

Solvency and Financial Condition Report 2020

Athora Belgium S.A

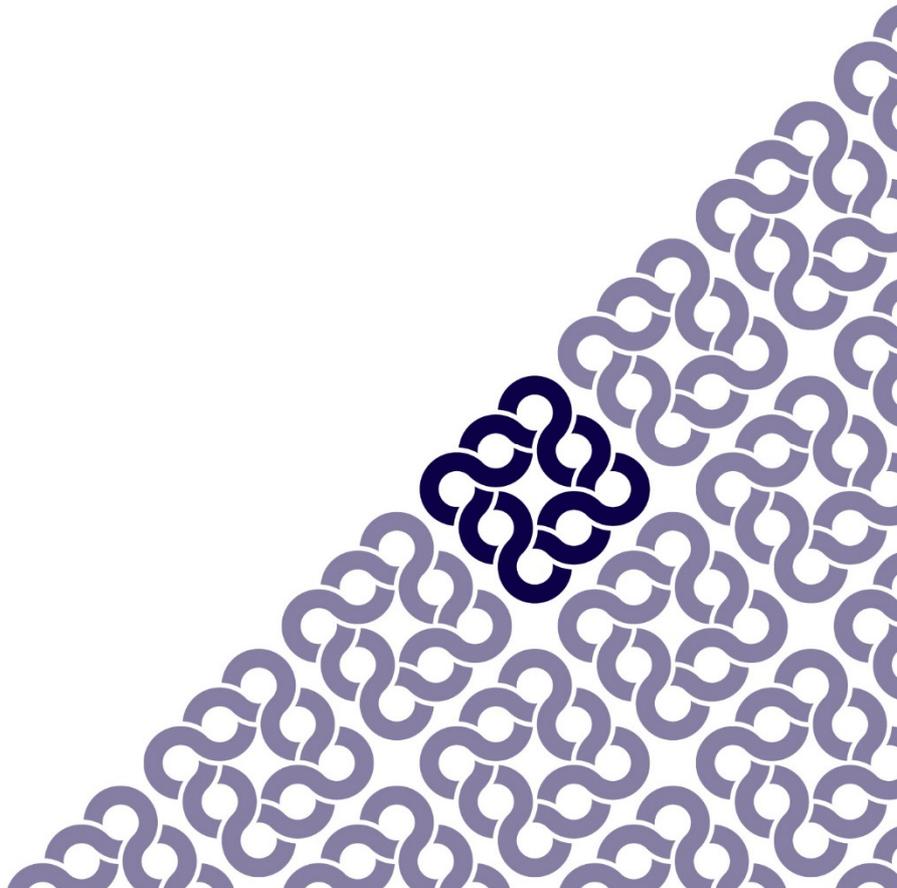


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Introduction

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.

Glossary

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...).

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 recoverable 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.

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.

Long term guarantee adjustments and transitional measures: This expression refers to the matching adjustment, the volatility adjustment, the transitional measure on the risk-free interest rates and the transitional measure on technical provisions.

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.

Own funds: are defined as the sum of basic own funds and ancillary own funds.

Reinsurance recoverable: Reinsurance recoverable 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.

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.

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 recoverable 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.

Executive Summary

Athora Group

Athora, 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), Athora Life Re, a reinsurer located in Bermuda and since April 2020, Athora Netherlands N.V. The company has emerged from many predecessor insurers, who have been helping customers increase their financial self-reliance for more than 150 years. The Athora Group employs about 2400 people and has more than 3 million customers, for total consolidated assets of around 80 billion €.

Athora Belgium

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

2020 Major Events

2020 is the turnaround year for Athora Belgium which was characterized by the implementation of the new Strategic plan and the revamp of its business model, in other word a new Focus on the Life market only by leveraging its unique product offers, its dedicated and long term trusted brokers network and reposition Athora Belgium as a disruptive player on the Belgian market based on its superior Assets Under Managements capacities combined with his Hedging capacity and rock sold Risk management positioning.

Major components 2020:

- ✓ Carve out of P&C business to Baloise, Baloise Insurance finalized the purchase of the non-life portfolio of Athora Belgium after having received the agreement from the NBB end of May 2020.
- ✓ Sales of 100% of the shares of Athora Real Estate Investments B.V (7 real estate properties owned) to PATRIZIA AG.
- ✓ Implementing the rotation of our AUM to comply with our risk appetite and return seeking strategy
- ✓ Successfully implementing our Reinsurance program with Athora Ireland. The initial upfront premium from Athora Belgium to Athora Ireland was of €1.071 billion comprising asset transfers (investment-grade corporate bonds and sovereigns) and cash. The transaction was approved by the National Bank of Belgium
- ✓ Reinforcing our customer services focus and our customers/brokers centricity via upgrading of our Life operation processes, creation of Business cafés, Lunch and Learn programs with our brokers
- ✓ Finalising our 2 years integration program (Move from Generali processes and systems to the Athora environment)

2020 Covid crisis

The Covid had limited impact on the internal operation of Athora Belgium. We had a BCP plan in place that was retested just before the lock down. Therefore, even if we needed to upgrade that on a larger scale our home working, remote access, remote management, this had limited impact on our service level or our relationship with customers and our brokers. In fact, we even gained market share in 2021.

Despite the health crisis of 2020, the company was in position to contain P&L impact of COVID-19 thanks to our product mix and our hedging and derivatives strategy.

Whilst we see some impacts of COVID-19 on premium level over 2020, this has not materially affected the P&L performance. For the Group Life business, on the year we can signal that there has been requests to report payments for a cumulative amount of 510 thousand. For individual business, the level of the year was good, and we reached the budget for the recurring business. As far as the evolution of incurred claims is concerned, no specific impact was observed. Concerning the liquidity position, we didn't observe significant lapses which could have created issues for Athora Belgium.

2020 Business and Performance

In 2020, the direct gross premiums written has reached €505.191 thousand (+3,2%, individual life +7,4%, Group life -6,3%). Athora Belgium continued its growth in the unit-linked product with a double digit of 12,6% and maintain stable his pension business. The good performance of Athora Belgium (+3,2% increase of the premiums) compared with the evolution of the market (-5,9%) means an increase of the market share of Athora from 3,3% to 3,6%. Looking more into details, in individual Life, while the market goes down (-9,6%) in every line of business, Athora increased its performance (+7,4%) in Br21 and In Br23. Athora has now a market share of 4,0% in individual vs 3.4% one year ago

The Life Operating Result increased significantly to reach € 148.778 thousand (vs. € 104.266 thousand in 2019)

Despite a hesitant mixed context on the Belgian and European financial markets, Athora Belgium maintained a solid financial result, supported by the implementation of the new strategic asset allocation

The Life Non-Operating result increased by € 72.719 thousand to reach € 54.196 thousand in 2020, this result continues to be negatively impacted by the increase of the non-operating expenses linked to the integration expenses and positively offset by the exceptional result of the selling of the non-life business.

The Net Result (IFRS) is therefore increasing from € 65.023 thousand in 2019 to € 165.926 thousand in 2020. Taxes amounted to € 37.047 thousand compared to € 28.977 thousand a year ago.

2020 Solvency and Capital Management:

The Solvency Capital Requirement coverage ratio at YE'20 amounts to 216,4% which means that Athora Belgium owns about 2,2 time what is needed to cover its capital needs. This ratio is higher according to the Risk Appetite Framework of the Company.

Athora Belgium S.A. Solvency Ratio in Standard Formula *

(€ thousand)	31/12/2020
Own Funds	629.434
Solvency Capital Requirement	290.808
Surplus	338.626
Solvency Ratio	216,4%

A dividend of 10 million is included pending on approval by the shareholder meeting

The Minimum Capital Requirement ratio at YE'20 amounts to 369,9% which means that Athora Belgium owns nearly 3,7 times what is required as absolute minimum in term of capital needs.

Over 2020, Athora Belgium has:

- ✓ Progressed toward implementing its strategic asset allocation in line with its risk appetite.
- ✓ Significantly reduced its interest rate risk by further strengthening its hedging strategies to stabilise its own funds and protect its solvency ratio.
- ✓ Reduced its property risk thanks to sale of old property and reinvestment in new property.
- ✓ Carved out its Non-Life business which both increased own funds and decreased solvency capital requirements.
- ✓ Strengthened its capital base by reinsuring a large part of its high guaranteed liabilities and related assets, thereby lowering both market risk and lapse risk.
- ✓ Efficiently managed its capital tiering position, replacing subordinated debt by restricted tier 1 capital, allowing for an increase in eligible own funds.
- ✓ This has enabled Athora Belgium to constantly comply with the hard limit of 150% solvency ratio committed to the NBB, despite market dislocations.

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 (Ireland based). This latest depends on Athora Europe Holding Ltd (Bermuda based) and depend of Athora Holding Ltd (Bermuda based), which supervisory authority is the Bermuda Monetary Authority¹.

Athora Belgium SA is being audited by EY Réviseurs d'Entreprises srl, represented by Joeri Klaykens, Audit Partner².

The holders of qualifying holdings of Athora Belgium SA are:

Name	% of share	Nb of share
Athora Europe Holding Limited	100,0%	962.908
Other	0,0%	2
Total	100,0%	

The company Athora Holding Limited increase its of committed capital from € 2.200.000 thousand to € 4.000.000 thousand in February 2020.

Athora Belgium main participations are the following:

Name	Country	Currency	Solvency II value (thousand €)	Activity	% Group in capital
Verzekeringskant. Soenen N.V.	Belgium	EUR	4.984	Brokerage	99,8
Groupe GVA-BC Assurances	Belgium	EUR	2.701	Brokerage	100
Webbroker S.A.	Belgium	EUR	1.451	Brokerage	100
Ravenstein 36 SRL	Belgium	EUR	20.829	Real Estate	100
Impératrice 66 SRL	Belgium	EUR	18.416	Real Estate	100
Louise Legrand 523 SRL	Belgium	EUR	36.212	Real Estate	100
Square du Champs de Mars SRL	Belgium	EUR	26.806	Real Estate	100
Place Saint-Gudule 19 SRL	Belgium	EUR	26.030	Real Estate	100

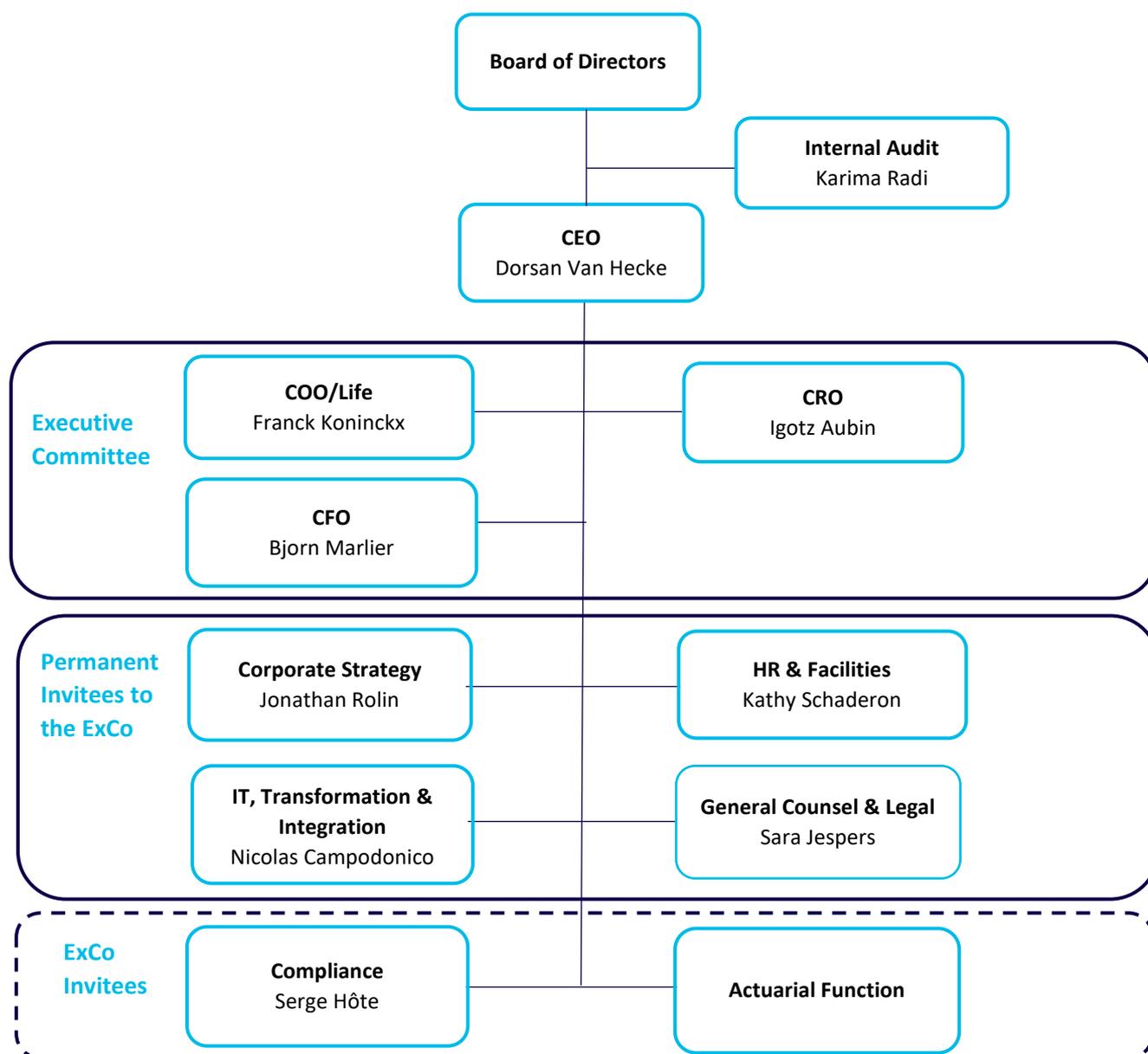
¹ Contact details:

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, B-1000 Brussels, Email: insurance.supervision@nbb.be, Phone: +32 2 221 27 31, Fax: +32 2 221 31 36

² Contact details: **EY Réviseurs d'Entreprises** srl De Kleetlaan 2, B-1831 Diegem

The organizational structure of Athora Belgium SA (31st of December 2020 view) is as follows:



In 2020, Athora Belgium operates in Belgium selling from now on only Life products in the following Line of Business:

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

Major events

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Overall performance

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A.2. Underwriting performance

In terms of Annual Premiums Equivalent (APE), volumes have decreased in 2020 by 6% as compared to 2019 from € 42.841 thousand to €40.119 thousand driven by a lower performance in the first quarter of 2020 on the unit-linked single premiums (-37%) and gradually improved throughout the year. We note however, that in the same time horizon, APE for regular premiums decreased by 33%, mainly driven by the Saving Business from (+€ 6.389 thousand vs € 9.575 thousand).

In terms of New Business Value (NBV), we note a decrease in profitability over the last year of 21% distributed evenly between regular and single premiums in saving business. This is mainly explained by the interest rates decrease over the year. In the opposite, the unit-linked business has a slightly improvement of 12%.

Looking at the profitability ratio of NBV/APE, we note a better 2019 performance compare to the one of 2020 (+39% vs -28%). The profitability remains at acceptable levels helped by the protection business (+203%) and Unit-linked business (+59%).

A.3. Investment performance

Regarding financial markets, they firstly remain stable following the announcement in January of the Covid epidemic in China. This situation changed rapidly after the first infections in Northern Italy at the end of February and quickly followed by other European countries and in main region of the United States.

Between the end of February and the end of March, the financial markets of the major economies recorded their largest loss since the last global financial crisis (-30% or more). However, calm quickly returned to the financial markets, which gradually recovered in April and May. Since the virus is quickly contained in most major economies and followed, as expected, by an extremely accommodative monetary policy for a long period the stock markets rallied from early July.

The successive announcements of the development of vaccines with a high rate of effectiveness gave a new boost to the financial markets in November 2020.

Despite the difficult current context, Athora Belgium maintained a solid financial result.

Athora Belgium continued with its Strategic Asset Allocation (portfolio rotation), which coupled with reinsurance program led to a significant decrease of Government bonds position, and partial replacement by corporates and funds.

At the same time the further development of the hedging programs in place, resulted in a significant increase in the underlying of the derivative positions. Of these, the interest rate derivatives which are accounted in profit or loss and largely fixed receivers, recorded high unrealized gains which further increased the IFRS result for the year

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 Athora Group, receives administrative services from the following companies:

- ✓ AHL (Athora Holding Limited), is a Bermuda-based holding company
- ✓ AI (Athora Ireland, is a Irish-based European reinsurance hub who provide innovative and creative capital optimisation and risk management solutions to European life insurers
- ✓ 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 entities.
- ✓ AUK (Athora UK Service), subsidiary of Athora Group in the United Kingdom, it provides services for all the Athora Group entities
- ✓ ABS (Athora Bermuda Service), Bermuda-based subsidiary of Athora Group, it provides services for all the Athora Group include AIS.
- ✓ AIS (Athora Ireland Service), Irish-based subsidiary of Athora Group, it provides services for all the Athora Group include Athora Belgium.

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

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

B. System of governance

B.1. General Information on the system of governance

B.1.1 General information on the governance structure

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 is the highest decision-making body of Athora Belgium, with the exception of matters reserved 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: a strategic function (strategy, the risk policy and the integrity policy) and the supervision of management.

The Board of Directors defines:

- ✓ The general strategy and the objectives of the Athora Belgium
- ✓ The risk policy, including the general limits on risks and the risk appetite level.
- ✓ The Board also approves the integrity (ethical) policy including conflicts of interest, whistleblowing, prevention of money laundering and terrorist financing, codes of conduct, etc.

The Board of Directors [supervises activities](#) and evaluate the effectiveness of the governance system. The supervision must cover all the areas of activity and focus on the Executive Committee and respect of the risk policy.

This mainly includes assessment of the effectiveness of the governance system and the interaction with the four independent control functions and determine the actions based on their conclusions, reporting to the regulators and the integrity of the accounting and declaration of financial information systems.

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.

In order to support the Board in its activities, three specialized advisory committees have been set up within the Board. These committees support and advice the Board, but the decision power remains with the Board.

The [Audit & Risk Committee](#) assists the Board in the following domains: financial reporting, internal control, internal audit and the statutory auditor and advises in all aspects concerning the actual and future risk strategy and risk tolerance level.

The [Nomination and Remuneration Committee](#) advises on the remuneration (policy) to avoid that the remuneration would encourage taking excessive risks or behaviour which is not in the interest of the company. They also advise on the nominations of new Board of Directors or Executive Committee members and Head of independent control functions.

The [Conflicts Committee](#) is set up within the Board to advise the Board on intra group transactions above 100K euro in order to manage conflicts of interest.

➤ The Executive Committee

The Executive Committee is a decision-making and collegial body basically charged with managing the operational activities of Athora Belgium (the management function) and this comprises the following activities and responsibilities:

[Execution of the strategy](#) defined by the Board and managing the company by setting up processes and procedures and executing the day to day management and ensuring a corporate culture with strict ethics.

[Execution of the risk management](#) system: this mainly includes translating the risk management framework (as defined by the Board) in processes and procedures and taking mitigating measures to identify and control all relevant risks (financial risks, insurance risks, operational and other risks).

[Implementing, follow up and evaluation of the organizational- and operational structure](#) to support the strategic goals and to ensure the coherence with the framework of risk appetite with an adequate internal control mechanism and the framework for the proper functioning of the independent control functions.

[Implementing the integrity policy](#) as defined by the Board by translating this into concrete procedures and processes.

The Executive Committee has established the following advisory and preparatory committees: Asset and Liabilities Committee (investment and strategic asset allocation), Capital Management Committee, the Risk Management Committee (risk), the Product and Underwriting Committee Life (products, underwriting and reserving) and the Transformation committee (projects).

➤ Key (control)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](#) is a permanent and independent function for the observance of the rules in connection with the integrity of the activities and the control of the main Compliance risks: the risk of legal or regulatory infringements, financial loss or harm to the good reputation. The compliance function reports and recommends on a regular basis on the compliance with the legal and regulatory rules. Main compliance domains are anti money laundering and counter finance terrorism, customer protection, privacy, conflicts of interest, reputation.

[The Risk Management Function](#) guarantees the accurate implementation of the risk management system in accordance with the Solvency II Directive as translated by the Board of Directors. The Risk Management function is responsible for the overall risk profile monitoring and reporting. This Function supports the Board of Directors and Executive Committee in defining the risk management strategies and tools for identifying, monitoring, managing and measuring and mitigating risks. It is also responsible for the testing of the internal control system.

[The Actuarial Function](#) provides quality assurance for the actuarial calculations and the underlying hypothesis. In this respect, the function regularly reports on its activities, including its findings, the possible shortcomings and its recommendations to solve these. With regards to the technical provisions, the function advises 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 Internal Audit Function](#) is an independent, effective and objective function 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.

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

- ✓ right of initiative and authorization to intervene in all structures, access all documents needed and have any assistance from the members of staff;
- ✓ the guarantee to be open on their findings and assessments to the Executive Committee, to the Audit & Risk Committee, the Board of Directors, the external auditor or the supervisory authorities, with direct access to the Board of Directors and the Audit and Risk Committee

The Control Functions are independent functions within Athora Belgium. This means that: they do not have direct operational responsibility or authority over any of the activities controlled, they must be protected against any possible conflict of interests, they must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined, a cooling-off period is foreseen if they change from one function to a control function.

A regular reporting to the Board, the Audit & Risk Committee and the Executive committee is foreseen, including a yearly status report and a planning. Besides this, the independent control functions inform the Board of Directors and the Executive Committee at their own initiative, on their concerns and warn if specific risk developments (could) have a negative impact on Athora Belgium and could harm its reputation.

B.1.2. Changes in the system of governance

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

B.1.3 Remuneration policy (fixed and variable components, performance criteria, supplementary pensions)

The Company has adopted a remuneration policy in order to set the Company's philosophy and principles with regard to the way it compensates and incentivizes its directors and employees and this in line with Solvency II regulations. The policy takes into account the risk appetite of the Company and supports the Company Strategy and the business objectives. Some aspects of the remuneration vary on an annual basis, these are contained within the separate 'Total Reward Guideline' of the HR department.

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

Financial benefits most commonly comprise cash remuneration, 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 with the support of independent specialists.

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

B.2. Fit and proper requirement

Athora Belgium has set fit and proper requirements in line with the NBB regulation and the NBB “Fit and Proper handbook” for the members of the Board of Directors, of the Executive Committee and the members of the control functions.

Besides the individual skills and requirements, also the collective expertise of the Board and the Exco is important and the aim is to have the following different expert domains represented in those organs.

For the [Board](#), the following expertise should be present: insurance and financial markets, company strategy and business model, governance system, financial and actuarial analyses, regulatory requirements.

For the [Audit and Risk Committee](#); 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.

Also, the personal and management skills are taken into account: managerial attitude, strategic thinking, integrity, ability to function in a multinational environment, business orientation, team-player, active and open in communication, independent judgment, balanced/prudent decision-making etc

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, business strategy, financial statements, specific dedicated professional expertise for each Head of Control Function.

The skills required for the Heads of Control functions are defined as follows: management experience and Leadership, adaptability, integrity, independence, creativity/innovation, communication ability, team player.

The professional integrity of the person is assessed on the basis of different indications such as: clean criminal record, no negative assessments by financial supervisory authorities.

The Board of Directors is in charge of the nomination of the Executive Committee members and control functions and of the proposal of new Board members to the meeting of shareholders. The fit and proper assessment is prepared by the Nomination and Remuneration Committee that advises on the nominations. Each nomination is subject to approval of the NBB.

The assessment is done based on the following documents: the applicable standard application file drafted by the National Bank of Belgium, curriculum vitae, extract from the judicial record, self-assessment questionnaire and as the case may be, other useful documents.

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

B.3.1. Enterprise Risk Management Framework

The purpose of the Enterprise Risk Management Framework (ERM Framework), also named “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 Enterprise Risk Management Framework, complemented with the Risk Appetite & Strategy and the Risk Universe. Together, these documents

form the cornerstone of all risk-related policies and guidelines aiming at covering all risks the Company is exposed to, on a current basis or on forward-looking basis.

The Risk Management System of Athora Belgium relies on the Athora Group Risk Policies that were locally adopted and implemented after being locally adapted, where necessary, to fit with the Company’s and Belgian insurance market specificities.

To support its Risk Management System, Athora Belgium has implemented a “three lines of defence” risk management governance model to ensure that risks are clearly identified, owned and managed. The three lines of defence governance model is designed to meet Solvency II requirements as follows:

- ✓ **First Line:** Business management takes risks and is responsible for day-to-day risk management
- ✓ **Second line:** Governance and control functions such as Risk Management, Compliance and Actuarial Function help business management manage and control specific types of risks by providing appropriate oversight and challenge.
- ✓ **Third line:** The Internal Audit function provides Board and management with independent assurance of the design and operating effectiveness of governance, risk management, and internal controls.

As the name suggests, the Enterprise **Risk Management Framework** is an enterprise wide matter and extends to all business functions. Risks need to be identified, understood, and assessed (against levels defined as acceptable) before the right controls can be designed and implemented. Risks are managed from multiple perspectives, including economic, regulatory and accounting.

Athora considers ERM under the following headings and areas:

 Risk Strategy and Appetite	 Risk Governance	 Risk Culture	 Risk Assessment and Measurement	 Risk Management and Monitoring	 Risk Reporting and Insights	 Data and Technology
Linkage to corporate strategy	Board Oversight and Committees	Risk Organisation	Risk Identification, Assessment and Prioritization	Risk Mitigation, Response and Action Plans	Risk Reporting	Data Quality and Governance
Risk Universe	Company Risk Operating Structure	Risk Competence	Quantitative Methods and Modeling	Testing, Validation and Assurance	Business/ Operational Requirements	Risk Analytics
Risk Appetite Statements	Roles and Responsibilities	Risk Relationships	Risk Aggregation, Correlation and Concentration	Monitoring	Board and Senior Management Requirements	Technology Enablement
	Risk Policies & Risk Opinions	Risk Motivation	Scenario Analysis and Stress Testing	Projects and Initiatives	External Requirements	

Moreover, the ERM Framework is directly linked to **the Risk Appetite & Strategy**, which is an integral part of the business strategy and determines how Athora Belgium selects risks it can control and extract value from in line with its strategy.

Risk Appetite and Strategy is translated into specific Risk Policies and Limits for the relevant risk types, which set out the policy objectives, requirements, the roles and responsibilities, as well as the required processes and controls for each risk.

Finally, Athora sets out the universe of risks that make up its risk profile in the Athora **Risk Universe**. The purpose of the Risk Universe is to set out the material risks that Athora is exposed to as a bespoke risk management tool, i.e. the Risk Universe is intended to be specific to Athora and will therefore differ to other (e.g. regulatory or industry) risk registers. The Risk Universe is reviewed at least annually by the Group and cascaded down locally.

However, it may be updated more frequently as new material risks arise, e.g. through new transactions or changes in the external environment.

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 Capital Management Plan exercise. 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 framework in Athora Belgium is implemented according to the requirements provided by the National Bank of Belgium (NBB_2019_30 circular) and in alignment with the Athora Group ORSA Policy.

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 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 Dashboards), focusing on the key risks and performance indicators, is shared by the Chief Risk Officer with the Executive Committee and the Board of Directors (also discuss at Audit and Risk Committee), 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 should also be produced in case of significant change of the risk profile.

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 mid-term perspective according to its Capital Management Plan. 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 Capital Management Plan 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 an ongoing basis, the Risk Management Function actively supports the Capital Management Plan process and relies on its output 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

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:

- ✓ **First Line:** Business management (“Risk Owners”) takes risks and is responsible for day-to-day risk management
- ✓ **Second line:** Governance and control functions such as Risk Management, Compliance and Actuarial Function help business management manage and control specific types of risks by providing appropriate oversight and challenge.
- ✓ **Third line:** The Internal Audit function provides Board and management with independent assurance of the design and operating effectiveness of governance, risk management, and internal controls.

The second line control function depends on the Chief Risk Officer, 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.

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. The other bodies responsible for the implementation of the Internal Control System are the Audit and Risk Committee, the Executive Committee and the Risk Management Committee.

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. 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. 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.

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.

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

B.4.2. Compliance function

In accordance with the regulations on the Compliance function, and the Athora Group’s Group Compliance Management System Policy, Athora Belgium has adopted the necessary measures to have 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.

Compliance shall be part of the culture of the organization; it is not exclusive responsibility of the compliance staff. The Compliance Function participates in protecting the Company from losses and damages, improving the way business is done. 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 management of risks.

The Compliance Operating Model provides for the following five core processes:

- ✓ **Risk identification:** setting up a process to at identifying the compliance obligations and the relevant Risk Owners.
- ✓ **Risk measurement:** evaluating the compliance risks and the level of adequacy of the Compliance Risk Management System to achieve its intended outcomes.

- ✓ **Risk mitigation:** at adopting all the initiatives that are useful to improve the Compliance Management System and integrating compliance obligations in existing processes and procedures, organizing training on compliance topics and evaluating the compliance risk exposure of strategic projects, significant transactions and new products.
- ✓ **Risk monitoring and control** assurance gathering information to assess the effectiveness of the Compliance Management System.
- ✓ **Reporting and planning on the compliance risks** and monitoring to the Board and the Executive Committee as well as to the Group Compliance Function through Athora Belgium Compliance Officer. An annual compliance plan is provided.
- ✓ **Legal watch and advisory function:** The compliance function also provides legal watch services to identify new regulations and has an advisory function on compliance topics.
- ✓ **Awareness-raising, information and training:** The Compliance function organizes trainings to enhance the awareness on compliance topics

B.5. Internal audit function

As part of the third line of defence, the Internal Audit Function assists the Senior Management Team and the Board Audit Committee in protecting the Company's assets, reputation and sustainability by independently and objectively evaluating the effectiveness of internal controls, risk management and Governance processes.

To provide for the independence of Internal Audit, the HIA reports to the Chairman of the Audit and Risk Committee and to the Group Chief Internal Auditor ('GCIA') and administratively to the Athora Belgium Chief Executive Officer

Internal Audit's main tasks and responsibilities are:

- ✓ Develop a flexible annual audit plan using appropriate risk-based methodology, including consultation with management on any risks or control concerns identified by them, and submit that plan to the Audit and Risk Committee for review and approval.
- ✓ Implement the annual audit plan, as approved, including, and as appropriate, any special tasks or projects requested by management and the Audit and Risk Committee.
- ✓ Review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems and controls.
- ✓ Communicate to senior management and the Audit and Risk Committee, the impact of any resource limitations on the internal audit plan.
- ✓ Follow up on audit findings to ensure that corrective management action to resolve reported weaknesses has occurred effectively and timely.
- ✓ Maintain a professional audit team with sufficient knowledge, skills, experience and professional certifications to meet the requirements of this Charter
- ✓ Perform consulting services, beyond Internal Audit's assurance activities, to assist management in meeting its objectives, as determined appropriate to the extent possible without compromising independence. Examples may include facilitation, training, and advisory services.
- ✓ Issue periodic reports to the Audit and Risk Committee and management summarising results of audit activities.

- ✓ Keep the Audit and Risk Committee informed of emerging trends and successful practices in Internal Auditing.
- ✓ Assist in the investigation of significant suspected fraudulent activities within the organisation and notify management and the Audit and Risk Committee of the results.
- ✓ Consider the scope of work of the External Auditors and Regulators, as appropriate, for the purpose of providing optimal audit coverage to the organisation at a reasonable overall cost.
- ✓ Ensure that audit work conforms to the Institute of Internal Auditors or other relevant regulatory bodies and Athora Group standards, as well as the guidance in this document.
- ✓ Ensure that the principles of integrity, objectivity, confidentiality and competency are applied and upheld.

Reporting

Audit results, conclusions and action plans will be reviewed with operating and financial management directly responsible for the activity being evaluated and such other management as deemed appropriate. The purpose of reviewing results will be to reach agreement as to the facts and recommendations presented by Internal Audit and to make management aware of audit findings supported by sufficient, reliable, relevant and useful information.

Management is responsible for following up on action plans to ensure proper implementation. Internal Audit also will follow up on management action plans to ensure proper implementation. The summary of audit activity will be reported quarterly to the Audit and Risk Committee.

The Audit and Risk Committee reviews the activities of Internal Audit, including the proposed annual audit plan, periodic progress reporting on the status of the plan, and summaries of any significant findings raised during the performance of internal audits, including the resolution of recommendations made concerning the company's systems of internal controls.

The Audit and Risk Committee discusses with the HIA (i) any significant deficiencies in the design or operation of internal controls which could adversely affect the company's ability to record, process, summarise and report financial data and any material weaknesses to the company's internal controls, and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal controls.

Independence and objectivity of the Internal Audit function

The Internal Audit Function is independent of senior management, which has responsibility for the first and second lines of defence and is therefore able to provide independent assurance opinions on the effectiveness of the systems of internal control, risk management and governance. Internal Audit executes its duties freely and objectively in accordance with the Institute of Internal Auditors' International Standards for the Professional Practices of Internal Audit, including the Code of Ethics, as well as with Internal Athora Charter and procedures. Internal Audit avoids any conflicts of interest and accesses the expertise and knowledge necessary to undertake work in respect of specialist business functions.

The Compliance Function reports to the Chief Risk Officer since August 2020.

B.6. Actuarial function

B.6.1. Requirements

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

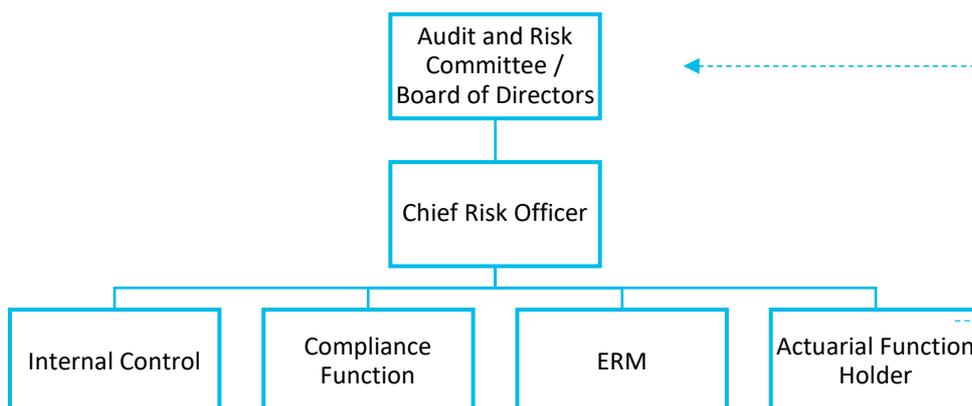
- ✓ Solvency II Directive (2009/138, Article 48) (below, “the SII Directive”);
- ✓ Delegated Regulation 2015/35 (Articles 272 and 308) (below, “the Delegated Regulation”);
- ✓ Act of the 13 March 2016 relating to the status and control of the (re)insurance companies;
- ✓ National Bank of Belgium (NBB) circular 2016_31 on the system of governance;
- ✓ NBB Circular 2016_26 on the calculation of the Technical Provisions under Solvency II (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 Circular³ 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 2020, the Actuarial Function was co-ordinated by the Chief Risk Officer (CRO). The reporting lines for the Actuarial Function Holder, together with the other Second Line of Defence Functions are illustrated in diagram below. Before August 2020, the existing structure remains formally in place:



B.6.3. Technical Provisions

Over the reporting period the Actuarial Function was responsible for the validation of the Technical Provisions (TP), in accordance with the process defined by the Head-Office. The computations (projection runs) were made by the Balance Sheet Management Team.

³ Please note that this circular has been reviewed in 2018 by the NBB

Solvency II: In continuation of the 2019 activities the following activities have been performed for the Life 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;
- ✓ Evaluate 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.

Statutory: Based on the information received and the controls performed, the BEGAAP Life provisions as of Year End 2020 are considered adequate and compliant with the regulatory requirements.

Data Quality: 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).

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

The total profit-sharing yearly dotation in P&L decreased from 11.100 thousand EUR to 5.400 thousand EUR end of 2020. A release of past provision of 8.700 thousand EUR are made at the end of 2020. The decrease is explained by the one-off effect following implementation of an intra-group reinsurance arrangement. The Actuarial Function has been able to form the opinion that for the 2020 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.

B.6.6. Reinsurance

In 2020, an intra-group reinsurance arrangement has been put in place, aiming at the optimization of the capital structure as evidenced by the increase of the SII ratio. The Actuarial Function has some recommendation, but This has however a limited impact on the balance sheet.

B.6.7. Risk management system

The Actuarial Function contributes to the Risk Management by reviewing various deliverables of the Risk department:

- ✓ Capital Management Plan (Yearly)
- ✓ QRT validation (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

Athora Belgium has an [Outsourcing policy](#) (“Policy”) in place to manage the outsourcing arrangements.

For each outsourcing, the Exco decides whether it concerns an outsourcing of a critical and important function and if this is the case, the Board needs to approve the outsourcing and it is notified to the NBB. For these outsourcings, the due diligence and monitoring is stricter.

For the list of [critical and important outsourced](#) activities is available on request at Athora Belgium

The reasons for the critical/important outsourcings are the following: specialized competencies, benefit of scale, group wide practices, better pricing and difficulties to find the competencies on the market and increase of independence for the outsourcing of the actuarial function.

For the [list of subcontractors](#) is available on request at Athora Belgium.

B.8. Any other information

There is no specific other information to be provided.

C. Risk profile

C.1. Underwriting risk

C.1.1. 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 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.

The risks included in the portfolio

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 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.

C.1.2. 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.

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.

At year-end 2020, Athora Belgium has yearly renewal term reinsurance treaties with external reinsurers to reduce underwriting volatility related to mortality and disability risk. In addition, in 2020 Athora Belgium has signed an intra-group quota share reinsurance treaty with Athora Ireland to reduce the lapse, longevity and market risk associated with the Group life business.

Product pricing & underwriting process

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.

Athora Belgium 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.

Role of Risk Management in pricing and product approval processes

The CFO 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 regard to quantitative and qualitative dimensions) and that risk-capital is considered as part of the risk-adjusted performance management.

C.2. Market risk

C.2.1. Risk exposure and assessment

Athora Belgium is 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.

Here below a short description of the major types of business Athora Belgium operates in traditional life business (branch 21) with guarantees and unit-linked funds (branch 23).

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 equity risk, interest rate risk, currency risk, property risk, spread risk and, with very low materiality, concentration risk. 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	31,5 %
Corporate Bonds	20,1 %
Private Loans	18,1 %
Mortgage Loans	12,7 %
Real Estate	2,4 %
Equity	3,3 %
Cash & Other	11,9 %

Common risk measurement methodologies (both qualitative and quantitative) are applied in order to provide an integrated measurement of the risks borne by Athora Belgium.

C.2.2. Risk management and mitigation

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

The 'Prudent Person Principle' is the main cornerstone of Athora Belgium investment management process.

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 and based on the 'Prudent Person Principle'.

Seeing the investment strategy which embeds a combination of long term and shorter term assets aiming at reaching optimal risk-return of the portfolio, Athora Belgium makes use of hedging strategies to mitigate the market volatility risk arising from the timing differences between assets and liabilities cashflows and maintain its risk profile within its Risk Appetite.

Asset Liability Management & Strategic Asset Allocation activities aim at ensuring that Athora Belgium holds enough and adequate assets in order to reach defined targets and meet liability obligations in both expected and stressed investment conditions. 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.

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 Risk Policies include general principles, quantitative risk limits (with a strong focus on ALM, Use of Derivatives, credit and market concentration), authorization processes and prohibitions.

Furthermore, Athora Belgium also implemented the following Market Risk mitigation techniques, combining both Capital Management Strategies and Risk Mitigation Strategies:

- ✓ A first action has been the reduction of exposure to spread risk. This was done through either by spot/forward sales of fixed income investments and by hedging through credit default index swaptions.
- ✓ A second mitigating strategy has been to eliminate most of the currency risk in the investment portfolio. As the liabilities are in euro it is logical to avoid any risk related to currency fluctuations. Here again, based

on a risk-adjusted return analysis including the cost of currency risk, Athora Belgium decided to decrease its exposure to non-euro assets.

- ✓ A third strategy has been put in place to minimize the equity risk: derivative has been bought to compensate the market risk and avoid unrealised losses on public equities.
- ✓ In order to avoid reinvestment risk in the current low yield environment, Athora rotates part of its 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 future interest rate movements (interest rate risk).

C.3. Credit risk

C.3.1. Risk Exposure and Assessment

As a Life 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.

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 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 (solvency II directive), as defined in the Investment Governance Policy, that was 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 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.

Quantitative information about Athora Belgium's Solvency requirement for Credit Risk can be found in section E of this report.

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.

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 a sound Assets & Liabilities Management process, fully embedded in the decision-making process of the Company. 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 Capital Management Plan horizon.

In terms of Risk Management, Athora Belgium has put in place a sound risk assessment, monitoring and reporting process aiming at maximizing the return of the investments while keeping the Credit Risk exposure within the limits of the Risk Appetite.

C.4. Liquidity risk

C.4.1. Risk Exposure and Assessment

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 its operations. 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 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 Capital Management Plan scenario, and under a set of 'stress scenarios' that are calibrated based on the Solvency 2 Standard Formula methodology under a probability of occurrence of a 1-in-10 years, 1-in-40 years and 1-in-200 years shock.

Liquidity Risk limits have been defined in terms of values of the above-mentioned metrics that cannot be exceeded and that are reviewed on a yearly basis within the review of the Risk Appetite process. 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.

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, among others, asset class, counterparty, credit rating, geography or sectors.

C.4.2. Risk Management and Mitigation

Athora Belgium manages and mitigates Liquidity Risk in consistency with the framework set in the Group Liquidity Risk Policy and in the Athora Belgium Liquidity Risk Guidelines. Athora Belgium aims at ensuring the capacity to meet its commitments also in case of adverse scenarios, while achieving its profitability and growth objectives. The Liquidity Risk Monitoring from short-, mid- and long-term perspective, relying also on the use of stress scenarios, allows the Company to operate within a well-defined and controlled Liquidity Risk framework. Seeing its investment strategy and the use of derivative products, a strong focus was put by the Executive Committee as well as by Athora Belgium's Board of Directors to assure a sound Liquidity Risk Management process to be in force and constantly monitored.

Also, specific escalation process is set 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.

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 € 45.303 thousand at year-end 2020 (net of reinsurance).

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 € 5 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.

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 chapter B.

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

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 which may potentially challenge the strategic planning results achievements) process for the identification of the most significant risks Athora Belgium is exposed to These risks are monitored on a continuous basis

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.

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 both proactive and reactive approaches.

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.

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.

C.7. Any other information

To test Athora Belgium solvency position resilience to adverse market conditions or shocks a set of sensitivities and scenario analyses are performed on a quarterly basis. 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 risk sensitivity analysis which is done on a quarterly basis 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, the following main risk sensitivities analyses have been performed:

- ✓ Interest Rates shocks
- ✓ Spread widening/tightening shocks: These represent spread stress scenarios assuming only a certain subset of spread-sensitive assets is held on the books
- ✓ Default and migration shocks: applied to exposures which are sensitive to credit risk. Only impacts on assets side are observed as there are no changes in discount curve nor in the VA.
- ✓ Lapse down and expense shocks

Several scenarios (analysis) are applied quarterly:

- ✓ **Multi-risk:** a Multi risk scenarios are combined scenarios including all material risks (increase of spreads on corporate bonds & loans, increase of risk-free rate, increase in defaults and migrations, decrease in equities and property, increase in lapses and expenses).
- ✓ **Historical scenarios:**
 - 2008-09 “Credit Crunch”: The 2008-09 Lehman Crisis scenario is focused on severe corporate spread stresses.
 - 2011-12 “Eurozone Crisis”: The 2011-12 Eurozone Crisis scenario is dominated by severe sovereign spread stresses as well as substantial corporate spread stresses

- 2002-03 “Dot-Com Bubble: This scenario is a milder version of 2008-09 with almost no impact on sovereign spreads

✓ Covid scenarios:

These scenarios include three forward-looking potential scenarios of post-COVID economic conditions supplied by Olivier Wyman in a recent webinar “The Impact of COVID-19 on Insurers”:

- Rapid rebound (optimistic): This is a scenario in which spreads on all assets sensitive to spreads while the VA also decreases. Defaults and migrations increase in a moderate manner
- Recession (pessimistic): Increase in spreads on all spread exposures and significant increase in VA. Defaults and migrations increase in a significant manner
- Deep recession (very pessimistic): Extremely large increase in spreads on all spread exposures and very extreme increase in VA. Defaults and migrations increase in an extreme manner

D. Valuation for Solvency Purpose

As far as Assets and Other liabilities units, it is worthwhile mentioning that the general framework 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.

In order to define the Market Value Balance Sheet, all assets and liabilities on the balance sheet must be stated at fair value.

According to the Commission delegated regulation 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.
- ✓ 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 the above-mentioned regulation;
- ✓ Other valuation methods that are deemed to be consistent this regulation.

D.1. Assets

In Technical Specification, it is clearly indicated the fair value hierarchy to be adopted in valuating assets and other liabilities than technical provision. On this basis, the undertaking applied the following hierarchy of high-level principles for valuation of assets and liabilities:

- ✓ Use of quoted market prices in active markets for the same assets and liability (Level 1);
- ✓ Where the use of quoted market prices for the same assets or liability is not possible, use of quoted market prices in active markets for similar assets or liability with adjustments to reflect differences (level 2);
- ✓ If there are no quoted market prices in active markets available, use of mark-to-model techniques. Those alternative valuation techniques have to be benchmarked, extrapolated or otherwise calculated as far as possible from a market input (level 3);
- ✓ Maximum use of relevant observable inputs and market inputs is recommended, while use of undertaking-specific inputs and unobservable inputs should be minimize;
- ✓ Valuing liabilities at IFRS fair value, the adjustment to take account of the own credit standing as required by IFRS 13 Fair Value Measurement has to be eliminated. In addition, when valuing financial liabilities subsequently after initial recognition, the adjustment to take account of the own credit standing as required by IFRS 13 Fair Value Measurement and as defined by IFRS 7 Financial Instruments: Disclosures, has to be eliminated.

The definition of fair value in IFRS 13 is based on an 'exit price' notion and uses a 'fair value hierarchy', which results in a market-based, rather than entity-specific, measurement. Being basic concept from IFRS13 imported into SII environment, inputs used in valuation techniques are classified into three levels, giving the highest priority to (unadjusted) quoted prices in active markets for identical asset or liabilities and the lowest priority to unobservable inputs. If the inputs used to measure fair value are categorized into different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement (based on the application of judgment).

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

Regulation 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 on properties, investment properties, plant and equipment shall not be valued at cost less depreciation and impairment;

Solvency II Specificities

The regulation 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 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.

Related undertakings (or participations) 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 holding are not limited to equity instruments.

The regulation 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.

An important feature of participation is its strategic nature. It is worthwhile to underline the fact that the Athora Belgium approach is to consider all participations as strategic.

Deferred tax assets, Solvency II regulatory framework states that in the Market Value Balance Sheet deferred tax assets, representing the amounts of income taxes recoverable in future periods, shall be recognized in respect of:

- ✓ Deductible temporary differences (A temporary difference is a difference between the carrying amount of an asset or liability in the balance sheet and its tax base);
- ✓ The carry-forward of unused tax losses; and
- ✓ The carry-forward of unused tax credits;

and determined based on the difference between the values ascribed to assets and liabilities and the values ascribed to assets and liabilities as recognized and valued for tax purposes.

IAS 12 provides that the enterprise shall recognize a deferred tax asset with respect to the carry forward of unused tax losses and tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. In evaluating the probability that future taxable profits will be realized against which unused tax losses and unused tax credits can be utilized.

While a Deferred Tax Liabilities can be recognized in the balance sheet without further justification, the recognition of a Deferred Tax Assets is subject to a recoverability test.

The template focuses on the differences between Market Value Balance Sheet and Statutory accounts figures

€ in thousands	Solvency II value (a)	Statutory accounts value (b)	Change to Solvency II value (a-b)	Notes
Intangible assets	0,0	277	-277	For Solvency II purposes, only intangible asset that can be sold separately should be recognized in MVBS
Property, plant & equipment held for own use	3.290	2.375	915	For Solvency II the leasing is evaluated at market value in the same way as the application of IFRS 16
Holdings in related undertakings, including participations	136.429	112.521	23.908	Change to Solvency II value due to the different accounting approach: IFRS participations value principles are not recognized for Solvency II purposes
Equities – listed	59.218	49.713	9.505	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	192	154	38	
Government Bonds	2.037.278	1.518.995	518.283	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 including accrued interest.
Corporate Bonds	1.083.608	997.158	86.450	
Structured notes	835.203	827.218	7.985	
Collateralised Securities	51.115	53.467	-2.352	
Collective Investments	1.531.757	1.509.095	22.662	
Derivatives	494.840	57.268	437.572	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	20.000	20.000	0	No change
Assets held for index-linked and unit-linked contracts	1.190.492	1.190.492	0	In solvency II the accrued interest is included
Loans on policies	75.464	75.464	0	
Loans and mortgages	114.349	114.038	311	
Deposits to cedant	0	0	0	No change
Insurance and intermediaries receivables	29.759	29.759	0	
Reinsurance receivables	2.396	2.396	0	
Receivables (trade, not insurance)	64.410	64.410	0	
Cash and cash equivalents	116.086	116.086	0	Residual class of asset items included prepaid interests, deferrals and other accrued income. The change concern the accrued interest reclassification
Any other assets, not elsewhere shown	699	55.262	-54.563	

D.2. Technical provision

Athora applies the Volatility Adjustment (VA) for the calculation of the Best Estimate Liabilities (BEL). The BEL gross is higher than the BEL net as Reinsurance is a deduction from 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.

The table shows the main components of the TP Life.

(€ Thousand)	YE20
Best Estimate Liabilities gross of reinsurance	6.711.053
Recoverable from reinsurance	-1.095.897
Best Estimate Liabilities net of reinsurance	5.615.156
Risk Margin	65.280
Technical Provisions net	5.680.437

Note that, in accordance with the regulation, the SCR used in the RM calculation per YE20 was obtained without usage of the Volatility Adjustment. The table below shows the split of the Solvency II Life TP by Lines of Business (LoB).

YE20		
(€ Thousand)	TP net of reins.	Weight
TOTAL	5.615.156	100,00%
Life other than index-linked and unit-linked	4.542.045	80,9%
Index-linked and unit-linked	1.073.111	19,1%
Health	0	0,0%
TOTAL	5.615.156	100,00%
Insurance with profit participation	4.354.712	77,6%
UL - Contracts without options and guarantees	1.073.111	19,1%
UL - Contracts with options and guarantees	0	0,0%
Other - Contracts without options and guarantees	0	0,0%
Other - Contracts with options and guarantees	187.332	3,3%
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	0	0,0%
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	5.698.800	6.776.334	-1.077.534
Life other than index-linked and unit linked	4.508.308	5.696.426	-1.188.118
Index-linked and unit linked	1.190.492	1.079.908	110.584
Health	0	0	0

In the 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.

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 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).
- ✓ **Spread Risk**
 - Athora Belgium measures its exposure to sovereign spread risk (relative to EIOPA risk-free rates term structures) by calculating the CS01⁴ for each sovereign.
 - Due to the exposure to the VA reference portfolio, Athora Belgium is exposed to the CS01.
 - Athora aims to minimise its exposure to non-core European CS01 and to limit its concentration risk to core European sovereigns.

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).

The valuation of the best estimate of liabilities has been performed using the volatility adjustment provided by EIOPA for EURO currency and equal to 7 bps at year end 2019.

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

The matching adjustment, the transitional measure on the risk-free interest rate-term structure and the transitional measure on technical provisions have not been used.

D.3. Other liabilities

Solvency regulation anticipates that there are cases where IFRS valuation methods are not consistent with them.

Valuation methods excluded are valuation at cost or amortized cost and models where value is determined at the lower of the carrying amount and fair value less costs to sell.

Liabilities listed below, for which a valuation different from IFRS measurement is required:

- ✓ Technical liabilities;
- ✓ Contingent liabilities not applicable for Athora Belgium;

⁴ 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.

- ✓ Financial liabilities not applicable for Athora Belgium;
- ✓ Deferred taxes.

Except for technical liabilities (see D.2. Technical provisions), all the remaining 3 points are analysed below.

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.

Provision other than technical is regulating provision under IAS 37 and it is deemed to be compliant with solvency II regulation for this reason, there are no differences on this item between IFRS statutory account and MVBS value being the valuation models adopted the same in both scenarios.

Employee Benefit Liabilities are related to staff pension scheme is entirely classified as a liability.

The valuation method adopted called projected unit credit method is based on an actuarial approach with regards to:

- ✓ Estimation of the benefit that employees will earn in return for their service, valued at the moment in which it will fall due;
- ✓ Identification of the part of the benefit evaluated above, related to current and prior periods;
- ✓ Determination of the present value of that part of the benefit identified in b., split into current service cost and benefit obligation.

The template focuses on the differences between Market Value Balance Sheet and Statutory accounts figures.

(€ Thousand)	Solvency II value (a)	Statutory accounts value (b)	Change to Solvency II value (a-b)	Notes
Provisions other than technical provisions	4.509	3.774	735	The difference comes from IAS 19
Pension benefit obligations	49.665	0	-49.665	The difference comes from IAS 19 and IFRS 4
Deposits from reinsurers	37.486	37.486	0	As general assumptions, we expect that amortized cost could be equal to the Solvency II value due to close duration and maturity and to the absence of expected interest cash-flows.
Deferred tax liabilities	0	0	0	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.
Derivatives	235.934	150.686	-85.248	The difference comes from the market value of the derivatives used as hedge accounting
Debts owed to credit institutions	871.852	871.852	0	No change
Insurance & intermediaries payables	18.442	18.442	0	
Reinsurance payables	5.661	5.661	0	
Payables (trade, not insurance)	421.087	421.087	0	
Subordinated liabilities in Basic Own Funds	40.012	40.000	12	Accrued interest reclassification
Any other liabilities, not elsewhere shown	29.765	29.777	-12	Residual class of liability items included mainly accruals and deferrals The change concern the accrued interest reclassification

D.4. Alternative method for valuation

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:

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 must 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.

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 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.

E. Capital Management

E.1. Own fund

Planning and managing Own Funds is a core part of Chief Financial Officer – Balance Sheet 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.

E.1.1. Basic Own Funds

(€ thousand)	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
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
Reconciliation reserve	385.246	385.246	0	0	0
Subordinated liabilities	40.012	0	40.012	0	0
An amount equal to the value of net deferred tax assets	35.006	0	0	0	35.006
Total basic own funds after deductions	519.036	444.018	40.012	0	35.006

The components of the excess of assets over liabilities are valued in accordance solvency II regulation, which states that all assets and liabilities must be measured on market consistent principles. These principles are reported in chapter D Valuation for Solvency Purposes.

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**, assuming they substantially possess the Tier 1 characteristics; notice that:

- ✓ the part of excess of assets over liabilities 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;
- Paid-in preference shares and the related share premium account;
- Reconciliation reserve;
- ✓ Paid-in subordinated liabilities when they possess Tier 1 features.

List of TIER 2 Basic Own Fund items:

- ✓ The part excess of assets over liabilities, 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.

TIER 3 Basic Own Fund represents the residual category of own funds. 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.

E.1.2. Ancillary Own Funds

(€ thousand)	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Other ancillary own funds	120.000	0	0	120.000	0
Total ancillary own funds	120.000	0	0	120.000	0

Athora Belgium have received from the National Bank of Belgium the agreement to use ancillary own fund for an amount of 120.000 thousand. This amount is increased with 30.000 thousand in 2020.

E.1.3. 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	629.434	444.018	40.012	120.000	25.404
Previous Year	480.762	321.397	0	111.555	47.809
Change	148.672	122.621	40.012	8.445	-22.405

The final step is related to Eligible own funds, after eligibility constraints.

Solvency Ratio

(€ thousand)	Current year	Previous year
Own Funds	629.434	480.762
Solvency Capital Requirement	290.808	318.729
Solvency Ratio	216,4%	150.9%

In the table is include the **reconciliation between Statutory Shareholder funds and Own Funds for solvency purposes**

€ thousand	Current Year	Previous Year
Excess of assets over liabilities Statutory	319.221	246.514
· (-) Elimination of intangibles:	-277	-708
a) Goodwill	0	0
b) Deferred acquisition costs	0	0
c) Other intangible assets (include mainly value of business acquired and software)	-277	-708
· (+)/(-) Mark to market of assets:	1.201.399	1.135.894
a) Properties (includes own used real estate)	915	1.311
b) Bonds	610.366	913.693
c) Loans & Receivables	310	0
d) Participations	23.908	52.195
e) Equities	9.543	15.499
f) Other assets	556.357	153.196
· (+)/(-) SII valuation of Technical Provisions	-779.345	-831.552
· (+)/(-) Mark to market of non-technical liabilities:	-286.975	-228.751
a) Subordinated liabilities	-12	0
b) Financial and other liabilities (does not include change in own credit standing)	-640	-981
c) Employee benefit	-49.665	-10.983
d) Other liabilities	-236.658	-216.788
· (+)/(-) Deferred taxes (please refer to IAS 12)	35.006	60.568
Excess of assets over liabilities Solvency II	489.029	381.965

Eligible Own Funds to meet the Minimum Capital Requirement, In the tables below, Athora Belgium is reporting the 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	484.030	444.018	40.012	0
Previous Year	350.083	321.397	0	28.686
Change	133.947	122.641	40.012	-28.686

E.2. Solvency Capital Requirement and Minimum Capital Requirement

E.2.1. Solvency Capital Requirement and Minimum Capital Requirement values

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 and the Minimum Capital Requirement figures presented here below relate to Athora Belgium's Standard Formula results (with volatility adjustment) as at 31st of December 2020 and as at 31st of December 2019:

SCR Values

(€ thousands)	SCR Values	MCR Values
Current Year	290.808	130.683
Previous Year	318.729	143.428

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 decreased from 2019 to 2020, this decrease of the Solvency Capital Requirement and Minimum Capital Requirement compared to previous year arises from:

- ✓ The decrease of Life underwriting risk mainly driven by the reinsurance transaction which allowed for partial reinsurance of Athora Belgium's lapse down risk (linked to high guaranteed contracts)
- ✓ The decrease of Non-Life risk to nihil due to the carve out of Non-Life Business and sale to Baloise at the beginning of the year.
- ✓ The recognition of a LACDT at YE2020 (compared to zero at YE2019) thanks to the decrease of deferred tax assets while applying the new NBB LACDT circular.

These effects were partially mitigated by:

- ✓ The increase of market risk mainly due to the increase of equity risk as a consequence of increased investment in Alternatives (i.e. private equity funds) and the significant increase in Unit Linked investment volume, amplified by the favourable performance of equity markets in 2020.
- ✓ The increase of counterparty default risk mainly as a consequence of the increase in cash, mortgages and derivatives exposure.

E.2.2. Solvency Capital Requirement breakdown

The total Solvency Capital Requirement split by Risk before and after diversification at Year End 2020 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 € 90.595 thousands or 31% 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 and private loans. Efforts have been performed over 2020 to hedge the company's spread risk through derivatives 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.

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 decreases compared to last year, mainly thanks to the carve out of non-life technical provisions.

Finally, the tax absorption effect, positively impacted the Solvency Capital Requirement and thus the overall Solvency position at Year End 2020.

Total SCR split by Risk before and after diversification (YE 2020)

(€ thousands)	Before Diversification		After Diversification	
	Total	Impact (%)	Total	Impact (%)
nSCR before Diversification	359.443	123,6%	274.258	94,3%
Market Risks	213.388	73,4%	195.489	67,2%
Counterparty Default Risks	50.409	17,3%	23.714	8,2%
Life Underwriting Risks	95.646	32,9%	61.537	21,2%
Health Underwriting Risks	0	0,0%	0	0,0%
Non-Life Underwriting Risks	0	0,0%	0	0,0%
Diversification benefit	-85.185	-29,3%		
nBSCR after Diversification	274.258	94,3%	274.258	94,3%
Operational Risk	27.625	9,5%	27.625	9,5%
Total SCR before Taxes	301.883	103,8%	301.883	103,8%
Tax absorption	-11.075	-3,8%	-11.075	-3,8%
Total SCR	290.808	100,0%	290.808	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.

Disclosures

- ✓ S.02.01.02: Balance sheet
- ✓ S.05.01.02: Premiums, claims and expenses by line of business
 - Athora Belgium does have a Non-life portfolio the template is empty
- ✓ S.05.02.01: Premiums, claims and expenses by country
 - Athora Belgium does have a Non-life portfolio the template is empty
- ✓ S.12.01.02: Life and Health SLT Technical Provisions
- ✓ S.17.01.02: Non-Life Technical Provisions
 - Athora Belgium does have a Non-life portfolio the template is empty
- ✓ S.19.01.21: Non-Life insurance claims
 - Athora Belgium does have a Non-life portfolio the template is empty
- ✓ S.22.01.21: Impact of the long term guarantees and transitional measure
- ✓ S.23.01.01: Own Funds
- ✓ S.25.01.21: Solvency Capital Requirement - for undertakings on Standard Formula
- ✓ S.28.02.01: Minimum capital Requirement - Both life and non-life insurance activity

In the QRTs as disclosed on the following pages, all figures are in EUR thousands (in line with regulation).

S.02.01.02.01: Balance sheet

		<u>Solvency II value</u>
		C0010
Assets		
Intangible assets	R0030	0,0
Deferred tax assets	R0040	35.005,7
Pension benefit surplus	R0050	0,0
Property, plant & equipment held for own use	R0060	3.290,0
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	6.249.640,3
Property (other than for own use)	R0080	0,0
Holdings in related undertakings, including participations	R0090	136.428,9
Equities	R0100	59.409,9
Equities - listed	R0110	59.217,6
Equities - unlisted	R0120	192,3
Bonds	R0130	4.007.204,3
Government Bonds	R0140	2.037.277,9
Corporate Bonds	R0150	1.083.608,3
Structured notes	R0160	835.203,1
Collateralised securities	R0170	51.114,9
Collective Investments Undertakings	R0180	1.531.756,9
Derivatives	R0190	494.840,3
Deposits other than cash equivalents	R0200	20.000,0
Other investments	R0210	0,0
Assets held for index-linked and unit-linked contracts	R0220	1.190.491,7
Loans and mortgages	R0230	192.740,6
Loans on policies	R0240	75.464,1
Loans and mortgages to individuals	R0250	2.928,0
Other loans and mortgages	R0260	114.348,5
Reinsurance recoverables from:	R0270	1.095.897,1
Non-life and health similar to non-life	R0280	0,0
Non-life excluding health	R0290	0,0
Health similar to non-life	R0300	0,0
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	1.095.897,4
Health similar to life	R0320	0,0
Life excluding health and index-linked and unit-linked	R0330	1.095.897,4
Life index-linked and unit-linked	R0340	-0,3
Deposits to cedants	R0350	0,0
Insurance and intermediaries receivables	R0360	29.758,9
Reinsurance receivables	R0370	2.396,1
Receivables (trade, not insurance)	R0380	64.409,7
Own shares (held directly)	R0390	0,0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0,0
Cash and cash equivalents	R0410	116.085,8
Any other assets, not elsewhere shown	R0420	699,3
Total assets	R0500	8.980.415,1

Solvency II value

Liabilities		C0010
Technical provisions – non-life	R0510	0,0
Technical provisions – non-life (excluding health)	R0520	0,0
Technical provisions calculated as a whole	R0530	0,0
Best Estimate	R0540	0,0
Risk margin	R0550	0,0
Technical provisions - health (similar to non-life)	R0560	0,0
Technical provisions calculated as a whole	R0570	0,0
Best Estimate	R0580	0,0
Risk margin	R0590	0,0
Technical provisions - life (excluding index-linked and unit-linked)	R0600	5.696.425,5
Technical provisions - health (similar to life)	R0610	0,0
Technical provisions calculated as a whole	R0620	0,0
Best Estimate	R0630	0,0
Risk margin	R0640	0,0
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	5.696.425,5
Technical provisions calculated as a whole	R0660	0,0
Best Estimate	R0670	5.637.942,3
Risk margin	R0680	58.483,2
Technical provisions – index-linked and unit-linked	R0690	1.079.908,2
Technical provisions calculated as a whole	R0700	0,0
Best Estimate	R0710	1.073.111,1
Risk margin	R0720	6.797,1
Contingent liabilities	R0740	0,0
Provisions other than technical provisions	R0750	4.509,4
Pension benefit obligations	R0760	49.665,4
Deposits from reinsurers	R0770	37.486,3
Deferred tax liabilities	R0780	0,0
Derivatives	R0790	235.933,9
Debts owed to credit institutions	R0800	871.851,8
Financial liabilities other than debts owed to credit institutions	R0810	639,6
Insurance & intermediaries payables	R0820	18.442,0
Reinsurance payables	R0830	5.660,8
Payables (trade, not insurance)	R0840	421.087,1
Subordinated liabilities	R0850	40.012,1
Subordinated liabilities not in Basic Own Funds	R0860	0,0
Subordinated liabilities in Basic Own Funds	R0870	40.012,1
Any other liabilities, not elsewhere shown	R0880	29.764,6
Total liabilities	R0900	8.491.386,6
Excess of assets over liabilities	R1000	489.028,6

S.05.01.02: Premiums, claims and expenses by line of business
Life

		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 health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410		250.681	218.498	36.012	0	0	0	2.390	507.582
Reinsurers' share	R1420		320.500	0	23.976	0	0	0	1.910	346.386
Net	R1500		-69.818	218.498	12.037	0	0	0	480	161.196
Premiums earned										
Gross	R1510		250.681	218.498	36.012	0	0	0	2.390	507.582
Reinsurers' share	R1520		320.500	0	23.976	0	0	0	1.910	346.386
Net	R1600		-69.818	218.498	12.037	0	0	0	480	161.196
Claims incurred										
Gross	R1610		245.339	57.219	22.247	0	0	0	2.053	326.857
Reinsurers' share	R1620		4.456	0	17.613	0	0	0	1.653	23.721
Net	R1700		240.884	57.219	4.634	0	0	0	400	303.136
Changes in other technical provisions										
Gross	R1710		-83.084	-185.290	932	0	0	0	33	-267.409
Reinsurers' share	R1720		-3.573	0	2.022	0	0	0	29	-1.522
Net	R1800		-79.511	-185.290	-1.090	0	0	0	4	-265.887
Expenses incurred										
	R1900		47.543	27.421	829	0	0	0	-173	75.619
Other expenses										
	R2500									
Total expenses										
	R2600									75.619
Total amount of surrender										
	R2700		83.927	49.229	0	0	0	0	0	133.156

S.05.02.01: Premiums, claims and expenses by country

Life obligations

	Home Country	Top 5 countries (by amount of gross premiums written) life obligations					Total Top 5 and home country	
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400		Netherland					
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410	507.522	60					507.582
Reinsurers' share	R1420	346.386	0					346.386
Net	R1500	161.136	60					161.196
Premiums earned								
Gross	R1510	507.522	60					507.582
Reinsurers' share	R1520	346.386	0					346.386
Net	R1600	161.136	60					161.196
Claims incurred								
Gross	R1610	325.578	1.280					326.857
Reinsurers' share	R1620	23.721	0					23.721
Net	R1700	301.856	1.280					303.136
Changes in other technical provisions								
Gross	R1710	-268.512	1.103					-267.409
Reinsurers' share	R1720	-1.522	0					-1.522
Net	R1800	-266.990	1.103					-265.887
Expenses incurred	R1900	75.612	8					75.619
Other expenses	R2500							0
Total expenses	R2600							75.619

		Index-linked and unit-linked insurance				Other life insurance			
		Insurance with profit participation	Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	Annuities other than health	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090
Technical provisions calculated as a whole	R0010	0	0			0		0	
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020	0	0			0		0	
Technical provisions calculated as a sum of BE and RM									
Best Estimate									
Gross Best Estimate	R0030	5.456.081		1.073.111	0		0	189.502	0
Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0080	1.101.368		0	0		0	2.169	0
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090	4.354.712		1.073.111	0		0	187.332	0
Risk Margin	R0100	54.434	6.797			4.049			0
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	R0110	0	0			0			0
Best estimate	R0120	0		0	0		0	0	0
Risk margin	R0130	0	0			0			0
Technical provisions - total	R0200	5.510.515	1.079.908			193.551			0

S.12.01.02: Life and Health SLT Technical Provisions (continued)

Health insurance (direct business)

		Health insurance (direct business)							
		Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)	Contracts without options and guarantees	Contracts with options or guarantees	Annuities relating to health	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)	
		C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0010	0	0	0			0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020	0	0	0			0	0	0
Technical provisions calculated as a sum of BE and RM									
Best Estimate									
Gross Best Estimate	R0030	-7.640	0		-7.640	0	6.711.053	0	0
Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0080	-7.640	0		-7.640	0	1.095.897	0	0
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090	0	0		0	0	5.615.156	0	0
Risk Margin	R0100	0	0	0	0	0	65.280	0	0
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	R0110	0	0				0	0	0
Best estimate	R0120	0	0		0	0	0	0	0
Risk margin	R0130	0	0	0			0	0	0
Technical provisions - total	R0200	-7.640	0	0			6.776.334	0	0

S.22.01.21: Impact of the long term guarantees and transitional measure

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	6.776.334	0	0	48.131	0
Basic own funds	R0020	519.036	0	0	-36.098	0
Eligible own funds to meet Solvency Capital Requirement	R0050	629.434	0	0	-42.391	0
Solvency Capital Requirement	R0090	290.808	0	0	11.479	0
Eligible own funds to meet Minimum Capital Requirement	R0100	484.030	0	0	-48.131	0
Minimum Capital Requirement	R0110	130.864	0	0	5.165	0

S.23.01.01: Own Funds, including basic own funds and ancillary own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	40.000	40.000		0	
Share premium account related to ordinary share capital	R0030	18.773	18.773		0	
Initial funds, members' contributions or the equivalent basic own – fund item for mutual and mutual-type undertakings	R0040	0	0		0	
Subordinated mutual member accounts	R0050	0		00	0	0
Surplus funds	R0070	0	0			
Preference shares	R0090	0		0	0	0
Share premium account related to preference shares	R0110	0		0	0	0
Reconciliation reserve	R0130	385.036	385.036			
Subordinated liabilities	R0140	40.012		40.012	0	0
An amount equal to the value of net deferred tax assets	R0160	35.006				35.006
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	0				
Deductions						
Deductions for participations in financial and credit institutions	R0230	0	0	0	0	0
Total basic own funds after deductions	R0290	519.036	444.016	40.012		35.006
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0			0	
Unpaid and uncalled preference shares callable on demand	R0320	0			0	
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0			0	
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0			0	

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Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0			0	
Other ancillary own funds	R0390	120.000			120.000	
Total ancillary own funds	R0400	120.000			120.000	

S.23.01.01: Own Funds, including basic own funds and ancillary own funds (continued)

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	639.036	444.018	40.012	120.000	35.006
Total available own funds to meet the MCR	R0510	484.030	444.018	40.012	0	
Total eligible own funds to meet the SCR	R0520	629.434	444.018	40.012	120.000	25.404
Total eligible own funds to meet the MCR	R0530	484.030	444.018	40.012	0	
SCR	R0540	290.808				
MCR	R0550	130.864				
Ratio of Eligible own funds to SCR	R0560	216,4 %				
Ratio of Eligible own funds to MCR	R0570	369,9 %				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	489.029
Own shares (held directly and indirectly)	R0710	0
Foreseeable dividends, distributions and charges	R0720	10.005
Other basic own fund items	R0730	93.778
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0
Reconciliation reserve	R0760	385.246
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	48.590
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	0
Total Expected profits included in future premiums (EPIFP)	R0790	48.590

S.25.01.21: Solvency Capital Requirement for undertakings on Standard Formula

		Gross solvency capital requirement		Simplifications	
		C0110		C0120	
Market risk	R0010	226.849			
Counterparty default risk	R0020	50.409			
Life underwriting risk	R0030	96.434			
Health underwriting risk	R0040	0			
Non-life underwriting risk	R0050	0			
Diversification	R0060	-86.660			
Intangible asset risk	R0070	0			
Basic Solvency Capital Requirement	R0100	287.032			
Calculation of Solvency Capital Requirement					
		C0100			
Operational risk	R0130	27.625			
Loss-absorbing capacity of technical provisions	R0140	-12.774			
Loss-absorbing capacity of deferred taxes	R0150	-11.075			
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0			
Solvency Capital Requirement excluding capital add-on	R0200	290.808			
Capital add-on already set	R0210	0			
Solvency capital requirement	R0220	290.808			
Other information on SCR					
		C0110			
Capital requirement for duration-based equity risk sub-module	R0400	0			
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0			
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0			
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0			
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0			

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S.25.01.21: Solvency Capital Requirement for undertakings on Standard Formula (continued)

		USP
		C0090
Market risk	R0010	
Counterparty default risk	R0020	
Life underwriting risk	R0030	None
Health underwriting risk	R0040	None
Non-life underwriting risk	R0050	None
Diversification	R0060	
Intangible asset risk	R0070	
Basic Solvency Capital Requirement	R0100	
		Yes/No
		C0109
Approach based on average tax rate	R0590	Yes
		LAC DT
		C0130
LAC DT	R0640	-11.075
LAC DT justified by reversion of deferred tax liabilities	R0650	0
LAC DT justified by reference to probable future taxable economic profit	R0660	0
LAC DT justified by carry back, current year	R0670	0
LAC DT justified by carry back, future years	R0680	0
Maximum LAC DT	R0690	0

S.28.02.01: Minimum Capital Requirement for insurance undertakings engaged in both life and non-life insurance activity

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

		Non-life activities		Life activities	
		Net (of re-insurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of re-insurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
Medical expense insurance and proportional reinsurance	R0020	0	0	0	0
Income protection insurance and proportional reinsurance	R0030	0	0	0	0
Workers' compensation insurance and proportional reinsurance	R0040	0	0	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	0	0	0	0
Other motor insurance and proportional reinsurance	R0060	0	0	0	0
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	0	0	0	0
General liability insurance and proportional reinsurance	R0090	0	0	0	0
Credit and suretyship insurance and proportional reinsurance	R0100	0	0	0	0
Legal expenses insurance and proportional reinsurance	R0110	0	0	0	0
Assistance and proportional reinsurance	R0120	0	0	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	0	0	0	0
Non-proportional health reinsurance	R0140	0	0	0	0
Non-proportional casualty reinsurance	R0150	0	0	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0	0	0
Non-proportional property reinsurance	R0170	0	0	0	0

		Non-life activities	Life activities
		MCR(L, NL) Result	MCR(L, L) Result
		C0070	C0080

Linear formula component for life insurance and reinsurance obligations	R0200	0	173.405
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S.28.02.01: Minimum Capital Requirement for insurance undertakings engaged in both life and non-life insurance activity (continued)

		Non-life activities		Life activities	
		Net (of re-insurance/SPV) best estimate and TP calculated as a whole	Net (of re-insurance/SPV) total capital at risk	Net (of re-insurance/SPV) best estimate and TP calculated as a whole	Net (of re-insurance/SPV) total capital at risk
		C0090	C0100	C0110	C0120
Obligations with profit participation - guaranteed benefits	R0210	0		4.331.831	
Obligations with profit participation - future discretionary benefits	R0220	0		22.077	
Index-linked and unit-linked insurance obligations	R0230	0		1.073.111	
Other life (re)insurance and health (re)insurance obligations	R0240	0		187.316	
Total capital at risk for all life (re)insurance obligations	R0250		0		4.042.086

Overall MCR calculation

Linear MCR	R0300	173.405
SCR	R0310	290.808
MCR cap	R0320	130.864
MCR floor	R0330	72.702
Combined MCR	R0340	130.864
Absolute floor of the MCR	R0350	7.400
Minimum Capital Requirement	R0400	130.864

C0130

173.405
290.808
130.864
72.702
130.864
7.400
130.864

Notional non-life and life MCR calculation

Notional linear MCR	R0500	173.405
Notional SCR excluding add-on (annual or latest calculation)	R0510	290.808
Notional MCR cap	R0520	130.864
Notional MCR floor	R0530	72.702
Notional Combined MCR	R0540	130.864
Absolute floor of the notional MCR	R0550	3.700
Notional MCR	R0560	3.700

	Non-life activities		Life activities	
	C0140		C0150	
	0		173.405	
	0		290.808	
	0		130.864	
	0		72.702	
	0		130.864	
	3.700		3.700	
	3.700		130864	