Solvency and Financial Condition Report 2022

Athora Belgium S.A

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Introduction

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

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

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

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

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

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

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Glossary

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 is an insurance and reinsurance group fully focused on the European market. The Group dedicate his focus, capital, time and technical insights to offering to the customers a stable, long-term performance on our products. Through our subsidiaries, the Group focus on both growing the franchise, via acquisition, transfer or reinsurance of portfolios from other insurers, and delivering a competitive long-term return to our customers within a highly effective risk management framework and long-term stability of certain and strong capital support. We have primary insurance businesses in Belgium, Germany, Italy and the Netherlands and reinsurance subsidiaries in Bermuda and Ireland.

Athora is fully focused on insurance and reinsurance business with a long-term horizon, backed by circa €6.75 billion of permanent equity capital. Athora is able to deliver long-term satisfaction to its customers as a result of clearly identified and sustainable technical insights, an efficient and modern operating model and strategic support from high-quality institutional investors.

The Athora Group employed about 1900 people and had approximately 2,3 million customers, for total consolidated assets under administration of around 80 billion € at the end of 2021.

Athora Belgium

Part of Athora group since January 2019, Athora Belgium has been active in Belgium since 1901.

Based in Brussels, it serves the Belgian market and provides a range of specialised life insurance solutions to retail and corporate clients in Belgium through a network of over 500 independent brokers. Its product offering includes single and recurring premium savings, pensions and unit-linked life products.

The Athora Belgium team aims to deliver more value to its c. 370,000 customers in fulfilling their long-term insurance needs. On 31st of December 2022, assets under administration amounted to €11.7 billion.

Athora Belgium is authorised and regulated by the National Bank of Belgium (NBB) and the Belgian Financial Services and Markets Authority (FSMA).

2022 Major Component

- ✓ **Acquisition of a Life Insurance portfolio**. Athora Belgium, finalized the 3rd of October the acquisition of a life insurance “closed book” portfolio from NN Insurance Belgium SA. This transaction is part of Athora's growth strategy, which is focused on traditional life savings products and pension products on the European market, and results in a strengthening of the position of Athora Belgium on the Belgian life insurance market. The transaction concerns more than 200,000 contracts and we are delighted to welcome our new customers and the 24 new employees. Nothing changes for policyholders whose policy is transferred from NN Insurance Belgium to Athora Belgium.
- ✓ **Setup new reinsurance treaty for individual life product**, In October 2022, following the acquisition of the individual life insurance portfolio, Athora Belgium set up a new individual life reinsurance treaty with Athora Life Re. The initial premium from Athora Belgium to Athora life Re was of 1,048 million euros including transfers of assets such as quality corporate bonds and government bonds. The National Bank of Belgium has no objection on this this operation.

2022 Business and Performance

In 2022, the direct gross premiums written has reached €578.414 thousand (-9,3% vs.2021), (Individual life -13,3%, Group life -3,2%). Athora Belgium limit the decrease the unit-linked product support by the various choice and the option put in place several years ago with – 18,4%. Athora Belgium resit well in a bad condition market due to high inflation, energy crisis and Ukraine which means a decrease of the market share of Athora from 4,4% to 4,0%.

In 2022, despite the war in Ukraine since February and inflation rate drastically increased due to distortion inside the energy market on the Belgian, European financial and international markets, Athora Belgium maintained a solid financial result, supported by the implementation of the new strategic asset allocation to support the high interest rate.

The Athora Belgium net result still shows a positive balance of € 10.989,5 thousand.

2022 Solvency and Capital Management:

The Solvency Capital Requirement coverage ratio at YE'22 amounts to 150,4% which means that Athora Belgium owns about 1,5 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)	31/12/2022
Own Funds	622.460
Solvency Capital Requirement	413.939
Surplus	208.521
Solvency Ratio	150,4%

The Minimum Capital Requirement ratio at YE'22 amounts to 250,0% which means that Athora Belgium owns nearly 2,5 times what is required as absolute minimum in term of capital needs.

Over 2022, Athora Belgium financials performance has been influence by external condition market factor and NN portfolio acquisition:

- ✓ Progressed toward implementing its strategic asset allocation including NN portfolio acquired in line with its risk appetite.
- ✓ Despite the high inflation rate and Ukraine war who disturb the financial market, thanks to the hedging model of Athora Belgium constantly comply with the hard limit foreseen in the risk appetite.

In 2022, Athora Belgium received full exemption from the endowment to the provision for interest rate risk (flashing light reserve) from the NBB. This decision by the Regulator was based in particular on the strong Solvency position of Athora Belgium as well as on its good resistance to the stress test in an environment of persistently low interest rates.

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 on Athora Holding Ltd (Bermuda based), which supervisory authority is the Bermuda Monetary Authority[1].

Athora Belgium SA is being audited by EY Réviseurs d'Entreprises srl, represented by Joeri Klaykens, Audit Partner[2].

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%**	

Athora Belgium main participations are the following:

Name	Country	Currency	Solvency II value (thousand €)	Activity	% Group in capital
Groupe GVA-BC Assurances	Belgium	EUR	2.737	Brokerage	100

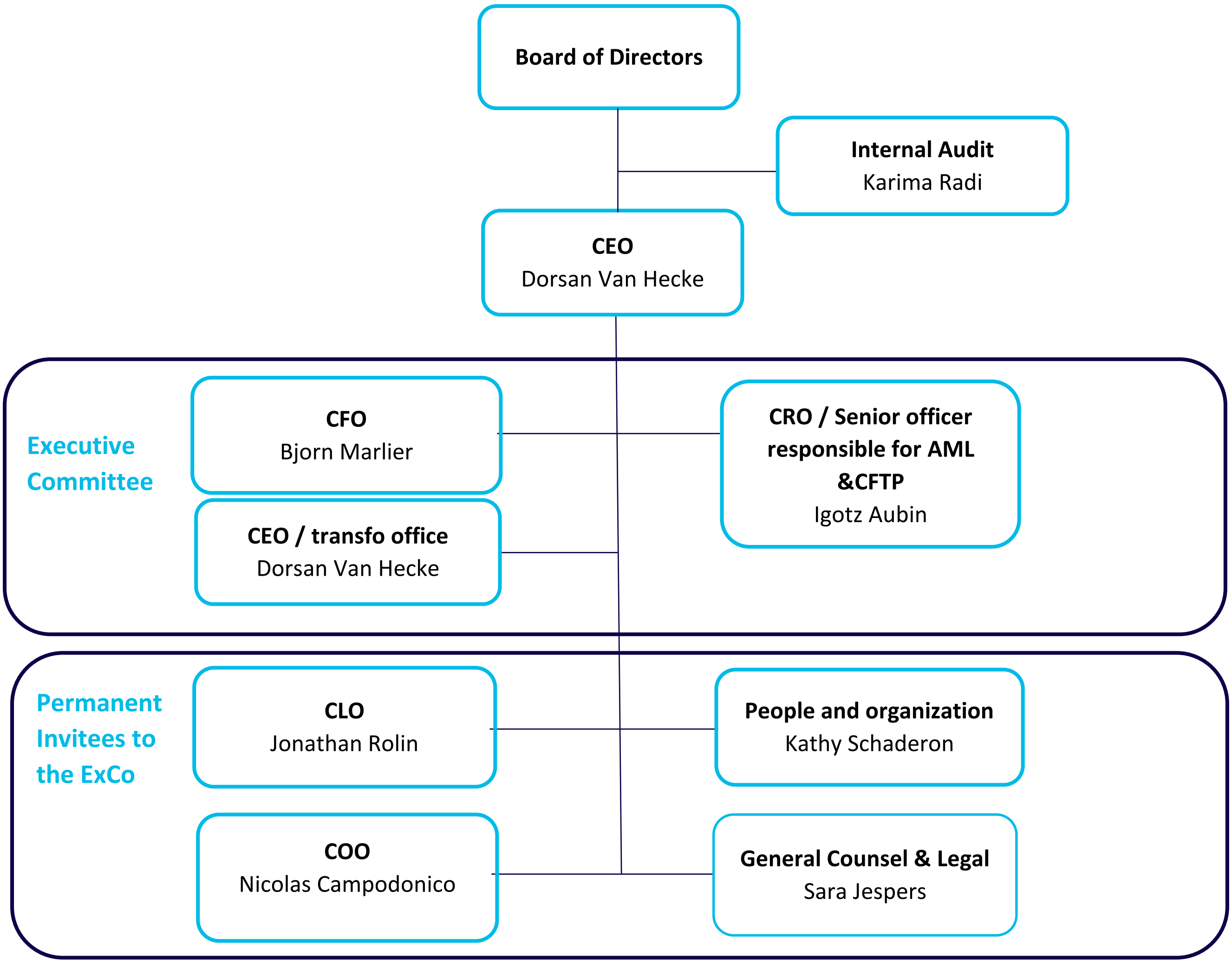
In 2022, Athora Belgium operates in Belgium selling only Life products in the following Line of Business:

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

[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 2022 view) is as follows:



Major event 2022

October 4, 2022 – Athora Belgium SA, a 100% subsidiary of the savings and retirement insurance group Athora Holding Ltd., finalized the acquisition of a life insurance closed book portfolio from NN Insurance Belgium SA. This transaction is part of Athora's growth strategy, which is focused on traditional life savings products and pension products on the European market, and results in a strengthening of the position of Athora Belgium on the Belgian life insurance market. The transaction concerns more than 200.000 contracts and we are delighted to welcome our new customers and the 24 new employees. Nothing changes for policyholders whose policy is transferred from NN Insurance Belgium to Athora Belgium.

October 2022, following the acquisition of the individual life insurance portfolio, Athora Belgium set up a new individual life reinsurance treaty with Athora Life Re. The initial premium from Athora Belgium to Athora life Re was of 1,048 million euros including transfers of assets such as quality corporate bonds and government bonds. The National Bank of Belgium has no objection on this operation.

Overall performance

In 2022, the current income before tax (excluding exceptional items) decreased compared to the previous year to ends-up at 28.8 million euros is explained by the following points:

- A significant change in the technical result (+505.4 million of euros) compared to 2021. In detail, we observe:
    - Net premiums written are down mainly due to difficult market conditions due to inflation and international tensions. Our branch 23 products (-70 million of euros) and our individual guaranteed rate products (-16 million of euros) are the 2 line of business mostly impacted by this situation. Our Group guaranteed rate insurance products grow (+7 million of euros) supported by inflation on the wage.
    - During the last quarter of 2022 a new reinsurance treaty was put in place to partially cover the newly acquired portfolio of NN. At the time of implementation, the reinsurance premium amounted to 1,408 million euros for reserves valued at 1,098 million euros.
    - The change in ceded reinsurance provisions is largely explained by the effects of the opening of reinsurance in 2021 (€485 million).
    - The result of our life business was supported by the reversal of the provision for future used for 30 million euros.
    - The non-life business acquired following the takeover of the NN portfolio gave an insignificant result and in Solvency II is assimilate to a life product.

- A decrease of more than 500 million euros in the gross financial result, mainly explained by the following points:
    - A decrease of 390 million euros on the result linked to branch 23. It should be noted that this decrease is offset by a similar and opposite variation on the liability side.
    - A decrease of 90 million euros on value adjustments on investments taken as a preventive measure by Athora Belgium.
    - A decrease of 128 million in capital gains or losses on investments linked mainly to the climate on the financial markets.
    - An increase of more than 115 million on variable income securities linked to Athora Belgium's investment strategy in own investment funds.
    - A decrease of 20 million on fixed income securities, mainly related to the increase in rates paid on interest rate swaps.

In 2022, Athora Belgium received full exemption from the provision for interest rate risk from the National Bank. This decision by the Regulator was based in particular on the good Solvency position of Athora Belgium as well as on its good resistance to the stress test in an environment of persistently low interest rates.

The company operate with a structural cost reduction program integrating Becoming Athora in order to deliver the best in class and efficient target operating model.

Athora Belgium continue to be focussing on an organic growth opportunity and the new business is focused on own fund creation.

In the meantime, the optimalisation and strengthening of balance sheet remains with the ancillary position unchanged compared to previous year.

A.2. Underwriting performance

In term of new business volumes, Athora Belgium are impacted by the interest rate up due to the international condition market explained by the high inflation rate and the crisis in Ukraine. Those external elements had a negative impact on our final results. In comparison of previous year we observe a decrease of gross premium by 77,6 million of euros

- ✓ The unit liked product is the line of business mostly negatively impacted with a global decrease of 69,8 million of euros split between an increase of regular premium of 16,7 million of euros explained by a good level of new production, when the single premium has been highly impacted with a decreased of 86,6 million of euros
- ✓ Group guaranteed rate product continue to increase with 8,6 million helping by the combination of the high inflation and the increase of the new employees working for existing employers in the pension part. In the protection business the gross written premium remains stable.
- ✓ Individual guaranteed rate product decrease with 16,4 million due to the lower rate that Athora Belgium offer (0,01%) on this type of product compared to our main competitors.

A.3. Investment performance

The year 2022 was marked by a surge in inflation in the euro zone, to which the central banks reacted by rapidly raising their interest rates, gradually degrading the outlook for economic growth. The reaction of the markets was unprecedented and sudden, both the equity market and the bond market experienced a markedly negative performance.

From the end of 2021, following the reopening of the economy post Covid-19, problems in the supply chains of companies appeared, creating an imbalance between supply and demand as well as inflationary pressure. To this was added in 2022 record inflation in the price of raw materials (natural gas) due to the invasion of Ukraine by Russia.

At the end of 2022, commodity prices gradually returned to more "normal" levels, but the initial shock has been large enough to generate lasting and structural effects.

After more than a decade of low rates, central banks had to raise their interest rates sharply to counter inflation.

High and persistent inflation and geopolitical factors weigh on growth prospects in many sectors and affect the economic behaviour of households and businesses. Throughout 2022, the economic situation, particularly in industry, gradually deteriorated simultaneously in developed and emerging countries. These elements as well as the high level of inventories in relation to orders reinforce the expected scenario of global economic recession for the year 2023, and contraction of world trade.

Despite a volatile international financial market environment, Athora Belgium managed to control its financial result.

Several factors contributed to this result:

- ✓ A stable amount of assets under management in branch 23 despite a drop in the value of fund inventories
- ✓ A distribution of dividends for the strategic funds of Athora

- A hedging strategy on the bond portfolio which made it possible to limit the loss of value linked to the increase in interest rates on part of the portfolio.
- A growing balance sheet total following the strategic acquisition of a new portfolio.

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 an 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 advice in portfolio of assets. it provides advice for all the Athora Belgium portfolio.
- ISGI is a subsidiary of Apollo which provides asset allocation and risk management advisory services principally to certain of the insurance and bank institutions acquired by Apollo managed funds, which includes Athora asset.

On 8 November 2021, Athora Belgium (‘AB’) announced that an agreement has been reached with NN Insurance Belgium (“NNIB”) for the acquisition of a closed book portfolio of individual life insurance policies. This portfolio represents 3.3 billion euros in assets under management. Internally, this project is known under the name of ‘Verdi’.

B. System of governance

B.1. General Information on the system of governance

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.

Within its strategic function, the Board of Directors defines:

- ✓ The general strategy and the objectives of 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, privacy policy, 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 determination of 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** advice 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 certain intra group transactions above 25.000 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.

Reporting to the Board of Directors and the NBB

The Executive Committee has established the following advisory and preparatory committees: Risk management Committee, People Board, Legal & Compliance Committee, Life Product and Underwriting Committee, Operational Committee, Transformation Board, Asset & Liability Committee, Model Committee and Capital Management Committee.

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 advice 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 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 reported period the following changes took place: the risk landscape has been improved by installing different advisory committees in order to pre-discuss and align with all stakeholders the (risk) topics for the Executive Committee.

No other major changes in the system of governance 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 considered: 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 based on 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 Enterprise Risk Management (ERM) Framework describes Athora's ERM Framework, which includes Risk Appetite and Strategy, Risk Governance, Risk Culture, Risk Measurement and Assessment, Risk Management and Monitoring, Risk Reporting and Insights and Data and Technology.

The ERM Framework lays the foundations for managing risk throughout Athora. At a high level, ERM involves:

- ✓ Understanding risks Athora is facing.
- ✓ Maintaining a framework through which risk return trade-offs associated with these risks can be assessed.
- ✓ Maintaining risk policies, to manage exposure to a particular risk or combination of risks.
- ✓ Monitoring risk exposure and actively maintaining oversight over the Company's overall risk and solvency position.

The objective of this ERM Framework is to ensure that Athora management and staff have a clear and common understanding of the Company's risk management system and adhere to the principles and governance of the system.

The operational implementation of the risk management system is further described in the risk management policies and guidelines.

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** (also called "Risk Management System") 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_2022_09 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 Own Risk and Solvency Assessment Report is prepared at least annually as required by the Belgian Regulator. The Own Risk and Solvency Assessment Yearly Report is presented and validated by the Executive Committee and by the Board of Directors of Athora Belgium before being sent to the Regulator.

On a quarterly basis, a light Own Risk and Solvency Assessment report (presented under the form of a Risk Dashboard), focusing on the key risks and performance indicators, is shared by the Chief Risk Officer with the Risk Management Committee, the Asset-Liability Management Committee (for specific risks like Credit risk and Liquidity risk), the Executive Committee and the Board of Directors (also discussed at Audit and Risk Committee). This broad sharing of risk reporting aims at keeping all 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 always consistent with European and Belgian Directives and the internal Risk Policies. 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 Risk Owner is the final person responsible for a process. He identifies the significant risks inherent to his activities, controls all the activities included in the process, as well as the objectives, the scope, and relevant indicators for that process. His responsibilities are (1) Ensuring the proper documentation of the process; (2) Implementing the necessary actions to cover the main risks, from risk identification, description, assessment, and management to risk monitoring; (3) Ensuring the implementation of a proper internal control system in his area of responsibility; (4) Validating and steering the implementation of new controls; (5) Ensuring the timely and adequate communication of the information related to internal control system.

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 & Control Self-Assessment' (RCSA) 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 Risk Universe, Athora Belgium has adopted the necessary measures to have a suitable, permanent and independent Compliance function. This aims 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, with a 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 seven core processes:

- ✓ **Legal watch and advisory function**: The compliance function ensures oversight and participates to the provision of legal watch services to identify new regulations and has an advisory function on compliance topics.
- ✓ **Risk identification and measurement:** setting up a process to identify the compliance obligations and the relevant Risk Owners, evaluating the compliance risk exposure of strategic projects, significant transactions and new products, and evaluating the level of adequacy to achieve its intended outcomes.
- ✓ **Risk mitigation:** adopting all the initiatives that are useful to improve the Compliance Management System and integrating compliance obligations in existing processes and procedures.
- ✓ **Risk monitoring and control** assurance gathering information to assess the effectiveness of the Compliance Management System.
- ✓ **Awareness-raising, information and training**: The Compliance function organizes trainings to enhance the awareness on compliance topics.
- ✓ **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.

B.5. Internal audit function

The Internal Audit function maintains a Charter which details the responsibilities of the Internal Audit department of Athora Belgium, which is reviewed and updated annually. There have been no significant changes to this Charter over the reporting period.

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

Internal Audit's main tasks and responsibilities are to:

- ✓ Prepare and execute a risk-based audit plan which is approved by the Board Audit Committee.
- ✓ Identify, and agree with management, opportunities to improve internal controls, risk management and governance processes and verify that such improvements are implemented within a reasonable period of time.
- ✓ Assist in the investigation of any significant suspected fraudulent activities within Athora Ireland or conduct special reviews or consulting which may not usually be included in the scope of the Internal Audit and notify the regulator, if appropriate, of the results of these activities.
- ✓ Issue periodic reports to management and the Board Audit Committee, summarising the progress and results of the annual audit plan, as well as on the sufficiency of Internal Audit resources.

- ✓ Assemble and maintain a professional audit staff (of an adequate size relative to the size and nature of the organisation and the remit of the internal audit function) with sufficient knowledge, skills, experience, and professional certifications.
- ✓ Ensure the Board Audit Committee and Senior Management Team are kept informed of emerging trends and successful practices in internal auditing.
- ✓ Consider the scope of work of the external auditors, regulators, and internal compliance and risk management teams, as appropriate, for the purpose of providing optimal audit coverage to the organisation at a reasonable overall cost.
- ✓ Coordinate and work together with other control and monitoring functions (e.g. risk management, compliance, and external auditors).
- ✓ Execute audits on the functioning of the first and second lines of defence.

Independence and objectivity of the Internal Audit function

The Internal Audit Function is independent of senior management and is therefore able to provide independent assurance opinions on the effectiveness of the systems of internal control, risk management and governance.

To provide for the independence of Internal Audit, the Head of Internal Audit reports to the Chair of the Athora Belgium Audit & Risk Committee and to the Athora Group Chief Internal Auditor (‘GCIA’). The GCIA reports directly to the Chairman of the AHL Audit Committee and administratively to the Athora Group Chief Executive Officer.

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 Athora Group policies 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.

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),
- ✓ Delegated Regulation 2015/35 (Articles 272 and 308),
- ✓ Law of 13th March 2016 (reviewed in 2018) relating to the status and control of the (re)insurance companies,
- ✓ National Bank of Belgium (NBB) circular 2016_31 (reviewed in May 2020) on the system of governance,
- ✓ NBB Circular 2016_26 on the calculation of the TPs,
- ✓ NBB Circular 2017_27 on the quality of reported prudential and financial data,
- ✓ NBB Communication 2017_32 on the horizontal analysis of costs in TPs valuation,
- ✓ European Standard of Actuarial Practice 2 relating to the Actuarial Function Report,
- ✓ Other relevant rules and legislations issued by the NBB.

In keeping with the provisions of Article 59 of the Solvency II law and section 5.3 of the National Bank of Belgium (NBB) circular 2016_31 (reviewed in May 2020) on the system of governance, the main responsibilities of the Actuarial Function are as follows:

- ✓ Coordinate the calculation of Solvency II technical provisions,
- ✓ Ensure that the methodologies, underlying models and assumptions used for the calculation of the technical provisions are suitable,
- ✓ Assess the sufficiency and quality of the data used in the calculation of technical provisions
- ✓ Compare best estimates against experience,
- ✓ Inform the board of directors and the management committee of the reliability and adequacy of the calculation of technical provisions,
- ✓ Express an opinion on the overall underwriting policy,
- ✓ Express an opinion on the profit-sharing policy,
- ✓ Express an opinion on the adequacy of the reinsurance arrangements,
- ✓ Contribute to the effective implementation of the risk management system,
- ✓ Validate the documentation of the company related to the application of transitional measures of the Solvency II framework.

As part of its responsibilities the Actuarial Function discusses with the owners the newly issued and outstanding recommendations from past years for the purpose of:

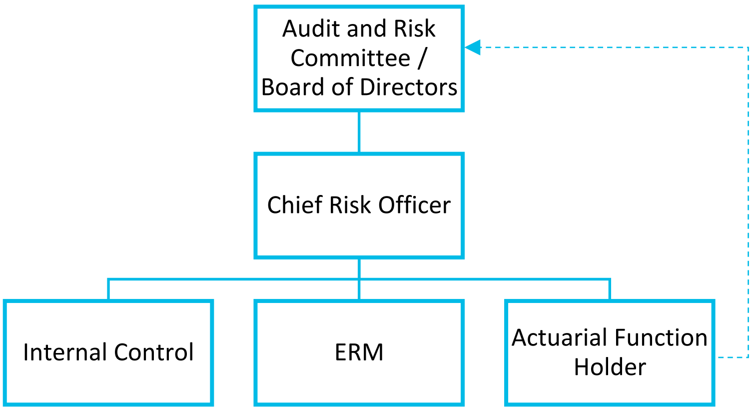
- ✓ Aligning on remediating priorities.
- ✓ Clarifying the recommendations where needed.
- ✓ Ensuring the pending issues have the required management attention.
- ✓ Managing expectations of involved stakeholders.

B.6.2. Organization

Within Athora Belgium, the Actuarial Function is co-ordinated by the Chief Risk Officer (CRO). In other words, from an organisational point of view, the Actuarial Function Holder as a staff member of Athora Belgium is under the responsibility of the CRO who is mandated by the Executive Committee to ensure that the Actuarial Function has the means to perform its duties.

In order to warrant independency, the Actuarial Function has a direct functional reporting line to the Board of Directors, to which it has independent and direct access, being permanently invited in the Audit & Risk Committee. Therefore, the Actuarial Function can provide independent opinions directly to the Board.

The diagram below illustrates the reporting lines in place within Athora Belgium since August 2020 for the Actuarial Function Holder, together with the other Second Line of Defence Functions:



After a successful transition operated in 2021 from being externalised to internalised, the Actuarial Function has consolidated its role and continued embedding a risk culture within the organisation. The Actuarial Function Holder of Athora Belgium is André-Philippe Sendé, an IA|BE Qualified Actuary.

B.6.3. Solvency II Technical Provisions:

The Actuarial Function is of the view that the coordination process was improved during the year 2022 relative to 2021. In particular, the Actuarial Function welcomes the significant improvements on meeting the regulatory requirements for the Economic Scenario Generator (ESG). The migration towards the new ESG provider (Moody) must be completed before 2Q23

B.6.4. Statutory:

Based on the information received and the controls performed, the BEGAAP Life provisions as of Year End 2022 are considered adequate and compliant with the regulatory requirements.

B.6.5. Data Quality:

The Actuarial Function is of the opinion that the Data Quality Framework is up to standards when it comes to its setup (i.e. the core building blocks are developed and implemented). As for the next steps, the Actuarial Function believes that it is now time to start the review cycle of the Data Quality.

B.6.6. Profit sharing:

The Actuarial Function has no major concern regarding fairness in the way policyholders are treated when it comes to their participation to the profits.

B.6.7. Underwriting:

There is a pending Group Reserving and Underwriting risk policy which should have been submitted to approval of the Board of Directors in 2022 but was not. The Actuarial Function is of the opinion that the approval of the policy can no longer be delayed.

B.6.8. Reinsurance:

The Actuarial Function considers that the Reinsurance Arrangements as of YE2s are conforming with the Reinsurance Policy and the Risk Appetite Policy. The reinsurance structure must be analysed to integrate optimally the new portfolio acquired from NN.

B.6.9. Risk management system:

The Actuarial Function contributes to the Risk Management by participating in the drafting of the ORSA, RSR, SFCR, and Self-assessment reports, and by reviewing various deliverables, namely:

- ✓ Capital Management Plan (Yearly) – process owned by CFO.
- ✓ QRT validation (Quarterly) – process owned by CFO.

In addition, the Actuarial Function has a standing invitation to the RMC (chaired by the CRO) where he delivers opinion on changes in models, methodologies, assumptions.

B.6.10. 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.

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.

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 2021, Athora Belgium has yearly renewal term reinsurance treaties with external reinsurers to reduce underwriting volatility related to mortality and disability risk. In addition, since 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 a part of the Group life business portfolio.

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

The product approval process foresees a review by the Risk Management Function that the new products are in line with the Risk Appetite Framework (both in 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 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. In accordance with its strategy, Athora Belgium also invests in private equity which show lower volatility than public equities.

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

Exposure by classes of Assets	
Government Bonds	11,2 %
Corporate Bonds	12,0 %
Private Loans	25,6 %
Mortgage Loans	10,7 %
Real Estate	2,6 %
Equity	8,3 %
Cash & Other	29,6 %

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 spot/forward sales of fixed income investments.

- ✓ 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 arising from publicly traded equities: 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 forwards, 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 issue;
- ✓ 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 and 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 and Oversight, 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 low 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. The identification of the Liquidity Risk sources addresses the size and time distribution of both cash inflows and cash outflows as well as the marketability of assets, identifying any potential Liquidity mismatch.

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. These metrics are evaluated and monitored on a monthly basis however they are reported quarterly to the audit and risk committee

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, including the impact of derivative margin calls in case of stress.

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 € 93.550 thousand at year-end 2022 (net of reinsurance).

C.5. Operational risk

C.5.1. Operational risk framework

Policies and Procedures
The Operational Risk Framework adopted by Athora Belgium complies with internal policies - i.e. Operational Risk Policy, internal procedures - and regulatory requirements. This Framework aims at ensuring that Athora Belgium maintains a prudent operational risk profile in line with board, management, and regulatory expectations under both normal business conditions and under extreme conditions caused by unforeseen events.

Operational Risk Definition and Universe
Athora defines Operational Risk as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events." In line with the industry practices, this definition applies to the following risk universe adopted by Athora Belgium: Financial Reporting Risk, Model Risk, HR Risk, Business Continuity Risk, Business Process Risk, Distribution Channels Risk, Information Security Risk, Data Risk, Third Party Risk, Change Risk. Strategic risk and Information System risk are considered subsets of operational risk.

Operational Risk Appetite
For each of these risks, a qualitative risk appetite statement and quantitative risk appetite that sets out Athora Belgium's risk-taking capacity is defined (Cf. Operational Risk Policy for detailed information).

Operational Risk Governance
At Athora Belgium, the three lines of defence model applies to Operational Risks Management. In this context:

- ✓ The first line of defence is responsible and accountable of its risks. Amongst others, the first line (1) identifies, assess, and manages operational risks, (2) ensures adherence to the qualitative operational risk

appetite statements while remaining withing operational risk appetite limits, (3) prepares and implements appropriate mitigation actin plans for any breach of risk appetite or limits.
- ✓ The second line of defence is responsible for the deployment and implementation of the operational risk framework. Amongst others, the second line supports, guides, and challenges the first line to properly identify, measure, and manage operational risks.

C.5.2. Operational Risk Lifecycle

Operational Risk Identification, Assessment, and monitoring
Athora Belgium's Operational Risk Management practices include the identification, deployment, and monitoring of:

- ✓ The Loss Data Collection which is the process of collection of losses suffered as result of the occurrence of any operational Risk events including potential events, actual risk events, near misses and breaches of policy or regulation. In this context, an analysis of the risk event rook cause is performed.
- ✓ The Operational Risk Scenario Analysis which are assessed as part of the Risk and Solvency Assessment processes.
- ✓ The Key Risk Indicators, which are metrics, developed by risk owners and used to monitor key risk exposure.
- ✓ The Risk and Controls Self-Assessment which allows in-depth review of all processes that are included in Internal Control scope. Process in scope will be reviewed and underlying risks and controls will be identified and assessed by the first Line of Defence. The risk assessment process considers two dimensions: Impact severity and likelihood. The combination of an assessment of both the potential impact and likelihood will position a risk on a 5 x 5 matrix to define the status of the risk and whether any further treatment of that risk is required based the rating. Key controls fiches will be updated or designed when required, to cover key risks appropriately.
- ✓ The Overall Risk Assessment which provides forward-looking and transversal view on risks that may affect Athora Belgium the most for the coming year. The output of this exercise (1) influences business planning and strategy, (2) enable proper risk oversight by the Board and (3) aims at supporting Senior Management in their risk-oriented decision making. This exercise allows Risk Owners to define proper actions to bring the risks within the defined risk tolerance.

Operational Risk Mitigation and Reporting
Through the risk management system and processes the first line of defence and/or the second line of defence (i.e. Risk Function) may identify issues that may influence the residual risk assessment. These are logged and where appropriate actions are agreed to mitigate identified deficiencies. Action plans are followed-up in the context of the Advisory Committee Governance in place and an action plans' status is provided as part of the quarterly reporting.

In addition to action plans, quarterly reporting includes an up-to-date assessment of Athora Belgium's exposure to operational risks. This assessment is discussed with the adequate Advisory Committees, Risk and Management Committee, Audit and Risk Committee and reported to Group Risk.

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 then 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.
- Mass lapse and expense shocks

Several scenarios (analysis) are applied quarterly:

- Multi-risk: Multi risk scenarios are combined scenarios including all material risks (decrease of spreads on corporate bonds & loans, increase of risk-free rate, decrease in equities and property, increase in lapses and expenses).
- Historical scenarios:
    - 2008-09 “Lehman Crisis”: The 2008-09 Lehman Crisis scenario is focused on severe corporate spread stresses.
    - 2011-12 “Sovereign Crisis”: The 2011-12 Eurozone Crisis scenario is dominated by severe sovereign spread stresses as well as substantial corporate spread stresses.
    - QE Era: Spreads back to the Average of 2013-2018: driven by a tightening of mortgages spread
    - “China Hard Landing”: Spreads back to Q1 2016 China hard landing level.
    - Historical Minimum: Spreads set to the historical minimum level mainly driven by a large tightening of the mortgages and private debt spread.
    - Forward-looking scenario: This scenario is a calibration based on a mix of historical observation and expert judgment on adverse future developments.

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 minimized;
- ✓ 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) are 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	149.320	-149.320	For Solvency II purposes, only intangible asset that can be sold separately should be recognized in MVBS
Deferred tax assets	55.494	0	55.494	Solvency II Deferred Tax assets 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.
Property, plant & equipment held for own use	2.066	1.704	362	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	2.737	1.554	1.183	Change to Solvency II value due to the different accounting approach: IFRS participations value principles are not recognized for Solvency II purposes
Equities – listed	152.651	146.150	6.501	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	0	0	0	
Government Bonds	2.734.341	2.937.862	-203.521	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	395.333	399.320	-3.987	
Structured notes	323.671	405.872	-82.201	
Collateralised Securities	25.441	29.064	-3.623	
Collective Investments	2.822.752	2.887.691	-64.939	
Derivatives	913.364	6.809	906.555	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	10.000	10.000	0	No change
Assets held for index-linked and unit-linked contracts	1.598.560	1.598.560	0	
Loans on policies	89.796	89.796	0	
Loans and mortgages	231.288	227.027	4.261	Loans are recognized at amortized cost for statutory accounting, while solvency II value recognised at market value for non-intra-group
Deposits to cedant	0	0	0	No change
Insurance and intermediaries receivables	33.889	33.889	0	
Reinsurance receivables	54.169	54.169	0	
Receivables (trade, not insurance)	457.117	457.048	69	The difference is linked to the receivables and payables on tax incomes netted in Solvency II
Cash and cash equivalents	30.373	30.373	0	No change
Any other assets, not elsewhere shown	3.116	3.116	0	Residual class of asset items included prepaid interests, deferrals and other accrued income

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.

Compared to YE21, Athora Belgium now accounts for Verdi portfolio, which is a run-off Life insurance portfolio acquired in October 2022

The table shows the main components of the TP Life.

(€ Thousand)	
Best Estimate Liabilities gross of reinsurance	7.856.034
Recoverable from reinsurance	-1.766.203
Best Estimate Liabilities net of reinsurance	6.089.831
Risk Margin	90.649
Technical Provisions net	6.180.480

Note that, in accordance with the regulation, the SCR used in the RM calculation per YE22 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).

(€ Thousand)	TP net of reins.	Weight
TOTAL	6.180.480	100,00%
Life other than index-linked and unit-linked	4.651.046	75,25%
Index-linked and unit-linked	1.519.701	24,59%
Health	9.733	0,16%
TOTAL	**6.180.480**	**100,00%**
Insurance with profit participation	4.421.463	71,54%
UL - Contracts without options and guarantees	15.993	0,26%
UL - Contracts with options and guarantees	1.503.708	24,33%
Other - Contracts without options and guarantees	0	0,00%
Other - Contracts with options and guarantees	166.475	2,69%
Annuities stemming from non-life obligations	0	0,00%
Accepted reinsurance with profit participation	0	0,00%
Accepted reinsurance UL contracts	0	0,00%
Accepted reinsurance other contract	63.109	1,02%
Accepted reinsurance annuities stemming from non-life obligations	0	0,00%
SLT HEALTH - with options and guarantees	9.733	0,16%
SLT HEALTH - without options and guarantees	0	0,00%
SLT HEALTH - Annuities stemming from non-life obligations	0	0,00%
SLT HEALTH – Accepted	0	0,00%

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

(€ Thousand)	Statutory Reserves	Solvency II	Delta
TOTAL	8.596.727	7.846.783	-749.994
Life other than index-linked and unit linked	6.998.167	6.343.075	-655.092
Index-linked and unit linked	1.598.560	1.503.708	-94.852
Health	0	9.733	-9.733

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 CS01[3] 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.

A change to zero of the volatility adjustments would correspond to an increase of € 32.31 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;

[3] 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	5.503	4.533	-970	The difference comes from IAS 19
Pension benefit obligations	47.732	0	-47.732	The difference comes from IAS 19 and IFRS 4
Deposits from reinsurers	41.404	41.404	0	It is expecting 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	1.102.949	51.774	-1.051.175	The difference comes from the market value of the derivatives used as hedge accounting and accrual reclassification
Debts owed to credit institutions	1.890.667	1.885.013	-5.654	The difference concerns the accrual on REPO
Insurance & intermediaries payables	28.743	28.743	0	No change
Reinsurance payables	3.508	3.508	0	
Payables (trade, not insurance)	94.771	94.771	0	
Subordinated liabilities in Basic Own Funds	40.006	40.000	6	Accrued interest reclassification
Any other liabilities, not elsewhere shown	37.944	182.705	-144.761	Residual class of liability items included mainly accruals and deferrals. The change concern the accrued interest reclassification and derivatives

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	348.187	348.187	0	0	0
Subordinated liabilities	40.006	0	40.006	0	0
An amount equal to the value of net deferred tax assets	55.494	0	0	0	55.494
Total basic own funds after deductions	**502.460**	**406.960**	**40.006**	**0**	**51.394**

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 eported 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 does not change compared to previous year.

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	622.460	406.960	40.006	120.000	55.494
Previous Year	752.806	571.688	40.006	120.000	21.112
Change	-130.346	-164.728	0	0	34.382

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

Solvency Ratio

(€ thousand)	Current year	Previous year
Own Funds	622.460	752.806
Solvency Capital Requirement	413.939	408.450
Solvency Ratio	150,4%	184.3%

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		333.360	322.371
·	(-) Elimination of intangibles:	*-153.954*	*-128*
a)	Goodwill	-149.320	0
b)	Deferred acquisition costs	0	0
c)	Other intangible assets (include mainly value of business acquired and software)	-4.634	-128
·	(+)/(-) Mark to market of assets:	*436.853*	*960.668*
a)	Properties (includes own used real estate)	362	702
b)	Bonds	-247.584	348.476
c)	Loans & Receivables	4.343	312
d)	Participations	1.183	32.670
e)	Equities	6.501	19.091
f)	Other assets	672.048	559.417
·	(+)/(-) SII valuation of Technical Provisions	*751.477*	*-644.240*
·	(+)/(-) Mark to market of non-technical liabilities:	*-960.777*	*-66.984*
a)	Financial and other liabilities (does not include change in own credit standing)	-5.654	562
b)	Employee benefit	-47.732	-49.913
c)	Other liabilities	-907.390	-17.633
·	(+)/(-) Deferred taxes (please refer to IAS 12)	*55.494*	*21.112*
Excess of assets over liabilities Solvency II		462.454	592.800

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	446.966	406.960	40.006	0
Previous Year	611.694	571.688	40.006	0
Change	-164.728	-164.728	0	0

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 2022 and as at 31st of December 2021:

SCR Values

(€ thousands)	SCR Values	MCR Values
Current Year	413.939	178.810
Previous Year	408.450	166.897

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 increased from 2021 to 2022, this increase of the Solvency Capital Requirement and Minimum Capital Requirement compared to previous year arises from:

- ✓ The increase of Life underwriting risk mainly driven by (1), higher risk-free rate which increased mass lapse risk, and (2) the increase of expense risk driven by the removal of FMAP[4]
- ✓ The increase of counterparty default risk due to increase in cash, derivatives, reinsurance increase due to the Verdi transaction and receivables positions in line with the target SAA.
- ✓ The increase of Health risk and Operational risk mainly due to the integration of the Verdi portfolio (increasing the Life and Health BEL) starting October 2022.

These effects were partially mitigated by:

- ✓ The decrease of market risk mainly thanks to (1) de-risking of equity exposures (e.g. intra group cross-trade) but also due to the decrease of the symmetric adjustment and market value of equities in 2022 (as a result of poor market performance), (2) the decrease of real estate risk thanks to the shift of real estate SPV's into strategic participations, (3) the decrease of spread risk mainly driven by the decrease of Public IG corporate exposure (partially due to sales but also due to a decrease in exposure as a result of higher rates), (4) the decrease of concentration risk, while (5) interest rate risk remained strongly hedged.

E.2.2. Solvency Capital Requirement breakdown

The total Solvency Capital Requirement split by Risk before and after diversification at Year End 2022 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 € 135.529 thousands or 33% 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 equity risk which is the largest risk the Company is exposed to (within the market risk module) due to its large exposure to private equity and strategic participations, followed by spread risk due to it large exposure to fixed income bonds and private loans. Overall, the shift to

[4] FMAP stands for "Future Management Action Plan", a program that aimed to reduce costs and change the investment management fee structure over the coming years after carving out the Non-Life Business in 2020

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. Lapse risk has increased in 2022, with mass lapse risk being the biting scenario after the increase of interest rates this year. Note that mass lapse risk is now the largest risk the Company is exposed to base on the SCR Standard Formula. Expense risk mainly increased due to the removal of FMAP

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. In 2022, Athora Belgium increased its cash exposure 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 increased since last year in line with the increase of the BEL after acquisition of the new Verdi portfolio Health underwriting risk reappeared as a SCR sub-module at the end of 2022 due to the acquisition of the new portfolio of Income Protection insurances (i.e. Verdi portfolio acquired from NN)

Finally, the tax absorption effect, positively impacted the Solvency Capital Requirement and thus the overall Solvency position at Year End 2022.

Total SCR split by Risk before and after diversification

(€ thousands)	Before Diversification		After Diversification	
	Total	Impact (%)	Total	Impact (%)
nSCR before Diversification	535,830	129,4%	400,100	96,7%
Market Risks	276,316	66,8%	235,634	56,9%
Counterparty Default Risks	62,091	15,0%	28,016	6,8%
Life Underwriting Risks	193,690	46,8%	135,174	32,7%
Health Underwriting Risks	3,732	0,9%	1,276	0,3%
Non-Life Underwriting Risks	0	0,0%	0	0,0%
Diversification benefit	-135,729	-32,8%		
nBSCR after Diversification	400,100	96,7%	400,100	96,7%
Operational Risk	31,753	7,7%	31,753	7,7%
Total SCR before Taxes	431,853	104,3%	431,853	104,3%
Tax absorption	-17,913	-4,3%	-17,913	-4,3%
Total SCR	413,939	100,0%	413,939	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

		Solvency II value
Assets		C0010
Intangible assets	R0030	-
Deferred tax assets	R0040	55.494
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	2.066
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	7.380.291
Property (other than for own use)	R0080	-
Holdings in related undertakings, including participations	R0090	2.737
Equities	R0100	152.651
Equities - listed	R0110	152.651
Equities - unlisted	R0120	-
Bonds	R0130	3.478.787
Government Bonds	R0140	2.734.341
Corporate Bonds	R0150	395.333
Structured notes	R0160	323.671
Collateralised securities	R0170	25.441
Collective Investments Undertakings	R0180	2.822.752
Derivatives	R0190	913.364
Deposits other than cash equivalents	R0200	10.000
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	1.598.560
Loans and mortgages	R0230	321.085
Loans on policies	R0240	89.796
Loans and mortgages to individuals	R0250	1.858
Other loans and mortgages	R0260	229.431
Reinsurance recoverables from:	R0270	1.766.203
Non-life and health similar to non-life	R0280	-
Non-life excluding health	R0290	-
Health similar to non-life	R0300	-
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	1.766.204
Health similar to life	R0320	(0)
Life excluding health and index-linked and unit-linked	R0330	1.766.204
Life index-linked and unit-linked	R0340	(1)
Deposits to cedants	R0350	-
Insurance and intermediaries receivables	R0360	34.956
Reinsurance receivables	R0370	53.102
Receivables (trade, not insurance)	R0380	457.117
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	30.373
Any other assets, not elsewhere shown	R0420	3.116
Total assets	R0500	11.702.364

		Solvency II value
Liabilities		C0010
Technical provisions – non-life	R0510	-
Technical provisions – non-life (excluding health)	R0520	-
Technical provisions calculated as a whole	R0530	-
Best Estimate	R0540	-
Risk margin	R0550	-
Technical provisions - health (similar to non-life)	R0560	-
Technical provisions calculated as a whole	R0570	-
Best Estimate	R0580	-
Risk margin	R0590	-
Technical provisions - life (excluding index-linked and unit-linked)	R0600	6.426.983
Technical provisions - health (similar to life)	R0610	9.733
Technical provisions calculated as a whole	R0620	-
Best Estimate	R0630	9.251
Risk margin	R0640	481
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	6.417.250
Technical provisions calculated as a whole	R0660	-
Best Estimate	R0670	6.343.075
Risk margin	R0680	74.175
Technical provisions – index-linked and unit-linked	R0690	1.519.700
Technical provisions calculated as a whole	R0700	-
Best Estimate	R0710	1.503.708
Risk margin	R0720	15.993
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	5.503
Pension benefit obligations	R0760	47.732
Deposits from reinsurers	R0770	41.404
Deferred tax liabilities	R0780	-
Derivatives	R0790	1.102.949
Debts owed to credit institutions	R0800	1.890.218
Financial liabilities other than debts owed to credit institutions	R0810	449
Insurance & intermediaries payables	R0820	30.774
Reinsurance payables	R0830	1.477
Payables (trade, not insurance)	R0840	94.771
Subordinated liabilities	R0850	40.006
Subordinated liabilities not in Basic Own Funds	R0860	-
Subordinated liabilities in Basic Own Funds	R0870	40.006
Any other liabilities, not elsewhere shown	R0880	37.944
Total liabilities	R0900	11.239.910
Excess of assets over liabilities	R1000	462.454

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 participa-tion	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	239	234.914	304.835	35.414	-	-	-	3.012	578.414
Reinsurers' share	R1420	16	(24.168)	-	25.763	-	-	-	750	2.362
Net	R1500	222	259.082	304.835	9.651	-	-	-	2.262	576.052
Premiums earned										
Gross	R1510	239	234.914	304.835	35.414	-	-	-	3.012	578.414
Reinsurers' share	R1520	16	(24.168)	-	25.763	-	-	-	750	2.362
Net	R1600	222	259.082	304.835	9.651	-	-	-	2.262	576.052
Claims incurred										
Gross	R1610	504	299.618	76.295	29.054	-	-	-	1.902	407.373
Reinsurers' share	R1620	53	80.633	-	21.523	-	-	-	(327)	101.882
Net	R1700	450	218.985	76.295	7.531	-	-	-	2.229	305.491
Changes in other technical provisions										
Gross	R1710	(18)	2.199	17.935	1.443	-	-	-	(999)	20.560
Reinsurers' share	R1720	-	19.470	-	1.368	-	-	-	(1.579)	19.259
Net	R1800	(18)	(17.271)	17.935	75	-	-	-	580	1.301
Expenses incurred	R1900	-	41.700	41.221	641	-	-	-	820	84.383
Other expenses	R2500									-
Total expenses	R2600									84.383
Total amount of surrender	R2700	-	103.337	62.743	0	-	-	-	0	150.629

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	578.414	-	-	-	-	-	578.414
Reinsurers' share	R1420	2.362	-	-	-	-	-	2.362
Net	R1500	576.052	-	-	-	-	-	576.052
Premiums earned								
Gross	R1510	578.414	-	-	-	-	-	578.414
Reinsurers' share	R1520	2.362	-	-	-	-	-	2.362
Net	R1600	576.052	-	-	-	-	-	576.052
Claims incurred								
Gross	R1610	406.877	496	-	-	-	-	407.373
Reinsurers' share	R1620	101.882	-	-	-	-	-	101.882
Net	R1700	304.995	496	-	-	-	-	305.491
Changes in other technical provisions								
Gross	R1710	20.127	433	-	-	-	-	20.560
Reinsurers' share	R1720	19.259	-	-	-	-	-	19.259
Net	R1800	868	433	-	-	-	-	1.301
Expenses incurred	R1900	84.381	2	-	-	-	-	84.383
Other expenses	R2500							-
Total expenses	R2600							84.383

S.12.01.02: Life and Health SLT Technical Provisions

			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	-	-			-			-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020	-	-			-			-
Technical provisions calculated as a sum of BE and RM									
Best Estimate									
Gross Best Estimate	R0030	6.122.464		1.503.708	-		-	164.903	-
Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0080	1.769.414		(1)	-		-	1.792	-
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090	4.353.050		1.503.708	-		-	163.111	-
Risk Margin	R0100	68.413	15.993			3.364			-
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	R0110	-	-			-			-
Best estimate	R0120	-		-	-		-	-	-
Risk margin	R0130	-	-			-			-
Technical provisions - total	R0200	6.190.877	1.519.700			168.267			-

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

		Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)				Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
					Contracts without options and guarantees	Contracts with options or guarantees	Annuities relating to health		
		C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0010	-	-	-			-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020	-	-	-			-	-	-
Technical provisions calculated as a sum of BE and RM									
Best Estimate									
Gross Best Estimate	R0030	55.709	7.846.783		9.251	-	-	-	9.251
Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0080	(5.002)	1.766.203		(0)	-	-	-	(0)
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090	60.711	6.080.579		9.252	-	-	-	9.252
Risk Margin	R0100	2.398	90.168				-	-	481
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	R0110	-	-				-	-	-
Best estimate	R0120	-	-		-	-	-	-	-
Risk margin	R0130	-	-	-			-	-	-
Technical provisions - total	R0200	58.107	7.936.951	9.733			-	-	9.733

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	7.946.683	-	-	113.454	-
Basic own funds	R0020	502.460	-	-	(60.080)	-
Eligible own funds to meet Solvency Capital Requirement	R0050	622.460	-	-	(72.393)	-
Solvency Capital Requirement	R0090	413.939	-	-	7.438	-
Eligible own funds to meet Minimum Capital Requirement	R0100	446.966	-	-	(80.106)	-
Minimum Capital Requirement	R0110	178.810	-	-	3.334	-

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		-	
Share premium account related to ordinary share capital	R0030	18.773	18.773		-	
Initial funds, members' contributions or the equivalent basic own – fund item for mutual and mutual-type undertakings	R0040	-	-		-	
Subordinated mutual member accounts	R0050	-		-	-	-
Surplus funds	R0070	-				
Preference shares	R0090	-		-	-	-
Share premium account related to preference shares	R0110	-		-	-	-
Reconciliation reserve	R0130	348.187	348.187			
Subordinated liabilities	R0140	40.006		40.006	-	-
An amount equal to the value of net deferred tax assets	R0160	55.494				55.494
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	-	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the Reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	-				
Deductions						
Deductions for participations in financial and credit institutions	R0230	-	-	-	-	-
Total basic own funds after deductions	R0290	502.460	406.960	40.006	-	55.494
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	-			-	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	-			-	
Unpaid and uncalled preference shares callable on demand	R0320	-			-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-			-	-
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	-			-	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	-			-	-
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	-				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	-				
Other ancillary own funds	R0390	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	622.460	406.960	40.006	120.000	55.494
Total available own funds to meet the MCR	R0510	446.966	406.960	40.006	-	
Total eligible own funds to meet the SCR	R0520	622.460	406.960	40.006	120.000	55.494
Total eligible own funds to meet the MCR	R0530	446.966	406.960	40.006	-	
SCR	R0540	413.939				
MCR	R0550	178.810				
Ratio of Eligible own funds to SCR	R0560	150%				
Ratio of Eligible own funds to MCR	R0570	250%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	462.454
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	114.267
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	348.187
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	93.549
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	-
Total Expected profits included in future premiums (EPIFP)	R0790	93.549

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

		Gross solvency capital requirement	Simplifications
		C0110	C0120
Market risk	R0010	293.969	
Counterparty default risk	R0020	62.091	
Life underwriting risk	R0030	246.342	
Health underwriting risk	R0040	3.732	
Non-life underwriting risk	R0050	-	
Diversification	R0060	(153.279)	
Intangible asset risk	R0070	-	
Basic Solvency Capital Requirement	R0100	452.856	

		C0100
Calculation of Solvency Capital Requirement		
Operational risk	R0130	31.753
Loss-absorbing capacity of technical provisions	R0140	(52.756)
Loss-absorbing capacity of deferred taxes	R0150	(17.913)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency Capital Requirement excluding capital add-on	R0200	413.939
Capital add-on already set	R0210	
Solvency capital requirement	R0220	413.939

		C0110
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	-
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	-
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	-
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	-
Diversification effects due to RFF nSCR aggregation for article 304	R0440	-

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	(17.913)
LAC DT justified by reversion of deferred tax liabilities	R0650	-
LAC DT justified by reference to probable future taxable economic profit	R0660	(17.913)
LAC DT justified by carry back, current year	R0670	-
LAC DT justified by carry back, future years	R0680	-
Maximum LAC DT	R0690	81.023

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	1.293	-

		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	-	-	-	-
Income protection insurance and proportional reinsurance	R0030	-	-	-	-
Workers' compensation insurance and proportional reinsurance	R0040	-	-	-	-
Motor vehicle liability insurance and proportional reinsurance	R0050	-	-	-	-
Other motor insurance and proportional reinsurance	R0060	-	-	-	-
Marine, aviation and transport insurance and proportional reinsurance	R0070	-	-	-	-
Fire and other damage to property insurance and proportional reinsurance	R0080	-	-	-	-
General liability insurance and proportional reinsurance	R0090	-	-	-	-
Credit and suretyship insurance and proportional reinsurance	R0100	-	-	-	-
Legal expenses insurance and proportional reinsurance	R0110	-	-	-	-
Assistance and proportional reinsurance	R0120	-	-	-	-
Miscellaneous financial loss insurance and proportional reinsurance	R0130	-	-	-	-
Non-proportional health reinsurance	R0140	-	-	-	-
Non-proportional casualty reinsurance	R0150	-	-	-	-
Non-proportional marine, aviation and transport reinsurance	R0160	-	-	-	-
Non-proportional property reinsurance	R0170	-	-	-	-

		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	194	177.323

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	-		4.305.304	
Obligations with profit participation - future discretionary benefits	R0220	-		47.746	
Index-linked and unit-linked insurance obligations	R0230	-		1.503.708	
Other life (re)insurance and health (re)insurance obligations	R0240	9.251		223.821	
Total capital at risk for all life (re)insurance obligations	R0250		-		7.547.661

Overall MCR calculation		C0130
Linear MCR	R0300	178.810
SCR	R0310	413.939
MCR cap	R0320	185.613
MCR floor	R0330	103.118
Combined MCR	R0340	178.810
Absolute floor of the MCR	R0350	8.000
Minimum Capital Requirement	R0400	178.810

Notional non-life and life MCR calculation		Non-life activities	Life activities
		C0140	C0150
Notional linear MCR	R0500	1.487	177.323
Notional SCR excluding add-on (annual or latest calculation)	R0510	3.443	410.496
Notional MCR cap	R0520	1.544	184.069
Notional MCR floor	R0530	858	102.260
Notional Combined MCR	R0540	1.487	177.323
Absolute floor of the notional MCR	R0550	4.000	4.000
Notional MCR	R0560	4.000	177.323