

To grant risk and business strategy alignment on ongoing basis, the Risk Management Function actively supports the strategic planning process and the plan definition process.

The Own Risk Self-Assessment relies on the capital management plan to assess the adequacy and quality of own funds to cover the overall solvency needs during the planning period.

B.4. Internal control system

B.4.1. Internal Control System

Athora Belgium has set up an organizational and operational structure aiming at supporting its strategic objectives and operations.

To that aim, Athora Belgium has set its own strategies and policies as well as implemented procedures and appropriate internal control framework to ensure adherence to these policies

The Athora Belgium internal control and risk management system is founded on the establishment of the three lines of defense:

- The operating functions (the “Risk Owners”), which represent the first line of defense and have ultimate responsibility for risks relating to their area of expertise;
- Actuarial, compliance and risk management functions, which represent the second line of defense;
- Internal audit, which represents the third line of defense (together with actuarial, compliance and risk management functions the “Control Functions”).

B.4.1.1. Information on Internal Control function: organizational structure and the decision making processes of the undertaking. Status and resources of the internal control function within the undertaking

The second line control function depends on the Chief Risk Officer (CRO), who hierarchically depends on the Chief Executive Officer while keeping a direct access to the Board of Directors and having a complete access to all information. For further information please refer to section B3 of the Solvency Condition Financial Report.

Athora Belgium created a centralized department dedicated to the monitoring of the internal control system put in place through out of Athora Belgium. The main goal is to ensure that:

- Internal controls are adequately implemented in each significant process of the company in accordance with its risk appetite and are included in the day-to-day activities;
- The controls are defined in an efficient way to cover the addressed risks and maintain them at a target level, and are also performed in an adequate way;
- Each business unit understands the objectives of implementing an internal control system: creating value and improving the process performance. To this aim, the methodology adopted has been to:
- Define an internal methodology and standards allowing the team to support the first line of defense in the implementation of internal controls, in consistency with the group directives;
- Iteratively evaluate the control activities performed by the different organizational units, in order to assess their adequacy for the risk coverage. Also, the team can provide suggestion for the improvement of the internal control activities in place and support the risk owner in the remediation actions.

Athora Belgium considers the following as minimum requirements for the establishment of an adequate internal control system.

Internal control combines the following aspects:

- Internal control environment;
- Internal control activities;
- Awareness;

- Monitoring and reporting.

Therefore, Athora Belgium has established a Board of Directors. The Board of Directors ensures that Athora Belgium internal control and risk management system as well as the other elements of the system of governance are consistent with European and Belgian Directives and the internal Risk Policies at all times. To this end, the Board of Directors reassesses the consistency of Internal Control System periodically and at least once a year.

The Board of Directors holds the ultimate responsibility for the compliance with applicable laws, regulations and administrative provisions, including those adopted pursuant the Solvency II Directive.

Bodies responsible for Internal Control System (ICS)

The main bodies responsible for the implementation of the Internal Control Systems are

- Board of directors
- Audit and Risk Committee
- The Executive Committee
- Risk Management Committee

More explanation are available in chapter B.1 (above)

Responsibilities in terms of Internal Control Risk Management at operating Level (1st line of Defense)

The final responsibility of the internal control system relies on the executive management; however, they mainly delegate the activities to executives, managers and risk observers, as presented below:

Functions	Responsibility	Role in the Internal Control Risk Management
Effectives Director's members	Accountable	Ultimate accountable Risk Owner
Directors	Accountable	Accountable Risk Owner
Managers	Responsibility	Responsible Risk Owner

To this aim, each actor has his own roles and responsibility.

The accountable risk Owner (ARO) is the final person responsible for a process. He identifies the significant risks inherent to his activities, controls all the activities included in the process, as well as the objectives, the scope, and relevant indicators for that process. His responsibilities are:

- Ensuring the proper documentation of the process;
- Implementing the necessary actions to cover the main risks, from risk identification, description, measurement and management to risk monitoring;
- Ensuring the implementation of a proper internal control system in his area of responsibility;
- Validating and steering the implementation of new controls;
- Ensuring the timely and adequate communication of the information related to internal control system.

The Responsible Risk Owner (RRO) is in charge of the day to day risk management in his area of responsibility. He is in charge of ensuring the proper follow up of risk and control procedures and to take the necessary measures – after ARO's validation. He also has to keep the Accountable Risk Owner informed about the general internal control situation in his scope. His responsibilities are therefore:

- Document, formalize and describe the processes selected by the Accountable Risk Owner and make sure that this description is regularly updated;
- Identify the risks of the defined scope of activity and describe the existing and effective mitigating actions for those risks' coverage;
- Assess the risks, propose improvement solutions to the Accountable Risk Owner for the risk mitigation and define action plans with him;
- Monitor the implementation of these mitigating actions by monitoring the progression of the action plans;
- Assess the controls identified for the risk coverage with the help of the Internal Control Officers;
- Periodically reassess the mitigating actions regarding their effectiveness for the risks' coverage;
- Propose remediation plans to the Accountable Risk Owner if a major incident occurs and monitor their implementation;
- Assist the Accountable Risk Owner with change management, train and communicate to the Internal Control system's actors;
- Monitor and implement the recommendations made by all the internal control functions (Internal Audit, Compliance Officer, etc.) or external control functions (Auditors, etc.).

Within the first organizational level of control, the Risk Owners have been entrusted by the effective management with responsibility for risk taking, managing and controlling in their respective operational units. To this end, they provide the entire effective management with the input needed to define the policies, methods and tools used for the management and control of the risks in their area of responsibility, in order to coordinate their implementation and ensure their suitability over time. They also ensure compliance with the objectives and policies by the employees under their responsibility and take corrective measures independently.

Control activities are an integral part of every business process and primarily fall under the responsibility of the manager of each organizational unit. According to the 'Risk self-assessment' principle, each process owner is directly responsible for and therefore aware of the imperative need to achieve the objectives in terms of effectiveness, efficiency and quality of the activities related to risk management and control mechanisms inherent to its own activities. These responsibilities are defined for each operational unit, each service and each function, in accordance with the company's organizational structure.

Therefore, each employee of Athora Belgium must comply, at his/her level, with the guidelines derived from the internal control policy, which have been drawn up to facilitate understanding and promote the importance of deploying the internal control system efficiently and effectively.

The management in charge of preparing Athora Belgium's financial statements is subject to a particular attention. In collaboration with the General Management, it must certify that the financial statements have been prepared in accordance with the appropriate administrative and accounting procedures, that the financial statements are completely consistent with the accounting records made during the year and that they also represent a true and fair view of the economic reality of Athora Belgium. To this aim, a specific role is given to the Chief Financial Officer who is the ultimate responsible for the consistency of the financial statement with the economic situation of the company. Therefore, he uses the internal control system monitoring results for getting assurance on the completeness, valuation and adequacy of the financial data related to processes feeding the most significant accounts. This statement is also used by the Group Head Office for certifying its consolidated financial statements.

B.4.1.2. Information on authorities, resources, professional qualifications, knowledge, experience and operational independence of the internal control function

To ensure independence of the second line control function, the team reports to the Chief Risk Officer (CRO) who hierarchically depends on the Chief Executive Officer (CEO) while keeping a direct access to the Board of Directors and having a complete access to all information.

The internal control function is then a centralized department dedicated to the monitoring of the internal control system put in place throughout the company.

The team is composed by 4 full time employee and 1 Manager. During the personnel selection, the skills of the internal control and operational risk officer directly involved in the internal controls activities are clearly defined (knowledge, attitudes, previous professional experiences, etc.) and assessed to ensure the qualification adequacy with regards to the function,

Moreover, appropriate powers and resources are assigned to the internal control and operational risk function in order to carry out the assigned tasks.

Athora Belgium puts in place the Compliance Management System based on the following principles:

Correctness and honesty are key values

Athora Belgium works in compliance with the current legislation, professional ethics and internal rules. The pursuit of Athora Belgium interests cannot justify a conduct violating the principles of correctness and honesty.

It is focused on maintaining the highest level of integrity and reputation at all times, hence requires all entities to demonstrate a good understanding of applicable laws, regulations and standards in the markets and jurisdictions in which they operate and fully comply with them

Compliance starts at the top

Compliance is most effective in a corporate culture that emphasizes standards of honesty and integrity and in which the Board of Directors and Executive Committee with the permanent invitees lead by example.

The Board of Directors and Executive Committee of Athora Belgium are firmly committed to the achievement of high standards of compliance throughout the business, promote the values of correctness and honesty and hold responsibility for the implementation of this Policy, with the support and advice of its Compliance Officers.

The Board of Directors has the ultimate responsibility for the compliance with the laws, regulations and administrative provisions applicable to their entities.

It is the Board of Directors and Executive Committee responsibility to ensure that their Compliance Function has the necessary authority, resources and expertise to carry out its duties, among which to enforce the requirements of this Policy.

Compliance is every employee’s responsibility

Regardless of their seniority within the organization, every employee is required to exercise a strong commitment towards compliance. Compliance is an integral part of the business activities and each individual must accept responsibility for compliance in their job and pursue compliance with the spirit as well as the letter of all applicable rules and legal requirements. Employees are required to familiarize themselves with their compliance obligations and meet them in their day-to-day business activities, acting with due skill, care and diligence.

B.4.2. COMPLIANCE FUNCTION

In accordance with the joint National Bank of Belgium and Financial Service and Market Authority (FSMA) Circular of 4th of December 2012 on the Compliance function, the 2016_31 NBB Circular on governance, updated in September 2018, and the Athora Group's Group Compliance Management System Policy, Athora Belgium has adopted the necessary measures to be able to have, on a permanent basis, a suitable independent Compliance function aimed at ensuring observance by the company and its directors, Executive members, employees and authorized agents, of the principles of integrity and rules of good conduct relating to its activities, and sufficient control of the main Compliance risks .

The main roles and responsibilities of the Compliance function are defined in the Compliance Charter.

The Governance of the Compliance function is described in 3 main documents: Integrity Policy, Compliance Function Charter and the Group Compliance Management System Policy.

The Executive Committee is responsible for taking the necessary measures for the Company to be able to have, on a permanent basis, an independent and suitable Compliance function aimed at ensuring observance by the Company (and its Employees) of the rules governing the integrity of its activity.

The Compliance function is a permanent and independent function within the company, centred on observance of the rules in connection with:

- The integrity of the activities specific to Athora Belgium, and
- Control of its main Compliance risks.

It is part of the company's internal control system (consisting of a system of rules, procedures and organizational structures taking in all levels of the company and aimed at ensuring compliance with the applicable laws, regulations and administrative provisions) based on the principle of the three lines of defense of which it represents one of the three second-line control functions.

B.4.2.1. TASKS AND EXECUTION OF THE COMPLIANCE FUNCTION

Perimeter of action of the Compliance function

Compliance shall be part of the culture of the organization; it is not exclusive responsibility of the compliance staff. Nevertheless, an entity will be able to manage its compliance risks more effectively if it has a Compliance Function in place.

The Compliance Function participates in protecting the Company from losses and damages, improving the way business is done.

The Compliance Function's missions are explained in the chapter B.1

The Compliance Function assists in identifying, assessing, and monitoring compliance risks arising from failure to comply with the applicable laws and regulations and internal rules and participates, in an independent way, to the effective management of risks.

In accordance with the regulatory expectations, Athora Belgium Compliance function is responsible in particular for overseeing observance of the legal rules. The details of those activities and responsibilities are clearly defined in point 3.2 (principle 1) of the NBB_2012_14 Circular.

Compliance Risk Management System

The Compliance Function acts according to the applicable laws and regulations, to the directions provided by the Board of Director and to the Compliance Operating Model which provides for the following five core processes:

- Risk identification;
- Risk measurement;
- Risk mitigation;
- Risk monitoring;
- Reporting & Planning

Risk identification

The Risk identification process is aimed at identifying the compliance obligations applicable to the organization. The Compliance Function ensures that adequate processes for the identification of the key compliance obligations and the relevant Risk Owners are in place.

Risk measurement

The Risk measurement process is aimed at evaluating the compliance risks to which the organization is exposed and the level of adequacy of the Compliance Risk Management System to achieve its intended outcomes.

The Compliance Function, together with the Risk Management function, performs and supports the risk owners in the assessment activities and ensures that the Group Risk Assessment Methodology is applied.

Risk mitigation

The risk mitigation process is aimed at adopting all the initiatives that are useful to improve the Compliance Management System.

In this context, the Compliance Function:

- Verifies that the compliance obligations are integrated into existing policies, procedures and processes defining minimum key controls when needed,
- Verifies that ongoing training support for employees is delivered to ensure that all relevant employees are trained on a regular basis,
- Delivers communication and specific training on compliance related topics to enhance to compliance culture of employees,
- Promotes the inclusion of compliance responsibilities into job descriptions and employees performance management process,
- Manages the allegations,

- Provides objective advice on compliance related matters,
- Ensures that the organization is supported by appropriate professional advice in the establishment, implementation and maintenance of the compliance management system,
- Evaluates the compliance risk exposure of strategic projects, significant transactions and new products before they are approved.

Risk monitoring and control assurance

Risk monitoring is the process of gathering information for the purpose of assessing the effectiveness of the Compliance Management System.

The Compliance Function:

- Verifies that adequate compliance performance indicators are set up, collected and analyzed in order to monitor and measure compliance performance,
- Analyses performance to identify the need for corrective actions,
- Ensures that the compliance risk management system is reviewed at planned intervals,
- Performs tests on the effective capacity of Compliance Management System to mitigate the compliance risks,
- Follow-up the initiatives aimed at addressing compliance failures.

Reporting and planning

The reporting process is aimed at ensuring that appropriate information flows on the performance of the Athora Belgium Compliance Management System and of its continuing adequacy, including all relevant non compliances, is provided to the Board of Directors and to the Executive Committee as well as to the Group Compliance Function through Athora Belgium Compliance Officer.

At least twice a year the Compliance Officer reports to the Board of Directors on the state of execution of the annual plan of activities.

The Compliance Officer provides regular updates to the Board of Directors and Executive Committee and any times material changes occur, to the compliance officer of Athora Group.

B.4.2.2. ANNUAL PLAN

The annual plan is drafted taking into account the results of the risk assessment activities.

The aim of this annual plan is to focus and prioritize the activities of the Compliance function based on a risk based approach methodology, taking into consideration the principle of proportionality and in accordance with the resources allocated by the top management.

Finally, the plan provides further details of advisory activities, controls and other activities within the scope of the Compliance function.

The Compliance Officer must submit to the Board of Directors for approval the annual plan of activities together with the annual budget of the Compliance Function.

B.4.2.3. OTHER ACTIVITIES

Monitoring of legislation and regulations in the fields of compliance (legal watch)

The Compliance function takes part in the legal watch in the field of Compliance: in cooperation with the legal function, the Compliance function takes care of the monitoring of (new) laws and regulations (as well as their interpretation) linked with Compliance risks and draws up an inventory to ensure the necessary follow-up in order to implement them effectively within the Company. It may issue an opinion on the implications and impacts that these new regulations will have on the company and will assess the (new) Compliance risks associated therewith.

When an internal project is initiated within Athora Belgium in order to respond to a (new) law, the Compliance function assesses the solution proposed by the Business (i.e. the proposed procedures, developments and control measures), identifies any breaches and if necessary makes proposals for modification.

Advisory activity

The Compliance function advises the actual Management and operational departments on the laws, regulations, standards and codes falling directly under its remit. In particular, it takes part in the drafting of the integrity policy with the Executive Committee and in the transposition of the Group rules of conduct within Athora Belgium. It also participates in deliberations on new products and services/markets and on changes in the company's organization within the bounds of its responsibilities. It answers the various questions the Business may put to it on the subject of Compliance and gives an opinion on any Compliance-related initiatives the Company decides to take. It may also be consulted when failings or "issues" have been noted by the Business or another control function on the subject of Compliance risk in order to mitigate the effects thereof.

Awareness-raising, information and training

The Compliance function assists the Executive Committee in the organization of staff training on matters related to Compliance and integrity (mainly as regards the rules of good conduct). It also positions itself as a reference and special point of contact for any question or query having to do with the specific fields of Compliance. It is one of the privileged contacts for any staff member wishing to report problems and/or incorrect behavior within the Company.

The Compliance function is also the privileged contact for the different local supervisory bodies and for instructions received from the Group on the subject of Compliance and integrity.

Activities linked to specific requests made by the Athora Group

As part of an international group, the Compliance function must also include within its working perimeter activities defined by the parent company that are applicable to all the Compliance functions in the Group, be they recurring (such as validation from a local compliance point of view of all the policies from the parent company and having to be implemented at local level) or one-off (such as the group compliance programs or the conducting of various surveys, etc.). Based on the information from the Group, the Compliance function will also enter its activities in its annual plan in order to provide an overall view of the capacity needed to successfully meet the objectives for the year.

With regard to the requests made by the Group, certain subsidiaries will have to call on the services of Athora Belgium's Compliance function to help them fulfil these. This cooperation will have to be clearly defined as regards both scope and workload so as to enable the Compliance function to take account of its ad-hoc activities in its overall schedule and to estimate the feasibility thereof on the basis of the resources granted to the Compliance function.

Activities linked to specific requests made by the Board of Directors and/or Executive Committee

The Executive Committee, like the Board of Directors, can assign additional activities to the Compliance function whilst making sure that any conflicts of interests that could compromise the independence required of the function are avoided. Once these activities have been defined, they are included in the annual Compliance Plan and are also incorporated in the risk-based approach exercise.

Policies and guidelines management and monitoring

To ensure the proper and efficient management, Athora Belgium is putting the necessary policies and guidelines in place, using the methodology supplied by the Group, i.e. the GIRS (Athora Internal Regulation System) (which sets out the hierarchy of the rules of Governance).

All policies and guidelines are listed in an inventory which, aside from the name of each policy/guideline, contains the date at which it was last implemented, the need for annual renewal, the Policy owner, the function/committee in charge of its implementation, the function/committee tasked with monitoring.

This inventory is updated whenever the Secretariat-General reports that one of the committees has approved another policy/guideline document and followed up by the Compliance function who presents it to the Audit & Risk Committee once every quarter.

The Compliance Function monitors all the policies and Guidelines regarding their structure as required by the NBB_2016_31 Governance and the implementation of those in its scope.

B.5. Internal audit function

Athora Belgium, as part of the Athora Group, shall be subjected to an Audit activity guaranteed by a function set up in accordance with the principles stated in the Internal Audit Policy. In particular, the Internal Audit Function shall generally be located within the company responsible for the development of the business in the country. Therefore Group Audit within the Athora Group includes:

- ✓ Internal Audit Function of Athora Group , headed by Chief Group Audit;
- ✓ Local entity Audit Function, headed by Head of the Local Audit Function.

The Chief of Group Audit reports to the Board of Director of Athora Group and a Solid Line reporting model is established between the Chief of Group Audit, and the Head of the Athora i Belgium Internal Audit.

Based on this model, the Head of the Athora Belgium Internal Audit reports to the Board of Directors of Athora. That ensures autonomy to act and independence from operational management as well as more effective communication flows. This covers the methodologies to be used, the organizational structure to be adopted (recruiting, appointment, dismissal, remuneration and budget in agreement with the Board of Directors of Athora Belgium), the objectives setting and the year-end appraisal, the reporting methods, as well as the proposed audit activities to be included in the Internal Audit Plan to be submitted to the Board of Directors of Athora Belgium for approval.

In addition to the reporting duties to the CEO, Internal Audit Departments shall stay in regular contact with Group Internal Audit Department concerning the status of the audit plan, special investigations, and special incidents.

The Head of Internal Audit should participate in all the Audit Risk Committee meetings, where he/she presents the current status of audits, risks and issues. At least annually, the Head of Internal Audit department proposes to the Risk and Control Committee of Athora Belgium an internal audit plan before being submitted for the approval of the Board of Directors of Athora Belgium.

The Plan is developed based on a prioritization of the audit universe using a risk-based methodology, taking into account all the activities, the complete system of governance, the expected developments of activities and innovations and including input of Top management and the Board of Directors of Athora Belgium .The planning shall take account of any deficiencies found during the audits already made and of any new risk detected. The Audit plan will include timing as well as budget and resource requirements for the next calendar year.

In each Audit plan submitted by the Head of Internal Audit department for the approval of the Board of Directors of Athora Belgium, timing as well as budget and resource requirements for the next calendar year is included. The Head of Internal Audit department communicates the impact of any resource limitations and significant interim changes to the Board of Directors of Athora Belgium.

This plan is reviewed and adjusted at least on a bi-annual basis in response to changes in the organization’s business, risks, operations, programs, systems, controls and findings. Where necessary, Internal Audit department may carry out audits which are not included in the Audit Plan or advisory services related to governance, risk management and control as appropriate for the organization.

All audit activities are carried out following a consistent methodology common at Group Level. The scope of auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal control processes in relation to the organization's defined goals and objectives.

Following the conclusion of each engagement, a written audit report is prepared and issued to the auditee and the auditee's hierarchy. This report, that indicates the significance of the issues found, covers at least any issues regarding the efficiency and suitability of the internal control system, as well as major shortcomings regarding the compliance with internal policies, procedures and processes. It includes the agreed corrective actions taken or to be taken concerning the issues identified and also the agreed deadlines for the implementation of these corrective actions.

Internal Audit department is responsible for monitoring appropriate follow-up on issues raised and agreed actions.

The Head of Internal Audit department, in quarterly basis, provides the Audit and Risk Committee of Athora Belgium with a report on activities and significant issues during the period and a proposal of an action plan. The Board of Directors of Athora Belgium determines what actions are to be taken with respect to each issue and ensure that those actions are carried out. However, in the event of any particularly serious situations the Head of Internal Audit department will immediately inform the Risk and Control Committee, Board of Directors of Athora Belgium.

Internal Audit department maintains a quality assurance and improvement program that covers all aspects of audit activity. The program includes an evaluation of the audit activity's conformance with the Group Audit Manual, the Definition of Internal Auditing and the Standards, and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the audit activity and identifies opportunities for improvement.

B.5.1. INFORMATION ON AUTHORITIES, RESOURCES, PROFESSIONAL QUALIFICATIONS, KNOWLEDGE, EXPERIENCE AND OPERATIONAL INDEPENDENCE OF THE INTERNAL AUDIT FUNCTION

In Athora Belgium. The internal audit activities are performed by Internal Audit department in line with the organizational rules defined in the Group Audit Policy approved by the Board of Directors of Athora Belgium on the 2nd of March 2019.

Internal Audit department is an independent, effective and objective function established by the Board of Directors of Athora Belgium to examine and evaluate the adequacy, functioning, effectiveness and efficiency of the internal control system and all other elements of the system of governance, with a view of improving the efficacy and efficiency of the internal control system of the organization and of the governance processes.

It supports the Board of Directors of Athora Belgium in identifying the strategies and guidelines on internal control and risk management, ensuring they are appropriate and valid over time and provides the Board with analysis, appraisals, recommendations and information concerning the activities reviewed; it also carries out assurance activities for the benefit of the Board of Directors of Athora Belgium, the Top Management and other departments.

As provided by the Group Audit Policy, a Solid Line reporting model is established between the Chief of Group Audit and the Head of Internal Audit Department. Based on this model, the Head of the Local Audit Function reports to the Board of Directors of Athora Belgium

That ensures autonomy to act and independence from operational management as well as more effective communication flows. This covers the methodologies to be used, the organizational structure to be adopted (recruiting, appointment, dismissal, remuneration and budget in agreement with the Board of Directors of Athora Belgium), the objectives setting and the year-end appraisal, the reporting methods, as well as the proposed audit activities to be included in the Internal Audit Plan to be submitted to the Board of Directors of Athora Belgium for approval.

Internal Audit department is provided with appropriate budget and resources and its staff possesses the knowledge, skills and competencies required to carry out their work with proficiency and due professional care.

Internal Audit department has full, free, unrestricted and timely access to any and all of the organization's records, physical properties, and personnel pertinent to carry out any engagement, with strict accountability for confidentiality and safeguarding records and information. The Head of Internal Audit department has free and unrestricted access to the Board of Directors of Athora Belgium.

It governs itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing. Given the delicate and important nature of the assurance role carried out within the business, all the personnel must have specific fit and proper requirements as requested by the Group Fit & Proper Policy approved by the Board of Directors of Athora Belgium.

In particular, the Head of Internal Audit department is a person which meets the requirements of the Belgian Regulation Authority's Regime and Solvency II Regulation as well as the Athora Group requirements and has extensive relevant experience within areas including audit, control, insurance, risk and compliance.

The Head of Internal Audit department shall not assume any responsibility for any other operational function and should have an open, constructive and cooperative relationship with regulators, which supports sharing of information relevant to carry out their respective responsibilities.

All personnel belonging to Internal Audit department have skills and a proven track record commensurate with the degree of complexity of the activities to be carried out and must avoid, to the maximum extent possible, activities that could create conflicts of interest or the appearance of conflicts of interest. They behave in an impeccable manner at all times, and information coming to their knowledge when carrying out their tasks and duties must always be kept completely confidential.

The activity of Internal Audit department remains free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal Auditors do not have direct operational responsibility or authority over any of the activities audited. Accordingly, they are not involved in operational organization of the undertaking or in developing, introducing or implementing organizational or internal control measures. However, the need of impartiality does not exclude the possibility to request from the Internal Audit Function an opinion on specific matters related to the internal control principles to be complied with. At least annually, the Head of Internal Audit department proposes to the Risk and Control Committee of Athora Belgium an internal audit plan before being submitted for the approval of the Board of Directors of Athora Belgium.

The Plan is developed based on a prioritization of the audit universe using a risk-based methodology, taking into account all the activities, the complete system of governance, the expected developments of activities and innovations and including input of Top management and the Board of Directors of Athora Belgium.. The planning shall take account of any deficiencies found during the audits already made and of any new risk detected. The Audit plan will include timing as well as budget and resource requirements for the next calendar year.

In each Audit plan submitted by the Head of Internal Audit department for the approval of the Board of Directors of Athora Belgium, timing as well as budget and resource requirements for the next calendar year is included. The Head of Internal Audit department communicates the impact of any resource limitations and significant interim changes to the Board of Directors of Athora Belgium..

This plan is reviewed and adjusted on Quarterly basis in response to changes in the organization's business, risks, operations, programs, systems, controls and findings. Where necessary, Internal Audit department may carry out audits which are not included in the Audit Plan or advisory services related to governance, risk management and control as appropriate for the organization.

All audit activities are carried out following a consistent methodology common at Group Level. The scope of auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal control processes in relation to the organization's defined goals and objectives.

Following the conclusion of each engagement, a written audit report is prepared and issued to the auditee and the auditee's hierarchy. This report, that indicates the significance of the issues found, covers at least any issues regarding the efficiency and suitability of the internal control system, as well as major shortcomings regarding the compliance with internal policies, procedures and processes. It includes the agreed corrective actions taken or to be taken concerning the issues identified and also the agreed deadlines for the implementation of these corrective actions.

Internal Audit department is responsible for monitoring appropriate follow-up on issues raised and agreed actions.

The Head of Internal Audit department, at least on a bi-annual basis, provides the Board of Directors of Athora Belgium with a report on activities and significant issues during the period and a proposal of an action plan. The Board of Directors of Athora Belgium determines what actions are to be taken with respect to each issue and ensure that those actions are carried out. However, in the event of any particularly serious situations the Head of Internal Audit department will immediately inform the Risk and Control Committee, Board of Directors of Athora Belgium and Board of Auditors of Athora Belgium.

Internal Audit department maintains a quality assurance and improvement program that covers all aspects of audit activity. The program includes an evaluation of the audit activity's conformance with the Group Audit Methodology, the Definition of Internal Auditing and the Standards, and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the audit activity and identifies opportunities for improvement.

In 2019, the Internal Audit department of Athora Belgium. Was initially composed by:

- ✓ A Head of Internal Audit
- ✓ 2 Auditors for Operational and financial domains

Internal Audit, due to its independent and objective role, supports the company's Management to mitigate risks as well as to assist in strengthening the organization's governance processes and structures by reviewing activities and procedures in all areas, without scope limitation, with the objectives of:

- ✓ Safeguarding of the company's assets;
- ✓ Strengthening effective Internal Control and Risk Management/Controlling Systems by assessing and evaluating their adequacy and effectiveness;
- ✓ Strengthening compliance with legal and supervisory regulations, as well as corporate principles and guidelines;
- ✓ Fostering the appropriate and efficient use of resources.

Internal Audit department of Athora Belgium acts in a coordinated way in order to ensure the fulfilment of the task explained above, following a common audit methodology and in adherence with the principles of the Group Audit Policy.

B.6. Actuarial function

B.6.1. Actuarial Function Requirements

The main regulatory requirements of the Actuarial Function are described in the following sources:

- Solvency II Directive (2009/138, Article 48) (below, "the SII Directive");
- Delegated Regulation 2015/35 (Articles 272 and 308) (below, "the Delegated Regulation");
- Act of the 13 March 2016 relating to the status and control of the (re)insurance companies;
- National Bank of Belgium (NBB) circular 2016_31 on the system of governance ;
- NBB Circular 2016_26 on the calculation of the TP;
- NBB Circular 2017_27 on the quality of reported prudential and financial data;
- NBB Communication 2017_32 on the horizontal analysis of costs in TP valuation;
- European Standard of Actuarial Practice 2 relating to the Actuarial Function Report.

Next to the requirements imposed by the Solvency II framework, the National Bank of Belgium further requires the Actuarial Function to perform a number of additional tasks. In particular, the updated Circular[2] NBB_2016_31 further requires the Actuarial Function to give an opinion on:

- Local GAAP reserves;
- New products or tariffs;
- Profit sharing policy;
- Application of temporary measures of the Solvency II framework (not applicable to Athora Belgium).

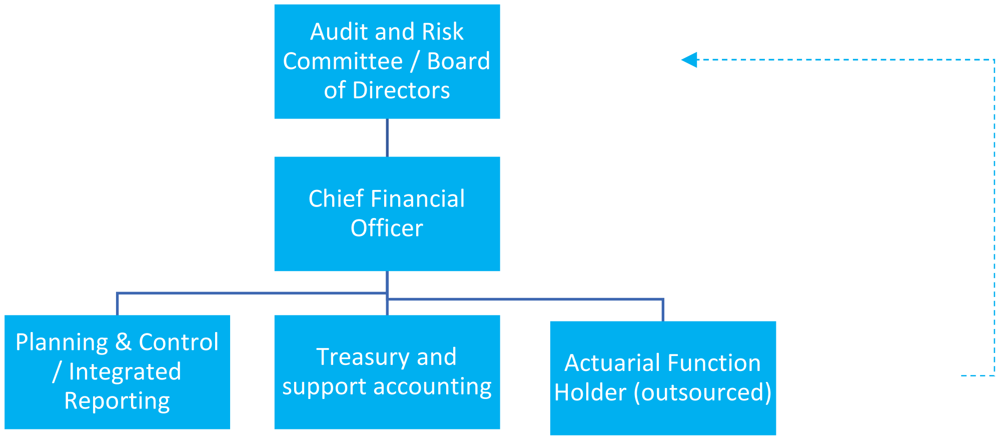
B.6.2. Organization

Throughout 2019, the Actuarial Function was coordinated by the Chief Financial Officer (CFO). Two additional measures are in place to warrant independency:

- The Actuarial Function has a direct functional reporting line to the Board of Directors, to which it has independent and direct access, being permanently invited in the Audit & Risk Committee. Therefore, the Actuarial Function can provide independent opinions directly to the Board.
- Since the second quarter of 2019 (Q2 2019) the Actuarial Function is outsourced to a third party (Willis Towers Watson). This party has accepted the responsibility following careful screening of potential conflicts of interests arising from other services provided to Athora.

The operational reporting lines in place for 2019 are illustrated in diagram below:

[2] Please note that this circular has been reviewed in 2018 by the NBB



The co-ordination of the Actuarial Function has since been transferred to the Chief Risk Officer (CRO), together with other second line of defence functions (e.g. Internal Control), to allow for a more coordinated and efficient approach in terms of processes, communications, expertise, information, etc.

B.6.3. Technical Provisions

Over the reporting period the Actuarial Function was responsible for the coordination and validation of the Technical Provisions (TP), in accordance with the process defined by the Head-Office. The computations (projection runs) were made by the Risk Calculation Unit.

Solvency II: Life

In continuation of the 2018 activities the following activities have been performed for the Life Technical Provisions:

- Coordinate the calculation of technical provisions;
- Ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- Assess the sufficiency and quality of the data used in the calculation of technical provisions;
- Compare best estimates against experience;
- Express an opinion on the overall underwriting policy;
- Express an opinion on the adequacy of the reinsurance arrangements;
- Contribute to the effective implementation of the risk management system.

As part of its responsibilities the Actuarial Function discusses the open recommendations with the owners in order to:

- Align on remediating priorities.
- Clarify the recommendations where needed.
- Ensure the pending issues have the required management attention.
- Manage expectations of involved stakeholders.

Based on the information received, the Actuarial Function delivers an opinion on Life Technical Provisions which does not raise any critical issue for YE 2019.

Solvency II: Non-Life

In continuation of the 2018 activities the following activities have been performed for the Non-Life Technical Provisions:

- Coordinate the calculation of technical provisions;
- Independent review of the best estimate of the claims provision for the main lines of business (> 85% of the gross best estimate claims provision)
- Ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- Assess the sufficiency and quality of the data used in the calculation of technical provisions;
- Assess the adequacy of the best estimate claims provision;
- Express an opinion on the overall underwriting policy;
- Express an opinion on the adequacy of the reinsurance arrangements;
- Contribute to the effective implementation of the risk management system.

As part of its responsibilities the Actuarial Function discusses the open recommendations with the owners in order to:

- Align on remediating priorities.
- Clarify the recommendations where needed.
- Ensure the pending issues have the required management attention.
- Manage expectations of involved stakeholders.

Considering the validation activities performed by the Actuarial Department and the Risk team, and the review activities performed by the Actuarial Function, the Actuarial Function considers that the Non-Life Technical Provisions are adequate and calculated with sufficient provision and according to the Solvency II Delegated Acts. The Actuarial Function has no major concerns that could affect the reliability and the adequacy of Technical Provisions calculation.

Statutory

Based on the information received and the controls performed, the BEGAAP Life provisions as of Year End 2019 are considered adequate and compliant with the regulatory requirements.

Based on the information received and the controls performed, the BEGAAP Non-Life provisions as of Year End 2019 are considered adequate and compliant with the regulatory requirements.

Data Quality (Life)

Athora Belgium has paid particular attention to data quality for several years. There exist automatic controls, and controls by the 1st, 2nd, and 3rd lines of defence (i.e. operations, internal control, and audit). In 2018 an initiative has been launched to review the data quality processes, based on the recommendation of the auditor, including a formal Gap analysis and a project plan.

The Actuarial Function is of the opinion that the data quality within Athora Belgium is not an issue per se but stresses that the Data Quality project is critical to generate the evidence with regard to local regulatory expectations. The Actuarial Function will follow-up on a regular basis to ensure momentum is kept and delivery on initial commitments within the context of the new Operating Excellence initiative.

B.6.4. Profit sharing (Life)

The total profit sharing increased from 10.709.573 EUR end of 2018 to 11.057.212 EUR end of 2019. The Actuarial Function has been able to form the opinion that for the 2019 profit sharing, Athora Belgium complies with the requirements of the Royal Decrees of 2003 and 2016. The Actuarial Function has no important remarks concerning the Profit Sharing Policy of Athora Belgium.

B.6.5. Underwriting

Based on the information received and the controls performed, the Actuarial Function does not have any major concerns about the current life underwriting policy.

The Actuarial Function does not have any major concerns about the current non-life underwriting policy. At the aggregate level, with an NCR of 95.6% the Non-Life business is profitable in a very competitive Belgium market. A number of targeted actions have been taken in 2019 with the aim to improve the profitability and the competitiveness of the products, and a good governance system is in place to monitor the results and take actions if required.

B.6.6. Reinsurance

In 2020, the current structure of the life reinsurance arrangements will be reviewed/renegotiated. The Actuarial Function has no particular concerns regarding the reinsurance structure 2020 and will have a more detailed look at the new reinsurance structure to be renegotiated during 2020 and its adequacy with respect to the portfolio of Athora Belgium.

The Actuarial Function acknowledges the benefits of the non-life reinsurance program in reducing the volatility of the results, and also appreciates the analysis performed in 2019 with Guy Carpenter on the benefits of an Excess of Loss treaty for Fire. Considering the impact of this change on the admin and reporting processes, and the planned transfer of the non-life portfolio, the decision not to change to an XL treaty is understandable. The Actuarial Function recommends to continue the analysis of the optimal reinsurance program, comparing the costs of reinsurance versus the benefits in a reduced volatility of the results, and a reduced cost of capital from a lower SCR.

B.6.7. Risk management system

The Actuarial Function contributes to the Risk Management in the following ways:

- Performs the back-testing for lapse and mortality assumptions.
- Serves as an Independent Control Function, by reviewing various deliverables of the Risk department:
    - Capital Management Plan (Yearly)
    - QRT validation (Quarterly)
    - SII Technical Provisions (Quarterly)
    - Standing invitation on the RMC (Monthly)
    - Opinion on changes in models, assumptions and calibration (Ad Hoc)
    - Opinion on changes in products and tariffs (Ad Hoc)
- Contributor to reports, coordinated by Internal Control and Operational Risk

- RSR, RMFR, SFCR, Solvency II Self-assessment.

B.6.8. Transitional measures SII

Athora Belgium applies neither the transitional measures for technical provisions nor the transitional measures for the risk-free curve.

B.7. Outsourcing

B.7.1 Outsourcing policy

Athora Belgium has an Outsourcing policy ("Policy") in place.

Outsourcing in this Policy refers to an arrangement of any form between the Company and another entity providing, on a continuous basis, a function and / or activity, which:

- ✓ Otherwise would be performed by the single company: i.e. outsourcing perimeter includes only functions or activities typically performed by the Company as part of its value chain;
  and
- ✓ Contains the decision making-power concerning the relevant function / activity[3].

The Policy scope includes outsourcing arrangements with both third parties and other Group legal entities (i.e. intra-group outsourcing).

Agreements excluded from the outsourcing definitions are:

- ✓ Commercial agreements: pure distribution agreements with intermediaries, agents, financial advisors, banks, brokers, etc. (without any underwriting component or delegation to the third party). Agreements with aggregators;
- ✓ Professional services agreements: agreements with consultants and other experts who deliver specific services to Athora. Contracts can be master agreements or standalone agreements, but they should always refer to «one-off» projects. Those agreements should be managed according to in force procurement practices and existing guidelines;
- ✓ Other agreements: agreements with third parties providing services different from typical activities of the company4;
- ✓ Reinsurance agreements.

Finally, in determining whether an agreement is included in the outsourcing definition, the Company has to take into account any definition or list of outsourcing agreement categories provided under national law or regulations, i.e. 2016_31 NBB Circular on Governance.

B.7.2 Critical and important activities, functions and operational tasks

For the list of critical and important outsourced activities is available on request at Athora Belgium

B.7.3 Reasons for subcontracting critical and important functions, appropriate control and guarantees

The reasons for the critical/important outsourcings that the company had decided on in 2019 were the following:

- ✓ Specialized competencies
- ✓ Benefit of scale
- ✓ Group wide practices
- ✓ Better pricing

[3] As such purely service contracts are not included, as well as body rental contracts

[4] Such as contracts with body shops, insurance assessors, architects , utilities, info data providers, etc.

- ✓ Difficulties to find the competencies on the market and increase of independence for the outsourcing of the actuarial function

For the outsourcing of the Actuarial function outsourcing, the company complies to all the regulatory requirements: the actuarial function has direct access to the Audit and Risk committee and to the Board of Directors and a relay person who has the competencies to control and challenge the outsourced activities has been appointed.

B.7.4. Information on the subcontractors and follow up

For the list of subcontractors is available on request at Athora Belgium.

B.8. Any other information

In November 2019, Athora Belgium announced their intention to transfer the Non-Life business to Baloise Belgium. The file for this transfer is introduced with the NBB, and the signature of the final transfer contract is foreseen between April 1 and June 30th 2020.

This will change the governance structure in 2020, but had not yet any impact on the structure in 2019.

There are no other elements of governance information relevant for the assessment of the appropriate nature of the governance.

C. Risk profile

C.1. Underwriting risk

Life Underwriting Risk

RISK EXPOSURE AND ASSESSMENT

Athora Belgium manages risks to limit its risk exposure to a level that is acceptable for the company. To this end, there is a Risk Management system in place which purpose is to ensure that the overall business activity is consistent with the Risk Appetite Framework and the Risk Strategy. The control and monitoring of risk exposures rely on the following processes:

- ✓ The definition of operative risk limits consistently with the Risk Appetite Framework and monitoring of risk exposure in respect of these limits;
- ✓ The reinsurance strategy which is developed consistently with the Risk Appetite and the Risk Preferences defined in the Risk Appetite Framework and with the reinsurance market cycle;
- ✓ The monitoring of the development of the Solvency Capital Requirement on a quarterly basis, to verify the development of the risk profile in line with the planned development of the exposures and the Risk Balance.

Description of the risks included in the portfolio

The Life and Health Underwriting Risks identified in the Company's Risk Map are:

- ✓ Mortality Risk: it is defined as the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the mortality rates, where an increase in the mortality rates leads to an increase in the value of insurance liabilities.
- ✓ Longevity Risk: similarly to Mortality, Longevity risk is defined as the risk resulting from changes in the mortality rates, where a decrease in the mortality rate leads to an increase in the value of insurance liabilities;
- ✓ Disability and Morbidity Risks: these are defined as the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the disability, sickness, morbidity and recovery rates;
- ✓ Lapse Risk: it is linked to the loss or adverse change in liabilities due to a change in the expected exercise rates of policyholder options. The relevant options are all legal or contractual policyholder rights to fully or partially terminate, surrender, decrease, restrict or suspend insurance cover or permit the insurance policy to lapse
- ✓ Expense Risk, as the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the expenses incurred in servicing insurance or reinsurance contracts;
- ✓ Health, as the risk of loss, or of adverse change in the value of annuities stemming from Non-life. The annuities stemming from Non-life are subject to longevity risk and revision risk.

The main Underwriting Risks in the Company's portfolio are Lapse, Expense, Longevity and Mortality Risks.

The Life portfolio also includes pure risk covers, with related Mortality Risk, and some annuity portfolios, with the presence of Longevity Risk.

Finally, Expense Risk is present on all the products in portfolio.

Risk assessment

The approach underlying the Life Underwriting Risk measurement is based on the calculation of the loss for the Company resulting from unexpected changes in biometric/operating assumptions. In particular, the capital requirements for Life Underwriting Risks are calculated in accordance with the Standard Formula requirements, i.e. on the basis of the difference between the Solvency II Technical Provisions after the application of a stress to the biometric/operating assumptions and the Solvency II Technical Provisions under best-estimate expected conditions.

Exposure management

Over 2019, Athora Belgium pursued its diversification objectives within its business model which shows appetite for both Unit Linked and Traditional saving and pension products. Alongside with the intensification of its Unit-Linked product offering, the Company launched a new Branch 21 product in the second half of 2019 (i.e. Athora Serenity), while the insurance market shows no appetite for developing new products embedding financial guarantees.

RISK MANAGEMENT AND MITIGATION

The techniques for mitigating, monitoring and managing the Life Underwriting Risks are based on quantitative and qualitative assessments embedded in the processes that are carefully defined and monitored both at Company's and Group level.

Risk mitigation

Robust pricing and ex-ante selection of the risks through underwriting are the main two defences against Life Underwriting Risks.

Product pricing

An effective product pricing consists in setting product features and assumptions regarding expenses, biometric, policyholders' behaviour assumptions so as to allow the Company to withstand any adverse development in the realization of these assumptions.

For saving business, this is mainly achieved through profit testing, while for protection business involving a biometric component, this is achieved by setting prudent assumptions.

Underwriting process

The Company issues underwriting guidelines, determines operating limits to be followed and defines the standard process to request exemptions in order to maintain the risk exposure between the pre-set limits and ensure a coherent use of the capital in alignment with its Risk Appetite Framework.

There is a particular emphasis put on the underwriting of new contracts that considers both the Medical, Financial and Moral Hazard Risks. The Company has defined clear underwritings standards through manuals, forms and medical and financial underwriting requirements.

Role of Risk Management in pricing and product approval processes

The CRO supports the pricing process as a member of the Life Product & Underwriting Committee.

The product approval process foresees a review by the Risk Management Function that the new products are in line with the Risk Appetite Framework (both in regards to quantitative and qualitative dimensions) and that risk-capital is considered as part of the risk-adjusted performance management.

Underwriting Risk can also be transferred through reinsurance to another (re)insurance undertaking in order to reduce the financial impact of these risks on the Company, and thus reduce the SCR held to cover them.

Athora Belgium traditionally used intra-group reinsurance with Generali Group. As part of the disentanglement with Generali Group, Athora Belgium started to review its reinsurance programs in 2019 to reallocate existing treaties to other reinsurers. As well, a new reinsurance program with Athora Ireland was initiated and aims to be implemented in the curse of 2020.

The reinsurance program is subject to the Life Actuarial Function opinion regarding its adequacy in accordance with the Actuarial Function Policy and related guidelines.

Non-life Underwriting Risk

Risk exposure and assessment

Properties and Casualties Underwriting Risk is the risk arising from Properties and Casualties insurance obligations, in relation to the perils covered and the processes used in the conduct of business. It includes the risk of underestimating the frequency and severity of the claims in defining pricing and reserves (respectively Pricing Risk and Reserving Risk) and the risk of losses arising from extreme or exceptional events (Catastrophe Risk).

Athora Belgium cannot avoid exposure to potential losses stemming from the risks intrinsically related to the nature of its core businesses. However, properly defining standards and recognizing, measuring, setting limits to these risks is of critical importance to ensure Athora Belgium resilience under adverse circumstances and to align Properties and Casualties underwriting activities with Athora Belgium Risk Appetite.

Athora Belgium, in line with its risk strategy, writes and accepts risks that are known and understood, where the available information and the transparency of exposure enables the businesses to achieve a high level of professional underwriting, with consistent development. Moreover, risks are underwritten with quality standards in the underwriting procedures in order to secure profitability and limit moral hazard.

The exposures of Athora Belgium to the underwritten risks are described in the other corresponding sections (sections D2.2 and D3.2) of the documentation, related to the Technical Provisions and the Market Value Balance Sheet.

The Solvency Capital Requirement for Non-Life Underwriting Risks is measured through the Standard Formula framework. The Properties and Casualties Underwriting Risks are measured through a quantitative model aimed at determining the Solvency Capital Requirement, based on the methodology and parameters defined in the Standard Formula approach. The risk measurement derives from the application of a pre-defined stress to the best estimate with a probability of occurrence equal to 0.5%. Moreover, in addition to capital metrics, the Risk

Management Function defines risk indicators, such as relevant exposures, risk concentration and other metrics to monitor on a quarterly basis the development of the Properties and Casualties Underwriting Risks. This ensures on-going alignment with the Risk Appetite Framework.

The Risk Management Function also checks the appropriateness of the parameters used in the Solvency Capital Requirement calculation by performing sensitivity analysis.

Nevertheless, within its Own Risk Solvency Assessment framework, Athora Belgium analyses the suitability of the Standard Formula. The outcome of these analysis demonstrates that the Standard Formula methodology is a prudent measurement approach.

For the assessment of Properties and Casualties Underwriting risks in terms of Solvency Capital Requirement, please refer to chapter E.

As in 2018, Athora Belgium focuses its underwriting strategy on the retail Lines of Business and more specifically on the Motor and Fire business. An increase of the building exposure for the Commercial Fire is also observed and implied an increase of the total sum insured impacting the Cat Nat (its own building portfolio excluded) for which the related reinsurance treaties have been adapted accordingly.

The underwritten exposures are geographically homogeneously allocated over the kingdom of Belgium and diversified over the main Properties and Casualties businesses. This has for consequence a good mitigation of the risk by avoiding concentration of the underwritten risk geographically but also on its business types.

Risk management and mitigation

Properties and Casualties Risk selection starts with an overall proposal in terms of underwriting strategy and corresponding business selection criteria. The underwriting strategy is formulated consistently with the Risk Preferences defined by the Board of Directors within the Risk Appetite Framework.

A framework to select the risks and to maintain Properties and Casualties risk exposure within the stated risk profile is provided by the Underwriting Guidelines. Athora Belgium has to embed these Guidelines into an Operating Limits Handbook (OLH) and acknowledged by the Athora Belgium Product and Underwriting department. The limits may be set based on value limits, risk type, product exposure or class of occupancy. The purpose of these limits is to attain a coherent and profitable book of business that is founded on the expertise of Athora Belgium.

The Risk Management is also involved in the launch of all any new product or modification of the risk profile of Athora Belgium via risk analyses. The risk profile of Athora Belgium tis also followed via a Risk Dashboard regularly updated.

The Risk Management department monitors the risks through tools and Key Performance and Risk Indicators (Key Performance Indicator & Key Risk Indicator) to notably support and advice the reinsurance department during the renewal period of the reinsurance treaties. The objective of this monitoring is mainly to be a sound support to the management when revising the reinsurance strategy on one hand and optimizing the capital allocation through the reinsurance mitigation effect on the other.

Reinsurance is the key risk mitigation technique for the Properties and Casualties portfolio. It aims at optimizing, the use of risk capital by ceding part of the Underwriting Risk to selected counterparties simultaneously minimizing the Credit Risk associated with such operation.

The Company places the reinsurance treaties as follow:

- ✓ An excess of loss for the Third Party Liability Lines of Business and Natural Catastrophes
- ✓ A stop loss for the Natural Catastrophes as second treaty layer
- ✓ And a surplus for Property Lines of Business.

The Property Catastrophe Reinsurance Program is designed as follows:

- ✓ Protection aims to cover single occurrence losses up to a return period of at least 250 years;
- ✓ Protection proved capable in all recent major cat losses;
- ✓ Substantial risk capital saved by means of the protection;
- ✓ An additional aggregate Excess of Loss program is protecting the Company balance sheet in case of multiple events in a year.

The same level of return period protection and risk capital savings are guaranteed for other Non-Catastrophe protections, i.e. related to single extreme risks in Liability and Motor Third Party Liability Lines of Business.

The Company has historically preferred traditional reinsurance as a tool for mitigating Catastrophe Risk resulting from its Properties and Casualties portfolio, and has shown no appetite for other mitigating techniques.

C.2. Market risk

C.2.1. RISK EXPOSURE AND ASSESSMENT

As a composite insurer, Athora Belgium collects premiums from policyholders in exchange of payment promises contingent on pre-determined events.

Athora Belgium invests the collected premiums in a wide variety of financial assets, with the purpose of honouring future promises to policyholders and generating value for its shareholders.

Athora Belgium is then exposed to the following Market Risks, that:

- ✓ Invested assets do not perform as expected because of falling or volatile market prices;
- ✓ Cash of maturing bonds are reinvested at unfavourable market conditions, typically lower interest rates.

Because it holds its assets until they are needed to redeem the promises to policyholders, Athora Belgium is quite immune to short-term decrease and fluctuations in the market value of its assets.

Nonetheless, Athora Belgium is required by the Solvency II regulation to hold a capital buffer, with the purpose of maintaining a sound solvency position even in the circumstances of adverse market movements. Please refer to section E.2.

For this purpose, Athora Belgium manages its investments in a prudent way according to the so-called 'Prudent Person Principle', and strives to optimize the return of its assets while minimizing the negative impact of short term market fluctuations on its solvency.

The 'Prudent Person Principle' set out in Article 132 of Directive 2009/138/EC requires Athora Belgium to only invest in assets and instruments whose risk can be identified, measured, monitored, control and reported as well as taken into account in Athora Belgium overall solvency needs. The adoption of this principle is ruled in the Investment Governance Policy.

Here below a short description of the major types of business Athora Belgium operates in: traditional life business with guarantees, non-life and unit-linked.

- ✓ Traditional with guarantees and protection Life business: Athora Belgium assumes a considerable Market Risk when it guarantees policyholders with a minimum return of the accumulated capital over a long period of time. If during the contractual period the return generated by the financial investment is below the guaranteed return for a prolonged period of time, Athora Belgium shall compensate itself the contractual guarantees. In addition, independently on their realization, Athora Belgium has to ensure that the value of the financial investments backing the insurance contracts do not fall below the value of its obligations.
- ✓ Non-life business: Athora Belgium invests the premiums collected in financial instruments ensuring that benefits to policyholders can be timely paid. If the value of the financial investments sufficiently decreases at the moment when benefits to policyholders need to be paid, Athora Belgium may fail to maintain its promises to policyholders. Therefore Athora Belgium must ensure that the value of the financial investments backing the insurance contracts do not fall below the value of its obligations.
- ✓ Unit-linked business: Athora Belgium typically invests the premiums collected in financial instruments but does not bear Market Risk. However, Athora Belgium is exposed with respect to its earnings: fees

are the main source of profits for Athora Belgium and they are directly linked to the performance of the underlying assets, therefore adverse developments of markets directly affect the profitability of Athora Belgium, when contract fees become insufficient to cover costs.

For the evaluation of its Market Risk, Athora makes use of the EIOPA Standard Formula, as ruled by the Solvency II Directive, complemented by additional measurement techniques deemed appropriate and proportionate. More in detail, Athora Belgium is exposed to the following risks that are a direct consequence of Athora Belgium's investments in the prevailing asset classes. This follows the Prudent Person Principle approach where Athora Belgium invests in a diversified way:

- ✓ Equity Risk: is defined as the risk of adverse changes in the market value of the assets or in the value of liabilities due to changes in the level of equity market prices which can lead to financial losses. Exposure to Equity Risk arises from positions that are sensitive to equity prices, e.g. shares that Athora Belgium has invested in or embedded derivatives in a Life product that invests parts of the policyholder assets in equity;
- ✓ Interest Rate Risk: is defined as the risk of adverse changes in the market value of the assets or in the value of liabilities due to changes in the level of interest rates in the market. Athora Belgium is mostly exposed to downward changes in interest rates as lower interest rates increase the present value of the promises made to policyholders more than the value of the assets backing those promises. As result it may become increasingly expensive for Athora Belgium to maintain its promises thereby also leading to financial losses;
- ✓ Currency Risk: is defined as the possibility of adverse changes in the market value of the assets or the value of liabilities due to changes in exchange rates. Exposure to Currency Risk arises from direct or indirect asset or liability positions that are sensitive to changes in exchange rates;
- ✓ Property Risk: is then defined as the possibility of adverse changes in the market value of the assets or the value of liabilities due to changes in the level of property market prices. Exposure to Property Risk arises from property asset positions;
- ✓ Spread Risk: is defined as the risk of adverse changes in the market value of the assets due to changes in the market value of non-defaulted credit assets. The market value of an asset can decrease because of spread widening risk either because the market's assessment of the creditworthiness of the specific obligor decreases, which is typically accompanied by a credit rating downgrade, or because there is a market-wide systemic reduction in the price of credit assets.

The current allocation to the above mentioned risks by Athora Belgium's is deemed appropriate. The asset allocation is mainly oriented towards fixed income instruments such as government, corporate bonds, private loans and residential mortgage. This is explained by the high level of predictability of cash flows coming from corporate bonds and government bonds and the higher return on the private loans and mortgage loans. As a result the risks related to fixed income assets are more prominent than those linked to other asset classes.

More in detail, Athora Belgium is exposed mainly to the following asset classes:

Exposition by classes of Assets	
Government Bonds	57,3 %
Corporate Bonds	16,4 %
Private Loans	10,8 %
Mortgage Loans	2,7 %
Real Estate	5,4 %
Equity	1,4 %
Cash & Other	6,0 %

Common risk measurement methodologies (both qualitative and quantitative) are applied in order to provide an integrated measurement of the risks borne by Athora Belgium. For the evaluation of its Market Risks, Athora Belgium makes use of the EIOPA Standard Formula, as ruled by the Solvency II Directive, complemented by additional measurement techniques deemed appropriate and proportionate.

Based on this methodology, the breakdown of the Solvency Capital Requirement originating from Market Risks can be seen in section E.

Also, the methodology used to evaluate the Market Risks is unchanged, with respect to the previous reporting period.

Market Risk concentration is explicitly modelled by the Standard Formula approach. Based on the results of the model and on the composition of the balance sheet Athora Belgium has no material risk concentration.

C.2.2. RISK MANAGEMENT AND MITIGATION

The Market Risks borne by Athora Belgium are managed in many different ways.

The 'Prudent Person Principle' is the main cornerstone of Athora Belgium investment management process. To ensure a comprehensive management of Market Risks impacts on assets and liabilities, Athora Belgium Strategic Asset Allocation process needs to be liability-driven and strongly inter-dependent with insurance-specific targets and constraints. Athora Belgium, following the Athora Group approach, has integrated Strategic Asset Allocation and Asset Liability Management within the same process.

One of the main risk mitigation techniques used by Athora Belgium consists in liability driven management of the assets, which aims at granting a comprehensive management of assets taking into account Athora Belgium liabilities structure. Interest Rate and Currency Risk are for example mitigated when to a movement observed on the asset side would correspond an offsetting movement on the liability side.

The asset portfolio is invested and rebalanced according to the asset class and duration weights defined through the Investment Management process described above and based on the 'Prudent Person Principle'. The aim is not just to eliminate the risk but to define an optimal risk-return profile satisfying the return target and the Risk Appetite of Athora Belgium over the Business Planning period.

Athora Belgium uses also derivatives with the aim to mitigate the risk present in the asset or/and liability portfolios. The derivatives help Athora Belgium to improve the quality, liquidity and profitability of the portfolio, according to the Business Planning targets.

Asset Liability Management & Strategic Asset Allocation activities aim at ensuring that Athora Belgium holds sufficient and adequate assets in order to reach defined targets and meet liability obligations. This implies detailed analyses of asset-liability relationship under a range of market scenarios and expected/stressed investment conditions.

The Asset Liability Management & Strategic Asset Allocation process relies on a close interaction between Investment, Finance, Actuarial, Treasury and Risk Management Functions. The inputs and targets received from the above-mentioned Functions guarantee that the Asset Liability Management & Strategic Asset Allocation process is consistent with the Risk Appetite Framework, Strategic Planning and Capital Allocation processes.

The aim of the Strategic Asset Allocation process is to define the most efficient combination of asset classes which, according to 'Prudent Person Principle' set out in the Solvency II Directive and related relevant implementation measures, maximizes the investment contribution to value creation, taking into account solvency, actuarial and accounting indicators.

The annual Strategic Assets Allocation proposal:

- ✓ Defines target exposure and limits, in term of minimum and maximum exposure allowed, for each relevant asset class;
- ✓ Embeds the deliberate Assets Liabilities Management mismatches permitted and potential mitigation actions that can be enabled on the investment side.

Regarding specific asset classes such as

- ✓ Alternative Investments
- ✓ Derivatives,
- ✓ Multi-credit funds
- ✓ Residential Mortgages

The Athora Group has centralized their management and monitoring, in particular:

- ✓ This kind of investments is subject to accurate due diligence aiming at assessing the quality of the investments, the level of risk related to the investment, its consistency with the approved liability-driven Strategic Assets Allocation;
- ✓ The extent and thoroughness of the analysis may vary according to criteria such as the investment structure under evaluation, volume of investments and regulatory framework.

In addition to risk tolerance limits set on Athora Belgium solvency position defined within the Risk Appetite Framework, the current risk monitoring process of Athora Belgium is also integrated in line with Athora Group standards.

The Athora Group Risk Guideline include general principles, quantitative risk limits (with a strong focus on credit and market concentration), authorization processes and prohibitions.

Furthermore, Athora Belgium is also actively implementing Market Risk mitigation strategies:

- ✓ A first action has been the reduction of exposure to spread risk. This was done through either by spot or forward sales of fixed income investments

- ✓ A second mitigating strategy has been to eliminate the majority of currency risk in the investment portfolio. As our liabilities are in euro it is logic to avoid any risk related to currency fluctuations. Here again based on a risk-adjusted return analysis including the cost of currency risk we decided to decrease our exposure to non-euro assets.
- ✓ A third strategy has been put in place to minimize the equity risk: derivate has been bought to compensate the market risk and avoid unrealised losses on equities.
- ✓ In order to avoid reinvestment risk in the current low yield environment Athora rotate a part his portfolio to invest in assets with a higher return.
- ✓ Another hedging strategy is accomplished via a portfolio of forward swaptions and interest rate swap. This strategy aims at protecting Athora Belgium against a future interest rate movement (interest rate risk).

C.3. Credit risk

C.3.1. Risk Exposure and Assessment

As a composite insurer, Athora Belgium collects premiums from policyholders in exchange of payment promises contingent on pre-determined events.

Athora Belgium invests the collected premiums in a wide variety of financial assets, with the purpose of honouring future promises to policyholders and generating value for its shareholders.

Some of these financial investments are subject to the following Credit Risks:

- ✓ Invested assets do not perform as expected because of perceived or actual deterioration of the credit worthiness of the issuer;
- ✓ Derivative or reinsurance contracts do not perform as expected because of perceived or actual deterioration of the credit worthiness of the counterparty.

Regarding its invested assets, Athora Belgium holds them until they are needed to redeem the promises to policyholders and therefore it is quite immune to short-term decrease and fluctuations in their market values. Nonetheless, Athora Belgium is required by the Solvency II regulation to hold a capital buffer, with the purpose of maintaining a sound solvency position even in the circumstances of adverse market movements.

Athora Belgium manages its investments in a prudent way according to the so-called 'Prudent Person Principle, and strives to optimize the return of its assets while minimizing the negative impact of short term market fluctuations on its solvency. Nevertheless, in Traditional Life Business, for example, Athora Belgium assumes a considerable Credit Risk when it guarantees policyholders with a minimum return of the accumulated capital over a long period of time. If during the contractual period the return generated by the financial investment is below the guaranteed return for a prolonged period of time, Athora Belgium shall compensate itself the contractual guarantees. In addition, independently on their realization, Athora Belgium has to ensure that the value of the financial investments backing the insurance contracts do not fall below the value of its obligations.

In Non-Life business, Athora Belgium invests the premiums collected in financial instruments paying attention that benefits to policyholders can be timely paid. If the value of the financial investments sufficiently decreases at the moment when claims to policyholders need to be paid, Athora Belgium may fail to maintain its promises to policyholders. Therefore Athora Belgium must ensure that the value of the financial investments backing the insurance contracts do not fall below the value of its obligations.

In the case of Unit-Linked business Athora Belgium typically invests the premiums collected in financial instruments but does not bear Credit Risk. However, Athora Belgium is exposed with respect to its earnings: fees are the main source of profits for Athora Belgium and they are directly linked to the performance of the underlying assets, therefore adverse developments directly affect the profitability of Athora Belgium, when contract fees become insufficient to cover costs.

Under the Standard Formula perspective, the Credit Risks are only related to Counterparty Default Risk as Spread Risk is captured within the Market Risk module.

The Counterparty Default Risk is defined as the risk of incurring losses because of the inability of a counterparty to honour its financial obligations. Distinct modelling approaches have been implemented to model default risk in the bond portfolio (referred to as Credit Default Risk) and the default risk arising from the default of counterparties in cash deposits, risk mitigation contracts (including reinsurance), derivatives, mortgages, and other type of exposures subject to credit risk (referred to as Counterparty Default Risk).

In order to ensure that the level of Credit Risks deriving from the invested assets are adequate to the business run by Athora Belgium and to the obligations taken with the policyholders, the investment activity is performed in a sound and prudent manner in accordance with the 'Prudent Person Principle' set out in Article 132 of Directive 2009/138/EC, as ruled in the Investment Governance Policy, that approved by Athora Belgium Board of Directors.

The practical implementation of the 'Prudent Person Principle' is applied independently of the fact that assets are subject to Market Risks, Credit Risks or both, so the same principles and processes described in section C.2.2. applies also to the optimization of the portfolio allocation with respect to Credit Risks.

Common risk measurement methodologies (both qualitative and quantitative) are applied in order to provide an integrated measurement of the risks borne by Athora Belgium. For the evaluation of its Credit Risks, Athora Belgium makes use of the EIOPA Standard Formula, as ruled by the Solvency II Directive, complemented by additional measurement techniques deemed appropriate and proportionate.

Based on this methodology, the breakdown of the SCR originating from Credit Risks, which can be seen in Section E, shows an increase of counterparty default risk, mainly due to the significant increase in cash (especially in new funds such as Multicredit), the significant increase in derivatives and risk mitigating effect (in order to hedge interest rate risk and spread risk), the significant increase in mortgages in line with the target SAA and the increase in receivables.

Credit Risk concentration is explicitly modelled by the Standard Formula. Based on the results of the model and on the composition of the balance sheet Athora Belgium has no material risk concentrations.

Regarding Off-Balance Sheet items, Athora Belgium is exposed to Counterparty Default Risk on its Securities Lending program. However, thanks to a strong collateralization of these exposures, the Counterparty Default Risk related to these assets is efficiently mitigated.

C.3.2. Risk Management and Mitigation

The Credit Risks borne by Athora Belgium are managed in many concurrent ways. One of the main risk mitigation techniques used by Athora Belgium consists in liability driven management of the assets. The asset portfolio is invested and rebalanced according to the asset class and duration weights defined through the Investment Management process described above and based on the 'Prudent Person Principle'. The aim is not just to eliminate the risk but to define an optimal risk-return profile satisfying the return target and the Risk Appetite of Athora Belgium over the Business Planning period.

Athora Belgium uses also derivatives with the aim to mitigate the risk present in the asset or/and liability portfolios. The derivatives help Athora Belgium to improve the quality, liquidity and profitability of the portfolio, according to the Business Planning targets. Moreover, the application of the Standard Formula produces a set of quantitative Risk Metrics that allow the definition of risk tolerance levels and to perform sensitivities analysis on selected risk scenarios.

C.4. Liquidity risk

C.4.1. Risk Management and Mitigation

Liquidity Risk is defined as the uncertainty, emanating from business operations, investment or financing activities, over the ability of the insurer to meet payment obligations in a full and timely manner, in a current or stressed environment. This could include meeting commitments only through a credit market access at unfavourable conditions or through the sale of financial assets incurring in additional costs due to illiquidity of (or difficulties in liquidating) the assets.

Athora Belgium is exposed to Liquidity Risk as a result of insurance operating activity, depending on the cash-flow profile of the expected new business, due to the potential mismatches between the cash inflows and the cash outflows deriving from the business. Liquidity Risk can additionally stem from investing activity, due to potential liquidity gaps deriving from the management of Athora Belgium's assets portfolio as well as from a potentially insufficient level of liquidity (i.e. capacity of being sold at a fair price in adequate amounts and within a reasonable timeframe) in case of disposal. Finally, Athora Belgium can be exposed to liquidity outflows related to issued guarantees, commitments, derivative contract margin calls, or regulatory constraints regarding Insurance Provisions Coverage Ratio and capital position.

Athora Belgium's Liquidity Risk Management relies on projecting cash obligations and available cash resources into the future, so as to monitor that available liquid resources are at all times sufficient to cover the cash obligations that will come due in the same period.

Athora Belgium has defined a set of Liquidity Risk Metrics that are used to regularly monitor the liquidity situation. All such metrics are forward-looking, i.e. they are calculated at a future date based on projections of cash-flows, assets and liabilities and an estimation of the level of liquidity of the asset portfolio. The ratios are aimed at measuring the ability of Athora Belgium to ensure the fulfilment of its regulatory Technical Reserves Coverage Requirement as well as its cash obligations towards customers and other stakeholders.

The metrics are calculated both under the so-called 'base scenario', in which the values of cash-flows, assets and liabilities correspond to those projected according to Athora Belgium's Strategic Plan scenario, and under a set of so-called 'stress scenarios', in which the projected cash inflows and outflows, market price of assets and amount of Technical Reserves are recalculated to take into account unlikely but plausible circumstances that would adversely impact Athora Belgium's liquidity.

Liquidity Risk limits have been defined in terms of values of the above-mentioned metrics that cannot be exceeded. The limit framework is designed so as to ensure that Athora Belgium holds a 'buffer' of liquidity in excess of the amount required to withstand the adverse circumstances depicted in the stress scenarios.

Athora Belgium's results in the above mentioned Liquidity Risk Metrics are evaluated adequate and above the established minimum thresholds. This shows that Athora Belgium is able to face its requirements in both the base scenario but also under projected stress scenarios. Indeed the strategic asset allocation of Athora Belgium aims at investing the majority of its assets in quoted and liquid financial instruments. This strategy is applied in order to meet either foreseen or unforeseen needs for cash that might arise through the lifecycle of Athora Belgium's business strategy. Compared to the previous year we do not observe any material changes to the asset allocation and its liquidity.

Material Liquidity Risk concentrations could arise from large exposures to individual counterparties or groups. In fact, in case of default or other liquidity issue of a counterparty towards which a significant risk concentration exists, this may negatively affect the value or the liquidity of Athora Belgium's investment portfolio and hence its ability to promptly raise cash by selling the portfolio on the market in case of need. Athora Group has set investment limits that enable Athora Belgium to limit risk concentrations taking into consideration a number of dimensions, including asset class, counterparty, credit rating, and geography.

C.4.2. Risk Management and Mitigation

Athora Belgium manages and mitigates Liquidity Risk in consistency with the framework set in the Group internal regulations. Athora Belgium aims at ensuring the capacity to meet its commitments also in case of adverse scenarios, while achieving its profitability and growth objectives. To that end, it manages expected cash inflows and outflows so as to maintain a sufficient available cash level to meet the short and medium term needs and by investing in instruments that can be quickly and easily converted into cash with minimum capital losses. Athora Belgium considers the prospect liquidity situation in plausible market conditions as well as under stressed scenarios.

Athora Belgium has established clear governance for Liquidity Risk measurement, management, mitigation and reporting in consistency with Group regulations, including the setting of specific limits and escalation process in case of limits breach or other liquidity issues.

The principles for Liquidity Risk Management designed in the Group Risk Appetite Framework are fully embedded in the Strategic Planning as well as in business processes including investments and product development. As far as the investment process is concerned, Athora Belgium has explicitly identified Liquidity Risk as one of the main risks connected with investments and has stipulated that the Strategic Asset Allocation process must rely on indicators strictly related to Liquidity Risk, including the mismatch of duration and cash-flows between assets and liabilities. Investment limits have been imposed to Athora Belgium in order to ensure that the share of illiquid assets is kept within a level that does not impair Athora Belgium's asset liquidity.

C.4.3. Expected profit included in future premiums

The Expected Profit Included in Future Premiums (EPIFP) represents the expected present value of future cash-flows which result from the inclusion in Technical Provisions of premiums relating to existing insurance and reinsurance contracts. These are expected to be received in the future, but that may not be received for any reason, other than because the insured event has occurred, regardless of the legal or contractual rights of the policyholder to discontinue the Policy.

The amount of Expected Profit Included in Future Premiums for the Life business written by Athora Belgium has been calculated in accordance with article 260(2) of the Delegated Acts and amounts to € 69.510 thousand at year-end 2019 (net of reinsurance).

The amount of Expected Profit Included in Future Premiums for the Properties and Casualties business written by Athora Belgium has been calculated in accordance with article 260(2) of the Delegated Acts and amounts to 2.577 thousand at year-end 2019 (net of reinsurance). This amount is the consequence of the contract boundaries of Properties and Casualties contracts. Athora Belgium has considered the two components of the contract boundaries: the tacit renewal and the premium instalment of Properties and Casualties contract.

C.5. Operational risk

C.5.1. Risk Exposure and Assessment

Operational Risk is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. Compliance and Financial Reporting Risks fall within this category.

In line with the industry practices, Athora Belgium adopts the following classification categories:

- ✓ Internal fraud defined as the losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or Company Policy, excluding diversity/discrimination events, which involves at least one internal party;
- ✓ External fraud defined as the losses due to acts of a type intended to defraud, misappropriate property or circumvent the law, by a third party;
- ✓ Employment Practices and Workplace Safety defined as the losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity/discrimination events;
- ✓ Clients, Products and Business Practices defined as the losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product;
- ✓ Damage to Physical Assets defined as the losses arising from loss or damage to physical assets from natural disaster or other events;
- ✓ Business disruption and system failures defined as the losses arising from disruption of business or system failures;
- ✓ Execution, Delivery and Process Management defined as the losses from failed transaction processing or process management, from relations with trade counterparties and vendors.

Following best industry practices, Athora's framework for Operational Risk Management includes as main activities the Loss Data Collection and the risk assessment made by the control functions.

The Loss Data Collection is the process of collection of losses suffered as result of the occurrence of Operational Risk events with an impact evaluated as higher than € 8 thousand and provides a backward-looking view of the historical losses suffered due to Operational Risk events.

The Risk assessment provides a forward-looking view on the risks Athora Belgium is exposed to and require a deeper analysis of the risks performed, jointly with the business owners It provides a high-level evaluation of the forward-looking inherent and residual risk exposure of Athora Belgium. The outcomes of the assessment will drive the execution of the scenario analysis.

The risk associated with non-compliance regarding products and product development is always a major attention point and is followed up by the Compliance Function of Athora Belgium. In this context, an improvement project focused on the process documentation has been started and will keep going during the year.

C.5.2. Risk Management and Mitigation

In order to identify, measure, monitor and mitigate the Operational Risk, Athora Belgium formed a specialized unit within the Risk Management department, responsible for steering the Operational Risk program.

The risks related to compliance are monitored by a dedicated and independent Compliance Function. Which description is provided in section B1

Furthermore, other specific risks are investigated and managed jointly with specialized units within the first line of defence such as Financial Reporting Risk and IT Risk.

As a result of this cooperation, a series of risk-mitigating measures are undertaken in each part of Athora Belgium with the aim to further improve our control environment, reducing risk exposure and reaching a better operational efficiency.

The operational risk team being also in charge of the monitoring of the internal control system across the company, all the dysfunctions and the attention points identified during the exercises are fully integrated in the internal control activities described in section B4.

C.6. Other material risk

C.6.1. Emerging Risks

Emerging risks are the risks related to potential changes in the internal and external environment Athora Belgium evolves in, and that could lead to an increase in Athora Belgium exposure to other risks mentioned before. Since these risks are not fully understood – because they never occurred before, the impacts are not easily quantifiable.

For Athora Belgium, those risks are assessed (identification and measurement) during the Main Risk Self-Assessment (identifies risk witch may potentially challenge the strategic planning results achievements) process for the identification of the most significant risks Athora Belgium is exposed to. In order to perform this assessment, the directors – supported by the local risk management team – based their analysis on the PESTLE model (The PESTLE is an approach is a method in which emerging risks are classified by type (i.e. Political, Economic, Social, Technological, Legal or Environmental) and got to the following assessment, from initial concern to broad industry action:

Emerging Risk Register:

No immediate concern
Initial concern
Active concern
Broad industry action

#	PESTLE	Name	YE2018	2019Q1	2019Q2	2019Q3	2019Q4
1	Political	Political uncertainties resulting in market volatility (e.g. Brexit, European Elections, local elections, trade wars, etc.)					
2	Legal	Fraudulous fund managers for Unit Linked productc could lead to Compliance and reputational issues.					
3	Environmental	Climate change: frequency of natural catastrophic events is expected to significantly increase					
4	Technological	Lagging behind on competitors' technological advances					
5	Social	Rising importance of an insurer's ethical and societal role					
6	Legal	Competitive advantage through increased level of automation in regulatory requirements implementation					
7	Technological	Increase of CyberRisk due to increased market usage of Cloud data storage					
8	Economical + Technological	Insurance market consolidation: potential dissapearance of brokers - evolution from B2B2C systems to B2C systems					
9	Social	Ageing population increasing longevity risk, car insurance premiums, etc.					
10	Economical	New potential insurance competitors (e.g.Google/Amazon)					
11	Political	Tax change on investment instruments					

No risks were added in the 2019 exercise.

C.6.3. Reputational Risks

The reputational risk is defined as a potential decrease in Athora Belgium value or a deterioration of its risk profile because of a deterioration of its reputation or a negative perception of its image by its stakeholders. It is the current or foreseen risk of decrease in Athora Belgium's revenues or capital if the consumers, shareholders, investors, supervisory authorities or other counterparties would adopt a negative view on Athora Belgium's activities.

The risk profile of Athora Belgium includes an exposure to the reputational risk if there are discrepancies between the stakeholder's needs and Athora Belgium's actions, the diffusion of this mismatch and/or a media effect. Those events could lead to a significant level of exposure to the reputational risk.

There are two potential impacts: the direct impact (the stakeholders are directly affected by the occurrence of the event) and the indirect impact (modification of the perception of Athora Belgium by its stakeholders after the occurrence of the event).

At Athora Belgium, the reputational risk is managed through two different approaches: proactive and reactive.

The proactive management of the reputational risk is the continuous management of the relationship with the stakeholders, independently from the occurrence of particular events, in order to build a certain level of reputation. It implies the identification and the evaluation of the different main stakeholders and an adequate process for the management of the reputation with each of these stakeholders. Among them, the press, the customers, the brokers and the supervisory authorities have been assessed as the most significant.

- ✓ The press: each staff member who is contacted by a media has to inform the director of Marketing and Communication in order to adopt the right behaviour. Furthermore, each week the director of Marketing & Communication receives a file which summarizes all the articles that were published in the media mentioning Athora Belgium.
- ✓ Clients & other public: a reporting process from the compliance function to the marketing team is put in place each time a complaint is received from a client which could have an impact on the image of Athora Belgium – based on pre-defined keywords in the complaints.
- ✓ Brokers: the information communicated to the brokers are monitored in order to avoid a false image they got and then avoid a wrong or spoiled evaluation of the economic health and performance of Athora Belgium.
- ✓ Supervisory authority: the compliance team is in charge of all the communication to the regulator.

The reactive management is the way Athora Belgium is organized to evaluate and monitor its exposure to the reputational risk, and to give an adequate response to the risk after the occurrence of an event.

Direct impact: in case of occurrence of an event with a potential reputational impact, Athora Belgium has to react immediately by making a communication campaign to the impacted stakeholders and to put in place an action plan in order for the event not to recur. The cause has been directly identified and an action plan put in place to reduce the potential impact of this event.

Indirect impact: the amplitude of the event and its propagation are analysed so that Athora Belgium can react as soon as the criticality is too high.

The reactive management of reputational risks includes crisis management by putting an action and communication plan in place with the purpose of limiting the damage after the occurrence of a reputation-linked event.

C.7. Any other information

To test Athora Belgium solvency position resilience to adverse market conditions or shocks a set of stress test and scenario analyses are performed. These are defined considering unexpected, potentially severe, but plausible events. The outcome, in terms of impact on financial and capital position, prepares Athora Belgium to take appropriate management actions if such events were to materialize.

The sensitivity analysis considers simple changes in specific risk drivers (e.g. Interest Rates, equity shock, credit spreads, credit shocks). Their main purpose is to measure the variability of the Own Funds and Solvency Ratio to variations in specific risk factors. The set chosen aims to provide the assessment of resilience to the most significant risks.

In order to verify the adequacy of solvency capital position to the changing of the market conditions, following main sensitivity analyses have been performed:

Market risk scenarios

Five market risk scenarios are applied quarterly:

- ✓ Peripheral tightening: a significant decrease of spreads mainly on peripheral sovereign bonds, accompanied by some less significant decreases on corporate bonds (the main spread decreases being on subordinated financials and high yield bonds).
- ✓ Eurozone stress: a significant increase of spreads on both peripheral bonds and core Eurozone sovereign bonds, accompanied by a decrease in the risk free rate. Spreads increase as well on corporate bonds while property and alternative equity are stressed in a more moderate manner (no stress on direct equities).
- ✓ Corporate credit: A significant increase of spreads on corporate credit exposures accompanied by a significant increase of the risk free rate.
- ✓ Core widening: a moderate increase of spreads on all core Eurozone sovereign bonds.
- ✓ SPX -30%: The most significant stresses (in amplitude) of the five market scenarios are a mix of:
    - a significant increase of spreads on peripheral bonds (although core Eurozone sovereigns are not stressed)
    - a significant increase of spreads on all corporate bonds (mainly EMD, financial subordinated and high yield bonds)
    - A very strong increase of spreads (+600bps) on Multicredit
    - A significant increase of spreads on residential mortgage loans
    - A significant stress on equities (incl. Alternatives) and property

Other market stresses – spread shocks

Spread shocks are applied over different VaR confidence intervals:

- ✓ 1-in-10 (90% VaR)
- ✓ 1-in-40 (97,5% VaR)
- ✓ 1-in-200 (99,5% VaR)

These shocks applied in line with Athora Group strategy, are as follows.

	Spread 1 in 10 Shock	Spread 1 in 40 Shock	Spread 1 in 200 Shock
Change in Equity/property			
Overall spread shock sovereigns	15.5 bp	28.6 bp	50. bp
Overall spread shock - other	81.2 bp	126.8 bp	190.9 bp
Change in VA	28 bp	48.4 bp	82.3 bp
RFR EUR 5Y	-43.9bp	-47.8bp	-51.3bp
RFR EUR 10Y	-60.5bp	-69.8bp	-78.2bp
RFR EUR 20Y	-71.7bp	-86.8bp	-100.5bp
RFR EUR 50Y	-72.5bp	-89.4bp	-104.7bp

Other market stresses – credit shocks

Credit shocks are applied over difference VaR confidence intervals:

- ✓ 1-in-10 (90% VaR)
- ✓ 1-in-40 (97,5% VaR)
- ✓ 1-in-200 (99,5% VaR)

The shocks are applied to the entire portfolio of Athora Belgium exposures which are sensitive to credit risk (i.e. default and migration) govies, corporates, multicredit loans, cash and mortgage loans. Only impacts on assets side are observed as there are no changes in discount curve nor in the VA.

Interest Rates shocks

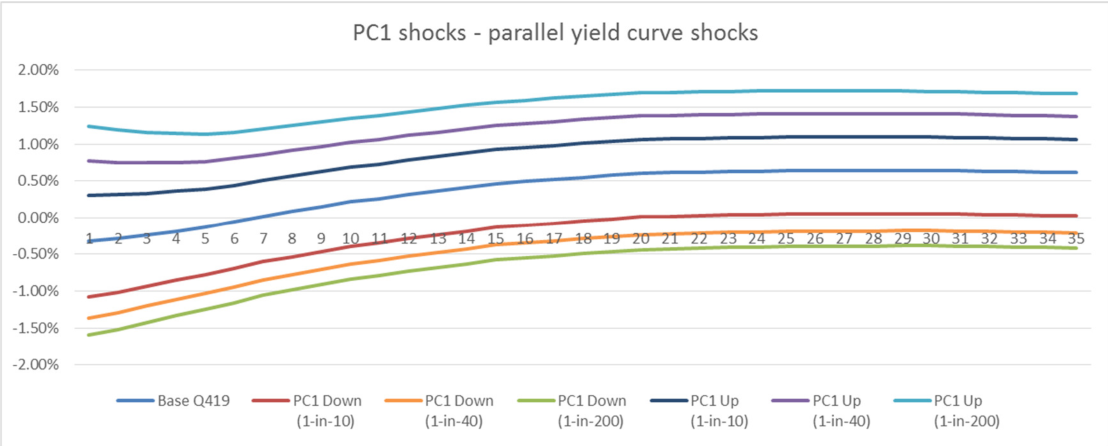
Interest Rates shocks are applied over difference VaR confidence intervals:

- ✓ 1-in-10 (90% VaR)
- ✓ 1-in-40 (97,5% VaR)
- ✓ 1-in-200 (99,5% VaR)

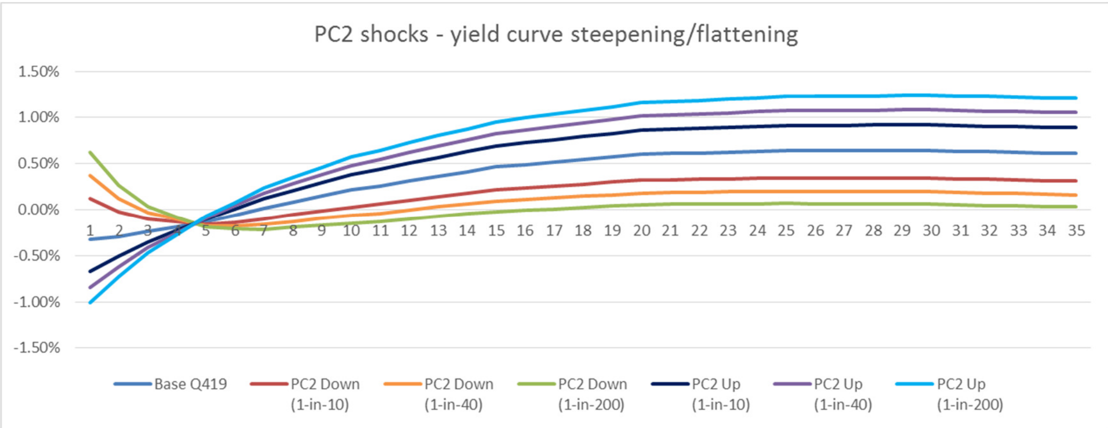
The shocks are applied to the entire portfolio of Athora Belgium exposures which are sensitive to interest rate movements.

The different shocked curve used for this YE19 sensitivities exercise are shown here below:

PC1 is a parallel shift



PC2 is a stepping or flattening curve:



D. Valuation for Solvency Purpose

As far as Assets and Other liabilities units concerned (respectively in sub-chapter D1 and D3), it is worthwhile mentioning that the general framework of both disclosures is based on the SII regulatory framework that standardizes valuations and measurements of Market Value Balance Sheet assets and liabilities, largely referring to and in conformity with IFRS principles adopted by the European Commission.

In order to define the Market Value Balance Sheet, all assets and liabilities on the balance sheet must be stated at fair value in accordance with Art 75 of Directive 2009/138/EC (L1 – Dir).

The primary objective for valuation as set out in Article 75 of L1 - Dir requires an economic, market-consistent approach to the valuation of assets and liabilities. According to the approach of Solvency II, when valuing balance sheet items on an economic basis, undertakings need to consider the risks that arise from a particular balance sheet item, using assumptions that market participants would use in valuing the same asset or liability.

This approach leads insurance and reinsurance undertakings to value assets and liabilities at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction; in addition, in case of liabilities valuation, parties shouldn’t make any adjustment to take account of the change of the own credit standing of the insurance or reinsurance undertaking occurred from the recognition of the liability to the valuation date.

According to the Commission delegated regulation (L2-DR = Article 9(Article 75(1) of Directive 2009/138/EC) Valuation methodology – general principles) insurance and reinsurance undertakings shall value assets, unless otherwise clearly stated in the regulation, in conformity with:

- ✓ International accounting standards adopted by the Commission in accordance with Regulation (EC) No 1606/2002 provided that those standards include valuation methods that are consistent with the valuation approach set out in Article 75 of Directive 2009/138/EC.
- ✓ If those standards allow for the use of more than one valuation method, insurance and reinsurance undertakings shall only use valuation methods that are consistent with Article 75 of Directive 2009/138/EC;
- ✓ Other valuation methods that are deemed to be consistent with Article 75 of Directive 2009/138/EC, when the valuation methods included in international accounting standards adopted by the Commission in accordance with Regulation (EC) No 1606/2002 are either temporarily or permanently not consistent with the valuation approach set out in Article 75 of Directive 2009/138/EC.

By way of derogation from the 2 points above, insurance and reinsurance undertakings may value an asset or a liability using an alternative valuation method which is proportionate to the nature, scale and complexity of the risks inherent in the business of the undertaking, provided that:

- ✓ The valuation method is:
    - o consistent with Article 75 of Directive 2009/138/EC; and
    - o proportionate with respect to the nature, scale and complexity inherent in the business of the undertaking;
- ✓ The undertaking does not value that asset or liability using international accounting standards adopted by the Commission in accordance with Regulation (EC) No 1606/2002 in its financial statements;

- ✓ Valuing assets and liability using international accounting standards would impose costs on the undertaking that would be disproportionate with respect to the total administrative expenses.

D.1. Assets

D.1.1. VALUATION OF ASSETS FOR SOLVENCY II BALANCE SHEET

Exclusion of IFRS valuation methods

In this chapter, an overall description of the Solvency II valuation methods for Assets is given, complementary to the general Valuation for Solvency Purposes (paragraph D - introduction).

L2-DR, in accepting valuation methods defined in IFRS, anticipates that there are cases where IFRS valuation methods are not consistent with article 75 requirements.

Despite the valuation principles described in previous paragraph D1, specific balance sheet items have to be treated differently form relevant IFRS principle or valuation methods have been excluded from Solvency II environment.

L2-DR states the exclusion of specific valuation methods such as cost or amortized cost and models where value is determined at the lower of the carrying amount and fair value less costs to sell.

Furthermore, other valuation methods usually applied for specific assets are to be excluded in Solvency II environment or are to be adjusted:

- ✓ Properties, investment properties, plant and equipment shall not be valued at cost less depreciation and impairment;

Solvency II Specificities

L2-DR specifies the treatment of the assets listed below, for which a valuation different from IFRS measurement is required:

- ✓ Goodwill and intangible assets;
- ✓ Related undertakings (or participations);
- ✓ Deferred taxes.

Goodwill and intangible assets

According to L2-DR Article 12 (Valuation methods for goodwill and intangible assets), insurance and reinsurance undertakings shall value at zero goodwill, deferred acquisition costs and intangible assets other than goodwill, unless the intangible asset can be sold separately and the insurance and reinsurance undertaking can demonstrate that there is a quoted market price for the same or similar assets. Computer software tailored to the needs of the undertaking and “off the shelf” software licenses that cannot be sold to another user shall be valued at zero.

In the Technical Specification version 1.4 it is mentioned the possibility to use the revaluation model10 defined in IAS 38, being in consistency with Article 75 of Directive 2009/138/EC for the intangible items recognized in the Solvency II balance sheet.

Related undertakings (or participations)

A participation is constituted by share ownership or by the full use of a dominant or significant influence over another undertaking. In this respect the IFRS concept of control and significant influence applies and as a result holdings are not limited to equity instruments.

When classifying a participation based on share ownership, directly or by way of control, the participating undertaking has to identify:

- ✓ Its percentage holding of voting rights and whether this represents at least 20% of the potential related undertaking's voting rights (paid-in ordinary share capital); and
- ✓ Its percentage holding of all classes of share capital issued by the related undertaking and whether this represents at least 20% of the potential related undertaking's issued share capital (paid-in ordinary share capital and paid-in preference shares).

Where the participating undertaking's holding represents at least 20% in either case its investment should be treated as a participation.

Valuation

In the L2 –DA, Article 13 provides a hierarchy that shall be used to value holdings in related undertakings for Solvency purposes:

- ✓ Quoted market price
- ✓ Adjusted equity method (if no active market)
- ✓ IFRS equity method (if non-insurance)
- ✓ Alternative techniques (if associates or joint controlled entities)

Measurement principles in IAS 27, IAS 28 and IAS 31 do not apply for the Solvency balance sheet, since they do not reflect the economic valuation required by Solvency II Directive (Article 75).

The economic value of holdings shall correspond to the quoted market price in an active market, if available. When there exists an active market for the instrument which constitutes the insurer's holding in a related undertaking it is assumed that the holding can be disposed for a price equal to the quoted price on that market. The quoted price will include market participants assessment of elements in the related undertaking that otherwise would not be included in a Solvency II balance sheet, e.g. goodwill and intangible assets. However, the fact that the equity instruments have a quoted price in an active market and presumably could be sold on that market justifies this valuation.

Many related undertakings are not be listed on securities markets. This will particularly be the case for subsidiary and joint venture undertakings. If there is no observable quoted price from an active market available, the adjusted equity method – representing insurer's or reinsurer's share of the excess of assets over liabilities valued in accordance with articles 75 - should be applied to insurance and reinsurance related undertakings.

In case of non-insurance related undertakings, alternatively the Adjusted IFRS equity method - equity method as prescribed in IFRS with the deduction of the value of goodwill and intangible assets - could be applied.

For associates it is also allowed, where an adjusted equity method /adjusted IFRS equity method is not possible, to use an alternative valuation method provided that this method is consistent with the valuation approach set out in article 75. The general approach for associated entities is the following:

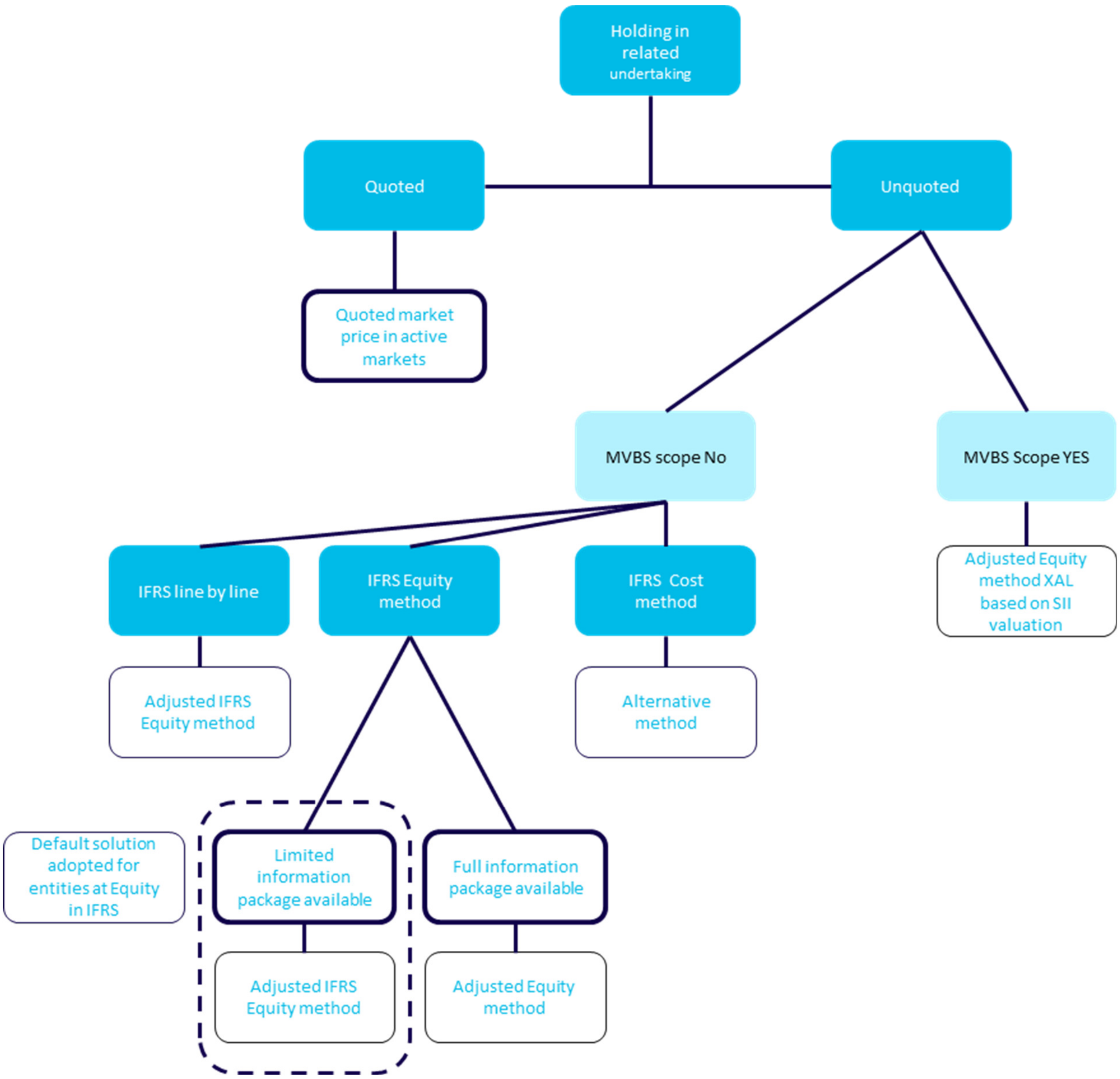
- ✓ If the associated undertaking is valued at cost for Athora Belgium IFRS purposes an alternative method is adopted (IFRS book value equals to Market Value Balance Sheet Fair Value);
- ✓ If the associated undertaking is valued at Equity for Athora Belgium IFRS purposes, entity is valuated using:
    - o Adjusted IFRS equity method (default approach); or
    - o Adjusted Equity method. This option is applicable only for some types of undertakings (i.e. not for Solvency II sectorial entities).

In general terms, using the Adjusted IFRS equity method instead of the adjusted equity method based on Solvency II valuation principles may not lead to a proper economic value because, in many cases, not all balance items will be measured at fair value. However, this method is introduced to facilitate and harmonize the valuation in cases where it is difficult to revalue the complete balance sheet of the related undertaking based on Solvency II principles. Therefore, it only can be applied when the same method has been applied in the financial statements – meaning that the information is available already. To have consistency with the adjusted equity method based on Solvency II principles, goodwill and intangible assets shall be deducted.

Normally it will be possible for the insurer or reinsurer to recognize and value the individual assets and liabilities in the related undertakings in accordance with the Solvency II approaches applied on its directly owned assets and liabilities. In some cases, however, when the related undertaking is not controlled by the insurer or reinsurer (i.e. the related undertaking is not a subsidiary) the parent undertaking may not have sufficient knowledge of the individual assets and liabilities in the related undertaking to apply an economic valuation on them. In such cases the insurer or reinsurer can apply an alternative valuation.

As far as adjusted equity method and adjusted IFRS equity method are concerned, it has to be highlighted that negative Solvency II generated by the application of one of the two methods above mentioned are not floor to zero. The only peculiarity that differs related undertaking with negative Solvency II value from the general participations having a positive Solvency II value is the Market Value Balance Sheet classification: related undertaking with negative Solvency II value are not classified as participation asset, but on liability side as provisions other than technical provisions.

The following decisional tree reports drivers and triggers adopted to properly associate different alternative method to each related undertaking.



Strategic nature of participation

An important feature of participation is its strategic nature. According to Article 171 L2 – DA, equity investments of a strategic nature shall mean equity investments for which the participating insurance or reinsurance undertaking demonstrates the following:

- ✓ That the value of the equity investment is likely to be materially less volatile for the following 12 months than the value of other equities over the same period as a result of both the nature of the investment and the influence exercised by the participating undertaking in the related undertaking;
- ✓ That the nature of the investment is strategic, taking into account all relevant factors, including:
- ✓ The existence of a clear decisive strategy to continue holding the participation for long period;

- ✓ The consistency of the strategy referred to in point (a) with the main policies guiding or limiting the actions of the undertaking;
- ✓ The participating undertaking's ability to continue holding the participation in the related undertaking;
- ✓ The existence of a durable link;
- ✓ Where the insurance or reinsurance participating company is part of a group, the consistency of such strategy with the main policies guiding or limiting the actions of the group.

The absence of this feature when related with the type of activity of the participation will impact the basic own funds of the parent undertaking.

It is worthwhile to underline the fact that the Athora Belgium approach is to consider all participations as strategic and for this reason no deduction shall be performed.

Deferred taxes

Although recalling the IAS 12 principles in the current Solvency II regulatory framework, in order to avoid any possible misunderstanding about IAS 12 interpretation and application, Solvency II legislation clarifies explicitly that all the reference amounts on which determination of deferred taxes is based on should be calculated in accordance with Solvency II valuation instead of IFRS rules.

Mutatis mutandis the IFRS assessment with Solvency II valuation of assets and liabilities, IAS 12 is fully applicable for Solvency II regulations.

D.1.2. MVBS – DETAILS ON ASSETS OTHER THAN REINSURANCE RECOVERABLES

€ in thousands	Solvency II value (a)	Statutory accounts value (b)	Change to Solvency II value (a-b)	Notes
Intangible assets	0	708	-708	For Solvency II purposes, only intangible asset that can be sold separately should be recognized in MVBS (insurance and reinsurance undertaking should demonstrate that there is a quoted market price for the same or similar assets), while computer software tailored to the needs of the undertaking and "off the shelf" software licenses that cannot be sold to another user are valued at zero.
Property, plant & equipment held for own use	2.034	723	1.311	For Solvency II the leasing are evaluated at market value in the same way has the application of IFRS 16

€ in thousands	Solvency II value (a)	Statutory accounts value (b)	Change to Solvency II value (a-b)	Notes
Investments (other than assets held for index-linked and unit-linked contracts)				
Holdings in related undertakings, including participations	336.561	284.367	52.194	Change to Solvency II value due to the different accounting approach: IFRS participations value principles are not recognized for Solvency II purposes
Equities				
Equities – listed	62.078	51.333	10.745	Change to Solvency II value due to the different accounting approach: Equities are recognized at amortized cost for statutory accounts, while Solvency II value recognized at IFRS fair value.
Equities – unlisted	11.883	7.129	4.754	
Bonds				
Government Bonds	4.147.447	3.325.177	822.270	Change to Solvency II value due to the different accounting approach: Bonds and similar product are recognized at amortized cost for statutory accounts, while Solvency II value recognized at IFRS fair value.
Corporate Bonds	835.790	737.651	98.139	
Structured notes	1.037	1.030	7	
Collateralised Securities	10.922	10.056	866	
Collective Investments Undertakings	989.970	999.287	-9.317	
Derivatives	170.570	5.703	160.514	Change to Solvency II value due to the different accounting approach: Derivatives are recognized at amortized cost for statutory accounts, while Solvency II value recognized at IFRS fair value.
Deposits other than cash equivalents	20.015	20.000	0	No change
Assets held for index-linked and unit-linked contracts	1.005.164	1.005.164	0	No change
Loans and mortgages				
Loans on policies	67.893	67.893	0	No change
Loans and mortgages to individuals	18.372	18.372	0	
Deposits to cedants	107	107	0	No change
Insurance and intermediaries receivables	32.334	32.334	0	No change
Reinsurance receivables	8.430	8.430	0	No change
Receivables (trade, not insurance)	67.998	67.998	0	No change

€ in thousands	Solvency II value (a)	Statutory accounts value (b)	Change to Solvency II value (a-b)	Notes
Cash and cash equivalents	15.718	15.718	0	No change
Any other assets, not elsewhere shown	8.331	8.331	0	Residual class of asset items, included prepaid interests, deferrals and other accrued income. Generally, no relevant change to Solvency II value moving from statutory to Market Value Balance Sheet accounts
Total assets				

The template above refers to the scheme required for Pillar III reporting (QRT: S_02_01) and focuses on the differences between:

- ✓ MVBS Solvency II values; and
- ✓ Statutory accounts figures

D.2. Technical provision

D.2.1.Life Technical Provisions

Athora applies the Volatility Adjustment (VA) for the calculation of the Best Estimate Liabilities (BEL). The BEL gross is lower than the BEL net as Reinsurance is an addition to the Technical Provisions (TP). For the Risk Margin (RM), Athora Belgium has used the basic risk-free rates curves as required by the Solvency II regulation. Athora Belgium relies on Method 1 as described in the EIOPA Guideline 62, by projecting each of the individual non-hedgeable risk components, based on different risk drivers.

The table shows the main components of the TP Life.

(€ Thousand)	YE19
Best Estimate Liabilities gross of reinsurance	6.225.278
Recoverable from reinsurance	-17.459
Best Estimate Liabilities net of reinsurance	6.242.737
Risk Margin	63.200
Technical Provisions net	6.305.937

Note that, in accordance with the regulation, the SCR used in the RM calculation per YE9 was obtained without usage of the Volatility Adjustment. The simplification used to perform the RM computation is the one recommended at the Group level and is compliant with EIOPA's prescriptions.

The table below shows the split of the Solvency II Life TP by Lines of Business (LoB). The bulk of the TP Life is made up of the provisions for with-profits life insurance contracts. Most of the remainder is made up of provisions for the Unit linked segment. Further, there are two smaller positions: Other contracts with options and guarantees, which are riders from the protection business, and annuities stemming from Non-Life.

YE19

(€ Thousand)	TP net of reins.	Weight
TOTAL	6.305.937	100,0%
Life other than index-linked and unit-linked	5.346.444	84,8%
Index-linked and unit-linked	913.635	14,5%
Health	45.857	0,7%

TOTAL	**6.305.937**	**100,0%**
Insurance with profit participation	5.169.395	82,0%
UL - Contracts without options and guarantees	0	0,0%
UL - Contracts with options and guarantees	913.635	14,5%
Other - Contracts without options and guarantees	0	0,0%
Other - Contracts with options and guarantees	177.049	2,8%
Annuities stemming from non-life obligations	0	0,0%
Accepted reinsurance with profit participation	0	0,0%
Accepted reinsurance UL contracts	0	0,0%
Accepted reinsurance Other contract	0	0,0%
Accepted reinsurance annuities stemming from non-life obligations	0	0,0%
SLT HEALTH - with options and guarantees	0	0,0%
SLT HEALTH - without options and guarantees	0	0,0%
SLT HEALTH - Annuities stemming from non-life obligations	45.857	0,7%
SLT HEALTH – Accepted	0	0,0%

The following table compares figures from statutory (BeGaap) and Solvency II Technical Provisions (gross of reinsurance).

€ Thousand	Statutory Reserves	Solvency II	Delta
TOTAL	5.479.090	6.288.478	-809.388
Life other than index-linked and unit linked	4.439.078	5.328.986	-889.908
Index-linked and unit linked	1.005.164	913.634	91.529
Health	34.848	45.857	-11.009

Sources of Uncertainty

Economic assumptions

The usual financial drivers are important for the evolution of technical provisions: risk-free rate curve, implied volatilities, spreads, and inflation levels principally.

The volatility inherent in Interest rates, spreads or VA changes can impact the value of the company significantly. Athora Belgium manages this volatility in a proactive manner to ensure protection of Own Funds:

- ✓ **Interest Rates:**
  - The risk of a non-parallel deformation of the interest rate curve, for example a flattening of the curves between years 5 to 20 is closely monitored. The risk is quantified by the sensitivity of both assets and liabilities cash-flows to interest rate for each bucket of maturity (the DV01 for each maturity bucket 1, 3, 5, 10, 15, 20, 30 and 50 yrs).

- The hedge instruments will reduce the DV01 of assets in a maturity bucket where the DV01 of the assets exceed the DV01 of the liabilities, to increase the DV01 of the assets in another bucket where the asset DV01 is lower than the liability DV01.

✓ **Spread Risk**
- Athora Belgium measures its exposure to sovereign spread risk (relative to EIOPA risk-free rates term structures) by calculating the CS01[5] for each sovereign.
- Due to the exposure to the VA reference portfolio, Athora Belgium is exposed to the CS01 of its assets less the implied CS01 of its liabilities depending on the weight and the duration of sovereigns in the VA reference portfolio.
- Athora aims to minimise its exposure to non-core European CS01 and to limit its concentration risk to core European sovereigns.

Operating assumptions Life

The main operating assumptions are related to mortality, lapse, and expense calibrations. Profit sharing hypotheses are also concerned and are discussed separately (see relevant section).

Regarding expenses, a project aimed at redefining the cost allocation across Athora Belgium is steered by the Finance Department in the context of the non-life activity transfer to be finalized in April 2020.

Long-term guarantee measures (volatility adjustment, matching adjustment and transitional measures)

The valuation of the best estimate of liabilities has been performed using the volatility adjustment (as referred to in Article 77d of the Directive 2014/51/EU) provided by EIOPA for EURO currency and equal to 7 bps at year end 2019.

A change to zero of the volatility adjustment would correspond to an increase of € 41.839 thousands in the Life Technical Provisions of Athora Belgium.

The matching adjustment (as referred to in Article 77b of the Directive 2014/51/EU) has not been applied.

The transitional measure on the risk-free interest rate-term structure (as referred to Article 308c of the Directive 2014/51/EU) and the transitional measure on technical provisions (as referred to in Article 308d of the Directive 2014/51/EU) have not been used.

D.2.2.Non-Life Technical Provisions

D.2.2.1. Overview of Properties and Casualties Technical Provisions

The Properties and Casualties Technical Provisions, both related to:

[5] The CS01 of the assets (respectively of the liabilities) is the change in the present value of the cash flows of the assets (respectively of the liabilities) for a 1bp change in the credit spread.

- ✓ outstanding claims, whether reported or not, occurred before the evaluation date whose costs and related expenses have not been completely paid by that date (Outstanding Claims Reserve)
- ✓ future claims of contracts that are either in force at the valuation date or for which a legal obligation exists to provide coverage (Premiums Reserve),

Are calculated as the sum of the Discounted Best Estimate of Liabilities and the Risk Margin.

Technical Provision = Best Estimate Liabilities + Risk Margin

The Discounted Best Estimate of Liabilities (Best Estimate Liabilities) is calculated applying the methods and assumptions that are briefly described in the following, separately for Outstanding Claims Reserve and Premiums Reserve.

D.2.2.2. Properties and Casualties Technical Provisions

The Technical Provisions NSLT are the sum of three elements:

1. Best Estimate: A decrease is observed since last year and follows the IFRS evolution of the reserves and of the premiums perceived. Cash flows duration have been updated and are higher than last year for General liability and Motor vehicle liability insurance (now aligned with the market) while a lower discounting curve slightly offset the evolution.
2. Counterparty Default Adjustment: As last year, this element remains marginal due to important collaterals.
3. Risk Margin: strongly driven by the SCR evolution and the payment patterns, a slight increase since last year is observed;

Globally a decrease of the Technical Provisions is observed in gross but also net figures since last year:

- ✓ TP Gross YE19: €284.388 Thousand vs TP Gross YE18: €296.605 Thousand
- ✓ TP Net YE19: €231.942 Thousand vs TP Net YE18: €243.318 Thousand

The table below shows the figures for the main components of the TP Non-Life:

Net - € Thousand	YE19
Total	231.942
BEL	218.324
CDA	123
Risk Margin	13.495

UNDISCOUNTED BEL (UBEL)

Outstanding Claims: The UBEL Outstanding Claims (OC) is assessed by the Actuarial Department using classical actuarial projection methodologies and validated by the Actuarial Function.

Unearned Premium: The method used to assess the UBEL Unearned Premium (UP) is similar to the previous years and consists in two parts:

- ✓ UBEL UP UPR (Unearned Premium Reserve) & URR(Unexpired Risk Reserve)

- ✓ UBEL UP Contract Boundaries (Future premiums and contracts paid via instalments)

For this calculation, a Loss Ratio based on the last years observed ratios (average of the 3 last years) is used. These Loss Ratios are adjusted based on the Reserve Adequacy level in order to have an “economic” estimation. For 2019, a global amount of €26.935 Thousand was estimated.

BEST ESTIMATE LIABILITY (BEL) CALCULATION

Payment patterns

Each year, the Payment Patterns are estimated based on the new triangles and the UBEL OC assessed. An increase of the duration is observed for the LoBs Motor vehicle liability and General liability.

The payment pattern profile have indeed been reviewed for Motor TPL Bodily Injury and 25 years of payments are now considered instead of 20 years last year. This lead to an increase of the duration from 3,7 to 5,4 which is more in line with the duration of Motor business claims on the market.

In TPL, the duration is also now aligned with the market figures. These patterns were validated by the Actuarial Function (AF) and the Chief Risk Officer (CRO).

BEL

The Best Estimate is the result of the UBEL and PP evolutions already discussed and the decrease of the risk free rate curve used to discount the Cash-Flows. The YE19 BEL gross is €270.892 Thousand (€280.246 Thousand at YE18) and the BEL net €218.324 Thousand (€230.563 Thousand at YE18).

Counterparty Default Adjustment (CDA)

The Counterparty Default Adjustment remains aligned with last year figures and very low due to the counterparties default rating: €123 Thousand for YE19 vs. €141 Thousand for YE18.

Risk Margin (RM)

The Risk Margin is now assessed with a new methodology which project the SCR at a less granular level than previously. The Risk Margin evolved from €12.755 Thousand at YE18 to €13.495 Thousand at YE19.

Compared to YE18, the key drivers of change are:

- ✓ The duration increase in General liability and Motor vehicle liability which leads to reserve risk to be more important through the time
- ✓ The decrease of the risk free rate curve since YE18 which lessens the impact of discounting
- ✓ These points are slightly offset by the volume decrease of the reserves and thus the SCR related
- ✓ The decrease of the SCR CAT

TECHNICAL PROVISIONS BY LINES OF BUSINESS

The following tables provide the technical provisions detailed by LoB gross and net of reinsurance:

Gross - € Thousand	**YE19**
Total	**284.388**

Workers compensation	23.003
Medical expense	1.365
Income protection	2.562
Motor vehicle liability	147.979
Other motor	7.441
Marine, aviation and transport	36
Fire and other damage to property	31.203
General liability	55.876
Credit and suretyship	-
Legal expenses	10.083
Assistance	-
Miscellaneous financial loss	4.840

Net - € Thousand	**YE19**
Total	**231.942**
Workers compensation	17.591
Medical expense	1.365
Income protection	2.475
Motor vehicle liability	116.769
Other motor	8.785
Marine, aviation and transport	5
Fire and other damage to property	24.934
General liability	48.814
Credit and suretyship	-
Legal expenses	10.086
Assistance	-
Miscellaneous financial loss	1.117

D.3. Other liabilities

VALUATION OF LIABILITIES FOR SOLVENCY II BALANCE SHEET

Exclusion of IFRS valuation methods

In this chapter, an overall description of the Solvency II valuation methods for Liabilities other than technical provision is given, complementary to the general Valuation for Solvency Purposes (paragraph D - introduction).

L2-DR, in accepting valuation methods defined in IFRS, anticipates that there are cases where IFRS valuation methods are not consistent with Art 75 requirements.

L2-DR states the exclusion of specific valuation methods such as cost or amortized cost and models where value is determined at the lower of the carrying amount and fair value less costs to sell.

Solvency II Specificities

L2-DR specifies the treatment of the liabilities listed below, for which a valuation different from IFRS measurement is required:

- ✓ Technical liabilities;
- ✓ Contingent liabilities not applicable for Athora Belgium;
- ✓ Financial liabilities not applicable for Athora Belgium;
- ✓ Deferred taxes.

Except for technical liabilities (that have been already disclosed in the previous D.2. Technical provisions), all the remaining four points are analysed in the next dedicated sections.

Deferred taxes

Deferred taxes recognized on liability side follows the same assumptions of deferred taxes recognized on assets side. Consequently, the same consideration provided in D.1. Assets could be replied for liabilities purposes.

Although recalling the IAS 12 principles are accepted in the current Solvency II regulatory framework, in order to avoid any possible misunderstanding about IAS 12 interpretation and application, Solvency II legislation clarifies explicitly that all the reference amounts on which determination of deferred taxes is based on should be calculated in accordance with Solvency II valuation instead of IFRS rules.

Mutatis mutandis the IFRS assessment with Solvency II valuation of assets and liabilities, IAS 12 is fully applicable for Solvency II regulations.

Market Value Balance Sheet – details on Liabilities other than technical provisions

(€ Thousand)	Solvency II value (a)	Statutory accounts value (b)	Change to Solvency II value (a-b)	Notes
Provisions other than technical provisions	20.830	19.774	1.056	The difference comes from IAS 19 (recognized in accordance with IAS 37 at fair value that is deemed to be compliant with Art 75 L1 – Dir.)
Pension benefit obligations	63.804	52.822	10.982	Difference between statutory accounts and Solvency II value (recognized in accordance with IAS 19 at fair value)
Deposits from reinsurers	84.138	84.138	0	No relevant change to Solvency II value moving from statutory to Market Value Balance Sheet accounts due to close duration and maturity and to the absence of expected interest cash-flows. As general assumptions, we expect that amortized cost could be equal to the Solvency II value
Deferred tax liabilities	0	0	9.258	Solvency II Deferred Tax Liabilities are based on the difference between the Solvency II value of assets and liabilities and the value for tax purposes on an item by item basis, using the expected tax rate to be applied when assets (liabilities) are realized (settled) and considering potential impact of any announcement of amendment to tax rate.
Derivatives	218.968	0	218.968	The difference comes from the market value of the derivatives used as hedge accounting
Debts owed to credit institutions	409.898	410.988	-1.090	Valuation of the REPO
Insurance & intermediaries payables	26.189	26.533	-344	No change expected, the delta explained by netting activities not performed in the same way
Reinsurance payables	6.810	6.810	0	
Payables (trade, not insurance)	69.135	70.057	-923	
Subordinated liabilities				
Subordinated liabilities in Basic Own Funds	35.000	35.000	0	No change
Any other liabilities, not elsewhere shown	11.518	12.399	-880	Residual class of liability items, included mainly accruals and deferrals. Generally, no relevant change to Solvency II value moving from statutory to Market Value Balance Sheet accounts due to close duration and maturity
Total liabilities				

The template above refers to the scheme required for Pillar III reporting (QRT: S_02_01) and focuses on the differences between:

- ✓ Market Value Balance Sheet Solvency II values;
- ✓ Statutory accounts figures

D.4. Alternative method for valuation

D 4.1. ASSETS

In respect of the official Solvency II data valuation, there are no significant changes to valuation models used and to model inputs. In general terms, it has to be noticed that the vast majority of assets portfolio owned by European insurance and reinsurance undertakings is recognized at IFRS fair value determined centrally by the Group in application of the official group asset pricing policy.

Despite the general framework for assets valuation, it has worthwhile to mention one area for which dedicated Solvency II valuations, partially diverting from the policies above described, are provided:

Solvency II receivables

As general supposition, it is accepted to assume as Solvency II value of receivables an amount equals to the IFRS book value of receivables, based on the IFRS amortized cost. This approach is coherent with the overall Solvency II metrics considering the non-materiality of the change to fair value of those assets usually having very brief duration and maturity and no expected cash-flows generation. It has to be worthwhile to mention that if the simplified assumption is not reflecting properly the economic valuation of receivables, this approach is not adopted, and a full Solvency II economic valuation is provided to determine the fair value of receivables.

D.4.2. LIABILITIES

In respect of the previous official Solvency II data submission, at reporting date there are no any significant changes to valuation models used and to model inputs.

Despite the general framework for liabilities valuation, it is worthwhile to mention that - as general supposition - it is accepted to assume as Solvency II value of payables an amount equals to the IFRS book value of payables, based on the IFRS amortized cost. This approach is coherent with the overall Solvency II metrics considering the non-materiality of the change to fair value of those liabilities usually having very brief duration and maturity and no expected cash-flows generation. It has to be worthwhile to mention that if the simplified assumption is not reflecting properly the economic valuation of payables, this approach is not adopted and a full Solvency II economic valuation is provided to determine the fair value of payables.

D.5. Any other information

Athora Belgium has no other information to disclose.

Annex

Balance sheet – Assets

	Solvency II value	Statutory accounts value
Assets		
Intangible assets	0	708
Deferred tax assets	60.568	0
Pension benefit surplus	0	0
Property, plant & equipment held for own use	2.034	723
Investments including assets held for index-linked and unit-linked contracts)	**6.578.099**	**5.441.722**
Property (other than for own use)	0	0
Holdings in related undertakings, including participations	336.561	284.367
Equities	*73.961*	*58.462*
Equities – listed	62.078	51.333
Equities – unlisted	11.883	7.129
Bonds	*4.987.022*	*4.073.328*
Government Bonds	4.139.271	3.324.647
Corporate Bonds	835.790	737.596
Structured notes	1.037	1.030
Collateralised securities	10.922	10.056
Collective Investments Undertakings	989.970	999.136
Derivatives	170.570	6.428
Deposits other than cash equivalents	20.015	20.000
Other investments	0	0
Assets held for index-linked and unit-linked contracts	1.005.164	1.005.164
Loans and mortgages	**86.259**	**86.259**
Loans on policies	67.893	67.893
Loans and mortgages to individuals	18.365	18.365
Other loans and mortgages	0	0
Reinsurance recoverables from:	**34.986**	**103.886**
Non-life and health similar to non-life	52.445	62.525
Non-life excluding health	46.946	56.510
Health similar to non-life	5.499	6.015
Life and health similar to life, excluding health and index-linked and unit-linked	-17.458	41.361
Health similar to life	0	0
Life excluding health and index-linked and unit-linked	-17.458	41.361
Life index-linked and unit-linked	-1	0

Deposits to cedants	107	107
Insurance and intermediaries receivables	32.027	32.352
Reinsurance receivables	8.430	8.430
Receivables (trade, not insurance)	71.848	71.848
Own shares (held directly)	0	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0	0
Cash and cash equivalents	15.718	15.718
Any other assets, not elsewhere shown	6.862	8.331
Total assets	**7.902.102**	**6.775.248**

Balance sheet – Liabilities

	Solvency II value	Statutory accounts value
Liabilities		
Technical provisions - non-life	**284.388**	**417.972**
Technical provisions - non-life (excluding health)	**257.458**	**354.872**
TP calculated as a whole		0
Best estimate	245.240	
Risk margin	12.217	
Technical provisions - health (similar to non-life)	**26.930**	**63.100**
TP calculated as a whole		0
Best estimate	25.652	
Risk margin	1.278	
TP - life (excluding index-linked and unit-linked)	**5.374.843**	**4.387.077**
Technical provisions - health (similar to life)	**45.857**	
TP calculated as a whole		
Best estimate	45.298	
Risk margin	560	
TP - life (excluding health and index-linked and unit-linked)	**5.328.986**	**4.386.352**
TP calculated as a whole		0
Best estimate	5.271.866	
Risk margin	57.119	
TP - index-linked and unit-linked	**913.635**	**1.005.164**
TP calculated as a whole		0
Best estimate	908.114	
Risk margin	5.521	
Contingent liabilities		0
Provisions other than technical provisions	20.830	19.774
Pension benefit obligations	63.804	52.822
Deposits from reinsurers	84.138	84.138
Deferred tax liabilities	0	0
Derivatives	218.968	0
Debts owed to credit institutions	409.898	410.988
Financial liabilities other than debts owed to credit institutions		
Insurance & intermediaries payables	26.189	26.533
Reinsurance payables	6.810	6.810
Payables (trade, not insurance)	69.135	70.057
Subordinated liabilities	35.000	35.000
Subordinated liabilities not in BOF	0	0
Subordinated liabilities in BOF	35.000	35.000
Any other liabilities, not elsewhere shown	11.518	12.399
Total liabilities	**7.520.137**	**6.528.734**
Excess of assets over liabilities	**381.965**	**246.514**

Life and Health SLT Technical Provisions (1/2)

	Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**
			Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			
Technical provisions calculated as a whole	0	0			0			0	0	0
Total Recoverables from reinsurance/SPV and Finite Re	0	0			0			0	0	0
Technical provisions calculated as a sum of BE and RM										
Best Estimate										
Gross Best Estimate	5.104.624		0	908.114		0	174.053	0	-6.811	6.179.980
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-10.648		0	-1		0	0	0	-6.811	-17.459
Best estimate minus recoverables from reinsurance/SPV and Finite Re	5.115.272		0	908.114		0	174.053	0	0	6.197.439
Risk Margin	54.123	5.521			2.996			0	0	62.640
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole	0	0			0			0	0	0
Best estimate	0		0	0		0	0	0	0	0
Risk margin	0	0			0			0	0	0
Technical provisions – total	5.158.748	913.635			177.049			0	-6.811	6.242.620

Life and Health SLT Technical Provisions (2/2)

	Health insurance (direct business)					
		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
Technical provisions calculated as a whole	0				0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	0				0	0
Technical provisions calculated as a sum of BE and RM						
Best Estimate						
Gross Best Estimate		0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		0	0	0	0	0
Best estimate minus recoverables from reinsurance/SPV and Finite Re		**0**	**0**	45.298	0	45.298
Risk Margin	0			560	0	560
Amount of the transitional on Technical Provisions						
Technical Provisions calculated as a whole	0				0	0
Best estimate	0	0	0		0	0
Risk margin	0				0	0
Technical provisions – total	**0**			45.857	0	45.857

Non-life Technical Provisions (1/2)

	Direct business and accepted proportional reinsurance								
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
Technical provisions calculated as a whole	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	0	0	0	0	0	0	0	0	0
Technical Provisions calculated as a sum of BE and RM									
Best estimate									
Premium provisions									
Gross - Total	**129**	**422**	**0**	**9.768**	**3.870**	**0**	**8.576**	**2.904**	**0**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	24	0	1.089	-1.343	0	1.092	-114	0
Net Best Estimate of Premium Provisions	**129**	**398**	**0**	**8.680**	**5.214**	**0**	**7.487**	**3.018**	**0**
Claims provisions									
Gross - Total	**1.172**	**2.018**	**21.912**	**131.189**	**3.218**	**34**	**21.147**	**50.320**	**0**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	63	5.488	30.123	0	30	5.181	7.205	0
Net Best Estimate of Claims Provisions	**1.172**	**1.955**	**16.499**	**101.068**	**3.218**	**3**	**15.967**	**43.144**	**0**
Total Best estimate - gross	**1.300**	**2.440**	**21.912**	**140.957**	**7.088**	**34**	**29.722**	**53.224**	**0**
Total Best estimate - net	**1.300**	**2.354**	**16.499**	**109.747**	**8.432**	**3**	**23.454**	**46.163**	**0**
Risk margin	65	122	1.092	7.022	353	2	1.481	2.651	0
Amount of the transitional on Technical Provisions									
TP as a whole	0	0	0	0	0	0	0	0	0
Best estimate	0	0	0	0	0	0	0	0	0
Risk margin	0	0	0	0	0	0	0	0	0
Technical provisions - total									
Technical provisions - total	**1.365**	**2.562**	**23.003**	**147.979**	**7.441**	**36**	**31.203**	**55.876**	**0**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**0**	**86**	**5.412**	**31.210**	**-1.343**	**30**	**6.269**	**7.061**	**0**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	**1.365**	**2.475**	**17.591**	**116.769**	**8.785**	**5**	**24.934**	**48.814**	**0**

Non-life Technical Provisions (2/2)

	Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance:				
	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligations
Technical provisions calculated as a whole	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	0	0	0	0	0	0	0	0
Technical Provisions calculated as a sum of BE and RM								
Best estimate								
Premium provisions								
Gross - Total	**1.077**	**0**	**111**	**0**	**0**	**0**	**0**	**26.857**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-4	0	68	0	0	0	0	811
Net Best Estimate of Premium Provisions	**1.080**	**0**	**43**	**0**	**0**	**0**	**0**	**26.049**
Claims provisions								
Gross - Total	**8.527**	**0**	**4.500**	**0**	**0**	**0**	**0**	**244.036**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	3.667	0	0	0	0	51.758
Net Best Estimate of Claims Provisions	**8.527**	**0**	**844**	**0**	**0**	**0**	**0**	**192.398**
Total Best estimate - gross	**9.604**	**0**	**4.611**	**0**	**0**	**0**	**0**	**270.892**
Total Best estimate - net	**9.608**	**0**	**887**	**0**	**0**	**0**	**0**	**218.447**
Risk margin	478	0	230	0	0	0	0	13.495
Amount of the transitional on Technical Provisions								
TP as a whole	0	0	0	0	0	0	0	0
Best estimate	0	0	0	0	0	0	0	0
Risk margin	0	0	0	0	0	0	0	0
Technical provisions - total								
Technical provisions - total	**10.083**	**0**	**4.840**	**0**	**0**	**0**	**0**	**284.388**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**-4**	**0**	**3.724**	**0**	**0**	**0**	**0**	**52.445**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	**10.086**	**0**	**1.117**	**0**	**0**	**0**	**0**	**231.942**

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

	Development year (absolute amount)											In Current year	Sum of years (cumulative)
	0	1	2	3	4	5	6	7	8	9	10 & +		
Prior	62.779	36.967	10.582	6.246	4.857	4.042	4.160	1.683	1.272	1.137	992	5.672	5.672
2010	71.117	38.982	10.839	5.650	4.296	4.803	2.916	3.388	1.765	1.139		241	132.842
2011	68.507	41.849	10.076	6.771	6.019	5.845	4.111	4.265	3.003			282	127.617
2012	65.296	36.611	8.591	4.895	5.560	4.252	1.411	1.402				538	130.349
2013	61.108	35.235	9.286	6.297	4.838	2.611	1.628					377	134.237
2014	70.135	44.630	8.257	5.406	2.569	1.526						992	134.717
2015	63.443	38.218	9.897	3.753	2.356							1.139	144.895
2016	64.190	42.234	4.995	3.270								3.003	150.445
2017	66.848	26.298	7.006									1.402	128.017
2018	54.664	25.113										1.628	121.002
2019	51.441											1.526	132.522
Total												2.356	1.021.724

Gross undiscounted Best Estimate Claims Provisions (absolute amount)

	Development year (absolute amount)											Year end (discounted data)
	0	1	2	3	4	5	6	7	8	9	10 & +	
Prior	0	0	0	0	0	0	0	0	0	0	6.340	30.401
2009	0	0	0	0	0	0	0	0	0	8.657		1.436
2010	0	0	0	0	0	0	0	0	13.186			6.401
2011	0	0	0	0	0	0	0	10.857				6.580
2012	0	0	0	0	0	0	7.063					6.827
2013	0	0	0	0	0	10.950						6.309
2014	0	0	0	0	7.527							8.637
2015	0	0	0	15.202								13.133
2016	0	0	18.875									10.805
2017	0	21.474										7.033
2018	72.758											10.898
Total												7.502

E. Capital Management

E.1. Own fund

Planning and managing Own Funds is a core part of Chief Financial Officer - Strategic Planning responsibilities. The Capital Management Policy refers to capital planning as well as structuring procedures to implement capital injections and optimization.

The Capital Management Plan represents a part of overall three-year Strategic Plan and includes a detailed description of the development of Own Funds and Regulatory Solvency Ratio from the latest available actual figures to the last plan year figures.

The Capital Management Plan is defined taking into account limits and tolerances set in the Risk Appetite Framework.

Own Funds: legislative framework and definition

According to the Article 87 of the Directive 2009/138/EC (the Directive), own funds comprise the "…sum of basic own funds, referred to in Article 88 and ancillary own funds referred to in Article 89".

BASIC OWN FUNDS

(€ thousand)	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	0	0	0	0	0
Ordinary share capital (gross of own shares)	40.000	40.000	0	0	0
Share premium account related to ordinary share capital	18.773	18.773	0	0	0
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	0	0	0	0	0
Subordinated mutual member accounts	0	0	0	0	0
Surplus funds	0	0	0	0	0
Preference shares	0	0	0	0	0
Share premium account related to preference shares	0	0	0	0	0
Reconciliation reserve	262.624	262.624	0	0	0
Subordinated liabilities	35.000	0	0	35.000	0
An amount equal to the value of net deferred tax assets	60.568	0	0	0	60.568
Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0	0	0	0	0
Deductions	0	0	0	0	0
Deductions for participations in financial and credit institutions	0	0	0	0	0
Total basic own funds after deductions	416.965	321.397	0	35.000	60.568

The components of the excess of assets over liabilities are valued in accordance with Article 75 and Section 2 of the Directive, which states that all assets and liabilities must be measured on market consistent principles. These principles are the basis for definitions reported in chapter D Valuation for Solvency Purposes.

Classification scheme

The different own funds items shall be classified into Tiers considering if they possess specific characteristics according to the following scheme:

	permanent availability to cover losses	subordination of the holder	sufficient duration	absence of incentive to redeem	absence of mandatory servicing costs	absence of encumbrances
Tier 1	X	X	X	X	X	X
Tier 2		X	X	X	X	X
Tier 3			**Residual**			

List of tier 1 Basic Own Fund

Article 69 of L2-DR lists Tier 1 Basic Own Fund items, assuming they substantially possess the Tier 1 characteristics; notice that:

- the part of excess of assets over liabilities, valued in accordance with Article 75 and Section 2 of Chapter VI of Directive 2009/138/EC, comprising the following items:
  - Paid-in ordinary share capital and the related share premium account;
  - Paid-in initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings;
  - Paid-in subordinated mutual member accounts;
  - Surplus funds that are not considered insurance and reinsurance liabilities in accordance with Article 91(2) of Level 1 Directive;
  - Paid-in preference shares and the related share premium account;
  - Reconciliation reserve;
- Paid-in subordinated liabilities valued in accordance with Article 75 of Directive 2009/138/EC when they posses Tier 1 features.

List of tier 2 Basic Own Fund

Article 72 of L2-DR lists the Tier 2 basic own-fund items:

- The part excess of assets over liabilities, valued in accordance with Article 75 and Section 2 of Chapter VI of Directive 2009/138/EC, comprising the following items:
  - Ordinary share capital and the related share premium account;
  - Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings;
  - Subordinated mutual member accounts;
  - Preference shares and the related share premium account;
- Subordinated liabilities valued in accordance with Article 75 of Directive 2009/138/EC.

TIER 3 Basic Own Fund and their features

Tier 3 represents the residual category of own funds. According to L1- Dir, Article 94 (Main criteria for the classification into tiers), after having detected if own funds items do not possess the feature to be classified into Tier 1 or Tier 2, the own fund item shall be classified in Tier 3.

ANCILLARY OWN FUNDS

(€ thousand)	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Unpaid and uncalled ordinary share capital callable on demand	0				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
Unpaid and uncalled preference shares callable on demand	0				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
Other ancillary own funds	90.000			90.000	
Total ancillary own funds	90.000			90.000	0

Athora Belgium have received from the National Bank of Belgium the agreement to use ancillary own fund for an amount of 90 millions in respect of the Article 89 in point (a), (b), (c) of the Directive 2009/138/EC.

(€ thousand)	Total available own funds to meet the SCR	Tier 2	Tier 3
Current Year	0	90.000	0
Previous Year	0	0	0
Change	0	90.000	0

Amount and quality of Eligible Own Funds

Eligible Own Funds to meet Solvency Capital Requirement

In the tables below, Athora Belgium is reporting its Basic and Ancillary own funds:

Eligible Own funds by tiering

(€ thousand)	Total eligible own funds to meet the SCR	Tier 1 – unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Current Year	480.762	321.397	0	111.555	47.809
Previous Year	534.251	499.251	0	35.000	0
Change	-53.489	-177.854	0	76.555	47.809

The final step is related to Eligible own funds, after eligibility constraints.

Solvency Ratio

(€ thousand)	Current year	Previous year
Own Funds	480.762	534.251
Solvency Capital Requirement	318.729	319.080
Solvency Ratio	150.9%	167,4%

Athora Belgium reduced its Solvency II ratio un 2019 at 150,8% compare to 167,4% in 2018

Reconciliation between Statutory Shareholder funds and Own Funds for solvency purposes

In the table is include the reconciliation of Own Fund between the statutory account and the Market value Balance Sheet of Athora Belgium.

€ thousand	Current Year	Previous Year
Excess of assets over liabilities Statutory	246.513,8	**213.484,5**
· (-) Elimination of intangibles:	-708,0	-1.381,0
a) Goodwill	0,0	0,0
b) Deferred acquisition costs	0,0	0,0
c) Other intangible assets (include mainly value of business acquired and software)	-708,0	-1.381,0
· (+)/(-) Mark to market of assets:	1.135.894,4	671.320,1
a) Properties (includes own used real estate)	1.311,4	0,0
b) Bonds	913.693,4	664.703,7
c) Loans & Receivables	0,0	-10,5
d) Participations	52.194,8	22.921,8
e) Equities	15.499,0	-11.750,4
f) Other assets	153.195,8	-4.544,4
· (+)/(-) SII valuation of Technical Provisions	-831.552,4	-359.403,7
· (+)/(-) Mark to market of non-technical liabilities:	-228.750,9	-15.510,9
a) Subordinated liabilities	0,0	415,3
b) Financial and other liabilities (does not include change in own credit standing)	-980,9	0,0
c) Employee benefit	-10.982,5	-10.088,5
d) Other liabilities	-216.787,5	-5.837,8
· (+)/(-) Deferred taxes (please refer to IAS 12)	60.567,7	-9.258,1
Excess of assets over liabilities Solvency II	381.964,6	**499.250,9**

Eligible Own Funds to meet the Minimum Capital Requirement

In the tables below, Athora Belgium is reporting its Eligible Own Fund to meet the Minimum Capital Requirement, split by tiering

Eligible Own funds by tiering

(€ thousand)	Total eligible own funds to meet the MCR	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2
Current Year	350.083	321.397	0	28.686
Previous Year	527.968	499.251		28.717
Change	-177.885	-177.854	0	-31

E.2. Solvency Capital Requirement and Minimum Capital Requirement

E.2.1. Solvency Capital Requirement and Minimum Capital Requirement values

The Directive 2009/138/EC and the Delegated Regulation (EU) 2015/35 and Delegated Regulation Amendment (EU) 2019/981 describe the process to be followed by the companies applying the Standard Formula approach, defined by EIOPA.

Athora Belgium makes use of the Standard Formula with Volatility Adjustment (VA) on the Risk Free Rate issued by EIOPA for the relevant referring period.

Athora Belgium, as Composite undertaking does not make use of any Transitional Measures. The Company issues its Solvency II results calculated according to the Standard Formula without use of any Undertaking Specific Parameters.

The Solvency Capital Requirement figures presented here below relate to Athora Belgium's Standard Formula results (with volatility adjustment) as at 31st of December 2018 and as at 31st of December 2019:

SCR Values

(€ thousands)	Total
Current Year	318.729
Previous Year	319.080

The Minimum Capital Requirement figures presented here below relate to Athora Belgium's Standard Formula results (with volatility adjustment) as at 31st of December 2018 and as at 31st of December 2019.

MCR Values

(€ thousands)	Total
Current Year	143.428
Previous Year	143.586

Solvency Capital Requirement and Minimum Capital Requirement are calculated in composite view as Athora Belgium is an insurance company exercising both Life and Non-Life insurance activities.

Thanks to its sound risk management system, the risk identification and measurement was deemed as sufficiently complete and accurate to exclude any capital add-on to the Solvency Capital Requirement based on the EIOPA Standard Formula Risk Map.

The overall risk profile of the company slightly increased from 2018 to 2019 mainly driven by the decrease of the interest rates on the one hand and the assets rotation to reach the target Strategic Asset Allocation on the other. Indeed, the assets portfolio rotation resulted in a decrease of the deferred tax liabilities following significant amount of unrealised gains were realised. As a consequence, the loss absorbing capacity of deferred taxes (LAC DT) was reduced to nihil.

At a more detailed level, this increase of the Solvency Capital Requirement (and Minimum Capital Requirement) compared to previous year arises from:

- ✓ The increase of Life underwriting risk mainly driven by the lower risk free rate which significantly increased lapse risk.
- ✓ The increase of counterparty default risk due to increase in cash, derivatives, mortgages and receivables positions in line with the target SAA.
- ✓ As previously mentioned, the significant decrease of the LACDT (to zero) also contributes to the increase of both the SCR and the MCR.

These effects were partially mitigated by:

- ✓ The decrease of market risk mainly thanks to de-risking of spread exposures but also thanks to hedging mechanisms and

The decrease of Non-Life underwriting risk thanks to a decrease of catastrophe risk attributed to the increase of reinsurance treaty capacity on natural catastrophic risks exposure

E.2.2. Solvency Capital Requirement breakdown

The total Solvency Capital Requirement split by Risk before and after diversification at Year End 2018 and at Year End 2019 is given here below.

The table below shows the Standard Formula modules before and after diversification with each other. The diversification effect is calculated according to the EIOPA Standard Formula correlation tables and equals € 123.217 thousands or 39% of the total Solvency Capital Requirement after diversification. The table also shows the contribution of each risk (module) to the Solvency Capital Requirement and thus to the overall Solvency position.

Market risk is the most significant risk as it includes spread risk which is the largest risk the Company is exposed to due to its large exposure to fixed income bonds. Efforts have been performed over 2019 to de-risk the company's investment portfolio by replacing lower rated corporates with higher rated ones while decreasing the spread exposures duration. Overall, the shift to Unit Linked allows for more market risk absorption given the increase in overall business volume and as a larger part of the market risks are borne by the policyholders.

Life underwriting risk also contributes significantly to the Solvency Capital Requirement mainly through lapse risk and expense risk.

Non-Life Underwriting Risk is the third most significant risk. Although it only decreases slightly in function of the premiums and claims portfolio, it decreases more significantly as a result of a decrease in catastrophe risk thanks to a higher reinsurance capacity on natural catastrophic risks.

Counterparty Default Risk is the third largest contributor to Solvency Capital Requirement and highly depends on the probability of default of the counterparty and collateral in place. As a consequence of the new target SAA, Athora Belgium significantly increased its cash, mortgages and derivatives exposures leading to an increase of the Counterparty Default Risk.

Operational Risk is the fourth largest contributor to Solvency Capital Requirement and is defined as a function of the Company's business volume under the Standard Formula. Operational Risk increases compared to last year, mainly following the increase of Life Technical Provisions.

Finally, the tax absorption effect, which positively impacted the Solvency Capital Requirement and thus the overall Solvency position at Year End 2018 completely disappeared at Year End 2019 as a consequence of the decrease of the Deferred Tax Liabilities in the MVBS following the important volume of realised gains due to the rotation of the assets portfolio.

Total SCR split by Risk before and after diversification (YE 2019)

(€ thousands)	Before Diversification		After Diversification	
	Total	Impact (%)	Total	Impact (%)
nSCR before Diversification	408.072	128,0%	284.855	89,4%
Market Risks	199.975	62,7%	176.909	55,5%
Counterparty Default Risks	40.838	12,8%	21.106	6,6%
Life Underwriting Risks	101.057	31,7%	57.911	18,2%
Health Underwriting Risks	7.918	2,5%	2.596	0,8%
Non-Life Underwriting Risks	58.285	18,3%	26.333	8,3%
Diversification benefit	-123.217	-38,7%		
nBSCR after Diversification	284.855	89,4%	284.855	89,4%
Operational Risk	33.874	10,6%	33.874	10,6%
Total SCR before Taxes	318.729	100,0%	318.729	100,0%
Tax absorption	0	0,0%	0	0,0%
Total SCR	318.729	100,0%	318.729	100,0%

E.3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

Athora Belgium does not use the duration-based equity risk sub-module approach in the calculation of the solvency Capital Requirement.

E.4. Difference between the standard formula and any internal model used

Athora Belgium does not use an internal model and apply only the standard formula as explained in previous chapter.

E.5. Non compliance with the Minimum Capital Requirement and non compliance with the Solvency Capital Requirement

Athora Belgium has a sound solvency position, no issues related to the compliance neither with the Minimum Capital Requirements nor with the Solvency Capital Requirement.

E.6. Any other information

No additional information to be mentioned.

Annex

Impact of long term guarantees measures and transitional

	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
Technical provisions	6.572.865	0	0	42.690	0
Basic own funds	416.965	0	0	57.982	0
Eligible own funds to meet Solvency Capital Requirement	480.762	0	0	-19.486	0
Solvency Capital Requirement	318.729	0	0	3.657	0
Eligible own funds to meet Minimum Capital Requirement	350.083	0	0	-20.985	0
Minimum Capital Requirement	143.428	0	0	1.646	0

Own funds – Solo (1/3)

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35					
Ordinary share capital (gross of own shares)	40.000	40.000		0	
Share premium account related to ordinary share capital	18.773	18.773		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	0	0		0	
Subordinated mutual member accounts	0	0	0	0	0
Surplus funds	0	0			
Preference shares	0		0	0	0
Share premium account related to preference shares	0		0	0	0
Reconciliation reserve	262.624	262.624			
Subordinated liabilities	35.000		0	35.000	0
An amount equal to the value of net deferred tax assets	60.568				60.568
Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0				
Deductions					
Deductions for participations in financial and credit institutions	0	0	0	0	**0**
Total basic own funds after deductions	**416.965**	**321.397**	**0**	**35.000**	**60.568**

Own funds – Solo (2/3)

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0			0	
Unpaid and uncalled preference shares callable on demand	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
Other ancillary own funds	90.000			90.000	0
Total ancillary own funds	**90.000**			**90.000**	**0**
Available and eligible own funds					
Total available own funds to meet the SCR	**506.965**	**321.397**	**0**	**125.000**	**60.568**
Total available own funds to meet the MCR	**356.397**	**321.397**	**0**	**35.000**	0
Total eligible own funds to meet the SCR	**480.762**	**321.397**	**0**	**111.555**	**47.809**
Total eligible own funds to meet the MCR	**350.083**	**321.397**	**0**	**28.686**	0

Own funds – Solo (3/3)

	Total
SCR	**318.730**
MCR	**143.428**
Ratio of Eligible own funds to SCR	**150,84%**
Ratio of Eligible own funds to MCR	**244,08%**
Reconciliation reserve	**262.624**
Excess of assets over liabilities	381.965
Own shares (held directly and indirectly)	0
Foreseeable dividends, distributions and charges	0
Other basic own fund items	119.340
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
Reconciliation reserve	**262.624**
Expected profits	**0**
Expected profits included in future premiums (EPIFP) - Life Business	69.510
Expected profits included in future premiums (EPIFP) - Non- life business	2.577
Total Expected profits included in future premiums (EPIFP)	**72.087**

Solvency Capital Requirement — for undertakings using the standard formula (1/2)

	Gross solvency capital requirement	USP	Simplifications
Market risk	295.709	0	0
Counterparty default risk	23.780	0	0
Life underwriting risk	81.255	0	0
Health underwriting risk	8.088	0	0
Non-life underwriting risk	68.334	0	0
Diversification	-117.734	0	0
Intangible asset risk	0	0	0
Basic Solvency Capital Requirement	**359.433**	**0**	0

Solvency Capital Requirement — for undertakings using the standard formula (2/2)

Calculation of Solvency Capital Requirement	
Operational risk	33.874
Loss-absorbing capacity of technical provisions	-21.789
Loss-absorbing capacity of deferred taxes	**0**
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
Solvency capital requirement excluding capital add-on	318.730
Capital add-on already set	0
Solvency capital requirement	318.730
Other information on SCR	0
Capital requirement for duration-based equity risk sub-module	0
Total amount of Notional Solvency Capital Requirements for remaining part	318.730
Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
Diversification effects due to RFF nSCR aggregation for article 304	0

MCR Result for non-life activities

	Non-life activities	Life activities
	$MCR_{(NL,NL)}$ Result	$MCR_{(NL,L)}$ Result
Linear formula component for non-life insurance and reinsurance obligations	**31.267**	**0**

Linear formula component for non-life insurance and reinsurance obligations

MCR calculation Non Life	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
Medical expense insurance and proportional reinsurance	1.300	354	0	0
Income protection insurance and proportional reinsurance	2.354	3.410	0	0
Workers' compensation insurance and proportional reinsurance	16.499	8	0	0
Motor vehicle liability insurance and proportional reinsurance	109.747	38.640	0	0
Other motor insurance and proportional reinsurance	8.432	25.100	0	0
Marine, aviation and transport insurance and proportional reinsurance	3	0	0	0
Fire and other damage to property insurance and proportional reinsurance	23.454	41.408	0	0
General liability insurance and proportional reinsurance	46.163	12.851	0	0
Credit and suretyship insurance and proportional reinsurance	0	0	0	0
Legal expenses insurance and proportional reinsurance	9.608	4.215	0	0
Assistance and proportional reinsurance	0	0	0	0
Miscellaneous financial loss insurance and proportional reinsurance	887	584	0	0
Non-proportional health reinsurance	0	0	0	0
Non-proportional casualty reinsurance	0	0	0	0
Non-proportional marine, aviation and transport reinsurance	0	0	0	0
Non-proportional property reinsurance	0	0	0	0

MCR Result for life activities

	Non-life activities	Life activities
	$MCR_{(L,NL)}$ Result	$MCR_{(L,L)}$ Result
Linear formula component for life insurance and reinsurance obligations	**951**	**199.504**

Linear formula component for life insurance and reinsurance obligations

MCR calculation Life	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
Obligations with profit participation - guaranteed benefits	0	0	5.074.403	0
Obligations with profit participation - future discretionary benefits	0	0	40.865	0
Index-linked and unit-linked insurance obligations	0	0	908.114	0
Other life (re)insurance and health (re)insurance obligations	45.298	0	174.054	0
Total capital at risk for all life (re)insurance obligations	0	0	0	5.519.604

Overall MCR

Overall MCR calculation	
Linear MCR	231.721
SCR	318.730
MCR cap	143.428
MCR floor	79.682
Combined MCR	143.428
Absolute floor of the MCR	7.400
Minimum Capital Requirement	**143.428**

Notional non-life and life MCR calculation

Notional non-life and life MCR calculation	Non-life activities	Life activities
Notional linear MCR	32.218	199.504
Notional SCR excluding add-on (annual or latest calculation)	44.315	274.415
Notional MCR cap	19.942	123.487
Notional MCR floor	11.079	68.604
Notional Combined MCR	19.942	123.487
Absolute floor of the notional MCR	3.700	3.700
Notional MCR	**19.942**	**123.487**