CONSOLIDATED SOLVENCY AND FINANCIAL CONDITION REPORT 2022

Belfius
Insurance

Contents

Summary

The purpose of the Solvency and Financial Condition Report (SFCR) is to provide information required by the Solvency II regulatory framework in respect of Belfius Insurance Group ("the Group" or "Belfius Insurance") at 31 December 2022. Belfius Insurance is part of the bankinsurer Belfius.

This report sets out aspects of the Belfius Insurance's business and performance, system of governance, risk profile, valuation methods used for solvency purposes and its capital management practices.

The past year has been turbulent for the global economy. War in Ukraine, inflation, the long tail of the Covid-19 pandemic and mounting climate catastrophe have caused shock-waves across the world.

Uncertainty and the resulting volatility from the macroeconomic and geopolitical factors have dominated the course of 2022, considerably weakening the post-pandemic recovery of the Belgian economy. Inflation has risen sharply reaching more than 10% in 2022, reflecting strong post-pandemic demand, supply-chain bottlenecks, higher energy and food prices, being further fuelled by the rising wage costs. Rising interest rates and, as a result, tighter financing conditions started dampening spending and production. However, Belgian GDP in the last quarter of 2022 still grew by 0.1%, quarter-on-quarter. The annual real GDP growth has therefore amounted to 3.1% in 2022.

For Belfius Insurance, the rising interest rates had a positive impact through investment and pension life insurance with guaranteed rates. However, the increasing rates also might cause a rise of the risk of lapse. This is closely monitored. Moreover, although the duration gap is well managed close to zero, in the current uncertain interest rate environment (where short term rates increase more than longer rates), the ALM remains a key risk element to be frequently followed-up. The ability of Belfius Insurance to change and adapt life and non-life pricing to this new changing and evolving environment is and will be crucial to contribute to the success and resilience of Belfius.

Finally, as of Q4 2022, the consolidated Solvency II ratio ends up with a strong 193% after the foreseen dividend and within Belfius Insurance's risk appetite.

Also in non-life insurance activity, only seven months after the unprecedented flooding of July 2021, Belgium was hit by the severe storms. Their impacts remained moderate to Belfius Insurance thanks to performing reinsurance against CatNat, allowing the company to care for its customers pursuing its ambition to become the Beloved Insurer Belfius Insurance wants to become.

While the conflict between Russia and Ukraine is still ongoing with potential of further escalation, the overall outlook at the onset of 2023 is rather positive, with headline inflation stabilising, energy prices off their peaks, and economic growth holding up. According to the forecasts, the economy remains resilient, and economic growth will pick up again in 2023 as inflation moderates.

Looking forward, it is clear that the cautiously positive outlook for 2023 is subject to many continuing risks and uncertainties. Geopolitical tensions, the (core) inflation to be persistent because of second round effects based on wage evolution, strong labour markets, the economic slowdown and the high volatility on the financial markets call for high vigilance on Belfius Insurance's risk exposure in the coming months. On top of that, the higher (longer) interest rates could exacerbate the concerns about the elevated Belgian fiscal deficit and the public debt and its sustainability. More, the effects of global warming and recent extreme weather events has been (and will be) also more and more concerning for reinsurance. Another key element is the entry in force of IFRS 17, the new accounting standard for the liabilities of insurance companies. Although important for accounting and financial reporting, IFRS 17 does not impact Solvency II.

As a conclusion, Belfius Insurance will pursue its strategic ambitions with a sound risk profile and therefore ensures its good resilience whatever the challenging environment.

Relating to the recent unrest caused by the bankruptcy of American banks and the potential contagion risk, Belfius Insurance is closely monitoring the potential risks related to the failures of 3 US regional banks early March 2023 (Silicon Valley Bank, Silvergate Capital Corporation and Signature Bank), and to the general market uncertainties related to Credit Suisse and the merger agreement with UBS entered into on 19 March 2023, following the intervention of the Swiss Federal Department of Finance, the Swiss National Bank and the Swiss Financial Market Supervisory Authority FINMA. End of April First Republic Bank lost more than half of its stock market value due to a massive departure of savings. This forced the authorities to take over the bank which eventually led to a sale to JP Morgan Chase, the biggest US bank.

Belfius Insurance has no direct exposure to the 4 abovementioned US banks and a very limited direct exposure to Credit Suisse amounting to a nominal amount of EUR 25 million, under the format of a senior bond issued by Credit Suisse AG.

Activity and performance

As a multi-channel insurer on the Belgian market, Belfius Insurance Group offers a complete range of Life and Non-Life insurance products to individuals, companies, freelances, the social sector and the public sector. Belfius Insurance is part of the Belfius Bank & Insurance Group.

Belfius Insurance is a healthy company with an ambitious plan towards 2025. The plan foresees revenue diversification with a net result more in balance between Non-Life and Life. The structural result is growing strongly and allows to absorb the strong reduction in specific items (partly as a result of IFRS 17). The cost / income ratio remains under control thanks to cost control combined with a growth in the income.

The goal of Belfius Insurance is to be a meaningful insurer:

- which managed to grow in the activities Life and Non-Life thanks to internal growth and targeted acquisitions;
- which is anchored on the Belgian market, present in all sectors of the economy and in as many households as possible, and which largely contributes to equipping all Belfius customers;
- which is positioned as reference in the field of end-to-end customer experience;
- which, thanks to its expertise in digital and its efficient sales teams, is developing sufficiently in all customer segments and makes a stable and growing contribution to the results of Belfius;
- which, puts sustainability in the heart of every decision, products and process.

Each brand has its own positioning with the goal that Belfius Insurance is:

- Belfius - Meaningful & inspiring to the Belgian society. Together. Unique selling proposition thanks to integration into the bank strategy with a segmented approach for Savers, Investors, Private & Wealth and customised package solutions for Business;
- DVV - Expertise and Human touch. Combining the power of local and expertise with the possibilities of data & digital;
- Corona - Direct. Digital automated expertise with a sense of digital close-by. Innovative, simple and transparent.

Within the context of the strategic exercise, the management board of Belfius Insurance and the Board Of Directors of Corona proposed the merger by absorption of Corona Direct as a business unit within Belfius Insurance as from 1 July 2023. This merger has been approved by the National Bank of Belgium and will take effect retroactively as of 1 January 2023.

In 2022, Belfius Insurance collected EUR 2,162 million on the Belgian market, of which 63% for Life.

As at 31 December 2022, the Group had 1,276 full-time equivalent members of staff.

In the 2022 financial year, Belfius Insurance achieved net result of EUR 212 million. This excellent result is the fruit of our long-term strategy: strengthening the bank-insurance model, the constant focus on innovative insurance solutions, controlling our costs with particular attention paid to the profitability of all our channels, the development of the Non-Life portfolio, an adequate management of our Life activities, and the digitalisation of our offer and customer satisfaction.

In order to face future challenges with confidence, a series of projects have been set up. Close collaboration with our parent company Belfius Bank should lead to an even stronger digital insurance product range, as well as an integrated and tailored customer experience. We are constantly improving our processes to increase their efficiency and thus their impact on customer satisfaction. The Leadershift program, set up in collaboration with Belfius Bank, will prepare the Belfius managers for the challenges of the future.

Governance system

This section on governance is intended to enable a good understanding of the manner by which governance is organised within Belfius Insurance and its appropriateness to the regulations relating to the supervision of insurance companies in Belgium, the commercial strategy and operations. It contains information on the structure of its administrative, management and surveillance bodies as well as a description of their principal responsibilities.

Belfius Insurance makes a clear distinction of responsibility between the different governing bodies. The Board of Directors is responsible for defining the general and risk strategy.

The Management Board is mandated by the Board of Directors (which delegates its relevant powers to the former) with the management of Belfius Insurance. To ensure the proper operation and development of Belfius Insurance, the Management Board is responsible for establishing and maintaining an appropriate risk management. It defines and coordinates the policy of Belfius Insurance in line with the strategy laid down by the Board of Directors. It allocates the means and resources and sets the deadlines for the implementation of actions defined under that policy. It verifies whether the objectives are attained and whether the risk management is tailored to all the needs. Finally, it adapts the needs to internal and external developments.

The teams that must specifically ensure effective risk management are:

- The Risk Management team (second line of control) under the responsibility of the Chief Risk Officer, member of the Management Board, tasked with the supervision of the risk management policy. This team defines lines of action for limits and delegated powers, monitors and measures the total risks, and awakes the implementation of harmonised methods in the different entities;
- The Actuarial Function (second line of control) is responsible for the continuous compliance with the requirements regarding the technical aspects in Belfius Insurance:
  - the technical provisions, the compliancy of the profit-sharing policy,
  - the underwriting policy and the adequacy of the reinsurance plans.

  The Actuarial function reports directly to the Chief Risk Officer.
- The Head of Compliance (first and second line of control) ensures compliance with the integrity policy and the development of the ethics policy in Belfius Insurance
- The Internal Audit (third line of control) reports administratively to the Chief Financial Officer, member of the Management Board and functionally to the chairperson of the Audit Committee. Internal Audit monitors the implementation and proper application of the internal control process (first and second line).

The transversal committees see to the follow-up of the various aspects of the management of risks to which Belfius Insurance is exposed.

The Asset and Liability Management Committee (“ALCO”) takes the tactical decisions that have an impact on the balance sheet of Belfius Insurance and on its profitability, taking account of the group’s risk appetite. It verifies compliance with the guidelines and limits for the management of the investment portfolio.

In addition, the Board of Directors of Belfius Insurance can rely on an Audit Committee comprising three non-executive directors (of which two are independent directors).

Furthermore, the Board of Directors can rely on the Risk & Underwriting Committee for advice on the various fields of risk management such as risk appetite, material exposure to the risks, the strategy and the impact thereof on the capital, the organisation of risk management and the alignment to the nature of the existing risks. The committee comprises three non-executive directors (of which as least one is an independent director).

Risk profile

Like other insurance companies, Belfius Insurance is exposed to risks of various sorts: financial or non-financial, existing or emerging, measurable qualitatively or quantitatively. The significance of these risks is assessed sometimes based on regulatory requirements (Solvency II) and sometimes by taking a specific look at the company.

Correspondence of risk level and risk appetite is monitored regularly and retrospectively but also before any decision which might have a material impact on the level of risk.

The proper management of such risks is facilitated by adapted governance, which ensures their detection, assessment and management.

Moreover, a wide diversification is allowed by virtue of the diversity of insurance activities, distribution channels, and techniques enabling the Group to avoid excessive concentrations both of assets and of liabilities.

In order to sustain the Belfius Insurance strategy, the Risk Appetite Framework (RAF) continues to evolve under oversight of the Belfius Insurance Board of Directors. Minimal adaptations to the existing NFR-indicators were implemented, providing stability and alignment for common indicators with Belfius Bank and Information Security Strategy. The KRIs pertaining to ESG were further developed during 2022, increasing their maturity level and coverage of the EG framework.

The RAF Reserving for both Life and Non-Life has been reviewed for the implementation of IFRS 17. The risk appetite was reviewed with a level of confidence at 75% which remains acceptable for provisioning purpose. This change will enable to anticipate future IFRS requirements and the SII review.

For several years, S& P has assigned an A- long term rating with stable outlook. S& P expects Belfius Insurance to maintain its prominent position in Belgium and satisfactory profitability. The capital held is at the high-end of the 'A' confidence level and they expect capital will be maintained at this level over the rating horizon through 2024.

Sustainability risks are an integral part of the context in which Belfius Insurance operates today and can influence all risks Belfius Insurance is exposed to. Therefore, sustainability risks are identified for all mapped risks and taken into account in the management of these risks. Climate risk has been in the top 5 risks of the ORSA since 2019 and continues being a top 5 risk. As sustainability is an integral part of the Belfius Insurance corporate strategy, an ESG manager coordinates the implementation of the sustainability strategy and ensures all regulatory requirements are met. An ESG risk roadmap has been designed and planned globally over 3 years in order to manage ESG/sustainability risks.

Valuations for the purposes of solvency

In order to measure its solvency, Belfius Insurance values its assets and liabilities at their "fair value" and in line with the requirements of the Solvency II regulations. Approximation methods are used but to an extremely limited extent.

The differences resulting from comparison of the Solvency II balance sheet and the IFRS balance sheet are also explained in this section of the document.

Capital management

Belfius Insurance calculates its capital requirement using the standard Solvency II formula, reflecting the rules and guidelines of the EIOPA and the National Bank of Belgium.

Despite the turbulent year for the global economy, Belfius Insurance Group has been able to maintain a strong risk profile and has demonstrated its resilience.

As of Q4 2022, the consolidated Solvency II ratio ends up with a strong 193% after the foreseen dividend and within Belfius Insurance's risk appetite. The Solvency II ratio is solid (193%) and increased slightly compared to 2021 (190%). About 79% of the Own Funds are categorised as Tier 1 capital. This is a concrete achievement of the continuous ORSA process living through the risk management and risk culture within the company.

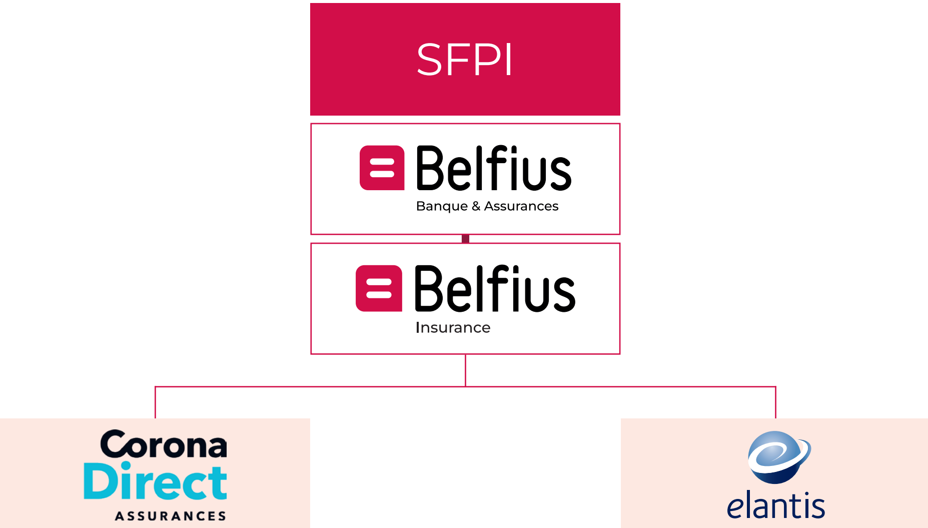
At the end of December 2022, the SCR of Belfius Insurance at a consolidated level was EUR 1,060 million, a decrease of EUR 159 million compared to the end of 2021. Market risk remains the main contributor to the required capital, due to spread and equity risk, and decreased given the poor performance of the equity markets. The SCR linked to interest rate risk was rather limited thanks to the ALM management of Belfius Insurance, targeting a limited global duration mismatch between assets and liabilities. The second important contributor is the Insurance risk, which increased during the year 2022 mainly due to the high inflation and cost assumption review.

Considering Belfius Insurance's level of available capital, the risk that its capital might fall under the SCR (Solvency Capital Requirement) or the MCR (Minimum Capital Requirement) is very limited. This is confirmed by the results of the stress tests on its business plan, the regulatory stress tests and various sensitivity analyses performed during accounting closings.

A. Activities and performance

A.1. Business

A.1.1. Group structure



For information regarding the structure of the group please refer to the annual report published on https://www.belfius.be/about-us/en/investors/results-reports/reports

A.1.2. Regulator and Auditor

Regulators:

- National Bank of Belgium (NBB), Boulevard du Berlaimont, 1000 Brussels. Telephone: 02/221 21 11
- Financial Services and Markets Authority (FSMA), Congresstraat 12-14, 1000 Brussels. Telephone: 02/220 52 11

Auditor:

- KPMG, a Belgian BV/SRL, Luchthaven Brussel-Nationaal 1 K, 1930 Zaventem.

A.1.3. Activity report

For information regarding the activity report please refer to the annual report published on https://www.belfius.be/about-us/en/investors/results-reports/reports

A.1.4. Human resources management

For information regarding the human resource management of Belfius Insurance Group please refer to the annual report published on https://www.belfius.be/about-us/en/investors/results-reports/reports

A.2. Underwriting Performance

A.2.1. Non-Life

The table below shows the result of Non-Life insurances by product group for the years 2021 and 2022, as published in the annual report 2022.

The gross earned premiums increased by 4.3%, from EUR 764 million to EUR 797 million. This growth highlights the success of the Bank-insurance model and the digital developments in which Belfius is investing. They offset the decrease in the segment Public and Corporate which is due to the managerial decision to put in run-off the Wholesale Bank-insurance and brokers channels.

Non-Life results decreased compared to 2021, despite a better NCR in combination with higher net earned premium, caused by a lower financial revenues. The NCR is better than in 2021 thanks to stable technical charges (higher NatCat charges due to higher reinsurance threshold and higher claims due to inflation, which is offset by better prior year boni/mali and a "drought" provision in 2021), higher net earned premiums compensating for higher costs.

The costs are higher than in 2021 mainly explained by higher workforce costs.

Insurance results Non-Life per product group

(in thousands of EUR)	Gross earned premiums	Claims incurred and other technical expenses	Acquisition commissions	Technical result from ceded reinsurance	Net income on capital	Operating expenses
TOTAL AS AT 31 DECEMBER 2021	**764,173**	**(502,135)**	**(149,134)**	**62,664**	**34,741**	**(158,625)**
Accepted reinsurance	432	1,584	(46)	2,243	601	0
Direct business	763,741	(503,719)	(149,088)	60,421	34,140	(158,625)
All risks/accidents	129,211	(51,161)	(27,271)	(2,737)	6,383	(28,902)
Cars/third party liability	184,760	(105,418)	(30,946)	(952)	14,122	(39,007)
Cars/other branches	115,226	(66,334)	(21,502)	3,680	1,100	(27,771)
Fire and other damage to property	273,595	(227,279)	(65,962)	62,140	7,392	(49,484)
Other[1]	60,949	(53,528)	(3,406)	(1,710)	5,144	(13,461)

(1) Includes Credit and suretyship, non-life distribution, health and accidents at work

(in thousands of EUR)	Gross earned premiums	Claims incurred and other technical expenses	Acquisition commissions	Technical result from ceded reinsurance	Net income on capital	Operating expenses
TOTAL AS AT 31 DECEMBER 2022	**797,241**	**(451,828)**	**(156,420)**	**11,728**	**24,084**	**(177,589)**
Accepted reinsurance	395	(1,029)	(47)	1,947	497	0
Direct business	796,846	(450,799)	(156,374)	9,781	23,588	(177,589)
All risks/accidents	137,433	(55,045)	(28,804)	(6,121)	4,233	(34,054)
Cars/third party liability	188,382	(94,518)	(31,935)	(5,832)	10,079	(42,722)
Cars/other branches	118,186	(66,303)	(21,663)	(218)	817	(29,780)
Fire and other damage to property	290,923	(177,092)	(70,582)	22,164	4,963	(55,918)
Other[1]	61,921	(57,840)	(3,390)	213	3,496	(15,115)

(1) Includes Credit and suretyship, non-life distribution, health and accidents at work

A.2.2. Life

Insurance results Life per product group

(in thousands of EUR)	2021				
	Protection and classical insurance	Investment insurance Individuals Br21	Investment contracts Individuals Br23	Business and wholesale Pension	Total
Gross technical provisions	2,211,281	4,215,339	4,144,314	3,793,689	14,364,623
Gross earned premiums	218,384	141,339	319,175	415,503	1,094,402

(in thousands of EUR)	2022				
	Protection and classical insurance	Investment insurance Individuals Br21	Investment contracts Individuals Br23	Business and wholesale Pension	Total
Gross technical provisions	2,200,814	3,875,265	3,850,861	3,891,540	13,818,479
Gross earned premiums	223,346	518,095	223,262	391,885	1,356,588

Source: table annual report insurance Life, balancesheet in annual report (reserves Branch 23) and state 10 statutory (premiums Branch 23)

- **Protection and classical insurance**
  The GWP on Protection and classical insurance increased to 2021 thanks to BHCP, Belfius' outstanding balance product, and all other active protection products, compensating for decrease in Endownment portfolio in run-off.
  The results were in line with 2021 thanks to higher rider result and entry fees compensating for lower financial revenues and higher commissions.

- **Investment insurance Individuals Br21**
  Growth on Investment insurance Individuals Br21 thanks to a commercial boost as from September 2022, triggered by increasing interest rates.
  This commercial boost leads to an increase in Outstanding as from H2 2022 but not enough to compensate the outflows in H1 2022.
  The result before tax is slightly lower than 2021 due lower interest income lower dividends and negative impact on Fair value of part of investment portfolio booked through P&L and higher commissions on higher GWP. This is only partly compensated by remeasurement of technical provisions, capital gains and lower guaranteed interest cost.

- **Investment insurance Individuals Br23**
  In 2022, the outstanding of Belfius Insurance decreased by 7% due to a negative market effect given the unfavourable market conditions.
  Despite the fact that the results in unit-linked are based on a fee on the reserves, result Branch 21 is higher than 2021 since in 2021 the tax on trading account was only partly recuperated from the customers (only as from September 2021).

- **Business and Wholesale Pension**
  Decrease of gross earned premiums in both Business and Wholesale as current economic uncertainties, put pressure on the cash position from our business clients and their confidence for the future, and Wholesale suffered from contract termination, only partly compensated by higher premiums on Publipension.
  Result before tax higher than 2021 thanks to reassessment of technical provisions Life and higher result on disability.

A.3. Investment Performance

A.3.1. Information concerning charges and proceeds compared to the previous year

The 2022 financial results amount to EUR 409 million.

The net interest margin has continued to decline, ending EUR 48 million lower at EUR 328 million due to lower average outstanding and relatively high interest income in 2021 helped by a.o. high Repo threshold.

Dividend income decreased slightly to EUR 43 million, remaining however a significant contributor to the investment portfolio revenues. This decrease was due to our decision to reduce to exposure to equities, following market turbulence but also the increase in rates and spreads that make bonds investments attractive again. Our equity portfolio has however continued to perform as expected and to pay the dividends (no dividend cuts in 2023).

Our financial instruments booked at fair value through P&L had a negative contribution to our results with a negative MtM effect of EUR 27.5 million driven mostly by the rate increase which had a negative impact on the market valuation of our investment with a higher duration. On the other hand, those investment have also generated EUR 21.9 million of revenues during the same period.

Net income on capital

(in thousands of EUR)	31/12/2021	31/12/2022
Interest income & expense	376,184	328,096
Dividend Income	49,632	42,766
Net income from equity method companies	95	2,076
Net income from financial instruments at fair value through profit or loss	3,782	-27,530
Net income on investments and liabilities (capital gains)	925	38,072
Other income & expense	26,124	25,987
TOTAL	456,741	409,467

Belfius Insurance has realised EUR 38 million in capital gains on the sale of bonds and two properties. However, the realisation of capital gains depends on the available market opportunities and is driven by the ALM policy rather than a pure P&L objective. The results were mainly achieved due to the sale of government and corporate bonds.

A.3.2. Performance of investments

A.3.2.1. Equity & fixed income

In 2022, our portfolios suffered from rate increase and increased economic and geopolitics uncertainties with both our fixed income and equities portfolio posting negative performances. Within our fixed income portfolio, our government bonds in particular had large negative MtM effects. However, our diversification strategy has supported our overall financial performances with for example our mortgage portfolios and unquoted assets being very resilient (the table above illustrated the total return performances of our quoted assets).

2022

	Asset class	Performance
Fixed income	Govies	-20.70%
	Coporate	-12.40%
Equity portfolio	Equity	-13.53%
	Real estate	-37.13%

A.3.2.2. Mortgage loans

As of December 2022, the market value of our mortgage portfolio stood at EUR 3.63 billion. Mortgages are originated by two subsidiaries of Belfius Insurance, Elantis and DVV. The average rate on the portfolio stood at 1.91% for DVV mortgages and 2.09% for Elantis. A slight increase compared to last year thanks to the rate increase seen in Q3 and Q4 this year. Average LTV at start was 75.4 and the current LTV is 64.3 for DVV while LTV at start was 72.4 and the current LTV is 60.8 for Elantis. In 2022 this portfolio generated EUR 78.5 million revenues which is a decrease compared to 2021. This decrease was driven by the decrease in outstanding amount.

A.3.2.3. Real estate

The direct property investment strategy for offices mainly focuses on the acquisition of new/recent properties located within walking distance from major train stations or mobility hub. As a result, properties acquired have excellent score in terms of accessibility via public transport. Special attention is also given to a low energy consumption level of each new building. The strategy also focuses on properties offering long term lease contract with single tenant usually public authorities.

For the nursing home asset class, the strategy focuses on the acquisition of new/recent properties let for the long term to international operators with solid financial performance. The lease contracts are triple net which means that all costs including the major repairs are to be paid by the tenant. To note that some of our nursing homes are rented to Orpea Belgium which continues to occupy the buildings as per the contracts in place and to pay the rent accordingly. Discussions are on-going with the tenant to get more clarity on the company's future plans.

On 31/12/2022 the market value of our direct real estate portfolio amounted to EUR 817 million a decrease of EUR 30 million compared to the previous year. This decrease is due to two sales transactions partially compensated by the acquisition of a new office building located in Louvain-la-Neuve, let for 12 years to a large financial institution. And a decrease of the market value of the existing portfolio driven by higher rates (partially compensated by the indexation of rents). As our real estate portfolio is at amortised cost in the accounts, the evolution of market values did not impact our P&L.

In 2022, net revenues (i.e. net of costs and amortisation) amounted to EUR 30.3 million in line with 2021 revenues.

Our strategy is to keep investing in real estate assets in the coming years. Several acquisitions are currently in exclusivity and should generate revenues as from 2023 and 2024 following the finalisation of the construction works.

A.3.3. Securitisation investments

Belfius Insurance had, as of end of 2022 an exposure of EUR 5.1 million in RMBS and EUR 28.5 million in Danish Mortgages. Part of the portfolios in those asset classes have amortised in 2022 and no further investments are made.

Market Value

(in EUR)	31/12/2021	31/12/2022
Danish Mortgages	39,744,881	28,500,417
RMBS	45,439,134	5,158,223

Whenever a new transaction with securitised investments is considered the process and governance set out in the Investment Risk Framework are followed. These types of investments need to follow the Investment Approval process in which the Risk department provides its advice regarding the specific proposed transaction. The Investment proposal with the Risk opinion is then discussed at the ALCO for decision. As mentioned no further investments are made and those portfolios have almost fully amortised.

A.4. Performance of other activities

Belfius Insurance has launched Jaimy in 2018 which is a joint venture with BCG which puts quality tradesmen and individuals in contact (via internet website and mobile app) for various works about home improvements like painting, electrical work, plumbing, heating, etc. Net income for Jaimy is in line with budget. The strategy consists of a focus on B2B and repair in kind solutions is working as it brings value to customers, a high level of satisfaction and more control on operations.

Belfius Insurance has launched Jane at the end of 2019. Jane is a joint venture with BCG that develops and provides a mobile app for elderly people who want to stay at home and retain their independence for longer and for their loved ones who want to be reassured that everything is fine and know when they are needed. Despite the innovative and robust solution offered by Jane and recognised on the market, the delay in incoming revenues remains. A sales pipeline exists while activation of billable kits remains limited. The pacing of digitalisation in Belgium of the health sector and its actors are very slow from a (innovation) change perspective. B2E results are slightly below projections. B2B2C & major international prospects are delaying their projects. As a consequence, revenues are below expectations.

In order to mitigate impacts on the net income, a cost optimisation strategy has been implemented to maintain costs under control until tangible volumes are achieved.

A.5. Any other information

None

B. Governance system

B.1. General information on the governance system

B.1.1. Board of Directors

Information regarding the Board of Directors can be found in the annual report published on https://www.belfius.be/about-us/en/investors/results-reports/reports.

B.1.2. Management Board

Information regarding the Management Board can be found in the annual report published on https://www.belfius.be/about-us/en/investors/results-reports/reports.

B.1.3. Advisory committees created by the Board of Directors

Information regarding the Audit Committee and Risk & Underwriting committee can be found in the annual report published on https://www.belfius.be/about-us/en/investors/results-reports/reports.

Information regarding the Nomination Committee, Remuneration Committee, Mediation Committee and Technology Committee can be found in the annual report published on https://www.belfius.be/about-us/en/investors/results-reports/reports.

B.1.4. Remuneration policy and practices

B.1.4.1. General principles

The Remuneration Committee formulates proposals to the Board of Directors of Belfius Insurance with regard to the principles of remuneration set out in the remuneration policy for categories 1 and 2 of employees described in the remuneration policy of the Belfius Group. Category 1 includes executive members of the Board of Directors of Belfius Insurance. Category 2 concerns employees:

- with management responsibility over the control functions or essential business units;
- with significant remuneration that is equal to or higher than the members of the Board of Directors, Management Board or senior management; and
- with a significant impact on the risk profile of the Belfius Group and/or Belfius Insurance.

In certain special cases, the Remuneration Committee may propose to deviate from the remuneration policy on the basis of a reasoned proposal from the chairperson of the Management Board (for example for reasons of retention/conforming to the market). If this is the case, the Board of Directors will take a decision based on the recommendation of the Remuneration Committee.

The consequences of the remuneration policy in terms of risk and the management of risks are analysed overall by HR Group in conjunction with various departments (Risk Management, Internal Audit, Compliance, etc.).

The main remuneration principles applicable to the non-executive directors, the members of the Management Board, the managers of independent control functions and the employees are as set out below.

B.1.4.2. Remuneration of the non-executive directors

The general meeting of Belfius Insurance determines the remuneration of non-executive directors for the exercise of their mandates.

Non-executive directors receive a fixed annual remuneration for the execution of their mandate, plus attendance fees based on their presence at meetings of the Board of Directors or of the advisory committees.

Any director holding multiple mandates within the Belfius Group may only be allocated fixed remuneration once. Attendance fees are allocated based on the director's effective presence at meetings of the Board of Directors and at the various advisory committees.

The non-executive directors of Belfius Insurance have no retirement scheme subscribed to and paid for by Belfius Group entities.

B.1.4.3. Remuneration of the members of the Management Board

The Board of Directors sets the remuneration of the members of the Management Board at the proposal of the Remuneration Committee and on the recommendation of the chairperson of the Management Board (see in accordance with the remuneration policy of the Belfius Group).

The fixed remuneration of the members of the Management Board forms the base on which the performance-related remuneration is calculated. This remuneration is subject to the required statutory, regulatory and contractual stipulations.

The performance-related remuneration is made up of three parts (group and entity share, business share and individual share) that are assessed separately based on a number of financial and non-financial, quantitative or qualitative criteria.

The target for performance-related remuneration is a certain percentage of the annual fixed remuneration and is set, in principle, each year by the remuneration committee and approved by the Board of Directors. The performance-related remuneration may be lower/higher than this target if the objectives have not been achieved or if they have been exceeded or in execution of executive statutory, regulatory or contractual provisions. The performance-related remuneration is subject to a maximum percentage.

The main features of the supplementary pension scheme of the members of the Management Board and early retirement from the Management Board are as follows:

The guarantees covered by the group insurance policy taken out by Belfius Insurance for the benefit of the members of the Management Board, from 1 June 2012, are based on:

- Pension lump sum of the defined contribution type;
- Cover for ancillary risk.

B.1.4.4. Remuneration of the managers of independent control functions

The Chief Risk Officer is given targets that are related to the (consolidated) operating result, but the weighting of these targets is limited in order to guarantee the impartiality of the CRO's decisions. The other independent control functions (Chief Audit Executive, Head of Compliance and the Actuarial Function) are not given any targets that are related to the (consolidated) operating result. Their performance-related remuneration is based on a number of quantitative and qualitative criteria.

The managers of independent control functions (excluding the CRO) fall under the same group insurance scheme subscribed by Belfius Insurance for members of staff.

B.1.4.5. Employees

The remuneration package of the employees includes both a fixed and variable component. A distinction is made between managerial and non-managerial staff.

Managerial staff (kaders/cadres) are entitled, in addition to their fixed remuneration, to a performance-related remuneration of which the amount is determined based on the function level, the achievement of individual objectives and the collective results of the organisation.

Non-managerial staff (bedienden/employés) are entitled, in addition to their fixed remuneration, to a salary bonus which is negotiated annually with the unions, of which the amount is determined based on the achievement of a number of operational KPI's.

B.1.5. Shareholder structure

B.1.5.1. Structure

As of the date of this report, the registered capital of Belfius Insurance amounted to EUR 567,425,226.84, represented by 2,579,938 registered shares, each representing 1/2,579,938 of the capital.

The shares in Belfius Insurance are owned by Belfius Bank (2,579,937 shares) and by Belfius Asset Finance Holding (one share).

Corona's registered capital amounts to EUR 21,000,000 and is represented by 840,000 shares. Belfius Insurance holds all 840,000 shares (i.e. 100%) in Corona.

As of the date of this report, Belfius Insurance has also issued 100,000 registered beneficiary shares without par value. These beneficiary shares do not represent the registered capital. The rights associated with these beneficiary shares are set out in the articles of association of Belfius Insurance.

The shareholder of Belfius Insurance contributes to the proper, prudent management of Belfius Insurance, as well as to its sound governance and sustainable development.

B.1.5.2. Strategic objectives

The aim of Belfius Insurance, entity responsible for the insurance group, is to be a meaningful insurer, by pursuing the following goals:

- Further developing in Life and Non-Life through organic growth;
- Protecting all actors of the Belgian economy against risks of life;
- Positioning Belfius Insurance as a pioneer in the field of end-to-end customer experience;
- Offering extended services beyond insurance;
- Being meaningful and inspiring for the Belgian society in a social and sustainable manner.

Thanks to its digital expertise and salesforce, Belfius Insurance is pursuing its strategy to protect all customer segments and its profit contribution to Belfius Group continues to grow.

B.1.6. Major transactions

A major transaction is the distribution agreement between Belfius Bank and Belfius Insurance, updated regularly (most recently updated and signed on 23 December 2020), entered into for an indefinite period, the subject of which is "the distribution of Belfius Insurance's insurance products by Belfius Bank to its Retail & Commercial Banking (RCB) customers".

B.2. Competence and honourability (Fit & Proper requirements)

B.2.1. Requirements

Each director, each member of the Management Board and each manager of independent control functions (i.e. the Internal Audit, Compliance, Risk and Actuarial Functions) (hereinafter: key functions) must possess, when appointed, as well as throughout the time she/he exercises her/his function, the required expertise and professional integrity.

The persons exercising these key functions must meet the requirements relative to the expertise ("Fit") and professional integrity ("Proper") that are described in the "Fit & Proper Policy" of Belfius Insurance. These requirements imply that each holder of a key function must be fit for the function carried out by her/him and also satisfy the "Fit & Proper" assessment standards, both for Belfius Insurance and for its regulated subsidiaries in Belgium (such as Corona). The "Fit & Proper" standards are those set out by the National Bank of Belgium (NBB), as the supervisory authority, in its circular NBB_2018_25 dated 18 September 2018 and in the Fit & Proper Handbook for the assessment of the expertise and professional integrity required for (effective) directors and managers of independent control functions of financial establishments.

A job profile is established by the company in question (Belfius Insurance or the subsidiary concerned) and is adjusted to suit the position required. Each job profile is then provided to the supervisory authority (the NBB) at the time the candidate's file is submitted. Regular assessments are made of the aptitude of the holders of key functions.

B.2.2. Process

Before taking up a position or when changing functions, the following steps are applicable and common to all key functions:

- A detailed job profile is drawn up for the position concerned;
- A due diligence investigation is carried out by the Secretary General of Belfius Insurance on the expertise and professional integrity of the person concerned through:
  - the examination of the standard "fit & proper" form duly completed, dated and signed by the candidate as well as any other document provided by the candidate;
  - the examination of the candidate's background through various available databases; and
  - the examination of the current director's mandates held by the candidate;
- The company concerned then makes its decision (the decision and the considerations underlying this decision and, where applicable, the agreements made to improve the person's expertise on certain points are recorded in writing);
- If the result of the assessment is positive, the file (documents, information, standard form) is submitted to the NBB prior to the appointment of the person concerned.

During the exercise of the function, at the level of the company, the following steps are applicable and common to the key functions:

- A continuous evaluation procedure is put in place;
- A periodic - preferably annual - evaluation takes place (the final evaluation and the considerations that led to this evaluation, including possible agreements on points of improvement in relation to the expertise, are recorded in writing).

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

B.3.1. Risk management task

The mission and role of the risk department is to define and implement a robust risk management framework that encompasses:

- an acceptable risk appetite framework taking into account the business strategy;
- a set of independent and integrated risk measures for different types of risks completed with internal limits and triggers consistent with the approved risk appetite;
- an effective process to identify, measure, assess and define adequate responses to the risks Belfius Insurance and its subsidiaries face in the short and in the long term;
- a suitable reporting to make management aware of the overall risk profile in order to ensure appropriate decision-taking as well as clear risk recommendations.
  The Risk Management Framework defines in greater details the mission of the risk department. It defines the framework in which the entirety of the strategies, processes and procedures are developed in order to identify, assess, monitor, manage and report the risks that Belfius Insurance may face.

B.3.2. Objectives of the risk management department

The following objectives are defined for the Risk department:

- define a Risk Appetite Framework for the insurance activities that is consistent with the Group approach;
- monitor and manage market, credit, ALM and liquidity risks, underwriting & reserving risks and non-financial and strategic risks for Belfius Insurance with due consideration for the related sustainability risks;
- optimise the Belfius Insurance Group risk profile, in line with its strategy, and in collabo-ration with the business units and activity lines;

- promote and encourage the risk culture within the group and implement the Risk Management practice driven by Solvency II principles;
- monitor the climate risks on the entire balance sheet and the regulatory developments on sustainability;
- implement risk assessment methods for each of Belfius Insurance's activities and operating entities to which this RMF applies;
- successfully integrate subsidiaries within the Belfius Insurance Group from a risk management perspective and implement best practices in all operational entities;
- ensure compliance with local and international legal and regulatory reporting requirements (in collaboration with the Finance Department);
- ensure the transversal coordination of the ORSA Process.

The risk management department does not manage compliance, fiscal or legal risks, which fall within the competence of specific departments.

B.3.3. Governance of risk management

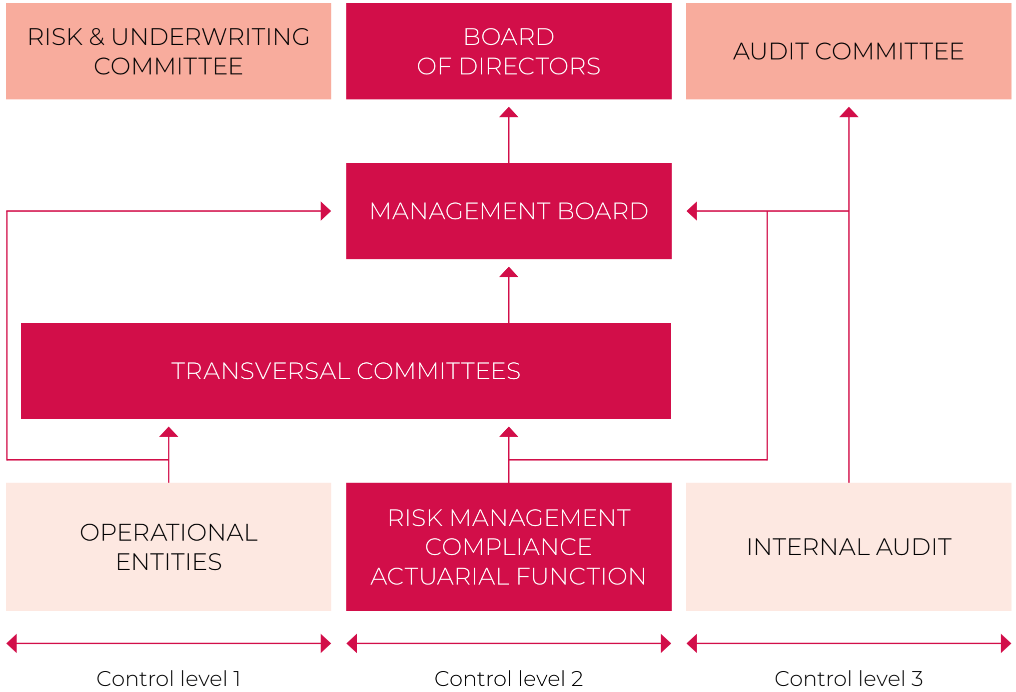
B.3.3.1. Overall view

Risk Management at Belfius Insurance has built up its risk organisation in order to increase the role of the risk management function and to embed risk processes in a more structured and organised way throughout the whole firm as expressed in the scheme on the right.

The internal control in the operational entities (control level 1) comprises the follow-up of the execution of key controls and ensures due implementation of action plans established to improve these key controls.

The teams that must specifically ensure effective risk management are:

- the Risk Management team (control level 2) under the responsibility of the Chief Risk Officer (CRO), member of the Management Board of Belfius Insurance, tasked with the supervision of the risk management policy. This team defines lines of action for limits and delegated powers, monitors and measures the total risks, and awakes the implementation of harmonised methods in the different entities;
- the Actuarial Function (control level 2), reporting to the CRO of Belfius Insurance;
- the Head of Compliance (control level 1 and 2) ensures compliance with the integrity policy and the development of the ethics policy in Belfius Insurance. The Head of Compliance reports to the CRO of Belfius Insurance;



- the Internal Audit (control level 3) reports administratively to the Chief Financial Officer (CFO), and functionally to the chairperson of the Audit Committee. Internal Audit monitors the implementation and proper application of the internal control process (level 1 and level 2).
  The transversal committees see to the follow-up of the various aspects of the management of risks to which Belfius Insurance is exposed.

On top of that, transversal committees[1] manage issues that are transversal to several departments. In that context, the risk department is required to express an independent opinion on the topics that are discussed during the meetings of the transversal committees. This opinion is binding. If no consensus is reached, an escalation process is defined to take the final decision.

(1) Main transversal committees are: Asset and Liability Committee (ALCO), Direct Property Committee and Brand Committee.

Those committees report to the Management Board which reports to the Board of Directors. To provide the Board of Directors with advice on risk-related topics, two specific advisory committees within the Board of Directors have been created: the Risk & Underwriting Committee and the Audit Committee.

The Risk Management Framework provides more details on the different parties involved in the management of the risks that Belfius Insurance faces in its activities.

B.3.3.2. Roles and responsibilities

B.3.3.2.1. Board of Directors

The Board of Directors plays a key role in the risk management process by ensuring that an appropriate response is given to the risk which Belfius faces.

As a consequence, the Board of Directors:

- defines and validates the risk management strategy, as well as the risk management framework and policies;
- defines and validates the risk appetite in line with the overall strategic objectives;
- ensures that the Management Board has integrated risk management well and that all necessary means have been implemented in order to identify, measure, monitor and respond to risks;
- ensures that the internal audit function regularly reviews risk management;
- defines the terms of performance of the ORSA process through the validation of the ORSA policy; and
- validates the capital and business management strategy in the light of the results of the ORSA.

This is applied, mutatis mutandis, to the role of the Board of Directors of subsidiaries subject to the Risk Management Framework.

Within the context of risk management, the Board of Directors must ensure that strategic decisions and policies are compatible with the structure, size and specific features of group entities. It also ensures that specific activities and the associated risks of each group entity are covered, and moreover that the risk management of the insurance group is integrated, coherent and effective.

B.3.3.2.2. Management Board

The Management Board has various responsibilities in the risk management of Belfius Insurance, since:

- it is responsible for the implementation of the risk management system. This system is aligned to the definition of policies, processes and procedures which will enable the Belfius Insurance Group to identify, monitor and respond to the risks to which the group is subject;
- it regularly reviews the risk limits/tolerance proposed by the risk management department;
- it constitutes the risk management function and establishes all the means necessary to identify, measure, monitor and respond to risks;
- it ensures the regular monitoring of real levels of risk with regard to limits and triggers, and takes measures in case of non-observance. In particular, it sees to the monitoring of operational risks by reporting operating incidents;
- the CRO regularly informs the Board of Directors (directly or via the Risk & Underwriting Committee) of matters related to risk management;
- it challenges the performance and results of the ORSA process;
- it validates qualitative and quantitative reports on risks prior to them being sent to the NBB;
- it approves and monitors the principal assumptions used in the risk models
- it decides on the management of capital and its allocation to entities/activities of the Belfius Insurance Group;
- it monitors the use of capital and steers the solvency ratios of the Belfius Insurance Group;
- the following responsibilities fall directly within the competence of the Management Board and not the committees: approval of policies, guiding the ORSA and validating assumptions.

B.3.4. Risk management at group level

Belfius Insurance ensures a risk management function at group-level which is equipped with competent personnel resources and adequate systems. Each subsidiary can rely on these resources but has the ultimate responsibility to put in place a risk management system for assessing and monitoring its own risks.

Each subsidiary as such will have in place its individual risk management strategy, but this strategy will be aligned to the group-wide risk strategy of Belfius Insurance, similar to Belfius Insurance aligning its risk appetite to the risk appetite at Belfius Bank level. The local Risk Appetite policy has to be approved by the local Board of Directors. The local Management Board will monitor its key risk indicators on a quarterly basis and report their status to its Board of Directors. Further to the Risk Appetite policy, each individual risk policy will also be submitted to the Board of Directors.

Belfius Insurance's risk taxonomy applies to its subsidiaries in the scope of this RMF. The individual assessment processes, including operational risk assessments, internal risk control, and ORSA will be aligned with those of Belfius Insurance.

Methodology & model-management and corresponding validation is centralised at Belfius Insurance within the CRO perimeter. The models and applications will be available for the subsidiaries in order to prepare their Solvency and Risk reporting. Industrialisation may lead to centralised reporting but the local entities remain accountable for reconciliation and final validation of the reported results.

Belfius Insurance applies the transparency rule when handling the asset holding companies for the calculation of its risk indicators.

Correspondents have been appointed at the subsidiaries' level in order to ensure a proper communication between the parent company and its subsidiaries.

Regular meetings are organised between the CRO and the risk correspondents to ensure consistency in the risk management approaches. On top of that, some specific topics are directly discussed for the whole insurance group by both the Reinsurance Steering Group and the ALCO group committee.

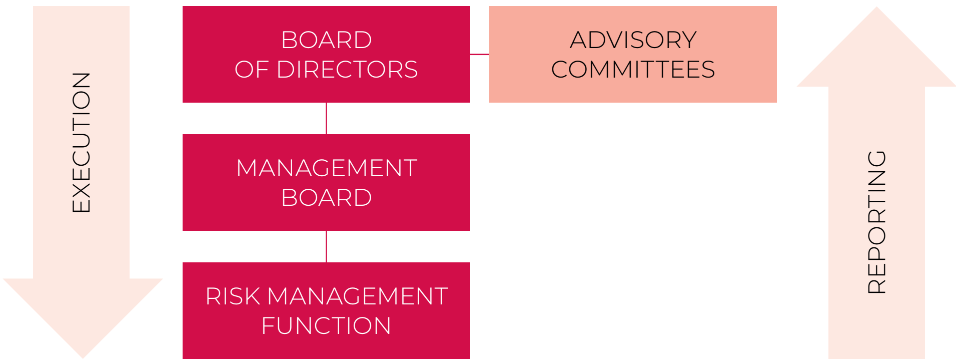
Risk Management at group level considers in its risk management system the risks both at individual and group level and their interdependencies.

B.3.5. ORSA process

ORSA starts as a top-down process owned by the Board of Directors. The Board of Directors elaborates the strategy and supervises the implementation of this strategy. The Board of Directors can be helped in its tasks by advisory committees, such as the Risk & Underwriting Committee (RUC) and the Audit Committee of Belfius Insurance.

The Management Board is the effective management of Belfius Insurance. Its main responsibility is to ensure that the company is in line with the strategy, the risks and policies approved by the Board of Directors. In this context, the Management Board leads and coordinates the different ORSA activities and supervises the management in the realisation of the ORSA.

ORSA GOVERNANCE



The Risk Management Function is responsible for the integration of all risk aspects in the management decisions and operational processes of the company. It therefore plays an active role in the ORSA implementation.

A parallel bottom-up process can then start. The ORSA process is performed according to the guidelines of the Board of Directors and results are consolidated in a reporting. This reporting is then sent to the Management Board, the RUC and the Board of Directors.

A pre-requisite to the ORSA performance is to have in place a clear business strategy, strategic targets as well as a risk appetite framework. There is then a clear articulation between the objectives of Belfius Insurance (financial and non-financial), its strategy and its risk appetite. The three components have to be determined in parallel in an iterative process as they are linked to and influence each other.

The overview on the right depicts the ORSA process and its link with the strategy and risk appetite.

The performance of the ORSA itself consists of seven steps at Belfius Insurance as described in the table on the right.

This process is proportionate to the nature, scale and complexity of the risks inherent in the business of Belfius Insurance. It enables Belfius Insurance to properly identify and assess the risks it faces in the short and long term and to which it is or could be exposed.

B.3.5.1. Identifying risks

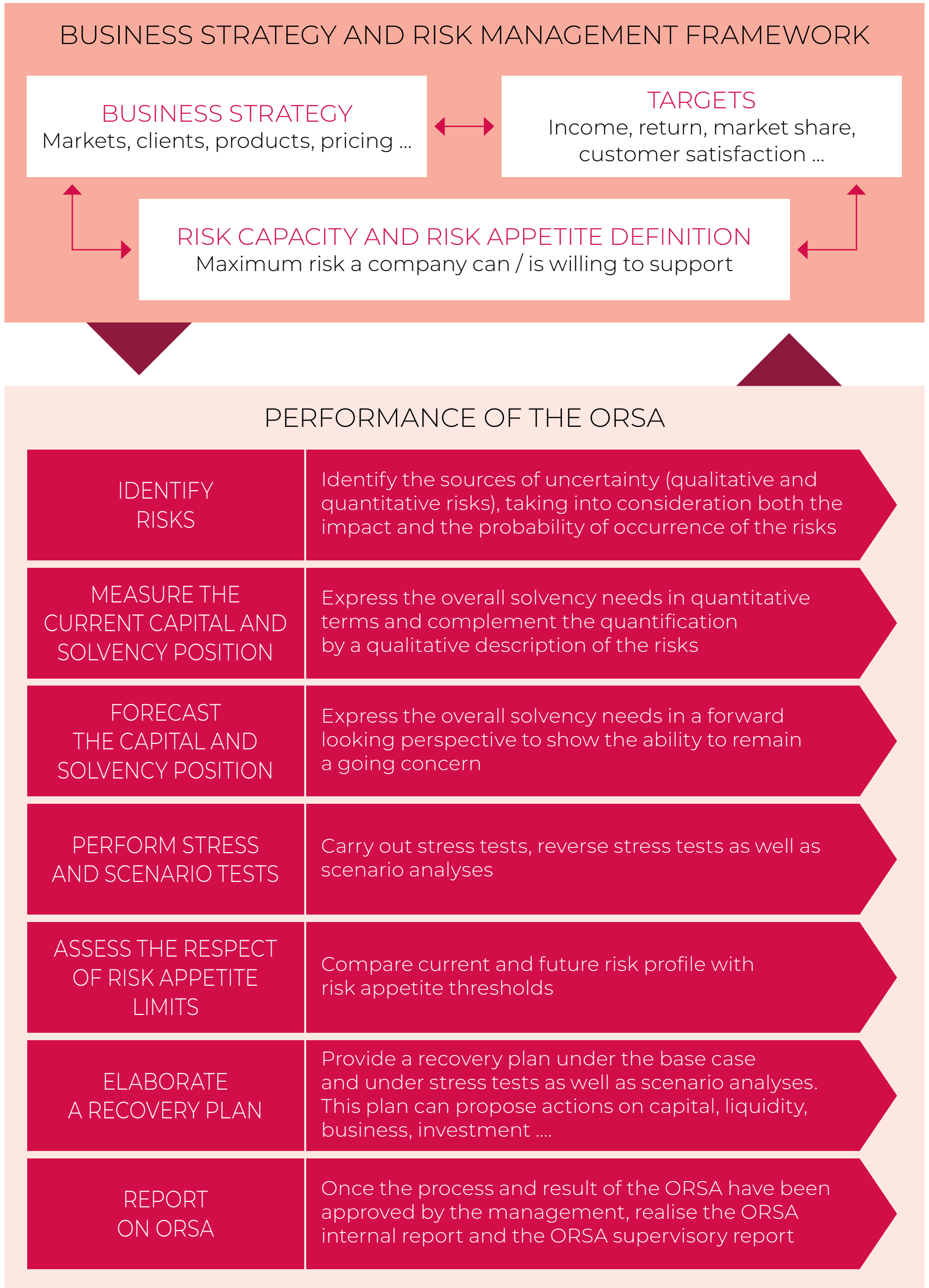
The first step of the ORSA exercise is to identify and assess the material risks for Belfius Insurance. In that context, the internal control exercise allows to establish, in close collaboration with the different business units and activity lines, the risk profile of the different business units and activity lines and to list the risk mitigating actions that exist. It is performed annually and is defined as a 3-steps process including:

1. Identification of risks (inherent risks):

- Inherent risks are the risks that an activity would pose if no controls or other mitigating factors were in place (the gross risks or risks before controls). To ensure consistency between the different entities of Belfius Insurance, a common risk glossary is used.
- The inherent risk level is determined by two factors: the potential impact and the probability of occurrence. The nature of the impact (financial / non-financial) may vary depending on the considered risk and process.

2. Inventory and assessment of the controls related to the identified risks

- The existing controls related to the most important risks selected must be considered. A control is related to a risk if it reduces the potential impact of the risk or its occurrence probability. A risk can be covered by several controls.



3. Assessment of the residual risk

- The residual risk is defined as the risk linked to the normal situation, based on the assumption that all existing controls have been considered, with their actual quality. The residual risk level is determined by the inherent risk level and the quality of controls.

The scope of these assessments includes all classes of risks: insurance, financial, operational, and strategic and reputation risks. This assessment is facilitated by Risk Management and the resulting risk profile is also an input for Internal Audit which they use as one of the inputs to draft up a risk-based Audit Plan. Afterwards the assessment is presented to the Management Board, to the RUC and finally to the Board of Directors.

This first step of the ORSA will allow to partially assess the significance of the deviation of the risk profile from the Solvency Capital Requirement (SCR), on a qualitative basis (deviations in the scope). Indeed, the risk identification and assessment will allow examining if all material risks are considered in the SCR calculation.

B.3.5.2. Measuring current capital and solvency

The second step consists in a computation (and assessment) of the current SCR and Available Financial Resources (AFR). The own fund quality (tiering) will also be assessed. In this step, the Actuarial Function helps to ensure the continuous compliance with the requirements regarding the calculation of technical provisions and the risks arising from this calculation.

This step will allow assessing the overall solvency needs taking into account the specific risk profile of Belfius Insurance. Indeed, for the purpose of this stage, other metrics or models than the one used for the SCR could be used if judged necessary. If valuation and recognition bases different from the Solvency II basis are used, it is justified how they ensure better consideration of the risk profile, approved risk tolerance limits and business strategy.

Doing so, this measurement of the current solvency position will take into account any significant deviation from the assumptions underlying the SCR.

B.3.5.3. Forecasting capital and solvency

The assessment of the overall solvency needs is forward looking. Therefore the next step of the ORSA process consists in the projection of SCR and AFR along the business plan horizon (compliant with regulatory requirements). This forward-looking assessment aims at ensuring that solvency needs are covered all along the business plan horizon.

The baseline scenario that serves as input for the forecast exercise is realised in close collaboration between the Risk, Finance and Investment departments. It includes assumptions on production levels, as well as economic assumptions used for the business plan.

Results are presented. In case solvency needs are not covered, the Management Board must be informed and take appropriate measures. The business plan may be reviewed. In this step, the Actuarial Function provides input concerning the continuous compliance with the requirements regarding the calculation of technical provisions and the risks arising from this calculation.

This step allows assessing the overall solvency needs taking into account the specific risk profile of Belfius Insurance and the own fund quality, both in a forward-looking perspective.

B.3.5.4. Determining and performing stress and scenario analyses

As part of the business and capital planning, Belfius Insurance carries out stress tests, reverse stress tests as well as scenario analyses to feed into its ORSA:

- Sensitivity testing is a method of stress testing which provides an assessment of the impact of a small or large predefined shock in a single specific risk factor;
- Scenario / stress testing is a forward-looking assessment of the impact of multiple changes in a single risk driver or multiple changes in multiple risk drivers;
- Reverse stress testing is a process of identifying and assessing the events and scenarios that might render a financial institution's business model unviable.

Those (reverse) stress tests and scenarios are proposed by the Risk department and validated by the Board of Directors. At least one stress test is in line with Belfius Bank. The other stress tests are chosen in function of an assessment of the major risks faced by Belfius Insurance.

The exercise of performing the stress tests is made in collaboration with:

- the Risk department of Belfius Bank in order to ensure consistency in the approaches adopted for the ORSA and the ICAAP exercise;
- the Finance department to include stress tests on business plan assumptions in the scenarios;
- the Investment department to include stress tests on economic assumptions.

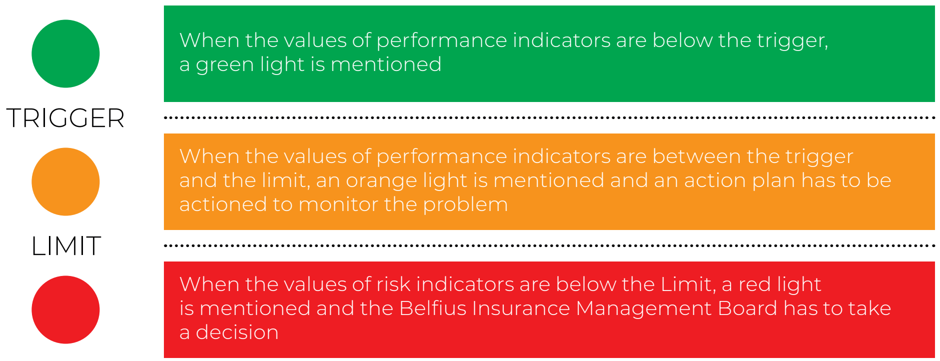
The performance of stress tests within the ORSA process is done annually or when there is a significant change in the risk profile of Belfius Insurance (ad-hoc ORSA). Other internal or regulatory stress tests are performed on request.

This exercise will allow assessing the overall solvency need and the compliance with the capital requirements in extreme situations. It will also help assessing the liquidity needs in such situations and the coverage ratio.

B.3.5.5. Assessing respect of risk appetite limits

Another important aspect of the ORSA relates to the risk appetite which expresses the maximum risk a company is willing to take to reach its business and strategic objectives, given the expectations of and the mandate received from the key stakeholders.

Within Belfius Insurance, a “traffic light” (red, orange, green) approach is adopted for the risk appetite.



The assessment of current and forecast solvency position and the stress testing allows measuring the actual and forecasted solvency position, in normal as well as in stressed situations.

In this step, one can assess the (non) respect of the risk appetite triggers and limits.

This step is key in considering the link between risk profile, approved tolerance limits and overall solvency needs. It allows demonstrating the compliance of future business activities within group and entity risk appetite and limits.

B.3.5.6. Report on the ORSA

The last step of the ORSA process is to produce a reporting on the realised exercise.

The reporting is prepared by Risk and presented to the Management Board, the RUC and the Board of Directors that finally approves it. Finance, Investment and other departments are consulted when necessary.

Once the reporting is approved, it must be transmitted to the senior executives.

B.3.6. Contingency plans

B.3.6.1. Crisis Management (CM)

The purpose of business continuity and crisis management is to build operational resilience in case of occurrence of an adverse event causing a disruption of (some of) its services and operations. Hence, operational resilience embodies the capability to deploy an effective response that:

- quickly contains the impact;
- softens the distress;
- safeguards the interests of its key stakeholders, its reputation and its organisational assets;
- stimulates an open and direct crisis communication;
- enables to resume the very critical business activities within the agreed Recovery Time Objective.

Crisis management is the process by which an organisation deals with a disruptive and unexpected event that threatens the continuity of its operations in terms of handling the crisis and returning to operations.

The Business Continuity Framework:

- outlines Belfius’ business continuity & crisis management;
- determines the general attitude towards business continuity risk;
- defines organisational roles and responsibilities and finally
- ensures adherence to applicable regulations.

Business Continuity & Crisis Management (BC & CM) addresses the following priorities in case of a crisis:

- Staff health & safety;
- Facilities & logistics;
- Maintaining communication with all stakeholders;
- Continuity of very critical business activities;
- Fulfilling regulators obligations; and
- Return to initial service level.

B.3.6.2. Business Continuity Management (BCM)

Business Continuity Management (BCM) is a holistic management process that identifies potential threats to an organisation and the impacts to business operations that those threats, if realised, might cause, and which provides a framework for building organisational resilience with the capability for an effective response that safeguards the interest of its key stakeholders, reputation, brand and value-creating activities.

The Belfius Insurance policy, standards and guidelines are aligned with Belfius Bank. Belfius adopts the terminology, the code of practice and the specifications of the de facto standards on business continuity management as a reference (ISO 22301 standard).

Belfius uses the “Good Practice Guidelines” of the Business Continuity Institute as a guideline and the BC lifecycle as a framework. Belfius also complies with the prevailing regulations (PPB 2005/2, PPB 2004/5, PPB 2006-1-CPA, FSMA_2009_17 and NBB_2015_32).

Business Continuity Management mainly relies on:

- BCM strategies, which comply with the responding legislations and regulations imposed by the regulators;
- A Business Impact Analysis (BIA) which assesses the impact in time of a loss, interruption or disruption of business activities according to multiple criteria. The Recovery Time Objective (RTO) depends on the criticality of the business activity;
- The design of appropriate relocation strategies to provide continuity for its critical Business Activities. The main relocation strategies are based on “Dual Office” and “Remote Work”. A “reverse” BCP has been created, relocating remote workers to the office;
- The implementation by means of a Business Continuity Plan which is a set of procedures, scenarios, call lists and tools and which is automated;
- An exercise and maintenance program, which validates previous elements and gives rise to lessons-learned with the intention to further improve the resilience of Belfius.

Belfius Insurance’s line management reviews the BCM capability and program management at appropriate intervals to ensure its continuing suitability, adequacy and effectiveness.
Given the new way of ‘hybrid’ working, building strongly on remote work in combination with occasional onsite presence, a “reverse” BCP has been created. This plan relocates remote workers to the office in order to provide continuity for the critical Business Activities.

B.4. Internal control system

B.4.1. Description of the internal control system

B.4.1.1. Internal control processes

The internal control system is a process giving reasonable assurance that the organisation’s objectives, the effectiveness and efficiency of operations, the reliability of financial information and compliance with the laws and regulations will reach the desired level.

Like any control system, it is designed to reduce the residual risk to an acceptable level in accordance with Belfius Insurance’s risk appetite.

More precisely, the internal control processes at Belfius Insurance are driven by five main objectives:

- checking the effectiveness of the risk management processes across the entire organisation;
- ensuring the reliability and pertinence of accounting and financial information;
- ensuring compliance of regulations and professional ethics rules, both internally and externally;
- improving the operation of Belfius Insurance whilst ensuring the effective management of existing means; and
- ensuring the operational effectiveness of all the business lines.

B.4.1.2. Governance of the internal control system

In accordance with the instructions of the Board of Directors, the Management Board of Belfius Insurance leads and coordinates the various business lines.

In order to ensure the smooth operation and development of Belfius Insurance, the Management Board is ultimately responsible for the establishment and maintenance of an appropriate internal control system. It defines and coordinates the management policy of Belfius Insurance within the framework of the strategy defined by the Board of Directors. It allocates means and sets deadlines for the implementation of actions decided upon in line with that policy. It checks that the targeted objectives are achieved and that the internal control system meets all the requirements. Finally, it adjusts those requirements on the basis of internal and external developments.

The exercise of internal control involves the three lines of defence:

- business and support functions;
- risk management and compliance departments and the actuarial function; and
- internal audit.

As from 2022, this 3 lines of defence-model has been reinforced by the development of a Permanent Control framework. The latter focuses on testing the effectiveness and quality of internal controls. Permanent Control also verifies, on a risk-based basis, the due implementation of binding conditions as defined during an Approval Process.

B.4.2. Process of assessing risks and controls

A self-assessment on identifying key processes, the risks and the related controls is conducted every year for the various activities of Belfius Insurance. This exercise results into a document, used for the ORSA report, identifying the risks of Belfius Insurance. The Risk Department coordinates, under supervision of the Chief Risk Officer of Belfius Insurance, the exercise. Self-assessments, in which the addressed department is asked to evaluate the major risks applicable to its activities and map the internal controls in order to mitigate these risks, are sent to all departments. The material subsidiaries of Belfius Insurance are included in the assessment.

Hence, the self-assessment evaluates:

- the major inherent risks;
- the controls in place to mitigate these risks; and
- the resulting residual risks.

The results are then challenged by Risk Management and other control functions. The results are furthermore completed with risk attention points and recommendations, which may give rise to action plans.

The Internal Control Report is presented to the Management Board, Risk & Underwriting Committee and the Board of Directors. Key findings of the self-assessments of the subsidiaries are included in the report of Belfius Insurance.

B.4.3. Internal control system at Group level

The internal control environment at Group level is implemented through internal management and organisation structures which integrate controls in all the processes of Belfius Insurance and its main subsidiaries.

The assessment of risks within the framework of internal control, facilitated by the risk management department, follows the same process as described above.

The results of the assessment of the subsidiaries are, as part of the report of Belfius Insurance, presented to the Management Board, Risk & Underwriting Committee and the Board of Directors. This process is applied to Belfius Insurance and its main subsidiaries (Elantis, Jane and Jaimy). Corona Direct performs a stand-alone assessment which is presented to its Management Board and the Risk & Underwriting Committee.

B.4.4. Compliance

The compliance function is organised in accordance with the compliance policy of the Belfius Group (compliance charter and integrity policy) with the objective of preventing and controlling compliance risks as a result of non-observance of the laws, regulations and internal rules.

Belfius Insurance has a centralised compliance function aimed at preventing money laundering operations and financing of terrorism, advising management and the business on the risks within the fields of activity of the compliance function, coordinating training initiatives and maintaining and raising awareness within the fields of compliance, checking the effectiveness and respect of procedures and strategic lines within those fields and reporting on the activities and risks of those fields. The compliance function also ensures that compliance risks are covered by adequate first line controls. The compliance function may also call on compliance correspondents in various important departments.

The company remains vigilant vis-à-vis risks with regard to money laundering and the financing of terrorism. In 2021, the action plan AML5 has been executed and the overall monitoring plan has been extended in order to produce a comprehensive view on risks and action plans. The subsidiaries have pursued their implementation of compliance procedures (training, policies, and monitoring program). The new branch audit methodology has been implemented and reviewed. A risk assessment has been carried out by compliance. Additional product governance tools were implemented as a part of the implementation of the so called "IDD"-guideline (training, IT tool for assessment, reporting template). A monitoring plan was drawn up and executed for the respect of the regulation on supplementary pensions. The completion of the mystery-shopping project resulted in an action plan which is currently being executed. Lastly the "Branch Audit DVV"-team has assessed and fine-tuned the methodology for the risk scoring of DVV- agencies.

In addition to the more traditional task of advising management, and the technical and commercial departments, the compliance function continues to develop the activity of monitoring and is a first point of contact for the regulators regarding the different compliance matters.

B.5. Internal Audit Function

B.5.1. Task

As defined by the IIA Standards, internal auditing is "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes". Its mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

The internal audit activity evaluates, based on a risk-based approach and throughout its different audit assignments, risk exposures relating to the organisation's governance, operations, and information systems regarding:

- the achievement of the organisation's strategic objectives;
- the reliability and integrity of financial and operational information;
- the effectiveness and efficiency of operations and programs;
- the safeguarding of assets;
- the compliance with laws, regulations, policies, procedures, and contracts.

The purpose, authority and responsibility of the internal audit activity have been formally defined in a common Belfius internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing). This charter has been approved by the Audit Committee on 11 February 2022.

B.5.2. Organisation and independence

The independence of the internal audit function is guaranteed by the fact that the Chief Audit Executive reports administratively to the CFO of Belfius Insurance and functionally to the chairperson of the Audit Committee. A functional link is also defined with the Belfius Bank Chief Audit Executive. A declaration confirming the internal audit independence is made to the Audit Committee each year.

A dedicated internal audit methodology has been defined. It aims at explaining the overall organisation and the processes required to perform its tasks, which are summarised hereunder.

To organise efficiently the internal audit activities, an exhaustive mapping – the audit universe – of all processes embedded within Belfius Insurance and its subsidiaries has been defined. Each year, the different risks are identified and assessed. Based on the score obtained, the internal audit function defines the coverage frequency as validated in 2017 by the Audit Committee. The processes with a high or very high score are covered once every three years. The others with a Medium, Low or Very Low score are covered once every five years.

Based on the risks identified and the back testing exercise (i.e. check to ensure all processes are correctly covered in due time), an audit plan and a resource plan for at least the five coming years are defined. The resource plan aims at evaluating the adequacy of the resources in terms of expertise and quantity required.

B.6. Actuarial function

The task of the Actuarial Function is to provide independent assurance to the Board of Directors and the Management Board on actuarial matters related to Solvency II.

In line with the provisions of Article 59 of the Act of 13.03.2016 and section 5.3 of circular NBB_2016_31 as updated from time to time, the Actuarial Function is charged with the following tasks[(1)]:

- tasks related to the technical provisions:
  - coordinating the technical provisions set out in the Solvency II balance sheet;
  - tasks related to the calculation of the technical provisions in the BGAAP balance sheet;
- opinion regarding the appropriateness of the underwriting policy applied within Belfius Insurance (also taking into account the impact of sustainability risks);
- opinion regarding the appropriateness of the reinsurance program;
- opinion on the profit sharing including some certifications on this topic;
- contribution to the risk management system and more specifically the assessment of the continuous Solvency II compliance of the technical provisions in the ORSA-process.

The scope of the Actuarial Function contains Belfius Insurance, Corona and Belfius Insurance Consolidated.

(1) Only those tasks that are relevant for Belfius Insurance are mentioned. More details on these tasks can be found in the Actuarial Function Charter and in chapter 5.3 of the NBB-circular NBB_2016_31 (which has been updated from time to time).

B.7. Outsourcing

Belfius Insurance calls on various external partners for certain, primarily technical, IT activities (PI2) for the management of the IT infrastructure, Hexaware for certain developments, and other external suppliers (a.o. Keylane for a software of Non-Life management and Europ Assistance for assistance platform). This cooperation is monitored continuously, and action plans are defined and implemented to tackle any points requiring further attention. The efforts will in the future be continued with a view to ongoing improvement.

The roles and responsibilities of each party are described in the various agreements concerning discretionary management and the service for financial management of the insurance portfolios of Belfius Insurance and its subsidiaries.

The final decision for the management of financial instruments lies with the ALCo. The instructions of the ALCo are to be carried out by Candriam and are monitored closely by the ALCo.

B.8. Any other information

There is no other relevant governance information than what is already mentioned above.

C. Risk profile

The risks at Belfius Insurance are set out in a Risk Taxonomy of which the major risk categories are the following:

FINANCIAL RISKS
Credit Risk
Structural Market and ALM Risk

INSURANCE RISKS
Life Underwriting Risk
Non-Life Underwriting Risk
Health Underwriting Risk

OPERATIONAL RISKS
Information Security
Data Privacy
Fraud Risk
Outsourcing Risk
Employment Practices (HR) & Workplace Safety, Damage to Assets & Public Safety

OTHER RISKS
Execution, Delivery and Process Management
Business & Strategic Risks
Reputation Risk
Model Risk
External Risk
Legal & Compliance Risk
Conglomerate Risk/Group risk

Sustainability risks are an integral part of the context in which Belfius Insurance operates today and can influence all risks Belfius Insurance is exposed to. Therefore sustainability risks are identified for all above mapped risks and taken into account in the management of these risks.

Climate risk has been in the top 5 risks of the ORSA since 2019. In the meantime, sustainability has become an integral part of the Belfius Insurance corporate strategy; to highlight its importance. An ESG manager, directly reporting to the CEO, has been assigned to coordinate the implementation of the sustainability strategy and ensure related regulatory requirements are met.

The concept of climate risk has been extended to sustainability risks. The main priority in sustainability risk management however remains on climate risks as these have higher potential impacts on insurers. However, the assessment of the governance and social risk have been improved.

In order to manage ESG/sustainability risks, an ESG risk roadmap has been designed and planned globally over 3 years.

The implementation of the ESG risk roadmap requires embedding ESG risks in the business decision process, needing the creation of awareness in the first line and a close cooperation with the first line. Since Belfius Insurance is part of the Belfius Group, we align ourselves with the group approach and collaborate on common topics, thus benefiting from more efficient and consistent solutions.

The implementation of the ESG risk roadmap has started in 2021 and continued in 2022.

- A climate risk map has been established in 2021, which determined most material risks. Based on this risk map, a first scenario Stress Test was designed in 2021. The climate stress test storyline and calibration proposed by several European supervisors have been closely analysed, with the aim to improve our internal climate Stress Test.
- The dimension "Sustainability" was included in most Risk Management methods in 2021.
  - Risk Taxonomy; Risk Charter; Investment Risk framework, Real Estate Risk Framework; RiCap; (Product) approval process; RCSA.
  - This inclusion continues to be improved gradually where needed and completed: inclusion in minimum standards on underwriting.
- The section dedicated to sustainability in ORSA was improved and enlarged in 2022: the focus on climate risk was extended to sustainability risk, meaning the inclusion of a section on Governance and Social aspects.
- In 2022, 3 categories of risks are considered in the risk appetite policy:
  - ESG Regulatory requirements: risk of not respecting (ESG) regulatory requirements in due time";
  - ESG Strategy: risk that ambitions related to sustainability deemed insufficient (by clients & other major stakeholders) or not reached timely;
  - Resilience Risk: risk that profitability & solvency are materially affected by ESG events.

- For the first two categories, the risk level is assessed on a quarterly basis. Assessment is done by the risk management function in collaboration with the sustainability manager of Belfius Insurance.
- For the third risk category (resilience), on physical risk, the existing indicator relates to the risk mitigation from the reinsurance program on Nat Cat events impact.
- Several Sustainability risk indicators have been defined and monitored in 2022: sustainability regulatory risk and sustainability strategy risk. They will be included in the Quarterly Risk reports in 2023.
- A materiality assessment of the balance sheet of Belfius Insurance was started to assess the risk for all asset and liabilities. The aim is to assess on high level basis, the level of sustainability risk systematically for all categories of assets, liabilities and operations. This will help us to determine where additional qualitative or quantitative analysis or further mitigation measures are needed.
- Energy performance information on assets linked to real estate properties continues to be collected (for both direct investment in Belgian real estate and mortgage loans) as a first step to measure transition risks for these kinds of positions. In collaboration with Belfius Bank a climate risk materiality assessment model of the mortgage loan portfolios was launched in order to assess the exposure to physical and transition risk.
- An analysis of the flood risk of the Belfius Insurance's portfolio was performed. The analysis showed that the large majority of Belfius Insurance's Home contracts has a low risk of flood. Recommendations were given to the first line to ensure long term monitoring of flood risks and premiums.
- An analysis of subsidence risk has been done in 2022 and models were designed to estimate the necessary provisions to face related claims.
- ESG related criteria based on EPC scores were added in the acceptance criteria and pricing of mortgages.
- The process for the monitoring of the TAP (transition acceleration policy) on financial assets was finalised and the effective monitoring was prepared (to be finalised early 2023).

The following paragraphs deal in detail with the various risks which Belfius Insurance runs.

C.1. Underwriting risk

For a description of the underwriting risks of Belfius Insurance please refer to the annual report published on https://www.belfius.be/about-us/en/investors/results-reports/reports

C.2. Market risk

For a description of the market risks of Belfius Insurance please refer to the annual report published on https://www.belfius.be/about-us/en/investors/results-reports/reports

C.3. Credit risk

For a description of the credit risks of Belfius Insurance please refer to the annual report published on https://www.belfius.be/about-us/en/investors/results-reports/reports

C.4. Liquidity risk

For a description of the liquidity risks of Belfius Insurance please refer to the annual report published on https://www.belfius.be/about-us/en/investors/results-reports/reports

C.5. Operational risk

For a description of the operational risks of Belfius Insurance please refer to the annual report published on https://www.belfius.be/about-us/en/investors/results-reports/reports

C.6. Other material risks

For a description of the other material risks of Belfius Insurance please refer to the annual report published on https://www.belfius.be/about-us/en/investors/results-reports/reports

C.7. Any other information

None

D. Valuations for solvency purposes

D.1. Assets

D.1.1. Description of the bases, methods and main assumptions

The Solvency II regulation starts from a Market Value Balance Sheet (MVBS), therefore all assets and liabilities on the balance sheet are valued at ‘fair value’. The Solvency II directive defines the fair value for assets as the amount for which they could be exchanged between knowledgeable willing parties in an arm’s length transaction.

Belfius Insurance applies the valuation hierarchy as defined in Solvency II Delegated regulation.

Level 1

If the market is active – meaning that reliable bid-offer prices are available representing effective transactions for meaningful amounts concluded on an arm’s length basis between willing counterparties – these market prices provide for reliable evidence of fair value and are therefore used for fair value measurement (f.e. quoted shares, high liquid bonds, etc.).

Level 2 & Level 3

Financial instruments, for which no quoted market prices in active markets are available, are valued by means of valuation techniques. The determination whether or not there is an active market is based on criteria such as volume, bid- offer spread and the number of price/spread contributions. The models that Belfius uses range from standard models available in the market to in-house developed valuation models. Availability of some observable market prices and model inputs reduces the need for management judgement and estimation and the uncertainty associated with the determination of fair values. These availabilities vary depending on the products and markets and are subject to changes based on specific events and general conditions in the financial markets.

Belfius requires that two conditions are met for inclusion in level 2:

- the model must have either passed a successful validation by the Validation department of Belfius Bank or comply with the price reconciliation process run by the Market Risk department of Belfius Bank that has been installed to test the reliability of valuations;
- the data that Belfius incorporates in its valuation models are either directly observable data (prices) or indirectly observable data (spreads).

The table on the next page summarises the fair value hierarchy for the most important asset classes:

D.1.2. Differences in valuation for Solvency purposes and financial reporting

For Solvency purposes all assets are valued at fair value while for financial reporting purposes the valuation rules of IFRS are applied. The most important difference between Solvency II and IFRS relates to the measurement of fixed income securities.

The classification and measurement of financial assets under IFRS 9 is based on both the business model for managing the financial assets and the characteristics of the financial assets’ contractual cash flows. The debt securities of Belfius Insurance are managed according to their ALM policies and guidelines, therefore a large part of this portfolio is defined as “held to collect”. As most of the debt securities held by Belfius Insurance also meet the SPPI (solely payments of principal and interest) test, those bonds are measured at amortised cost following IFRS 9.

Asset class

	Mio EUR	% of total
LEVEL 1 TOTAL	**10,894**	**60.8%**
Participations	202	1.1%
Equities - listed	375	2.1%
Government Bonds	4,544	25.4%
Corporate Bonds	1,435	8.0%
Structured notes		0.0%
Investment funds	368	2.1%
Assets held for index-linked and unit-linked funds	3,970	22.1%
LEVEL 2 TOTAL	**454**	**2.5%**
Government Bonds	11	0.1%
Corporate Bonds	199	1.1%
Structured notes	56	0.3%
Collateralised securities	5	0.0%
Loans & mortgages to individuals	11	0.1%
Other loans & mortgages	171	1.0%
LEVEL 3	**6,576**	**36.7%**
Property, plant & equipement held for own use	775	0.0%
Property (other than for own use)	719	4.0%
Participations	245	1.4%
Equities - unlisted	117	0.7%
Government Bonds	550	3.1%
Corporate Bonds	295	1.6%
Structured notes		0.0%
Collateralised securities		0.0%
Investment funds	503	2.8%
Derivatives	17	0.1%
Deposits other than cash equivalents	14	0.1%
Loans on policies	93	0.5%
Loans & mortgages to individuals	3,631	20.3%
Other loans & mortgages	389	2.2%
TOTAL	17,923	100.0%

D.2. Technical provisions

D.2.1. Best Estimate and Risk margin

As required by the Solvency II directive the technical provisions are equal to the sum of a best estimate and a risk margin. This amount corresponds to the current amount an insurance undertaking would have to pay if it would transfer its insurance and reinsurance obligations immediately to another insurance undertaking.

The actuarial methods used to calculate the best estimate and risk margin are different for Life and Non-Life insurance activities. Therefore the insurance obligations are divided into homogenous risk groups to perform the best estimate calculations.

For each homogeneous risk group the future cash in and out flows required to settle the insurance obligations over the lifetime thereof are projected and discounted using the relevant risk-free interest rate term structure provided by EIOPA. Belfius Insurance uses the risk-free interest rate including a volatility adjustment, except for its unit linked business.

The best estimate and risk margins for Non-Life, Health, Life and Unit Linked can be found in the quantitative reporting template S.02.01.

D.2.1.1. Best Estimate Non-Life

The best estimate for Non-Life insurance activities consists of two parts, the claims best estimate and the premium best estimate.

The claims best estimate is based on cash flow projections that relate to claims having occurred before or at the valuation date – whether the claims arising from these events have been reported or not:

- cash inflows: payments for salvage and subrogation;
- cash out flows: claims payments and claims handing expenses.

The expected claims payments are obtained from the ultimate loss per accident year estimated from the triangles of provision and payments constructed based on the Chain Ladder method. The triangles are constructed based on the last 16 years of history. If for certain products the history available is insufficient the accounting provisions are used as best estimate.

The premium best estimate relates to future claims, premiums and costs related to the contracts in force. Belfius Insurance uses the simplified method of calculation indicated by the EIOPA. This method is founded on an estimate of the ultimate (net) combined ratio discounted per activity line.

Note that the premium best estimate also includes contracts with tacit renewal for which cancelation notification date (typically 3 months before the end date of the contract) is passed.

D.2.1.2. Best Estimate Life

The best estimates of Life insurance liabilities may be broken down into two sub-components:

- the best estimate of the value of fixed cash flows;
- the best estimate of variable cash flows.

The best estimate of fixed cash flows corresponds to the current value of insurance cash flows calculated based on a central economic scenario. These cash flows are modelled in the liabilities cash flow model and depend on biometric, commercial and regulatory assumptions.

The main components of fixed cash flows are:

- Cash in flows:
  - premiums;
  - contractual premium renewals.
- Cash out flows:
  - benefit payments;
  - operational expenses;
  - other cash flows (e.g. levies).

The best estimate of variable cash flows corresponds to the difference between the current value of insurance cash flows calculated based on a set of stochastic scenarios and those calculated based on the central scenario. These cash flows are modelled in the ALM model and depend partially on fixed cash flows.

The main components of variable cash flows are:

- the evolution of funds for financing classic group insurance products;
- the financial costs and variable commissions;
- profit sharing cash flows;
- the adjusted market value of the redemption penalty.

Belfius Insurance uses the Prophet software for modelling liabilities cash flows and ALM modelling. Prophet, which is software using generally accepted actuarial methods, is specifically designed for modelling insurance portfolios, commencing with liabilities and their interaction with the assets on which they rely, while allowing the discretionary management of items such as reinvestment and allocation of profit-sharing.

All cash flow projections take into account the contract boundary definition as specified in the Solvency II regulation.

D.2.1.3. Non-Economic assumptions

In order to project the future cash flows a number of projection assumptions are required.

Belfius Insurance reassesses the non-economic assumptions at least once a year, based on the most recent data and the annual backtesting. The results of the reassessment are presented to the Model Steering Group which can propose to the Management Board to revise the assumptions or not.

Assumptions of mortality

For assumptions of mortality, Belfius Insurance uses appropriate (prospective) experience tables (Assuralia or Statbel or FPB). Coefficients are applied by product group on the mortality rates of these tables in order to take account of the mortality observed on the specific product group of Belfius Insurance.

Assumptions on redemptions

Assumptions on redemptions are calculated according to the type of insurance product and the age or remaining age of the insurance policy.

A history of five years is retained. For products for which available data are insufficient, a redemption rate for a similar product is used.

Assumptions are challenged by the head of the activity line, the actuarial function and the risk management department prior to being presented to the Model Steering Group which challenges them in its turn. So redemption rates may be adjusted if necessary in the light of expert judgements.

Assumptions on costs

Assumptions on costs are determined by the activity line in relation to information emanating from the Management Control department. Costs are broken down into:

- costs relating to acquisitions;
- administrative costs;
- claims management costs;
- financial costs.

An inflation rate is applied year-on-year on cash flows associated with costs (excluding financial costs). Business plan inflation assumptions are used. For Non-Life the inflation hypotheses were determined by the strategic research team end of the year.

D.2.1.4. Economic assumptions

Belfius Insurance uses risk neutral economic scenarios for the valuation of its Life insurance liabilities. The economic scenarios used in stochastic projections are generated by the Moody's Analytics Economic Scenario Generator (ESG) tool. The outputs from the ESG tool feed the ALM model for stochastic valuation of the portfolios.

D.2.1.5. Future management actions

In line with the prudence principle, management actions shall not result in any decrease of the contractual and tariff commitments when calculating the best estimate.

Three future management actions are implemented in best estimate calculations and are submitted to the Management Board and Board of Directors of Belfius Insurance:

Future discretionary profit sharing allocation

Those discretionary amounts are defined in line with the latest validated profit sharing policy and will increase the existing contractual liabilities reflecting additional benefits on top of the tariff commitment.

Strategic asset allocation

The value of discretionary profit sharing as included in the best estimate of Life insurance liabilities is influenced by the reinvestment assumption taken in line with the Strategic Asset Allocation.

Reinsurance renewal

Reinsurance w.r.t. life coverage has changed in the last year, but the last validated reinsurance program is implemented in the models and thus is projected in the future. This will have an impact on the future reinsurance cost in the best estimate whereas it is assumed, in line with the prudence principle, that there will be no reinsurance intervention in future claims (i.e. gross calculation).

There is no future management action w.r.t. Non-Life best estimate claims where the reinsurance program in place at the date of occurrence will apply.

It is assumed that expected claims from Non-Life best estimate premiums will be subject to the last validated reinsurance program.

D.3. Other liabilities

For most liabilities the valuations used in the IFRS financial statements are considered to be consistent with the valuation rules prescribed in the Solvency II legislation. However for some categories some specific revaluations are done:

Provisions other than technical provisions

Under Solvency II an additional provision is constituted by virtue of elements not fully covered by the best estimate valuation model.

Deferred taxes

Deferred taxes are calculated on all temporary valuation differences between the Solvency II balance sheet and the tax balance sheet. Deferred tax assets and liabilities are offset against each other and the net deferred tax position is included in the market value balance sheet in accordance with the rules defined by the NBB_2022 27 circular.

Subordinated Liabilities

The fair value of the subordinated debt issued by Belfius Insurance does not take into account the change in own credit standing of Belfius Insurance after initial recognition.

D.4. Alternative methods for valuation

In line with Solvency II guidance and philosophy, the alternative valuation methods are used for sufficiently material items for which no reliable market price is available. The assets and liabilities for which the alternative valuation methods apply are identified in section D1. For other asset classes, IFRS valuation is sufficiently close to any value that would be obtained using an elaborate alternative valuation method in which case IFRS valuation is considered an acceptable proxy.

Policies and processes are in place to ensure assets and liabilities subject to models are valued in line with Solvency II:

D.4.1. Liabilities

Different policies in place give assurance on the models and the resulting valuation: model governance policy, model validation policy, actuarial function charter, reserving policy.

Several controls and reviews are performed at each quarterly and yearly closing dates:

- First line control on liabilities including data quality;
- Second line control by Risk and Actuarial Function;
- Life and Non-Life steering meetings;
- Reserving committee;
- External auditor.

Through the year, a strong model governance is respected including different phases: modelling, UAT and validation.

D.4.2. Unquoted assets

Depending on the asset type, the following approaches apply:

- Non basic funds (incl. convertible loans): prices are based on a model developed by Risk Belfius Bank that has been subject to a validation process. The monthly upload is done by Accounting in GPMS after consistency checks whereas Investment performs additional controls on the position of non-basic funds;
- Illiquid funds, private equities and participations: the net asset value (NAV) provided by Asset Managers is challenged by Investment and Risk Belfius Insurance during the Participation Forum & Fair Value committee;
- Mortgages: a model has been developed by Risk Belfius Insurance and validated by the Actuarial Function. Finance Actuary performs a quarterly valuation of mortgages with updated assumptions. The values are challenged and reviewed by the second line of defence. within Belfius Insurance;
- Buildings: their value is managed and updated at least yearly by Investment. There is a challenge by the Real Estate Steering Group;
- Derivatives: a model has been developed by Risk Belfius Bank that has been subject to a validation process. The market evolution and related margin calls are challenged by Investment.

D.5. Any other information

Nothing to report.

E. Capital management

E.1. Own funds

Managing capital is the ongoing process of determining and maintaining the quantity and quality of capital that is appropriate for Belfius Insurance Group. So the objective of capital management is to ensure the constant adequacy and optimal allocation of available capital. In view of all the market developments potentially harmful to the company, it is essential when calculating the own funds which the company must have in order to cover its risks, to have an excellent knowledge of the nature and extent of those risks.

Capital management is a vital element of healthy and appropriate management. It takes account of the validated risk appetite and the operational risk limits arising therefrom.

Within this framework, Belfius Insurance Group regularly assesses its exposure to risk and identifies the capital requirements corresponding to that exposure.

It also assesses the level of capital available to cover regulatory capital requirements. Belfius Insurance Group ensures that capital tiering meets the conditions of admissibility defined by Solvency II. Belfius Insurance policy regarding capital has defined the lines of conduct necessary to frame the effective monitoring and classification of capital elements.

Moreover, by means of specific procedures Belfius Insurance Group makes periodic checks of the Solvency II ratio and the capital established, within the framework of the risk management system. The Management Board and the Board of Directors are informed at least every three months of the solvency position and its evolution.

Furthermore, Belfius Insurance Group performs stress tests, for which it submits certain specific market parameters to shocks. It should show from these tests that available capital is sufficient to resist such shocks. For each of the shocks applied in 2022, the solvency ratio after the shock proved to be higher than the internal risk appetite limit approved by the Board of Directors.

A prospective view is taken of the capital needs based on the strategic planning exercise, taking into account the Belfius Insurance Group risk appetite targets.

As part of capital management, within the ORSA forward looking exercise, Belfius Insurance Group performs annual solvency projections and reviews the expected structure of own funds and future requirements. This helps to focus on actions for future funding, should that requirement show from the projection, which is referred to as the capital planning.

The business plan (reflecting the activities which Belfius Insurance Group intends to carry on over the next years, the products it wishes to offer and likewise the tariffs at which such products will be placed on the market) forms the base of the projection of funding requirements.

The capital planning report highlights key outputs of the capital planning exercise, with the purpose of challenging the feasibility of the business plan with respect to solvency limits, foreseeing the impact of the company strategic orientation on its main economic figures and its solvency. As a consequence, the potential future issuance of new own fund items to maintain a strong solvency and their tiering are part of the medium term capital planning exercise.

Considering the conclusion of this capital planning exercise, where the projected evolution of the own funds is sufficient to face the expected solvency requirements in line with the current business plan ambitions, Belfius Insurance does not need to issue additional new own fund items in the short or medium term to realise these strategic ambitions.

But if the solvency ratio expected in a given scenario should be revealed to be lower than the level accepted by the Board of Directors, Belfius Insurance Group would develop an action plan to control this capital risk. The actions likely to be decided in order to control the risk related to the capital may consist on one hand of a reduction of the required capital (and therefore, the underlying risks) and on the other hand, of a reinforcement of the capital base.

The objectives of capital and risk management are closely linked to the dividend policy, which takes account of the wishes of shareholders, management and the supervisory authority whilst offering good protection to our customers. Our internal objective for the solvency ratio is to have sufficient but no excessive capital, enabling us to respect our risk appetite and the requirements of all stakeholders. This optimal ratio should allow us to make the best use of capital to serve a profitable growth scenario. Belfius Insurance Group has, in the current market circumstances and under current regulations, defined a minimum operational Solvency II ratio of 160%, on solo and consolidated levels.

Given the comfortable level of our own funds, the Board of Directors of Belfius Insurance proposed to the General Assembly to pay a dividend over FY 2022 equal to EUR 125.9 million and to maintain the remaining of the profit to be allocated in retained earnings. The Solvency II-ratio of Belfius Insurance stood at 205% at the end of December 2022, after dividend we end at 193%.

E.1.1. Capital structure and quality

Belfius Insurance Group assesses the classification of its capital elements in accordance with the structure defined in the “Tiering” classification of Solvency II. The characteristics of the entirety of the capital elements determining that classification are examined in order to know if they may be considered elements of available capital, and to identify the “Tier” into which they fall. The calculation of capital taken into consideration within the framework of minimum capital requirements (MCR) and solvency capital requirements (SCR) takes account of the criteria and limits imposed by the law (eligibility).

The regulatory own funds after foreseeable dividend of Belfius Insurance amounted to EUR 2,043 million at the end of December 2022. It is composed for 79% of the highest quality capital Tier 1. Tier 2 capital equals EUR 336 million and consists mainly of two subordinated loans granted by Belfius Bank and the Tier 3 capital relates to a deferred tax asset of EUR 92 million.

Compared to December 2021, the regulatory own funds of Belfius Insurance have decreased by EUR 271 million, after a foreseeable dividend of EUR 125.9 million, mainly due to the high inflation and the poor performance of the equity markets in 2022 which was partially offset by the increase of rates and several management actions.

The table below presents the capital taken into account, classified by Tier:

Belfius Insurance Consolidated

(in millions of EUR)	Unrestricted Tier 1	Restricted Tier 1	Tier 2	Tier 3	Total
Elements of basic own funds	1,444	171	325	92	2,032
Capital in paid-up ordinary shares	557	-	-	-	557
Reconciliation reserve	852	-	-	-	852
Surplus Funds	36	-	-	-	36
Subordinated liabilities	-	171	325	-	495
Net deferred tax assets	-	-	-	92	92
Elements deducted from own funds	0	0	0	0	0
Elements of ancillary own funds	-	-	11	0	11
Capital in non-paid-up ordinary shares	-	-	11	0	11
MCR eligible own funds	1,444	171	97	0	1,712
SCR ELIGIBLE OWN FUNDS	**1,444**	**171**	**336**	**92**	**2,043**
SCR					1,060
MCR					486
SR AFTER DIVIDEND					**193%**

Belfius Insurance Group has unrestricted Tier 1 capital, restricted Tier 1 capital, Tier 2, Tier 2 ancillary own funds and Tier 3 capital. As 2022 ended with a deferred tax asset in the balance sheet established in accordance with Solvency II standards, a deferred tax receivable may be used as Tier 3 capital.

- Unrestricted Tier 1 capital of EUR 1,444 million EUR consists of fully paid-up ordinary share capital, surplus funds and the reconciliation reserve.
  Belfius Insurance has a single majority shareholder (Belfius Bank SA, 99.9%). The ordinary share capital is EUR 567.4 million, of which EUR 556.5 million is paid up. It is not subordinated and its term is indefinite. Belfius Insurance has issued no preferential shares and no share premium account.
  The surplus funds for an amount of EUR 36 million represent the Fund for future allocations of Belfius Insurance and Corona.
  The reconciliation reserve corresponds to the positive difference between assets and liabilities valued in accordance with the Solvency II Directive, reduced by ordinary paid-up capital, surplus funds, Deferred Tax assets and foreseen dividends.
  The table on the right is an analysis of the evolution of the unrestricted Tier 1 elements:

- Restricted Tier 1 capital consists of a perpetual subordinated loan with a nominal amount of EUR 170 million entirely issued before 18 January 2015 which, by virtue of a transitional measure, is considered for ten years as core Tier 1 capital. Belfius Insurance has no intention of redeeming this loan before the end of the transition period.

- Two subordinated loans show characteristics which allow them to be qualified as elements of core Tier 2 capital. The market value of these liabilities was calculated in accordance with the Solvency II regulations:
  - The first has a nominal value of EUR 250 million, a fixed interest rate and a term of ten years;
  - The second is a subordinated loan for a nominal amount of EUR 100 million, with a variable interest rate, a term of 10.25 years and a first call date after 10 years.

- The ordinary non-paid-up and non-called share capital, which may be called on request for an amount of EUR 10.9 million, has the characteristics which allow it to be qualified as ancillary Tier 2 capital of the Belfius Insurance Group. The NBB approved the request in relation to this ancillary asset component not shown in the balance sheet. The use of this element is subject to quantitative restrictions; the component may not be used to cover the MCR.

- As Belfius Insurance has no participation in financial organisations or credit institutions with a holding of more than 10% of the ordinary paid-up share capital and the reconciliation reserve, no deduction has to be applied.
  Belfius Insurance only has a single holding in another insurance company, namely a 100% holding in Corona Direct for a BGAAP book value of EUR 17.7 million. After consolidation, they form the Belfius Insurance Group to which this SFCR refers. In addition to

Changes during book year 2022

(in millions of EUR)	Unrestricted Tier 1
UNRESTRICTED TIER 1 END OF 2021	**1,699**
Constituted by:	
The positive excess of assets over liabilities	1,909
DFT Asset	(80)
Forseeable dividends	(130)
In other words:	
Ordinary paid-up share capital	557
Surplus funds	68
Reconciliation reserve	1,074
CAPITAL INCREASES DURING THE PERIOD	**0**
CHANGES IN SURPLUS FUNDS	**(32)**
CHANGES IN THE RECONCILIATION RESERVE	**(223)**
Changes in the IFRS equity Belfius Insurance group	(315)
Changes in the value of assets Solvency II	(1,779)
Changes in the value of technical provisions Solvency II	1,871
Changes in the value of reinsurance Solvency II	2
Change in the value of subordinated loans Solvency II	30
Difference in the level of forseeable dividends	4
Other changes in Solvency II	76
Delta deferred taxes on SII adjustments	(112)
UNRESTRICTED TIER 1 END OF 2022	**1,444**
Constituted by:	
The positive excess assets over liabilities	1,662
DFT Asset	(92)
Forseeable dividends	(126)
In other words:	
Ordinary paid-up share capital	557
Surplus funds	36
Reconciliation reserve	852

their share capital, the subsidiaries of Belfius Insurance Group have not issued any capital element.

There are no significant restrictions affecting the availability and transferability of own funds.

E.1.2. Reconciliation between the net asset value under Solvency II and IFRS capital

The table below presents the reconciliation between capital included in the IFRS annual consolidated financial statements of Belfius for end of December 2022 and the net asset value (equal to the difference between assets and liabilities) as calculated under Solvency II:

Belfius Insurance consolidated

(in millions of EUR)	
Ordinary paid-up share capital	557
Legal reserve	57
Non-available reserves	0
Available reserves	71
Profit/loss carried forward	1,017
Profit of the year	210
Latent or deferred gains and losses not recognised in P&L	(197)
Shadow accounting and Shadow loss	(1)
Remeasurement Pension Plans	14
Deferred taxes on IFRS Equity adjustments	66
Non-controlling interests	34
IFRS EQUITY BELFIUS INSURANCE GROUP	1,827
Solvency II adjustments	
Adjustment of the asset valuation	(706)
Adjustment of the intangible asset valuation	(63)
Adjustment of the subordinated loan valuation	27
Adjustment of the valuation of technical provisions	478
Adjustment of the reinsurance valuation	(24)
Scope and other changes (including minorities)	147
Deferred taxes on previous Solvency II adjustments	(24)
THE POSITIVE EXCESS OF ASSETS OVER LIABILITIES AS CALCULATED FOR SOLVENCY PURPOSE	1,662

The difference between the IFRS consolidated capital and the net asset value (difference between assets and liabilities) calculated under Solvency II is explained to a large extent by the fact

- that all assets falling under Solvency II are valued at market value, whilst the valuation under IFRS depends on the classification [IFRS9 Business model] of the financial instruments; and
- that the technical provisions are also stated at market (-consistent) value in the Solvency II balance sheet.

For more detailed information on this subject, please refer to Chapter D - Valuations for solvency purposes.

E.1.3. Available Financial Resources (AFR)

The table below presents an overview of the eligible own funds to cover the Solvency II requirements

Belfius Insurance consolidated

(in millions of EUR)	31/12/2021	31/12/2022
AVAILABLE FINANCIAL RESOURCES BEFORE FORESEEABLE DIVIDEND	2,444	2,169
Tier 1	1,830	1,570
IFRS Equity	2,174	1,827
Valuation difference (after tax)	(344)	(257)
Restricted Tier 1	170	171
Tier 2	364	336
Subordinated debt	353	325
Others	11	11
Tier 3	80	92
DTA	80	92
AVAILABLE FINANCIAL RESOURCES AFTER FORESEEABLE DIVIDEND	2,314	2,043
AFR before foreseeable dividend	2,444	2,169
Foreseeable dividend	130	126

At the end of 2022, the Solvency II consolidated available capital (AFR) was EUR 2,043 million, after dividend distribution. It is composed, up to 79 %, of first class capital, Tier 1 capital.

Tier 2 capital equals EUR 336 million and consists mainly of two subordinated loans granted by Belfius Bank and the Tier 3 capital relates to a deferred tax asset of EUR 92 million.

Compared to December 2021, the regulatory own funds of Belfius Insurance have decreased by EUR 271 million, after a foreseeable dividend of EUR 125.9 million, mainly due to the high inflation and the poor performance of the equity markets in 2022 which was partially offset by the increase of rates and several management actions.

As part of capital management, within the ORSA forward looking exercise, Belfius Insurance Group performs annual solvency projections and reviews the expected structure of own funds and future requirements. In the capital planning exercise, where the projected evolution of the own funds is sufficient to face the expected solvency requirements in line with the business plan ambitions, the Available Financial Resources (AFR) still increase after payment of dividends.

E.2. Solvency Capital Requirement and Minimum Capital Requirement

E.2.1. Required solvency capital

The Solvency II Capital Requirement (SCR) is calculated based on the consolidated asset and liability portfolio of Belfius Insurance, Corona and those investment entities that are fully consolidated for Solvency II purposes.

The SCR for Belfius Insurance is determined using the "Standard Formula" as defined in the Solvency II regulation, taking into account a volatility adjustment and making use of the transitional measure for equities and it includes the application of the restriction on the use of Loss Absorbing Capacity of Deferred Taxes as prescribed by the NBB.

The table below presents an overview of the required capital:

(in millions of EUR)	31/12/2021	31/12/2022
SOLVENCY CAPITAL REQUIREMENT	1,219	1,060
Market risk	907	738
Credit Risk	172	111
Insurance Risk	751	946
Operational Risk	92	80
Diversification	(560)	(596)
Loss absorbing capacity of technical provisions and deferred taxes	(143)	(218)

Belfius Insurance's SCR amounted to EUR 1,060 million at the end of December 2022, a decrease of EUR 159 million compared to the end of 2021.

Market risk dropped given the poor performance of the equity markets, but remains the main contributor to the required capital due to spread and equity risk.

The SCR linked to interest rate risk is rather limited thanks to ALM management, targeting a limited global duration mismatch between assets and liabilities.

The Insurance risk increased during the year 2022 mainly due to the high inflation and cost assumption review.

The Belfius Insurance consolidated Minimum Capital Requirement (MCR) amounts to EUR 486 million as at end of December 2022, which is the sum of the MCRs for Belfius Insurance and Corona Direct.

For more detailed information, please refer to the Quantitative Reporting Template (QRT) S.25.01

The evolution of required capital was made the object of a projection within the framework of the Own Risk & Solvency Assessment. The projected Solvency requirement remains rather stable over the business plan horizon.

E.2.2. Consolidated Solvency II ratio

The Solvency II-ratio of Belfius Insurance stood at 205% at the end of December 2022, after dividend we end at 193%. It slightly increased compared to last year, given that the decrease in SCR was not fully compensated by a matching decrease of the AFR after foreseeable dividend.

Given the comfortable level of our own funds, the Board of Directors of Belfius Insurance proposed to the General Assembly to pay a dividend over FY 2022 equal to EUR 126 million and to maintain the remaining of the profit to be allocated in retained earnings. The dividend pay-out following the contractual profit allocation amounting to EUR 4.6 million has been foreseen.

Further to the minimum regulatory requirements of 100%, Belfius Insurance has, in current market circumstances and under current regulations, defined a minimum operational Solvency II ratio of 160%, on solo and consolidated levels.

The table below shows the impact of some shocks on our solvency II ratio:

FY 2022

	Shock	**Solvency II Ratio** (in %)	**Δ SII**
Base case (after dividend)		193%	
Stress scenarios			
Interest rate	-50bps	195%	+2pp
Equity	-30%	179%	-14pp
Credit Spread			
Credit spread on corporate bonds	+50bps	187%	-6pp
Credit spread on government bonds	+50bps	183%	-10pp
Credit spread on corporate & government bonds	+50bps	176%	-17pp
Real Estate	-15%	183%	-10pp
Volatily Adjustment (VA)	no VA	176%	-17pp
Ultimate forward rate (UFR)	equals 3%	190%	-3pp

In addition to the establishment of a complete risk framework, the Solvency II regulations also require a self-assessment in which, taking the business plan into account, the future capital buffers are highlighted and a number of sensitivities are implemented. The conclusion of the capital planning exercise is that the projected evolution of the own funds is more than sufficient to face the expected solvency requirements in line with the business plan ambitions.

The capital management strategy underlying the capital planning exercise aims to make an optimal use of the available capital to :

- sustain the growth of the Non-life activity, the relaunch of Branch 21 products;
- realise the Strategic Asset Allocation in order to maximise the financial revenues, taking into account the Risk Appetite Framework and associated stress tests.

E.3. Duration based SCR Equity

Not applicable in the case of Belfius Insurance.

E.4. Internal model

Not applicable in the case of Belfius Insurance.

E.5. Non-compliance risk

Considering the available capital of Belfius Insurance, the risk of non-compliance with the SCR or the MCR is not very high. The results of the stress tests on the business plan and various analyses of sensitivity performed at closing date do not raise any issues regarding the SCR or the MCR.

E.6. Any other information

No exceptional event, liable significantly to influence the solvency of Belfius Insurance, occurred between the closing date and the publication of the SFCR.

List of abbreviations

Acronym	
AFR	Available Financial Resources
ALCO	Assets & Liabilities Committee
ALM	Assets & Liabilities Management
BGAAP	Belgian Generally Accepted Accounting Principles
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CRO	Chief Risk Officer
ECB	European Central Bank
EIOPA	European Insurance and Occupational Pensions Authority
ESG	Economic Scenarios Generator (in the context of models)/Environmental, Social and Governance (in the context of sustainability)
FTE	Full Time Employee
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
LACDT	Loss Absorbing Capacity of Deferred Taxes
NBB	National Bank of Belgium
ORSA	Own Risk and Solvency Assessment
P&L	Profit and Losses
QRT	Quantitative Reporting Templates
QRR	Quarterly Risk Report
RMF	Risk Management Framework
RSR	Regular Solvency Reporting
RUC	Risk and Underwriting Committee
SCR	Solvency Capital Requirements
SFCR	Solvency and Financial Condition Reporting
UFR	Ultimate Forward Rate

F. Appendices

F.1. Appendix 1: List of companies associated with the Group

Subsidiaries, equity accounted enterprises, affiliated enterprises and enterprises in which the Group holds rights representing at least 20% of the issued capital

1. Fully-consolidated subsidiaries in IFRS statements

Name	Head Office	% of capital held[1]	Solvency II Statutory	Solvency II Consolidated
Alysea NV	Rue de l'Industrie 20 – L-8399 Windhof	100	Transparancy	Integrally Consolidated
Belfius Euro Loans	Avenue Kléber 5 – F-75016 Paris	99.99	Transparancy	Integrally Consolidated
Belfius Insurance Services Finance SA	Rue de l'Industrie 20 – L-8399 Windhof	100	Transparancy	Integrally Consolidated
Capline NV	Karel Rogierplein 11 – B-1210 Brussel	74.99	Participation at fair value	Integrally Consolidated
Caring People NV	De kleetlaan 7A – B-1831 Diegem	100	Participation at fair value	Participation at fair value
Coquelets NV	Karel Rogierplein 11 – B-1210 Brussel	100	Transparancy	Integrally Consolidated
Corona NV	Karel Rogierplein 11 – B-1210 Brussel	100	Participation at fair value	Integrally Consolidated
Elantis SA	Rue des Clarisses 38 – B-4000 Liège	100	Participation at fair value	Participation at fair value
ImmoActivity NV	Karel Rogierplein 11 – B-1210 Brussel	100	Transparancy	Integrally Consolidated
Immo Malvoz BVBA	Karel Rogierplein 11 – B-1210 Brussel	100	Transparancy	Integrally Consolidated
Immo Sint-Michel	Karel Rogierplein 11 – B-1210 Brussel	100	Participation at fair value	Participation at fair value
Immo Trèfles SPRL	Karel Rogierplein 11 – B-1210 Brussel	100	Transparancy	Integrally Consolidated
Immo Zeedrift NV	Karel Rogierplein 11 – B-1210 Brussel	100	Transparancy	Integrally Consolidated
Interfinance CVBA	Karel Rogierplein 11 – B-1210 Brussel	74.99	Participation at fair value	Integrally Consolidated
Jaimy NV	Karel Rogierplein 11 – B-1210 Brussel	92.07	Participation at fair value	Participation at fair value
Jane NV (ex Charlin NV)	Karel Rogierplein 11 – B-1210 Brussel	92.67	Participation at fair value	Participation at fair value
Legros-Renier - Les Amarentes Seigneurie de Loverval NV	Karel Rogierplein 11 – B-1210 Brussel	100	Transparancy	Integrally Consolidated
LFB NV	Karel Rogierplein 11 – B-1210 Brussel	100	Transparancy	Integrally Consolidated
Offico Immo BVBA	Karel Rogierplein 11 – B-1210 Brussel	100	Transparancy	Integrally Consolidated
Philadelphus NV	Karel Rogierplein 11 – B-1210 Brussel	100	Transparancy	Integrally Consolidated

(1) percentage of capital held by holding company.

There are no significant restrictions on the subsidiaries, on their ability to access or use assets, and settle liabilities, of the group.

2. Non-consolidated subsidiaries

Name	Head Office	% of capital held[1]	Reason for exclusion	Solvency II Statutory	Solvency II Consolidated
Belfius Part NV	Karel Rogierplein 11 – B-1210 Brussel	99.92	Not material	Participation at fair value	Participation at fair value
Qualitass NV	Vilvoordsesteenweg 166 – B-1850 Grimbergen	100	Not material	Participation at fair value	Participation at fair value
VDL - Interass NV	Brusselsesteenweg 346C – B-9090 Melle	100	Not material	Participation at fair value	Participation at fair value

3. Affiliated companies accounted for by the equity method

Name	Head Office	% of capital held[1]	Solvency II Statutory	Solvency II Consolidated
L' ECONOMIE POPULAIRE DE CINEY CVBA	Rue Edouard Dinot 32 – B-5590 Ciney	61.37	Participation at fair value	Participation at fair value
De Haan Vakantiehuizen NV	Woluwelaan 46 – B-1200 Sint-Lambrechts-Woluwe	25	Participation at fair value	Participation at fair value
Vicinity Affordable Housing Fund CV	Bosrechterstraat 50 – B-1170 Watermaal-Bosvoorde	45.83	Participation at fair value	Participation at fair value

4. Affiliated companies not accounted for by the equity method

Name	Head Office	% of capital held[1]	Reason for exclusion	Solvency II Statutory	Solvency II Consolidated
Assurcard NV	Fonteinstraat 1A bus 0301 – B-3000 Leuven	20	Not material	Participation at fair value	Participation at fair value
Belwing SA	Avenue Maurice-Destenay 13 – B-4000 Liège	20	Not material	Participation at fair value	Participation at fair value
R.E.D. Laboratories NV	Z1. Researchpark 100 – B-1731 Zellik	22.20	Not material	Participation at fair value	Participation at fair value
Syneco Agence Conseil VZW	Place l'Ilon 13 – B-5000 Namur	20	Not material	Participation at fair value	Participation at fair value

(1) percentage of capital held by holding company.

F.2. Appendix 2: List of public QRTs

The QRTs are published on the site:
https://www.belfius.be/about-us/en/investors/results-reports/reports

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