Consolidated Solvency and Financial Condition Report

2023

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 at 31 December 2023. 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.

Macroeconomic and geopolitical headwinds have caused considerable worldwide turmoil, with many uncertainties. The ebb of inflation and energy prices, volatile financial markets, the rise in interest rates, bank failures in US and Switzerland, marked the year 2023. Also, technology became omnipresent, mixing hopes and fears with the rise of generative AI, and likely kicking off a push towards a new era of innovation and growth. Obviously, the climate change is one key concern for everyone and particularly for an insurer.

A fast evolving context in which Belfius Insurance showed again in 2023 its capacity to pro-actively respond resulting in a strong Solvency II ratio of 195% and a record year for its net income at EUR 239 million.

The ability of Belfius Insurance to change and adapt Life and Non-Life offers and to serve its customers in this challenging environment greatly contributed to the resilience of Belfius.

In the Life business, Belfius Insurance seized the opportunity of rising interest rates to be at the forefront of the Belgian investment and pension life insurance market getting back to growing life reserves EUR 14,216 million (+3%) and a new business value of EUR 134.8 million (+9%) added to the Customer Service Margin.

In the Non-Life business, Belfius Insurance reaped the fruits of its profitable growth strategy and took advantage of a mild year in terms of natural catastrophes to achieve an excellent year regarding its gross premium at EUR 822 million (+7%) and its profitability with a combined ratio at 88.2%. The company also innovates with the launch of Belfius Direct Insurance pursuing its ambition to become the Beloved Insurer Belfius Insurance wants to become and in a more and more digitalised world too.

In its asset management, Belfius Insurance remains a long-term investor aiming for a sound risk profile and asset-liability management while being significant and inspiring for a sustainable Belgian society.

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.

Activity and performance

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

This multi-brand and multi-channel approach, unique on the Belgian market, enables us to offer differentiated products and services to all our customers, to offer them the solution most suited to their needs.

Belfius Insurance is in the top 5 of the Belgian insurers fully aligned with the 2025 strategy, and hence a leading 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.
- Belfius Direct Insurance – Direct insurer which has part of its offer available in the Belfius Mobile app. Innovative, simple and transparent.

Within the context of the strategic exercise, the Management Board of Belfius Insurance and the Board Of Directors of Corona Direct proposed the merger by absorption of Corona Direct as a business unit within Belfius Insurance as from the 1st of July 2023. This merger has been approved by the National Bank of Belgium and has taken effect retroactively as of 1st of January 2023 (for fiscal and accounting reasons).

In 2023, Belfius Insurance collected EUR 2,202 million on the Belgian market, of which 61% for Life.

As at 31 December 2023 Belfius Insurance had 1,342 full-time equivalent members of staff.

In the 2023 financial year, Belfius Insurance achieved a net result of EUR 239 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, a management of our Life activities in line with our leading Branch21 strategy, 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.

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 Belfius Insurance 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 Non-Financial Risk (NFR)-indicators were implemented, providing stability, simplification where possible and alignment for common indicators with Belfius Bank. The KRIs pertaining to ESG were further developed during 2023, increasing their maturity level and coverage of the ESG framework.

On 30 November 2023, Standard & Poor upgraded the stand-alone credit rating of Belfius Insurance from A- to A with stable outlook. The implementation of their revised criteria under IFRS 17 had a positive impact on their view of Belfius Insurance's financial strength. S&P also revised their assessment of Belfius Insurance's liquidity to excellent from adequate.

Sustainability has become a major topic for mankind and consequently also for the Belgian society. As Belfius intends to be Meaningful & Inspiring for the Belgian society, sustainability has also become a major element of Belfius Insurance corporate strategy. Sustainability also influences the risks Belfius Insurance is exposed to. Therefore sustainability risks are identified and managed for all risks. In order to manage ESG/sustainability risks, a 3 Year ESG risk roadmap has been designed and approved. The main priority in sustainability risk management however remains on climate risks as these have higher potential impacts on insurers.

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 has been able to maintain a strong risk profile and has demonstrated its resilience.

As of Q4 2023, the Solvency II ratio ends up with a strong 195% after the foreseen dividend and within Belfius Insurance's risk appetite. The Solvency II ratio is solid (195%) and increased slightly compared to 2022 (193%). 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.

Belfius Insurance's SCR amounted to EUR 1,055 million at the end of December 2023, a decrease of EUR 5 million compared to the end of 2022. Market risk remains the main contributor to the required capital, due to spread and equity risk, that both decreased thanks to the adequate management actions executed throughout the year 2023. 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 decreased during the year 2023 mainly due to the lower inflation.

Considering Belfius Insurance's level of available capital, the risk that its capital might fall under the SCR (Solvency Required Capital) 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

Belfius Insurance belongs to the non-listed Belfius Bank and Insurance Group, since the end of 2011 owned by the Belgian State through the Federal Shareholding and Investment Company to which supervision of the Group has been entrusted.

Occupying the fifth[1] place on the Belgian insurance market, Belfius Insurance offers a complete range of Life and Non-Life insurance products (intended) for individuals, companies, self-employed, the social sector and the public sector.

This multi-brand and multi-channel approach, unique on the Belgian market, enables us to offer differentiated products and services to all our customers, to offer them the solution most suited to their needs.

Belfius Insurance is in the top 5 of the Belgian insurers fully aligned with the 2025 strategy, and hence a leading 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.

(1) 2022 figure – Assuralia: 2023 figures not yet available.

The strategic priorities of Belfius Insurance to offer an excellent service to our individual customers are based on the following:

- encourage maximum organic growth by improving our customers equipment rate with efficient and sustainable distribution models which fit their individual needs;
- leverage Belfius data management and digital expertise at all key points in the customer journey.

Regarding insurance activity for SMEs and self-employed, Belfius wishes to:

- capitalise on the strengths of the Belfius bank channel;
- increase market share for both Life and Non- Life.

A.1.1.1. Belfius Bank & Insurance

Via Belfius Bank branches, Belfius Insurance distributes a wide range of standard products, both Life and Non-Life. Through the Bank-insurance channel, it can address retail and commercial banking customers, i.e. individuals, small companies and self-employed who wish to have all their financial requirements covered in one place, their Belfius Bank branch.

A.1.1.2. Belfius Direct Insurance

Belfius Direct Insurance is the direct insurer of Belfius Insurance. It offers its insurances via the direct channel and a part of its offer is also available in the Belfius Mobile application. The Kilometre insurance is the leading product of Belfius Direct Insurance.

A.1.1.3. DVV Insurance

DVV Insurance distributes its products through an exclusive network of tied agents spread throughout the entire country. By means of 290 branches, individuals, self-employed and small companies are offered a complete range of Life and Non-Life insurance products through a tailored quality service.

A.1.1.4. Elantis

Elantis, a company active in providing mortgage and consumer loans based in Liège, distributes its products via independent brokers. Its wide range of products enables it to offer targeted solutions, depending on the needs of each particular borrower.

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

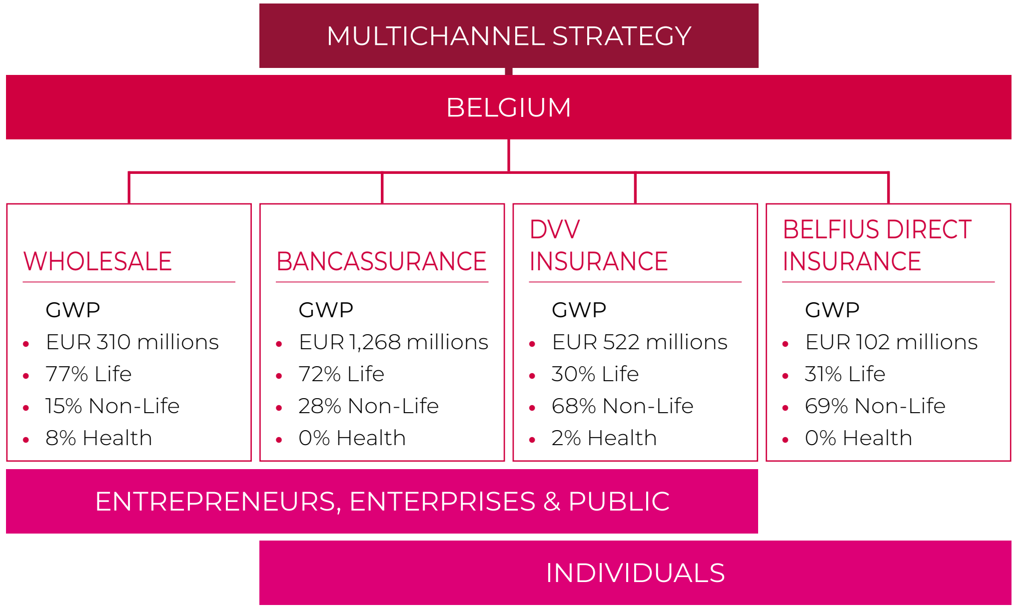
- KPMG, a Belgian BV/SRL, Luchthaven Brussel-Nationaal 1 K, 1930 Zaventem.

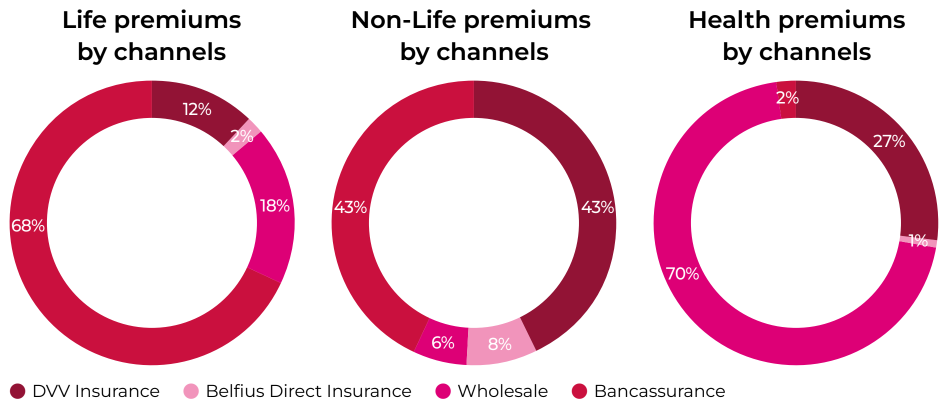
A.1.3. Activity report

The production figures given in the activity report relate to the direct business of the Life and Non-Life activities, including Branch 23. The activity report focuses principally on commercial production, those figures do not include the reinsurance received nor a series of technical (IFRS) and regulatory documents.

Gross total premium collection amounted in 2023 to EUR 2,202 million, of which EUR 1,343 million in Life and EUR 859 million in Non-Life & Health, against EUR 2,161 million the previous year.

The following charts show premium collection by channel.





A.1.3.1. Wholesale

A.1.3.1.1. Life

In 2023, Wholesale again demonstrates its stability in terms of reserves and GWP compared to 2022. The outstanding reserves amount to EUR 2.4 billion. The declining premium volume in the older Endowment portfolio is more than offset by the younger Pension portfolio. Invest has regained colour following the rise in interest rates with a renewed offer on guaranteed products.

Macro-economic trends in 2022-2023 (e.g. inflation causing strong indexation of salaries) forced mainly those employers with a Defined Benefit plan to look for solutions to control their future budget. This trend will continue in 2024.

The migration of the administration towards the new tool "TALK" continued in 2023. A landing is foreseen in 2024.

A.1.3.1.2. Non-Life & Health

Since the beginning of 2022, Wholesale insurance completed its exit in Public & Social via Bancassurance in order to set a full focus on the social profit sector through direct distribution. Overall premium collection (GWP EUR 72 million) remained stable in 2023 (-3.9% vs 2022) thanks to a strong growth in Health (+11.9%) that partly offset the negative trend in P&C due to the end of one important contract in Property.

As well as in Life, Belfius Insurance will support its Employee Benefits approach together with preferential brokers (= a limited list) more specifically in Health for the segments Public & Social.

A.1.3.2. Bank-insurance

Via the Belfius Bank channel, Belfius Insurance addresses individuals, self-employed and SMEs seeking a solution via their bank. Belfius Bank offers its customers the Life and Non-Life insurance products of Belfius Insurance. The range encompasses Non-Life insurance cover (car insurances, third party and omnium, civil liability, fire and other risks), in addition to Life insurances, like credit covers, pension savings, investment insurances, guaranteed income and death. This extremely wide range enables Belfius Insurance to fully play its role as insurer with a local footing, which makes a point of protecting Belgian households & companies and their incomes and contributing to the increase of their wealth.

A.1.3.2.1. Commercial results

2023 is the 10th full year during which Belfius Insurance has focused on Bank-insurance and confirms its growth. Sales efforts are well integrated by the Belfius Bank agencies and premium collection in Non-Life has increased by 9,1% in 2023, up to EUR 350 million. The branches have adapted their organisation to this strategy. Cross-selling between insurances and loans, check-up interviews and so on are bearing fruit. Customer choice and the quality of service and products are at the heart of this one-stop-shop approach. The application of customer segmentation will make it possible to offer an approach in line with the segment strategy of the bank and also offer competitive prices.

The demand for mortgages in 2023 suffered from the weak property market. Nevertheless the cross-sell for insurance products increased in all segments and this confirmed Belfius' strong Bank-insurance business model. Our strategy to increase the cross-sell on business credits and increase the sale of stand-alone protection products compensated the loss in the mortgage protection. The cross-selling rate for mortgage-related insurance (Life) increased to 136% (based on contractual data and showing the average insured amount compared to the mortgage).

Life outstanding increased versus end 2022 thanks to growth in Life Invest Br21 thanks to good production of BIC Safe, growth in Life Invest Br23 thanks to a positive market effect and growth in Pension Business and Wholesale.

The year 2023 remained important for the Life activity despite a small decrease of 2% versus 2022. GWP Protection is in line with 2022 thanks to an excellent growth in stand-alone protection and BBCP (Belfius Business Credit Protect) compensating for lower BHCP (Belfius Home and Credit Protect) impacted by the fallback in mortgages due to much lower production in mortgage loans (-34% in amount vs 2022 – market tendency), despite high and even improving intentional cross-sell. Growth of GWP Life Invest Br21 thanks to first mover position on guaranteed interest rate (BIC Safe) but Br23 lower than 2022 due to market circumstances focused on fixed income products.

A.1.3.2.2. Main achievements

Optimal agency organisation and knowledge enhancement ensure improvement of sales and customer service. The increased integration of digital offers highlights the innovative, user-friendly and omnichannel customer experience Belfius Insurance offers. Our customers can subscribe a car and a home insurance in a few minutes via the channel of their choice: in an agency, via video chat or fully online on all our digital channels (Belfius Mobile and Belfius Direct Net). The customer can always be assisted by an advisor in an agency or via Belfius Connect. Also the Belfius assistance insurance offer can be underwritten via the digital channel. The process for claims is also further automated via MyBo. Customers no longer have to call the insurer but can report online, improving both the efficiency as the customer experience of the claim handling.

For the Business segment, Belfius Insurance continues the modernisation of its offering.

A dedicated VIP-desk serves wealth and private customers with tailored solutions and with solid performance in its first 3 years of operation.

The digitalisation of Life and Non-Life continued and digital signing is now available for almost all products.

In light of the rise of the interest rates, we successfully launched a new Branche 21. Strong commercial campaigns boosted sales on long term savings, new FSPS (Free Supplementary Pension for the Self-employed) contracts, ...

A.1.3.3. DVV

DVV Insurance has a history of more than 90 years in the Belgian Life and Non-Life insurance market, thanks to a network of self-employed agents, selling exclusively DVV's insurance solutions. Through 290 branches, and ~900 dedicated insurance experts as at the end of 2023, DVV Insurance offers individuals, the self-employed and small enterprises a complete range of insurance products as well as mortgage loans.

DVV has a unique brand promise based on "just a good service" supported by empathy, expertise, straightforwardness and proximity.

In today's competitive market, DVV's strategy is to further expand its customer base. Besides keeping a strong position in Non-Life for Individuals, DVV is looking for more growth in Life for Individuals and for Business customers in Life and Non-Life. A clear focus is placed on providing the right and appropriate service and advice by our local agent network to their customers by using a well-developed check-up-program.

The DVV tied agent network remained an important channel for the distribution of Non-Life insurance products of Belfius Insurance both in the Individuals and in the Business segment.

A.1.3.3.1. Commercial results

The DVV tied agent network remains in 2023 the most important channel for the distribution of Non-Life insurance products of Belfius both in the retail and in the business segment.

In Life insurance, strong commercial results (+3.7% vs 2022) mainly in Life Invest Br21 (+101% vs 2022), compensating for lower premiums on Br23 due to the high interest rate environment.

The GWP Non-Life increased (+8.0% vs 2022) thanks to the premium indexation to compensate for inflation pressure on claims and costs, but also thanks to excellent commercial results in different lines of business.

The commercial effort to strive for a fully equipped customer base resulted in consolidating the share of well-equipped customers: this means that 44.1 % of private DVV families are equipped with at least 3 of the 4 basic products (Home, Life, Motor, Family). This also translates into a low churn rate on the portfolio.

DVV also has a mortgage activity for those agents that are also mortgage brokers. In 2023 the new mortgage production totalled EUR 90 million.

A.1.3.4. Belfius Direct Insurance

Belfius Direct Insurance is the new brand name of Belfius' direct (mainly digital) channel after the integration of Corona Direct Insurance in Belfius Insurance. Belfius Direct has the clear aim to combine the best of both worlds by offering, under a strong brand name, Belfius Direct Insurance, simple and innovative solutions at attractive prices and doing so through a high-performance direct channel supported by a team of around 170 specialised, experienced employees. Belfius Direct Insurance targets all Belgians, whether or not they are customers of Belfius Bank, with a complete and innovative offer in three areas: mobility (car and motorcycle insurance), home (tenant insurance) and family (family insurance, pet insurance and funeral insurance). An offer that will be extended in the future with even more innovative products.

In 2023, Belfius Direct Insurance's total premium collection amounted to more than EUR 102 million, up 4% versus 2022.

Premium collection for Life insurance amounts to EUR 31,1 million, an increase of EUR 3.1 million compared to 2022.

In line with its growth strategy in the Life business and actively profile itself on the Belgian market of funeral insurances, Belfius Direct Insurance took over "Funalia", the funeral insurance business of AG Insurance, in 2022 with the aim to further commercialisation by Belfius Direct Insurance.

This allows for upscaling of the current Belfius Direct Insurance portfolio within the funeral insurance business, while positioning itself as a key player on this market.

In Non-Life, the premium collection amounts to almost EUR 70 million, which is 69% of the total premium collection. This increase in Non-Life, +1.7% compared to 2022, is mainly driven by diversification through Home & Pet insurances (+10.2%) while mobility, the star product, showed a more limited growth (+0.2%).

In July 2023, Belfius merged Corona Direct Insurance into Belfius Insurance and rebrand it to Belfius Direct Insurance, followed by a commercial launch of the Direct insurance km in Q4 2023.

The Belfius Direct Insurance program aims at operationalising further this merger, with consistent and robust data management, with a strong product offering including partner-ships, one product IT platform and with an excellent customer experience.

- Offering a unique value proposition and breaking down the traditional burdens of insurance
- Offering an excellent customer experience with self-servicing capabilities
- Streamlining processes, applications and architecture to gain further efficiency and optimise the cost structure

A.1.4. Human resources management

	2022	2023
Women	52.67%	53.06%
Men	47.33%	46.94%
Active employees	1,346	1,406
Employees with a permanent contract	99.33%	99.72%
Employees younger or equal to 35 years	29.12%	29.59%
Average age (in years)	43.04	43.02
Average seniority (in years)	12.02	13.00

In 2023, Belfius Insurance counted 1,406 staff members, of which 99.72% had permanent contracts. The number of staff members increased by 60 compared to 2022. The average age was 43.02 years and average seniority was 13 years. The average seniority increased with almost 1 year. 53.06% of the employees are women and 46.94% are men, which represent a small increase in the proportion of women. In 2023 29.59% of the employees is younger than 35 years old or 35 years old.

A.2. Underwriting Performance

A.2.1. Non-Life

The table on the next page shows the result of Non-Life insurances by product group for the years 2022 and 2023.

The net income before taxes increased by EUR 77.2 million, or 301.8%, to EUR 103 million (31 December 2022: EUR 26 million) as a result from an increase in insurance revenue due to the premium indexation to compensate for inflation pressure on claims and costs, but also due to the growth in the Non-Life portfolio. Furthermore, the reassessment of the risk adjustment, the downward revision of the inflation parameter, and the absence of material natural catastrophes in 2023 resulted in a positive impact on the result.

Insurance results Non-Life per productgroup

(in thousands of EUR)	Insurance revenue	Insurance Finance Result	Insurance Service Expenses	Technical result from ceded reinsurance	Net income on capital	Operating expenses
TOTAL AS AT 31 DECEMBER 2022	779,588	(11,123)	(613,255)	19,218	22,330	(170,395)
Mobility	304,827	(6,385)	(249,527)	(752)	11,282	(73,217)
Property	315,306	(178)	(248,816)	5,517	3,307	(61,647)
All-Risks	133,532	(2,270)	(96,955)	(1,646)	5,289	(29,345)
Worker's Compensation	21,059	(2,116)	(8,450)	(113)	2,050	(6,186)
Other[1]	4,864	(174)	(9,506)	16,213	402	-

(in thousands of EUR)	Insurance revenue	Insurance Finance Result	Insurance Service Expenses	Technical result from ceded reinsurance	Net income on capital	Operating expenses
TOTAL AS AT 31 DECEMBER 2023	793,579	(16,540)	(501,403)	(19,443)	39,224	(187,795)
Mobility	316,646	(9,304)	(183,498)	(3,899)	18,622	(83,128)
Property	290,681	(1,320)	(204,187)	3,073	5,829	(63,732)
All-Risks	148,388	(3,726)	(73,841)	(3,642)	10,568	(34,824)
Worker's Compensation	37,657	(2,158)	(37,201)	648	3,772	(6,111)
Other[1]	206	(33)	(2,676)	(15,623)	434	-

(1) Includes Credit and suretyship and non-life distribution

A.2.2. Life

Insurance results Life per product group

	2022				
(in thousands of EUR)	Protection Insurance	Investment insurance Br21	Investment insurance Br23	Pension & Endowment	Total
Outstanding	662,682	2,358,067	3,696,288	7,041,885	13,758,923
Gross written premiums	165,711	408,719	185,351	596,838	1,356,620

	2023				
(in thousands of EUR)	Protection Insurance	Investment insurance Br21	Investment insurance Br23	Pension & Endowment	Total
Outstanding	683,634	2,440,460	3,854,943	7,236,734	14,215,770
Gross written premiums	168,481	506,593	66,689	600,824	1,342,587

- **Protection**
  Increase in GWP Life Protect thanks to an excellent growth in stand-alone protection and BBCP compensating for lower BHCP impacted by the fallback in mortgages due to much lower production in mortgage loans (-34% in amount vs 2022, in line with market), despite high and even improving intentional cross-sell.
- **Life Invest Br21**
  Growth of GWP Life Invest Br21 thanks to first mover position on guaranteed interest rate (BIC Safe).
  This commercial boost leads to an increase in outstanding.
- **Life Invest Br23**
  Decline in GWP Life Invest Br23 due to market circumstances focused on fixed income products.
  In 2023, the outstanding of Belfius Insurance increased by 7% due to a positive market effect.
- **Pension**
  GWP Pension stable compared to 2022 thanks to growth in Individuals (following a successful campaign for Long term savings) and FSPS (Free Supplementary Pension for the Self-employed), compensating for lower single premiums (back-services) Individual Pension Commitment on Business Pension.
- **Endowment**
  Stable GWP Endowment compared to last year.

A.3. Investment Performance

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

The 2023 financial results amount to EUR 360 million.

The net interest income was stable at EUR 330 million driven by a reallocation to government bonds and an increase of the repo and other debt costs, but also supported by higher spreads and rates.

Dividend income decreased to EUR 33 million, remaining however a significant contributor to the investment portfolio revenues. This decrease was due to the decision to reduce exposure to equities, following market turbulence, but also the increase in rates and spreads that make bonds investments attractive again. The equity portfolio has however continued to perform as expected and to pay the dividends (no dividend cuts in 2023).

The financial instruments booked at fair value through P&L had a negative contribution to the results with a negative MtM effect of EUR 9 million driven mostly by the negative valuation performances of private equity funds. On the other hand, those investment have also generated EUR 32 million of revenues during the same period.

Net income on capital

(in thousands of EUR)	31/12/2022	31/12/2023
Interest income & expense	328	330
Dividend Income	42	33
Net income from equity method companies	2	-
Net income from financial instruments at fair value through profit or loss	(28)	(9)
Net income on investments and liabilities (capital gains)	38	(22)
Other income & expense	26	28
TOTAL	408	360

Belfius Insurance Capital losses on bonds that were sold in 2023 (-EUR 22 million) were reinvested in longer-dated bonds enhancing the duration matching framework. Hence, the realisation of capital losses was driven by the ALM policy, to improve the risk profile of the company.

A.3.2. Performance of investments

A.3.2.1. Equity & fixed income

2023

	Asset class	Performance
Fixed income	Govies	6.80%
	Coporate	17.28%
Equity portfolio	Equity	-1.82%
	Real estate	8.45%

In 2023 our equities portfolio performance suffered from rising yields and geopolitical uncertainties.

Within our fixed income portfolio, both our credit and government bonds posted positive returns thanks to the rate and spread compressions by the end of the year.

A.3.2.2. Mortgage loans

As of December 2023 the market value of our mortgage portfolio stood at EUR 3,710 million. Mortgages are originated by two subsidiaries of Belfius Insurance, Elantis and DVV. The average rate on the portfolio stood at 2.01% for DVV mortgages and 2.26% for Elantis. A slight increase compared to last year thanks to the market rates increase seen in Q3 and Q4 this year. Average LTV at start was 75.4 and the current LTV is 62.7 for DVV while LTV at start was 73.1 and the current LTV is 59.6 for Elantis. In 2023 this portfolio generated EUR 78.8 million revenues in line with the previous year.

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 hubs. As a result, properties acquired have excellent score in terms of energy consumption and accessibility via public transport. The strategy also focuses on properties offering long term lease contracts with a 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.

A smaller part of our investment activity consists in non-direct real estate investments into companies or funds active in real estate segments where we do not invest directly.

On 31/12/2023 the market value of our direct real estate portfolio amounted to EUR 690 million, a decrease of EUR 49 million compared to the previous year. The change is due to:

- Mostly the rise of interest rate which impacted the real estate market yield having a negative impact on the value of the property.
- In our property Immo St Michel in Brussels, we sold in 2023 for approximately EUR 9,3 million of land to the buyers of appartements under construction.

As our real estate portfolio is at amortised cost in the accounts, the evolution of market values did not impact our P&L.

In 2023, total rental revenue amounted to EUR 47.4 million, an increase of about EUR 1 million compared to 2022. This increase is only due to inflation as we did not acquire or sell any property in 2023.

In January 2024, we acquired a new office building of 10.000 m^2 in Mons close to the new train station. The property is fully let to public authorities on long term lease contracts. Acquisition value of approximately EUR 37 million.

Our strategy for the coming years is to maintain the size of our portfolio to a level similar to its size at the end of 2023. However, we will remain very attentive in the coming years by taking every opportunity to sell or buy at the right price.

A.4. Performance of other activities

Belfius Insurance decided to liquidate the subsidiary Jane in December 2023. Jane was commercially launched at the end of 2019 and provided 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.

To internationally develop the “repair in kind” activity of Jaimy, Belfius Insurance and a.s.r. (one of the largest Dutch insurers) have founded Fixxer in 2023. Fixxer will manage the technology platform and its international expansion. Jaimy will continue to manage the commercial and operational activities in Belgium, Belfius Insurance retains 100% of the shares of Jaimy.

A.5. Any other information

None

B. Governance system

B.1. General information on the governance system

B.1.1. Board of Directors

B.1.1.1. Composition

B.1.1.1.1. Composition on 31 December 2023

The Board of Directors consists of minimum three members (exclusively natural persons). Directors who are members of the Management Board, are qualified as “executive directors”, while the other directors are qualified as “non-executive directors”. The Board of Directors consists of a majority of non-executive directors, of which at least two qualify as independent directors in accordance with article 15, 94° of the Act of 13 March 2016 relating to the status and control of insurance or reinsurance undertakings (the “Solvency II Act”).

On 31 December 2023, the Board of Directors consists of 15 members, of which 6 members are part of the Management Board and is composed as follows:

Chairperson	
MARC RAISIÈRE	Chairman of the Board of Directors of Belfius Insurance NV Chairman of the Management Board of Belfius Bank NV
Executive directors	
FRÉDÉRIC VAN DER SCHUEREN	Chairman of the Management Board of Belfius Insurance NV Chief Executive Officer
MATTHIAS BAILLIEUL	Member of the Management Board of Belfius Insurance NV Chief Financial Officer
ELS BLATON	Member of the Management Board of Belfius Insurance NV Executive Director DVV & Beyond
LAURENT GOUDEMANT	Member of the Management Board of Belfius Insurance NV Executive Director Life
EMMANUEL MICHIELS	Member of the Management Board of Belfius Insurance NV Chief Risk Officer
DANIELA RIZZO	Member of the Management Board of Belfius Insurance NV Executive Director Non-Life
Non-Executive directors	
MARIANNE COLLIN	Non-executive director of Belfius Insurance NV Member of the Management Board of Belfius Bank NV Chief Risk Officer of Belfius Bank NV
OLIVIER ONCLIN	Non-executive director of Belfius Insurance NV Member of the Management Board of Belfius Bank NV Executive Director – Private, Business & Retail Banking of Belfius Bank NV
JOHAN VANKELECOM	Non-executive director of Belfius Insurance NV Member of the Management Board of Belfius Bank NV Chief Financial Officer of Belfius Bank NV
Independent directors	
DANIEL FALQUE	Independent director of Belfius Insurance NV Independent director of Belfius Bank NV
JEAN-MICHEL KUPPER	Independent director of Belfius Insurance NV
STÉPHANE SLITS	Independent director of Belfius Insurance NV
LUTGART VAN DEN BERGHE	Independent director of Belfius Insurance NV Non-executive director of Belfius Bank NV
RUDI VANDER VENNET	Independent director of Belfius Insurance NV Non-executive director of Belfius Bank NV

B.1.1.1.2. Changes in the composition of the Board of Directors since 1 January 2023

The composition of the Board of Directors underwent the following changes in 2023:

- Cécile Coune resigned from her mandate as independent director of Belfius Insurance on 19 April 2023.
- The mandate of Rudi Vander Vennet as independent director of Belfius Insurance was renewed on 25 April 2023 for a term of 4 years.
- The mandate of Lutgart Van den Berghe as independent director of Belfius Insurance was renewed on 25 April 2023 for a term of 1 year.

- The mandate of Olivier Onclin as non-executive director of Belfius Insurance was renewed on 25 April 2023 for a term of 4 years.
- Stéphane Slits was appointed as independent director Belfius Insurance with effect on 19 December 2023 for a term of 4 years.

B.1.1.2. Mission & responsibilities

The Board of Directors is a collegial body. It defines the company strategy and monitors the execution thereof.

The term “company strategy” must be understood as follows:

- the definition of the company’s strategy, objectives and values (proposed by or after recommendation from the Management Board);
- monitoring the implementation of the strategy and values by the Management Board;
- approval of the financial plan (also called the budget plan);
- defining and approving the company’s risk appetite and risk strategy;
- approving important legal structural reorganisations;
- responsibility for relations between the company and its shareholders.

As part of its supervisory function, the Board of Directors will carry out the following responsibilities:

- drawing up the annual accounts that must provide a fair view of the assets, the financial condition and the annual results of the company;
- (self-)assessing the functioning of the Board of Directors;
- supervising the Management Board and evaluating the performance of the members of the Management Board;
- evaluating the management structure and organisation of the company;
- evaluating the existence and operation of adequate internal control systems, including the reliability of the financial reporting processes;
- instituting an appropriate policy for the recruitment, suitability assessment and training of directors, heads of independent control functions and, when required, other senior managers;
- ensuring the existence of conditions enabling the statutory auditor or, as the case may be, the college of statutory auditors to perform their tasks in an appropriate manner;
- assessing the performance of the company taking into account the predetermined strategy and budgets;
- monitoring the existence and proper functioning of the independent control functions: Internal Audit, Compliance, Risk Function and Actuarial Function;
- defining and approving the elements that are part of the management of the risks to which Belfius Insurance is exposed, in accordance with the reinforced role of the Board of Directors in the risk management process, as described in the Risk Management Framework.

Pursuant to articles 77 and 78 of the Solvency II Act, the Board of Directors is also required to:

1. evaluate, at least once a year, the efficiency of the governance system and to ensure that the Management Board takes the necessary measures to remedy any shortcomings;
2. assess periodically (at least once a year) the proper functioning of the company’s four independent control functions. In addition to the assessment that it may conduct based on regular contacts and the information received by these four functions, the Board of Directors bases itself in particular on the periodic report drawn up by the Management Board;
3. determine which actions need to be taken based on the conclusions and recommendations from Internal Audit as well as ensure their proper implementation/execution;
4. assess periodically (at least once a year) the general principles of the remuneration policy and to ensure that its implementation is monitored;
5. endorse ultimate responsibility for a series of aspects related to reporting and publication of information (in particular the accuracy of the Solvency and Financial Condition Report, as well as the guarantee that the information delivered to the NBB is accurate and appropriate at all times);
6. endorse ultimate responsibility for the integrity of the accounting and reporting systems (including financial audit processes) and the reliability of the reporting process.

In addition, the law and the articles of association allocate various competences to the Board of Directors:

- appointing of the chairperson and, where appropriate, one or more vice-chairpersons, as well as the secretary of the Board of Directors, the members of the Management Board and the holders of other functions and the co-optation of directors;
- the granting of discharge to the members of the Management Board;
- the distribution of interim dividends;
- setting the remuneration for members of the Management Board;
- setting the agenda for the annual general meeting of shareholders and any extraordinary or special general meetings of shareholders;
- convening the general meeting of shareholders;

- drafting a memorandum of sound governance (integrated in the Regular Supervisory Report);
- setting up advisory committees within the Board of Directors and determining their responsibilities.

B.1.2. Management Board

B.1.2.1. Composition

The Management Board consists of members that have acquired professional experience in the insurance or finance sector.

The Board of Directors sets the number of members of the Management Board. The Management Board consists of minimum three members of which at least three are simultaneously members of the Board of Directors. It is composed exclusively of natural persons.

The members of the Management Board form a college.

On 31 December 2023, the Management Board consists of 6 members and is composed as follows:

Chairperson	
FRÉDÉRIC VAN DER SCHUEREN	Chairman of the Management Board of Belfius Insurance NV Chief Executive Officer

Members	
MATTHIAS BAILLIEUL	Member of the Management Board of Belfius Insurance NV Chief Financial Officer
ELS BLATON	Member of the Management Board of Belfius Insurance NV Executive Director DVV & Beyond
LAURENT GOUDEMANT	Member of the Management Board of Belfius Insurance NV Executive Director Life
EMMANUEL MICHIELS	Member of the Management Board of Belfius Insurance NV Chief Risk Officer
DANIELA RIZZO	Member of the Management Board of Belfius Insurance NV Executive Director Non-Life

B.1.2.2. Mission & responsibilities

B.1.2.2.1. Powers

The Management Board constitutes a collegial body to which the same powers as a management committee (conseil de direction/directieraad) referred to in the Companies and Associations Code are transferred, without prejudice to the provisions of the Solvency II Act. The powers transferred to the Management Board cannot be exercised concurrently by the Board of Directors.

A distribution of tasks may be agreed within the Management Board. Such distribution of tasks does not affect the collegial responsibility of all the members of the Management Board.

B.1.2.2.2. Responsibilities

The Overarching Circular lists in an non-exhaustive manner the tasks of the Management Board:

- Implementing the strategy laid down by the Board of Directors and management of the business;
- Implementing the risk management system;
- Introducing, monitoring and assessing the organisational and operational structure;
- Implementing the integrity policy established by the Board of Directors (covering in particular conflicts of interest, whistleblowing, rules on the prevention of money laundering and terrorist financing) by translating them into concrete procedures and processes;
- Reporting to the Board of Directors and the NBB; and
- The Board of Directors and Management Board shall determine the scope and frequency of the internal evaluation of the governance system, taking into account the nature, scale and complexity of the company's activity, both at an individual and group level, as well as the structure of the group.

The above list sets out the main tasks of the Management Board but is without prejudice to any other relevant legal, regulatory or statutory provisions (including, e.g., any relevant provisions of the Solvency II Act, Companies and Associations Code or of the Articles of Association of Belfius Insurance).

The Management Board communicates to the Board of Directors the relevant information to enable it to make informed decisions, to the extent possible during the Board of Directors following the Management Board during which the relevant information has been discussed. 'Any relevant information' means information needed by the Board of Directors to exercise their role, responsibilities and powers as described in the Internal Rules of the Board of Directors.

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

B.1.3.1. Audit Committee

B.1.3.1.1. Composition

The Audit Committee is exclusively composed of non-executive members of the Board of Directors of Belfius Insurance and at least half of its members qualify as an independent director in accordance with article 15, 94° of the Solvency II Act.

The Audit Committee currently consists of 3 members, of whom 2 members are independent directors, and who each have the required individual expertise in the field of accounting and/or audit. The current composition of the Audit Committee guarantees the collective expertise in the field of operations of Belfius Insurance, as well as in accountancy and audit.

On 31 December 2023, the composition of the Audit Committee is as follows:

Chairperson	
JEAN-MICHEL KUPPER	Independent director of Belfius Insurance NV
Members	
STÉPHANE SLITS	Independent director of Belfius Insurance NV
JOHAN VANKELECOM	Non-executive director of Belfius Insurance NV Member of the Management Board (Chief Financial Officer) of Belfius Bank NV

B.1.3.1.2. Responsibilities and powers

The Audit Committee assists the Board of Directors in the execution of its monitoring and audit responsibilities.

Pursuant to article 49 of the Solvency II Act and article 7:99, §4 of the Companies and Associations Code, the Audit Committee is responsible for at least the following tasks:

- communication to the Board of Directors of information on the results of the statutory audit of the annual accounts and of the consolidated accounts and of explanations on how the statutory audit of the annual accounts and of the consolidated accounts contributed to the integrity of the financial information and the role that the Audit Committee played in this process;
- follow up on the process of preparing financial information and presenting recommendations or proposals to guarantee its integrity;
- follow up on the effectiveness of the company's internal control and risk management systems, as well as monitoring internal audit and its efficiency;
- follow up on the statutory audit of the annual accounts and the consolidated accounts, including the monitoring of questions and recommendations made by the statutory auditor;
- examination and follow-up of the independence of the statutory auditor, in particular as regards the provision of additional services to the company;
- recommendation to the company's Board of Directors for the appointment of the statutory auditor.

The Audit Committee may request all information or documents that it deems of value in carrying out its assignment. The Audit Committee may also carry out investigations or request investigations and audit missions to be carried out. For this purpose, it calls on Internal Audit at Belfius Insurance.

B.1.3.2. Risk & Underwriting Committee

B.1.3.2.1. Composition

The members of the Risk & Underwriting Committee are appointed by the Board of Directors and the committee is made up of at least three members, as determined by the Board. The committee members must be non-executive directors. At least one member of the Risk & Underwriting Committee must be an independent director in accordance with article 15, 94° of the Solvency II Act.

On 31 December 2023, the Risk & Underwriting Committee consists of 4 members, of whom 2 members are independent directors, and is composed as follows:

Chairperson	
RUDI VANDER VENNET	Independent director of Belfius Insurance NV Non-executive director of Belfius Bank NV

Members	
MARIANNE COLLIN	Non-executive director of Belfius Insurance NV Member of the Management Board (Chief Risk Officer) of Belfius Bank NV
JEAN-MICHEL KUPPER	Independent director of Belfius Insurance NV
JOHAN VANKELECOM (temporary member)	Non-executive director of Belfius Insurance NV Member of the Management Board (Chief Financial Officer) of Belfius Bank NV

B.1.3.2.2. Responsibilities and powers

The task of the Risk & Underwriting Committee is to advise the Board of Directors in the exercise of its duties and to make recommendations in this regard.

The Risk & Underwriting Committee has the following advisory powers and responsibilities:

- that are directly or indirectly required by regulation:
  - to discuss the risk appetite and strategy of the company and to provide recommendations in this matter to the Board of Directors;
  - to analyse the allocation of risk appetite within the various risk categories, as well as the risk measures and limits for managing and restricting major risks (e.g. overall ALM limits) and to provide recommendations in this matter to the Board of Directors;
  - to discuss the capital and liquidity requirements and objectives of the company and to provide recommendations in this matter to the Board of Directors;
  - to assess the forward-looking management of the capital needs (in relation to risk) and capital availability (in relation to finances) from a regulatory and business point of view in order to support the company's operating and risk strategy and to provide recommendations in this matter to the Board of Directors. Forward-looking management may include directing the business line in connection with specific types and a mix of products from the assets and liabilities;
  - to assess the risk profile of the insurance company in the light of performance in relation to risk appetite, risk trends and risk concentrations and to provide recommendations in this matter to the Board of Directors;
  - to provide advice about major transactions and strategic new business proposals that have a significant impact on the company's risk appetite;
  - to provide advice about major transactions regarding liabilities management when statutory equity capital is involved;
  - to examine and analyse the management reports from the management about the nature and extent of the risks the company has to deal with, which the committee may have to tackle in order to carry out its duties and to provide recommendations in this matter to the Board of Directors, such as:
    - the quarterly risk report (including risk appetite indicators);
    - the stress test results;
  - to supervise and give advice to the Board of Directors about existing risk positions and the future risk strategy, including the macro-economic environment;
  - to assess the effectiveness of the Risk Management Function, including the organisation structure and main procedures, as well as the extent to which the risk analysis complies with best practices for the sector and the general state of business and to provide recommendations in this matter to the Board of Directors;
  - to provide advice about the Own Risk and Solvency Assessment process (ORSA), to ensure that it is a current Risk/Finance process that is also included in drawing up the annual budget;
  - to analyse external risk and financial reports and studies: Pillar 3 report, EBA/NBB/EIOPA stress tests and to provide recommendations in this matter to the Board of Directors;
  - to work with the Remuneration Committee in particular to ensure that the total amount drawn down for variable remuneration and the performance targets included in the remuneration policy are compatible with the company's risk profile;
  - to analyse the activity reports of the compliance function, validate the action plan compliance and analyse the reports of the risk management function and actuarial function;
  - to report and formulate recommendations at least annually to the Board of Directors on the activities of the persons responsible for the risk management, compliance and actuarial functions, for which the Management Board is informed.

- that are relevant for monitoring risk:
  - analysing reports about selected topics relating to risk/insurance, such as changes in the regulations, which the committee deems appropriate from time to time.

B.1.3.3. Intra-Group Committee

An Intra-Group Committee has been set up within the Belfius Group.

B.1.3.3.1. Composition

The Intra-Group Committee is composed of five non-executive directors with relevant operational management experience:

- The chairperson of the Board of Directors of Belfius Bank, who chairs the Intra-Group Committee;
- Two non-executive directors of Belfius Bank;
- Two non-executive independent directors of Belfius Insurance.

On 31 December 2023, the composition of the Intra-Group Committee is as follows:

Chairperson	
CHRIS SUNT	Chairman of the Board of Directors of Belfius Bank NV
Members	
COLETTE DIERICK	Independent director of Belfius Bank NV
JEAN-MICHEL KUPPER	Independent director of Belfius Insurance NV
OLIVIER GILLEROT	Independent director of Belfius Bank NV
STÉPHANE SLITS	Independent director of Belfius Insurance NV

B.1.3.3.2. Responsibilities and powers

The Intra-Group Committee's competences comprise the following:

- Monitoring and reporting on significant intra-group transactions;
- Monitoring and reporting on intra-group transactions with an important reputational impact; and
- Advising on material conflicts of interest between companies belonging to the Belfius Group in the context of which they fail to reach an agreement in a relatively short period of time.

B.1.3.4. The Nomination Committee

A Nomination Committee has been installed within the Board of Directors of Belfius Bank, which is also responsible for Belfius Insurance.

B.1.3.4.1. Composition

The Nomination Committee is composed of at least three non-executive directors of Belfius Bank, including the chairperson of the Board of Directors of Belfius Bank. The majority of the members of the Nomination Committee are independent directors.

On 31 December 2023, the composition of the Nomination Committee is as follows:

Chairperson	
LUTGART VAN DEN BERGHE	Independent director of Belfius Insurance NV Non-executive director of Belfius Bank NV
Members	
DANIEL FALQUE	Independent director of Belfius Insurance NV Independent director of Belfius Bank NV
CHRIS SUNT	Chairman of the Board of Directors of Belfius Bank NV

B.1.3.4.2. Competences and responsibilities

The Nomination Committee is responsible for Belfius Bank, Belfius Insurance, Belfius Asset Management and, as the case may be, their subsidiaries in the context of the nomination policy and observance of the rules of corporate governance.

The Nomination Committee:

- identifies and recommends, for the approval of the general meeting of shareholders or, as the case may be of the Board of Directors, candidates suited for filling vacancies on the Board of Directors according to the Fit & Proper, Suitability and Succession Policy and the Diversity Policy. It evaluates the balance of knowledge, skills, diversity and experience within the Board of Directors, prepares a description of the roles and qualifications associated with a particular appointment and assesses the time commitment expected. The Nomination Committee also decides on a target for the representation of the underrepresented gender within the Board of Directors and prepares a policy on how to increase the number of underrepresented gender in order to meet the target;
- periodically, and at least annually, assesses the structure, size, composition and performance of the Board of Directors and makes recommendations to it with regard to any changes;

- periodically assesses the knowledge, skills, experience, degree of involvement and in particular the attendance of members of the Boards of Directors, both individually and collectively, and reports to the Board of Directors accordingly;
- periodically reviews the policies of the Board of Directors for selection and appointment of members of the Management Board, and makes recommendations for the Board of Directors;
- as the case may be, gives an opinion or recommendation on reputational issues related to (non-) executive director(s).

In performing its tasks, the Nomination Committee ensures that decision-making within the Board of Directors is not dominated by one person or a small group of persons, in a way which might be prejudicial to the interests of Belfius Bank and of Belfius Insurance as a whole.

The Nomination Committee prepares proposals for the appointment or mandate renewal:

- of directors, as well as proposals for co-opting directors on the Board of Directors. The Nomination Committee furthermore assesses the independence of a current member or a new member of the Boards of Directors;
- of the chairperson of the Board of Directors;
- of the chairperson and members of the Management Board.

To that end, the Nomination Committee:

- examines questions relating to the matter of succession, including the urgent necessity to provide for a succession. If the Nomination Committee deems it necessary, it may call on an external adviser;
- establishes a general and specific profile for directors, listing the skills, knowledge and experience necessary within the Board of Directors;
- periodically assesses the size and composition of the Board of Directors and makes recommendations to the Board of Directors with a view to any changes, in particular to guarantee the complementarity of such profiles.

The Nomination Committee:

- ensures the application of provisions with regard to corporate governance in force for (regulated) non-listed institutions (soliciting public savings) and ensures observance of the procedures and transparency, in particular in the work of the Board of Directors;
- prepares proposals for amendments to the internal rules of the Board of Directors and the Management Board;
- discusses (the internal rules for) the evaluation of the suitability of members of the Management Board, non-executive Directors, and heads of independent control functions;
- discusses (the internal rules for) the recruitment, assessment and training of the members of the Management Board, non-executive Directors, and heads of independent control functions suited to the needs of the Belfius Group;
- discusses and analyses the quantitative statement and qualitative analysis of communications regarding stress, burn-out and inappropriate behaviour at work and actions to be taken to remedy this;
- discusses general human resources topics;
- assesses the Governance Memorandum and if necessary proposes amendments.

B.1.3.5. Remuneration Committee

A Remuneration Committee has been installed within the Board of Directors of Belfius Bank, which is also responsible for Belfius Insurance.

B.1.3.5.1. Composition

The Remuneration Committee is composed of at least three non-executive directors of Belfius Bank, including the chairperson of the Board of Directors of Belfius Bank. At least one member is an independent director.

On 31 December 2023, the composition of the Remuneration Committee is as follows:

Chairperson	
LUTGART VAN DEN BERGHE	Independent director of Belfius Insurance NV Non-executive director of Belfius Bank NV

Members	
DANIEL FALQUE	Independent director of Belfius Insurance NV Independent director of Belfius Bank NV
CHRIS SUNT	Chairman of the Board of Directors of Belfius Bank NV

B.1.3.5.2. Competences and responsibilities

The Remuneration Committee is responsible for Belfius Bank, Belfius Insurance and Belfius Asset Management and, as the case may be, any other subsidiary of the Belfius Group. It advises, amongst others, the Boards of Directors of Belfius Bank and Belfius Insurance so that the incentives created by the remuneration policy are not likely to lead to excessive risk-taking within the relevant company nor to behaviour pursuing interests other than that of the relevant company and its stakeholders.

The Remuneration Committee:

- is responsible for preparing decisions relating to remuneration, particularly decisions which have consequences regarding risks and risk management, on which the Board of Directors must take a decision. In preparing such decisions, the Remuneration Committee takes account of the long-term interests of shareholders, investors and other stakeholders, as well as of the general interest. This applies to decisions relating to the remuneration of the executive members of the Boards of Directors and also to decisions relating to the remuneration of persons who are heads of independent control functions.
- exercises direct control over the remuneration of the heads of independent control functions. It must also – based on the half-year results – check if Risk indicators are respected.
- gives advice to the Board of Directors concerning the remuneration policy of staff whose activity has a material impact on the risk profile of the Belfius Group (so-called “Identified Staff”).
- gives advice on the individual remuneration of:
  - the chairperson of the Board of Directors and non-executive directors as well as members of the advisory committees;
  - the chairperson of the Management Board;
  - the members of the Management Board.
- gives advice on the proposal from the chairperson of the Management Board on the severance payments for members of the Management Board. On the proposal of the Remuneration Committee, the Board of Directors fixes the severance payments of the chairperson and of the members of the Management Board.
- prepares the remuneration report which is integrated in the annual report by the Boards of Directors of Belfius Bank and Belfius Insurance.
- periodically checks with the management if the remuneration policy and remuneration systems have achieved their objective and comply with the provisions in force.

B.1.3.6. Technology Committee

The Technology Committee has been installed within the Board of Directors of Belfius Bank and is competent for the Belfius Group.

B.1.3.6.1. Composition

The Technology Committee is composed of at least three non-executive directors of Belfius Bank and one independent director of Belfius Insurance.

On 31 December 2023, the composition of the Technology Committee is as follows:

Chairperson	
PAUL BODART	Independent director of Belfius Bank NV

Members	
DANIEL FALQUE	Independent director of Belfius Insurance NV Independent director of Belfius Bank NV
OLIVIER GILLEROT	Independent director of Belfius Bank NV
PETER HINSSEN	Independent director of Belfius Bank NV
JEAN-MICHEL KUPPER	Independent director of Belfius Insurance NV

B.1.3.6.2. Competences and responsibilities

The competences of the Technology Committee can be divided into three domains:

- The first domain relates to: IT infrastructure information technology in the broad sense, including but not limited to cloud- and other platforms, IT security, software development; hereinafter called the ‘IT’ domain;
- The second domain relates to: Artificial Intelligence, Digital, impact on and transformation of the customer experience; hereinafter called the ‘Digital’ domain; and
- The third domain relates to data and Artificial Intelligence artificial intelligence: hereinafter called the “‘Data domain”.

Technology is understood to include, but not be limited to the IT, Digital and Data domains.

The competences of the Technology Committee comprise the following:

- Advise the Board of Directors on, and prepare/propose/recommend the decisions of the Board of Directors with respect to, technology strategy and material technology investment choices;
- Monitor, evaluate and advise the Board of Directors on existing and future technology trends, regulation and competition, FinTech developments that may affect Belfius' strategic plans, including the monitoring of overall industry trends and future trends concerning enterprise data management, and the financial industry's use of data to maximise the customer experience value;
- Assess, measure and advise the Board of Directors on Belfius' technological strategic milestones and transformational developments, such as customer experience, sales through digital channels and potential synergies with physical and other networks, potential partnerships;
- Monitor and report to the Board of Directors on progress made with regard to the implementation of the technology decisions taken by the Board of Directors, including but not limited to, technology performance and security. This includes, inter alia, monitoring and challenging the status of the move for the cloud infrastructure (timing, pace, risk mitigation, hybrid models, talents), foundations and platforms;
- Review and discuss reports from management on technology related activities, strategies and metrics, including enterprise data project performance, and report to the Board of Directors on same.

B.1.4. Remuneration policy and practices

B.1.4.1. General principles

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 remuneration policy of the Belfius Group).

The Remuneration Committee formulates proposals to the Board of Directors with regard to the remuneration policy for categories 1 and 2 of employees described in the remuneration policy for the Belfius Group. Category 1 includes members of the Board of Directors of Belfius Bank and Belfius Insurance (executive directors). Category 2 concerns members of staff whose activities have a significant impact on the risk profile of the Belfius Group, including senior management and individuals who occupy risk-taking positions or independent control functions and staff whose total remuneration places them on the same level of remuneration as senior management (see the remuneration policy of the Belfius Group).

In certain special cases, the Remuneration Committee may advise 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 cooperation with the Risk & Underwriting Committee and the Board of Directors.

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 shareholders 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 non-executive director of Belfius Insurance that also exercises a mandate as non-executive director of Belfius Bank, will receive, in addition to the fixed annual remuneration, an additional annual remuneration amounting to half of said fixed annual remuneration. 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 (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, Compliance Officer 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 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).

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 shareholders of Belfius Insurance contribute 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 is to be a leading and 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 cost-efficient way of working and prioritising, Belfius Insurance is pursuing its strategy to protect all customer segments. By doing so in a profitable manner, the contribution to Belfius Group continues to grow.

B.1.6. Major transactions

On 1 July 2023, Corona, the wholly-owned subsidiary of Belfius Insurance, was merged by absorption into Belfius Insurance, with legal effects on the same date. As a result of this merger, Belfius Insurance is no longer the mother entity of an insurance group.

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 Audit, Compliance, Risk and Actuarial Function) (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. The "Fit & Proper" standards are those set out by the NBB, as the supervisory authority, in its circular NBB_2018_25 dated 18 September 2018 on the suitability of directors, members of the management committee, responsible persons of independent control functions and senior managers of financial institutions and in the Fit & Proper Handbook dated 20 December 2022.

A function profile is established by Belfius Insurance and is adjusted to suit the required position. Each function profile is then provided to 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:

- The potential candidates will be subject to an extensive (individual and/or collective) suitability screening and due diligence exercise, consisting of:
  - an interview and review by the executive search firm of the potential candidate's background, skills and experiences against the agreed function profile;
  - a detailed "fit & proper" assessment by the Nomination Committee in accordance with the relevant regulatory and legal provisions, including, amongst others, the assessment of a potential candidate's track record, reputation, references and curriculum vitae, as well as a verification of the candidate's criminal record and degrees; and
  - an interview with the members of the Nomination Committee (for non-executive directors), with HR and the chairperson and/or members of the Management Board and the Nomination Committee (for executive directors) or with the chairperson and/or members of the Management Board, the chairperson and/or members of the Audit/Risk and Underwriting Committee and the Nomination Committee (for heads of the independent control functions) in function of commitment, character, experience and fit of the potential candidate.
- The screening will be based upon the information provided by the potential candidate, as well as upon information received from alternative sources, such as past employers/colleagues, associations of directors, publicly available information, etc.
- Following the approval of the proposed candidate(s) by the relevant corporate body, the General Secretary informs the supervising authority of its intention to propose and subsequently appoint the potential candidate(s). For each requested suitability assessment, the General Secretary shall provide the NBB with a duly completed "fit & proper" form, as well as with all information and/or accompanying documents required by the relevant regulations.

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:

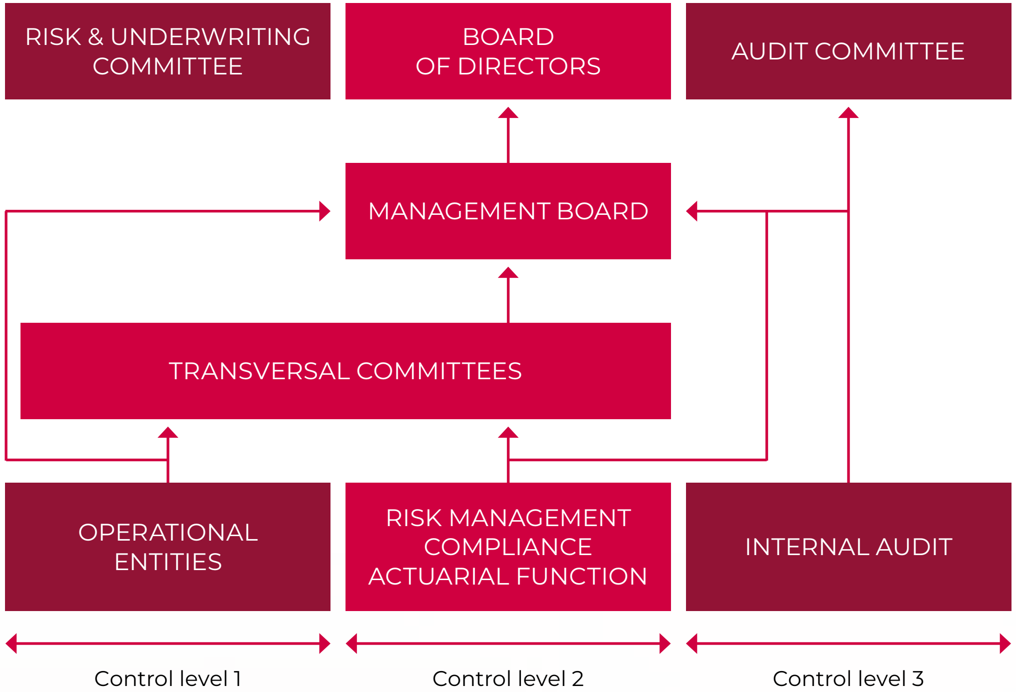
- define a Risk Appetite Framework for the insurance activities that is consistent with the Group approach;
- monitor and manage market, credit, ALM and liquidity risks, underwriting & reserving risks and non-financial and strategic risks for Belfius Insurance with due consideration for the related sustainability risks;
- optimise the Belfius Insurance risk profile, in line with its strategy, and in collaboration with the business units and activity lines;
- promote and encourage the risk culture within the company 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 Risk Management Framework applies;
- successfully integrate subsidiaries within the Belfius Insurance 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 below.



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 aims at providing a measure of quality assurance for the actuarial calculations and underlying hypotheses related to the technical provisions, the underwriting and the reinsurance program;
- the Compliance Officer (control level 1 and 2) ensures compliance with the integrity policy and the development of the ethics policy in Belfius Insurance. The Compliance Officer 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.

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.

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

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 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 Belfius Insurance;
- it monitors the use of capital and steers the solvency ratios of the Belfius Insurance;
- 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. Interaction with the subsidiaries

Belfius Insurance ensures a risk management function which is equipped with competent personal 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 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 (if required) will be aligned with those of Belfius Insurance.

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

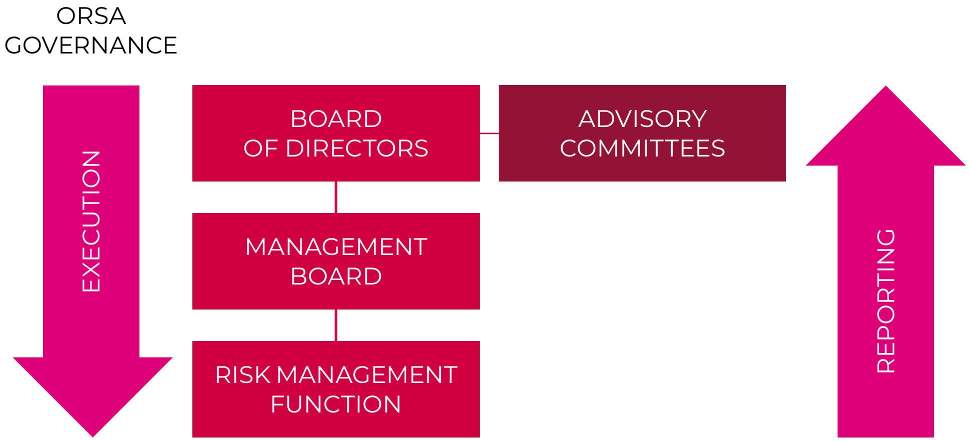
Correspondents have been nominated at the subsidiaries' level in order to ensure a proper communication between the mother company and its subsidiaries.

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 company and its subsidiaries by both the Reinsurance and the ALCO Group Committee.

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.



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.

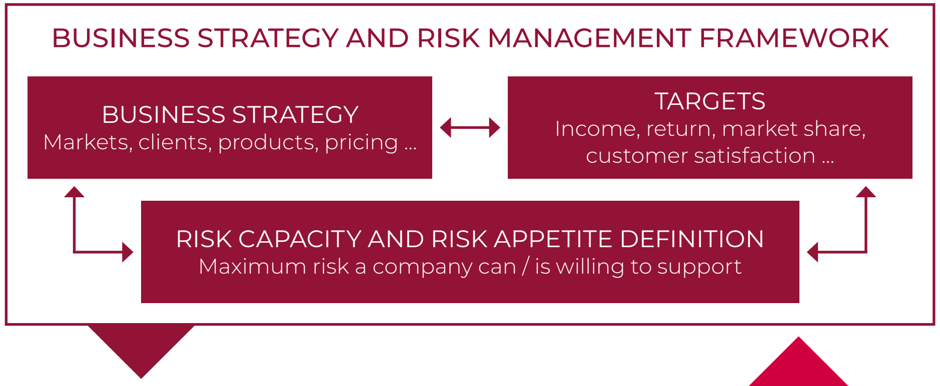
A parallel bottom-up process can then start. The ORSA process is performed according to the guidelines of the Board of Directors and results are consolidated in a reporting. This reporting is then sent to the Management Board, the RUC and the Board of Directors.

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.



PERFORMANCE OF THE ORSA

IDENTIFY RISKS	Identify the sources of uncertainty (qualitative and quantitative risks), taking into consideration both the impact and the probability of occurrence of the risks
MEASURE THE CURRENT CAPITAL AND SOLVENCY POSITION	Express the overall solvency needs in quantitative terms and complement the quantification by a qualitative description of the risks
FORECAST THE CAPITAL AND SOLVENCY POSITION	Express the overall solvency needs in a forward looking perspective to show the ability to remain a going concern
PERFORM STRESS AND SCENARIO TESTS	Carry out stress tests, reverse stress tests as well as scenario analyses
ASSESS THE RESPECT OF RISK APPETITE LIMITS	Compare current and future risk profile with risk appetite thresholds
ELABORATE A RECOVERY PLAN	Provide a recovery plan under the base case and under stress tests as well as scenario analyses. This plan can propose actions on capital, liquidity, business, investment ....
REPORT ON ORSA	Once the process and result of the ORSA have been approved by the management, realise the ORSA internal report and the ORSA supervisory report

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.

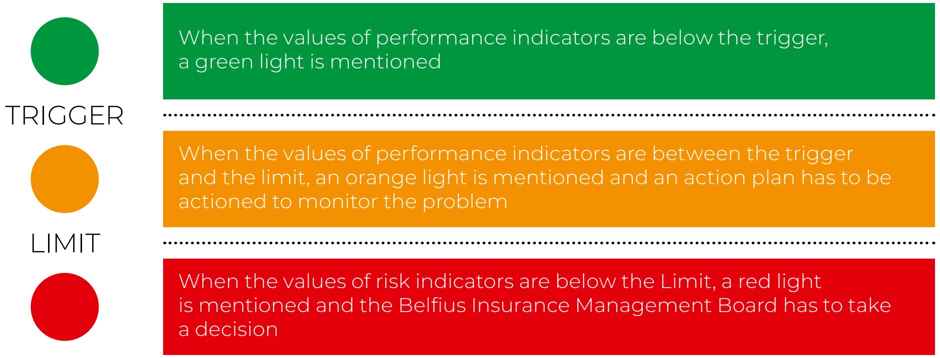
The performance of stress tests within the ORSA process is done annually or when there is a significant change in the risk profile of Belfius Insurance (ad-hoc ORSA). Other internal or regulatory stress tests are performed on request.

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 (iv) 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, relying 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 operations 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 i) the major inherent risks, ii) the controls in place to mitigate these risks, and iii) 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 for subsidiaries

The internal control environment 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 and Jaimy).

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 2023, the action plan 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, product review calendar). A monitoring plan was drawn up and executed for the respect of the regulation on supplementary pensions. The completion of the mystery-shopping project has been terminated without any major risk being detected. 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 February 10th, 2023.

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 Officer (temporarily, in 2025 the administrative reporting line will be redirected to the CEO instead of the CFO). 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 2023 by the Audit Committee. The processes with a “Very High” score are covered once every two years, processes with a “High” score are covered once every three years and processes with a “Medium” score are covered every four years. The others processes with a “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;
- if necessary an opinion in the context of some merges and acquisitions of the some insurance portfolios; cfr. The circular NBB_2021_06

On top of that the Actuarial Function assesses the technical provisions in the IFRS17 balance sheet.

(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, such as Partners through Innovation for the management of the IT infrastructure (till end 2023), Hexaware for certain developments, Microsoft for the cloud infrastructure, Cegeka for the the management of the IT infrastructure of the former Corona) and other external suppliers (a.o. Keylane for a software of Non-Life management, Europ Assistance for assistance platform, MedExel for health claim management). This cooperation is monitored continuously, and action plans are defined and implemented to tackle any points requiring further attention. These efforts will continue in the future with an ambition of ongoing improvements.

The final decision for the management of financial instruments, outsourced to Candriam, 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 has become a major topic for mankind and consequently also for the Belgian society. As Belfius intends to be Meaningful & Inspiring for the Belgian society, sustainability has also become a major element of Belfius Insurance corporate strategy. To highlight this importance, an ESG manager, directly reporting to the CEO, has been assigned since 2022 to coordinate the implementation of the sustainability strategy and ensure related regulatory requirements are met.

Sustainability also influences the risks Belfius Insurance is exposed to. Therefore sustainability risks are identified and managed for all mapped risks.

Climate risk was already in Belfius Insurance top 5 risks since 2019 and remains an important risk. 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, a 3 Year ESG risk roadmap has been designed and approved by the Risk and Underwriting Committee in 2021. Its implementation was started in H2 2021.

Since Belfius Insurance is part of Belfius Group, group approaches are aligned on common topics to benefit from more efficient and consistent solutions.

This roadmap has led to the following results at the end of 2023:

- ESG has been included in corporate strategy and targets were defined.
- ESG (risks) have been embedded in the business decision processes, needing the creation of awareness in the first line and close cooperation with the first line
- ESG risks were progressively included in the risk framework, risk governance policies and risk practices where needed.
  - 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.
- A climate risk map has been established in 2021, to determine most material climate risks.
- Based on this risk map, a first scenario Stress Test was designed in 2021. The climate stress test is reviewed and improved on annual basis. 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 section dedicated to sustainability in ORSA was improved and enlarged: the focus on climate risk was extended to sustainability risk, meaning the inclusion of a section on Governance and Social aspects.

- 3 categories of risks have been added in the risk appetite policy and related risk indicators are monitored on regular basis.
  1. ESG Regulatory requirements: risk of not respecting (ESG) regulatory requirements in due time"
  2. ESG Strategy: risk that ambitions related to sustainability deemed insufficient (by clients & other major stakeholders) or not reached timely
  3. Resilience Risk: risk that profitability & solvency are materially affected by ESG events
- The first climate materiality assessment of Belfius Insurance activities was performed in 2023. In this exercise, the level of transition and physical risk is systematically assessed on short and long term for all activities (assets, insurance and operations). This helps us to determine where additional qualitative or quantitative analysis or further mitigation measures are needed.

Globally speaking, sustainability and climate remain a major source of risks and continue to be monitored closely.

The analysis performed shows that the embedding of sustainability / climate risks in the business practices and existing mitigation measures are currently sufficient to keep risks at an acceptable level, in line with Belfius Insurance risk appetite requirements.

C.1. Underwriting risk

C.1.1. Definition

Belfius Insurance, as a part of the Belfius Group, takes up risk through the insurance contracts that it underwrites. The risks within the underwriting risk category are associated with both the exposure covered by the specific line of insurance (Life or Non-Life) and the specific processes associated with insurance business (claims processing, premium collection, pricing, selection, etc.).

The risks that apply to all lines of the insurance business can be globally categorised as follows:

Life underwriting risk: is the risk arising from the life insurance obligations, in relation to the perils covered and the processes used in the conduct of business. It is split up into seven sub segments:

- mortality risk, which is the risk that mortality increases. It applies to all undertakings for which the pay-outs expected to be made increase when there is a rise in mortality.
- longevity risk is the opposite of the mortality risk. It applies to policies for which a fall in mortality would result in an increase in the expected pay-outs (e.g. pension policies). Improvements in medical treatments that prolong life without restoring the ability to work could cause these risks to materialise at a greater frequency than currently observed.
- morbidity or disability risk relates to the risk of loss or disadvantageous movement in expected benefits caused by changes in the level, nature, trend or volatility of the degree of disability.
- lapse risk for Life is described as the risk of loss or increase in pay-out caused by a difference between the effective exercise rate of the contractual options by the policyholder and the expected exercise rate. The term "options" should be viewed in the broad sense of the word: this sub-module contains options in relation to redemption, cancellation or premium reduction, as well as the expansion of the guarantees. For some policies, exercise may be at the benefit of the insurance company, while for others it may result in a loss. As a result, this sub-module features two scenarios: one in which the options are exercised more frequently than expected and another where they are exercised less frequently.

- expense risk corresponds with the risk that the expenses are higher than expected or that they subdue to higher inflation than expected.
- revision risk only applies for the annuities the amounts of which may be valued negatively for the insurer as the result of a change in the statutory environment or in the policyholder's health situation.
- catastrophe risk is restricted to policies where an immediate and dramatic rise in mortality would result in an increase in benefits.

Non-Life underwriting risk: is the specific insurance risk arising from Non-Life insurance contracts. This uncertainty about the results of the insurer's underwriting could be split in three sub-segments:

- Premium risk is the risk where the amount of premiums received is not sufficient to pay claims that occur during the coverage period to which the premiums relate;
- Reserve risk is the risk of loss or unfavourable change in the value of the insurance undertakings arising from changes in the frequency and severity of the insured events, as well as in the date and amount of the claims to be paid;
- Catastrophe risk is the risk arising from unpredictable events including, but not limited to, windstorms, coastal inundation, floods, severe winter weather, and other weather-related events, pandemics, large-scale fires, industrial explosions, earthquakes and other man-made disasters such as civil unrest and terrorist attacks, that is not covered by the premiums or reserves.

Product design risk: is the risk of loss resulting from features, options or guarantees that were unanticipated in the design and pricing of the insurance product.

C.1.2. Managing the insurance risk

The **Risk & Underwriting Committee** gives recommendations about strategy in the area of underwriting and reserving for the insurance companies within Belfius Insurance and the resulting policy, in particular with regard to the following points:

- types and characteristics of the insurance business that Belfius Insurance is willing to manage;
- selection criteria for the risks that match the risk appetite;
- the way in which the actual underwriting is monitored;
- the managing between, on the one hand, the insurance premiums collected and, on the other, the claims to be paid out when costs are borne;
- identification of the risks arising from the undertakings of Belfius Insurance, including the implicit options and the capital that is guaranteed by the insurance products;
- making provisions for claims.

Reinsurance is one of the methods used to limit the insurance risk. The main objective of reinsurance is to reduce volatility in capital requirements and profits, and to diminish the uncertainty associated with the risk in the insurer's valuation.

The drivers of reinsurance are:

- capacity: reinsurance gives insurers greater flexibility in terms of scope, type of risk and business volume that they can safely accept. This enables insurers to embark on new business or to expand their activities for a short period.
- stability: structured reinsurance programs enable insurers to stabilise their operating income.
- protection: reinsurance provides protection against cumulative financial losses caused by a succession of events (such as poor weather) or against significant financial losses arising from a single event.
- funding: reinsurance can be an alternative to a capital increase.
- expertise: reinsurers assist insurers in their area of expertise. The qualified staff of reinsurance companies offer their services, for instance in establishing a new business.

C.1.3. Sensitivities

Belfius Insurance evaluates the effect of sensitivities on available financial resources. The technical reserves are expressed in fair value.

The review of cost assumption has a negative impact on the available financial resources and their sensitivity.

An increase of the mortality rates also has a negative impact on available financial resources.

As for life activities, in non-life business, higher costs assumptions lead to a lower result. An increase of claims leads also to a lower result[1].

Underwriting risk Life: scenario that corresponds to[1]

	Impact on available financial resources before taxes	
(In millions of EUR)	31/12/2022	31/12/2023
An increase of 15% in mortality	(35.8)	(43.2)
An increase of 10% in costs + 1% inflation	(217.3)	(220.6)
A shock of 10% in the lapse rate	(6.7)	(1.4)

Underwriting risk Non-Life: scenario that corresponds to[1]

	Impact on result before taxes	
(In millions of EUR)	31/12/2022	31/12/2023
An increase of 10% in administrative costs	(10.5)	(11.3)
An increase of 5% in claims	(23.0)	(20.1)

(1) Please note that the figures in the tables above are unaudited.

C.1.4. Development of claims

The claims triangle is the usual method for expressing the settlement of non-life claims stretched out over a number of years. Inter alia it enables actuaries to assess the appropriateness of the non-life technical provisions. Between the event and the date of closing a claim, the insurer assesses the amount as total cost of the claim. During this period, the insurer establishes a reserve that equals to the estimated amount of future payments for the claim.

Given the reserve is an estimate, there is a risk that the amount effectively paid is different (higher or lower). To assess that risk, it is necessary to study the variation of two amounts:

- the total of payments made prior to that date;
- the reserve established on that date for future payments.

The sum of these two components is called the total incurred claims cost.

The table below shows the evolution for Belfius Insurance since 2013 of the sum at the end of each year, of the total incurred claims cost per year of occurrence.

Claims development (excluding reinsurance and internal costs)

(In thousands of EUR)	Year of occurrence										
Year of settlement	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Estimation at the end of the year of occurrence	365,798	415,445	389,632	427,822	417,069	441,459	452,780	394,673	597,457	496,612	480,907
1 year later	324,524	392,976	361,479	402,910	396,145	431,019	438,787	379,779	541,730	489,239	
2 years later	312,883	381,044	353,512	385,904	377,854	430,883	432,209	367,750	526,259		
3 years later	306,454	374,836	351,551	379,367	377,418	428,287	423,836	349,138			
4 years later	303,051	371,983	345,737	374,251	391,779	421,346	422,874				
5 years later	301,179	369,929	346,817	378,007	381,219	417,787					
6 years later	297,842	370,320	347,091	371,046	383,752						
7 years later	295,826	369,063	339,664	369,347							
8 years later	296,886	361,487	338,389								
9 years later	289,755	358,732									
10 years later	287,244										

(In thousands of EUR)											
Actual estimation	287,244	358,732	338,389	369,347	383,752	417,787	422,874	349,138	526,259	489,239	480,907
Cumulative payments	(264,722)	(328,281)	(294,905)	(318,714)	(309,858)	(342,157)	(347,853)	(287,397)	(398,190)	(338,756)	(195,887)
Actual provisions	22,522	30,451	43,484	50,633	73,895	75,630	75,021	61,741	128,069	150,483	285,020

(In thousands of EUR)	
Provisions (after 2013)	996,948
Provisions (before 2013)	209,263
Internal costs	56,179
Accepted deals	15,170
TOTAL[1]	1,277,560

C.2. Market risk

The market risk is the risk that a loss can result from fluctuations in the prices of financial instruments held in a portfolio. The various risk factors include interest, the exchange rate, share prices or real estate prices. Fluctuations in these elements are at the main source of the market risk.

The Risk Monitoring Team is responsible for following up the market risk.

The Risk Management department is responsible in particular for defining the Investment framework in accordance with the risk appetite and risk limits. It is also responsible for defining the Strategic Asset Allocation (SAA), which consists of determining the most suitable allocation of the various assets classes to the insurance liabilities. The technical reserves are subdivided into portfolios that are homogeneous in terms of the nature of products and embedded options.

The risk appetite and strategy relating to the market risk are determined at the level of Belfius Insurance and is aligned with the Belfius Bank risk appetite. The local correspondents are responsible for the implementation thereof in their own entity. A representative of the Risk Management and Investments departments in the local ALCos assures to the requisite consistency for the management of the market risk at the local level.

C.2.1. Foreign Exchange Risk

Market Value

(in millions of EUR)	31/12/2022	31/12/2023
EUR	14,319	14,696
DKK	29	29
CHF	12	14
USD	0	0
TOTAL	**14,360**	**14,739**

The foreign exchange rate risk is not significant at Belfius Insurance, as less than 1% of the portfolio's total market value is denominated in foreign currencies. The possibilities of holding exposures in foreign currencies is moreover deliberately limited by the Investment Framework.

The current exchange rate risk mainly comes from exposures in Danish krone (Danish mortgage bonds), whose value is strongly linked to the Euro. The exposure to the Danish krone has been stable in 2023.

C.2.2. Interest Rate Risk

For Belfius Insurance, the ALM objective is to limit the volatility of the P&L and the economic value of the company induced by potential changes in the interest rates.

The long-term sensitivity of the Net Asset Value of Belfius Insurance to interest rates was EUR 4.8 million per 10 bps as of 31 December 2023 relatively stable compared to EUR 0.4 million as of Q4 22 given the AFR. The earnings have a low sensitivity to interest rates for the next years, thanks to good matching in terms of duration.

Sensitivity tests on our Solvency II ratio are also quarterly performed on top of specific stress tests to monitor our exposure to the interest rate risk. Results show that our risk is limited and respect the risk appetite of the company.

C.2.3. Equity Risk

Equity risk is a key contributor to the net asset value's sensitivity and the capital requirement of Belfius Insurance. The equity portfolio is managed by a dedicated Investment team under supervision of the ALCo. The investments are again framed by risk guidance and operational limits according to the risk appetite of Belfius Insurance.

(in thousands of EUR)	31/12/2022	31/12/2023
BELFIUS INSURANCE		
Market value – quoted shares & assimilated	277,322	224,318
Market value – quoted real estate	97,448	134,502
Shock 30% (negative)	(112,431)	(107,646)
VAR (99%, 10 DAYS)	**47,999**	**27,969**

Market risk management tools include stress test measurements that provide an indication of the potential market value loss under different scenarios and the solvency ratio's resilience.

The table above shows the price sensitivity of Belfius' equities portfolio to a downward shock of 30%.

C.2.4. Real Estate Risk

(in thousands of EUR)	31/12/2022	31/12/2023
BELFIUS INSURANCE		
Market value – not quoted real estate	720,198	680,375
Shock 15% (negative)	(108,030)	(102,056)

Property investments are made of deals offering long-term stable returns mostly on the Belgian market. As such, these property investments must be viewed as a way of optimising the risk/return of the investment portfolio and are allocated to the long-term life insurance business. The table on the left shows the price sensitivity of Belfius Insurance real estate to a downward shock of 15%.

C.2.5. Sensitivities

The interest rate risk can assume 2 forms: the risk that the insurer's economic value fluctuates, and the risk that the insurer's earnings fluctuates. Both risks have to be measured in order to gauge the full scope of the interest rate risk on the balance sheet.

(in thousands of EUR)	31/12/2022	31/12/2023
INTEREST RATE RISK		
Sensitivity (Interest rate increase of +10 bp)	382	4,861
Earnings at risk (+50 bp) (Interest rate increase of +50 bp)	4,392	2,268
EQUITY RISK		
Shock 30% (negative)	(295,469)	(299,788)
VaR (99%, 10 days)	47,999	27,969
REAL-ESTATE RISK		
Shock 15% (negative)	(130,367)	(115,620)
CREDIT SPREAD RISK		
Spread shock up with +50 bp	(103,392)	(132,993)

The economic value indicators measure the long-term effect of changes in the interest rate. The interest rate sensitivity of the economic value measures the change of the ALM economic value if the entire interest rate curve changes by 10 basis points. In 2023:

- the interest rate risk remained low, thanks to a limited duration gap;
- the equity and property risks remained stable as a result of the good performance of the markets and some management actions.

The interest rate risk in insurance is limited. For Belfius Insurance, the ALM target comes down to having a natural match for the position in the asset and liability durations.

Changes in equity prices and the impact of credit spreads are immediately translated into Belfius Insurance's regulatory own funds. Only in case of a sale, the change will lead to lower realised results. Significant downward shocks on equities may, however, result in write-downs (application of the "significant decrease" principle according to the valuation rules).

The interest rate sensitivity of Belfius Insurance's income statement is very limited considering the limited duration gap.

C.3. Credit risk

Credit risk results from the uncertainty as to the ability of a debtor to fulfil his obligations. It has three components:

- the default risk: any failure or delay in payment of the principal and/or interests which is reflected by a loss for the financial institution;
- the risk of deterioration of credit quality, which is reflected by a drop in the financial valuation of the debt in question; and
- uncertainty as to the amount to be recovered in the event of default.

Belfius Insurance is exposed to the credit risk at several levels:

- credit granted to companies and to individuals;
- bonds in the investment portfolio;
- transactions with derivative products; and
- share of reinsurers in the technical provisions.

The management of the credit risk of Belfius Insurance is the responsibility of Belfius Insurance risk management team, albeit in collaboration with the credit risk teams of Belfius Bank and aligned with the risk management guidelines that are applicable for the whole Belfius group. As such, this implies that credit limits are defined on a consolidated basis and that transfers of limits between the Bank and Insurance are permitted, on the condition that both parties agree. The CROs of Belfius Bank and Belfius Insurance coordinate the requests among each other.

An operational risk management and limit system has been defined within the context of the Belfius Insurance Investment Framework.

The Belfius Insurance risk management department gives a guiding framework to the investment department. These specific guidelines are followed in the asset management activities and take the company's risk appetite into account.

C.3.1. Global overview of the Credit Risk

The tables below show the breakdown of the portfolio (market value) excluding Branch 23 per type of investment and per country as at 31 December 2022 and 31 December 2023. The evolution in bond market values reflects the combination of the movement in interest rates, credit spreads, purchases and sales and maturing exposures.

The overall market value of the portfolio increased in 2023 as a result of the steepening of the interest rates during the year 2023 combined with the good performance of the equity markets.

A large part of the portfolio (63%) is invested in Belgium. Belfius Insurance endeavours to comply with its self-imposed credit risk framework.

The government bond portfolio increased by EUR 301 million to EUR 5,874 million due to high interest rates partially offset by investments

The mortgage loans decreased by EUR 38 million to EUR 3.595 million due to the increase in the interest rates. Moreover, the new mortgage production of Elantis has been reallocated to Belfius Bank.

Country	2022									
	Cash	Real Estate	Shares	Gov. Bonds	Covered Bonds	Financial Bonds	Corp. Bonds and Loans	Mortgages	Derivatives	Total
BE	438	773	721	3,368	0	211	548	3,632	0	**9,691**
FR	0	45	69	644	236	117	838	0	0	**1,949**
IT	0	0	7	309	0	0	11	0	0	**328**
ES	0	0	0	458	15	0	46	0	0	**519**
UK	0	0	23	0	0	11	147	0	0	**181**
DE	0	0	22	16	0	12	84	0	0	**133**
NL	0	0	13	10	0	42	109	0	0	**174**
LU	0	0	154	58	0	62	65	0	0	**339**
US	0	0	0	0	0	44	148	0	0	**192**
PL	0	0	0	87	0	0	0	0	0	**87**
IE	0	0	8	214	0	0	12	0	0	**234**
DK	0	0	0	0	0	0	29	0	0	**29**
CH	0	0	0	0	0	18	0	0	0	**18**
Other	0	0	12	408	0	6	61	0	0	**486**
TOTAL	438	818	1,028	5,573	251	523	2,097	3,632	0	14,360

Country	2023									
	Cash	Real Estate	Shares	Gov. Bonds	Covered Bonds	Financial Bonds	Corp. Bonds and Loans	Mortgages	Derivatives	Total
BE	255	733	706	3,279	0	243	519	3,595	0	**9,331**
FR	0	37	68	711	3	159	993	0	0	**1,971**
IT	0	0	4	262	0	14	14	0	0	**295**
ES	0	0	0	586	15	20	43	0	0	**664**
UK	0	0	8	0	0	47	152	0	0	**207**
DE	0	0	23	19	0	11	116	0	0	**168**
NL	0	0	6	12	0	65	169	0	0	**252**
LU	0	0	170	94	0	73	89	0	0	**426**
US	0	0	0	0	0	164	190	0	0	**354**
PL	0	0	0	86	0	0	0	0	0	**86**
IE	0	0	7	228	0	0	16	0	0	**251**
DK	0	0	0	0	0	0	29	0	0	**29**
Other	0	0	14	597	0	20	72	0	0	**704**
TOTAL	255	770	1,006	5,874	18	817	2,402	3,595	0	14,737

The following tables show the ten largest exposures of Belfius Insurance per counterparty on 31 December 2022 and 31 December 2023:

Issuer (in millions EUR)	Category	Market Value at 31/12/2022
Belgian government	Government bonds	2,099
French government	Government bonds	583
Spanish government	Government bonds	458
Italian government	Government bonds	309
Walloon Region Belgium	Covered bonds	430
SFIL SA	Covered bonds	232
Communauté française de Belqique	Bonds issued by Region / Community	307
Irish government	Government bonds	214
Portuguese government	Government bonds	234
Société wallonnne du logement	Bonds guaranteed by a government	179
TOTAL		5,045

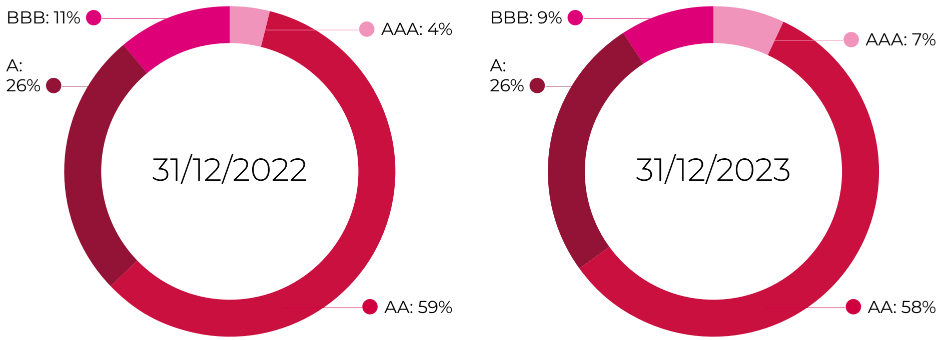
Issuer (in millions EUR)	Category	Market Value at 31/12/2023
Belgian government	Government bonds	2,109
French government	Government bonds	655
Spanish government	Government bonds	586
Italian government	Government bonds	262
Walloon Region Belgium	Covered bonds	374
AXA IM EURO LIQUIDITY (AXIMEUR FP, Open-End Fund)	Investment funds	146
Communauté française de Belgique	Bonds issued by Region / Community	305
Irish government	Government bonds	228
Portuguese government	Government bonds	208
Société wallonnne du logement	Bonds guaranteed by a government	182
TOTAL		5,055

Belfius Insurance remains mainly exposed to Belgian government bonds. The market value is relatively stable in 2023 (+ EUR 10 million).

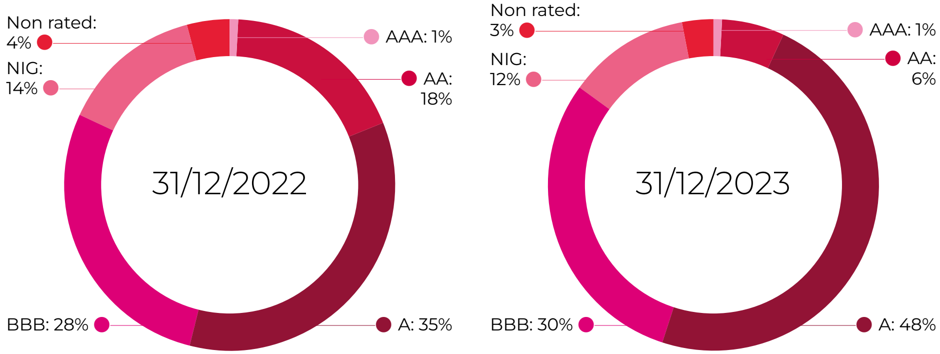
C.3.2. Additional information on the quality of the portfolio

Belfius Insurance wants to obtain a good credit quality for its bond portfolio overall. The outstanding credit risk is closely monitored in cooperation with the Credit Risk Management teams of Belfius Bank. The graphs below show the breakdown of the assets per rating as at 31 December 2022 and 31 December 2023. The shift in rating of corporate bonds from AA to A can be explained by the acquisition of new corporate bonds with mainly rating A and proportionaly more bonds of rating AA arriving at maturity.

Government bonds



Corporate bonds (except RMBS)



The weighted average rating of the portfolio (including mortgage loans) remained stable in 2023 at A-.

C.3.3. Forbearance report on the mortgage loan portfolio

The Forbearance report is drawn up for the portfolio of mortgage loans granted by Belfius Insurance through its network of agents and by Elantis, its subsidiary that is specialised in such loans. It contains the list of contracts for which the customer has had problems and for which the lender has added additional conditions to the initial terms and conditions of the contract.

Forbearance (in thousand EUR)	Gross carrying values of performing and non-performing exposures	Accumulated impairment	Collaterals and financial guarantees received	
			Collateral received on exposures with forbearance measures	Financial guarantees received on exposures with forbearance measures
Debt instruments at amortised cost	0	0	0	0
Loan commitments - given	60,055	1,676	58,379	0

The outstanding mortgage loans that meet the Forbearance conditions amounted to approximately EUR 60 million or 1,7 % of the outstanding volume of mortgage loans under management as of year-end 2023. The amount of these credits is fully guaranteed with a mortgage registration. An impairment of EUR 1,6 million, being 1% of the outstanding Forbearance amount, was booked on the basis of internal rules. This low percentage can be explained by the large number of credits with a loan to value (i.e. the amount of credit secured by immovable property in relation to the value of the property) of less than 75%, as well as by the regular requirement of an external guarantee for the credits with a ratio of more than 75%.

C.4. Liquidity risk

As an insurance company in terms of liquidity management, Belfius Insurance engages mainly in life insurance liabilities at relatively long term that are largely stable and predictable. Consequently, the funding requirement is quite limited. The premiums paid by policyholders are placed in long-term investments in order to guarantee the insured capital and committed interests at the contract's maturity date. Our liquidity indicators demonstrate that Belfius Insurance constantly holds enough liquid assets to cover its commitments on the liability side of the balance sheet.

In order to ensure that all short-term liquidity requirements can be met, Belfius Insurance has embedded liquidity management in its day-to-day activities through:

- investment guidelines that limit investments in illiquid assets;
- Asset Liability Management, ensuring that investment decisions take into account the specific features of the liabilities;
- policies and procedures put in place to assess the liquidity of new investments;
- follow up of the short-term treasury needs.

In addition, Belfius Insurance also holds a significant amount of unencumbered assets (mainly in governments bonds) eligible for repos in the context of its liquidity management.

The Investment department is responsible for Belfius Insurance's liquidity and cashflow management. Therefore, it uses long-term projections of the cash-flows of assets and liabilities. These cash flows are simulated under both normal and stressed situations.

	2022	
(in millions EUR)	Assets	Liabilities
< 1 year	1,095	1,006
1 < 5 year	1,984	2,998
5 year and +	9,189	7,123
Undetermined	5,829	4,979
TOTAL	18,097	16,105

	2023	
(in millions EUR)	Assets	Liabilities
< 1 year	832	1,133
1 < 5 year	2,842	2,463
5 year and +	9,295	7,855
Undetermined	6,051	4,177
TOTAL	19,019	15,627

The assets are valuated in market value. The “Undetermined” category includes the Branch 23 products and shares.

The liability side includes repo transactions and Branch 23 products within the “Undetermined” category.

C.5. Operational risk

C.5.1. Non-Financial Risk Management

The management of Non-Financial Risks (NFR) has to be understood as a broad umbrella covering all risks except “financial risks” (such as market, ALM, liquidity, credit and insurance risks). NFR covers among others operational risks (including fraud, resources, information security, business continuity, outsourcing & third party risk, data-related risks, …) as well as reputational, compliance, legal risks, etc.. Consequently, Non-Financial Risks do not constitute a predefined list of risks, resulting in the need for a regular review of the scope of these risks in light of emerging risks, new regulations and technological and societal evolutions.

The Non-Financial Risk Management framework is based on a strong governance with clearly described tasks, roles and responsibilities within the 3 Lines of Defence (3LoD) model. The Management Board, as well as mandated specialised committees (e.g. Information Security Steering, Privacy-steering, Third Party Risk Management Committee, Anti-Fraud Steering Committee, …) analyse the development of the risk profile of the various activities of Belfius Insurance regularly and takes the necessary decisions.

The Chief Risk Officer (CRO) watches, by creating risk policies that are subject of Management Board approval, over a solid risk management framework. The CRO is responsible for the transversal supervision of the operational incidents and the analyses carried out.

Taking into account a fast evolving threat landscape, the risk management framework further evolves and new initiatives are deployed. A Permanent control framework provides extra assurance in terms of testing of controls and estimating the effectiveness of the internal control system. A Project Risk Management facilitates a top-down view on strategic programs, as well as a risk evaluation of these programs. Also, NFR is coordinating the building of the Information Security Management System (ISMS) to identify risks, put in place applicable security measures and insure that these measures are continuously monitored, measured and improved. Furthermore a Third Party Risk Management framework creates an exhaustive approach on third party-interactions, a clear governance with ownership of the third party-relationship and monitoring of the performance.

The managers of the various business units are responsible for the management of the non-financial risks (1st LoD). Furthermore, a network of correspondents of risk management (CORM) within all business units is responsible for the coordination of all risk subjects within their business unit (such as incident management with an exhaustiveness focus, business impact analyses & business continuity and internal control self-assessment). Also, Data Privacy Correspondents are appointed for the coordination of all matters related to Data Privacy within their departments.

C.5.2. Risk Appetite

The NFR Risk Appetite Framework is built as a comprehensive framework to cover all risk areas including more recent or evolving types of risks. It aims to provide a structured approach to framing the risk profile, the control environment and the tolerance for losses about the current situation as well as the future strategic evolutions. Key Risk Indicators (KRI) have been defined in order to establish limits.

The RAF is articulated around three concepts:

- Risks: what are the risks and how to appreciate the risk level (past and forward looking)?
- Risk management capacity: what is the capacity to manage the risks?
- Loss tolerance: what are the potential P&L and future RWA impacts we tolerate?

C.5.3. Transversal risk processes

C.5.3.1. Incident management

Having an overview of the operational incidents is crucial to gaining a better understanding of the operational risk entailed by each activity and constitutes a relevant source of information for management (e.g. the estimated annual loss). The major operational incidents are investigated thoroughly and a specific action plan and appropriate follow-up are organised.

The main areas of operational losses were essentially due to incidents associated with the continuity of IT platforms or tooling and incidents in relation to execution, delivery and process management.

C.5.3.2. Self-Assessment of Risks and Internal Controls

A self-assessment of the risks and the related controls is conducted every year for the various activities of Belfius Insurance. This exercise results into an identification of the major risks of Belfius Insurance and serves as a basis for the Own Risk & Solvency Assessment (ORSA) exercise. The self-assessment evaluates

- the major inherent risks,
- the controls in place to mitigate these risks, and
- the resulting residual risks. The results are challenged by Risk Management as well as by Internal Audit and furthermore completed with risk attention points and recommendations .

C.5.3.3. Business continuity

Belfius Insurance is committed to its customers, counterparties and regulators to put in place, maintain and test viable alternative arrangements that, following an incident, allow the continuation or the resumption of critical business activities at the agreed operational level and entirely compliant with the Belgian regulation.

The supporting process, Business Continuity Management (BCM), is in a uniform way applied at Belfius bank and its subsidiaries, ensuring the continuity within Belfius Insurance under different scenarios (such as unavailability of building, systems, infrastructures or people) and is regularly updated. Taking into account the new reality of massive home-working, a reverse business continuity plan was set-up. This plan establishes a framework in which co-workers (critical activities) can go back to work on-site in case of an (IT-)incident impacting home-working at a large scale.

C.5.4. Focus on key NFR domains

C.5.4.1. Information Security

The purpose of information security is to protect Belfius Insurance's information that has a value for the organisation, regardless of its origin (such as created by business, customer data, ...).

In order to guarantee the information security within Belfius Insurance, the (Belfius Group) Information Security Steering (ISS) ensures a well governed and coordinated information security strategy whereby an adequate system of "prevention", "detection", "protection" and "reaction" is put in place, in line with regulatory requirements towards information security (such as the Digital Operational Resilience Act (DORA)) and taking into account technical evolutions.

The Chief Information Security Officer (CISO) for Belfius exercises a 2nd line of defence function for Bank & Insurance.

The purpose of Belfius' Information Security Office is to ensure the protection of Belfius' information assets against threats:

- From outside the institution (cyber-attack) as well as from inside (malicious insider, data leakage ...);
- By safeguarding the confidentiality, integrity and availability of our critical information assets;
- Through preventive, detective, repressive as well as corrective measures and through adequate policies and procedures.

The CISO performs, amongst others, analysis on the IT incidents, taking into account the root cause, their impact and time to resolve. Action plans are challenged and implementation is strictly monitored. Furthermore, the CISO watches over the information security key risk indicators as defined in the Risk Appetite Framework and reports his findings on a quarterly basis in the Quarterly Risk Report.

C.5.4.2. Data privacy

The respect for privacy and the protection of personal data is a key commitment at Belfius Insurance and is reinforced by Belfius Insurance's commitments in its ESG-strategy. The approach, being in line with the approach of Belfius Bank, ensures GDPR conformity through integration into every process to offer (existing, adapted and new) products, innovative digital tools, services and information sharing to its customers. The regulatory framework concerning personal data is constantly evolving and Belfius closely monitors these developments. Core processes and governance have been adapted, given the regulatory evolutions deriving from the Schrems II Court of Justice decision.

A network of privacy correspondents, active in every department, supports and advises the staff members in the first line regarding GDPR, where the DPO provides this from a second line. At regular (quarterly) or ad hoc moments the privacy correspondents are additionally informed about GDPR-evolutions or points of attention.

GDPR-awareness is passed on to all staff members via mandatory GDPR e-learnings and via an extensive GDPR file on the intranet, via regular messages on the intranet or in the context of projects or processes. Mentioned e-learning is subject to a three-yearly cycle of repetition.
GDPR compliance is monitored in various committees and by management and is also included in various internal and external reports. A Privacy Steering, which meets on a regular basis, is in place, ensuring a well governed and coordinated approach. The Belfius Management and several committees are on a recurrent basis informed about GDPR conformity in Belfius, e.g. the DPO watches over the data protection key risk indicators as defined in the Risk Appetite Framework and reports his findings on a quarterly basis in the Quarterly Risk Report and on a half-year basis to the Risk Underwriting Committee/ Audit Committee.

C.5.4.3. Fraud risk

The Anti-Fraud Policy ensures a clear definition of roles and responsibilities and a strengthening of the governance, e.g. through the creation of the (Group) Fraud Steering Committee, acting as a sub-committee of the Executive Management Risk Committee (Emric).

The necessary arrangements concerning fraud prevention in bank branches are governed by Belfius Bank. Sufficient attention is paid to fraud prevention in the training of managers and agents. The staff involved have undergone training in the “code of ethics” and have been given guidelines and procedures for fraud treatment and prevention.

Belfius Insurance also has a separate department with specialised inspectors for fraud prevention in the insurance field. This centralisation allows strict monitoring of the Key Risk Indicators related to losses from fraud. Furthermore, fraud risk management was the main focus of the deployment of Permanent Control-activities. The latter focused on the creation of repository of existing fraud risk controls and performing deep dives on specific processes in order to test quality and effectiveness of controls.

C.5.4.4. Outsourcing risk

Belfius Insurance calls on various external partners for certain, primarily technical, IT activities (Kyndryl and Keylane for the management of the IT infrastructure, Hexaware for certain developments, and other external suppliers). These outsourcing arrangements are monitored continuously and action plans are defined and implemented to tackle any points requiring further attention. In that respect, a series of measures resulting in positive results, have been taken with Kyndryl to improve the performance and stability of the systems.

The Outsourcing Policy ensures a clear definition of roles and responsibilities and a strengthening of the governance, e.g. through the creation of the Third Party Risk Management Committee, acting as a sub-committee of the Executive Management Risk Committee (Emric).

Furthermore, the Outsourcing Policy ensures compliance with the regulatory requirements on cloud outsourcing.

A Third Party Risk Management framework will broaden the scope of the existing outsourcing risk-framework by creating an exhaustive approach on third party-interactions, a clear governance with ownership of the third party-relationship and monitoring of the performance.

C.5.4.5. Employment Practices (HR) & Workplace Safety

A governance is in place, defining clear roles and responsibilities with regard to physical security (for ex. fire safety, security of access to the building, etc). The Physical Security Committee, acting as a sub-committee of the Executive Management Risk Committee (Emric), provides the necessary oversight.

C.6. Other material risks

C.6.1. Business Risk

Described as the risk of lower profitability for the various business lines of Belfius Insurance, the business risk is a central element in the day-to-day management of the company and its strategic orientations.

The Strategic Planning and Performance management department is responsible for consolidating all data needed for the follow-up of the profitability and the overall performance of the company through various indicators.

The management of the future profitability is handled by various committees and lies ultimately with the Management Board and the Board of Directors. The latter bodies determine the strategic decisions to be taken in order to achieve the expected profitability and to safeguard the competitiveness of Belfius Insurance in the long term.

C.6.2. Strategic Risk

The strategic risk is the potential cost of the loss of existing customers, or the cost of the possibility that potential customers will be lost because of external changes and ill-advised decisions, insufficient implementation of decisions and a failure to respond to changes in the business environments.

The measures for limiting the strategic risks are based on the following principles:

- ascertain that the strategic risk of Belfius insurance is attuned to its commercial environment;
- react effectively to the changed economic environment or to development possibilities; and
- ascertain that the decisions taken by the management of Belfius Insurance and its entities are properly implemented in the business lines/entities.

The strategic risk is managed by a sound governance system implemented at Belfius Insurance and its entities.

C.6.3. Reputation Risk

The reputation risk is the potential loss of value for Belfius Insurance due to a negative perception of the company by customers, counterparties, shareholders, investors, supervisors and other stakeholders.

Belfius Insurance attaches great importance to the satisfaction of its leading stakeholders and organises satisfaction surveys for customers and its staff on a regular basis. These are useful instruments for identifying any decline in trust among important stakeholders.

The reputation risk is managed by corporate governance, thanks to sound compliance rules at Belfius Insurance. Various departments are involved in this process: Compliance, Risk management, Legal and Tax department, and Communication.

The key internal control players have created a framework to manage risks and to manage a policy geared to preventing, detecting, and monitoring the potential impact to the reputation risk in the fields for which they are responsible. A corrective measure is taken for every shortcoming that is detected.

C.6.4. Model Risk

At Belfius Insurance, the model risk is described as an assessment error risk that arises out of a methodology that is not effective, uncertainty concerning the data and/or the inappropriate use of models.

As is the case with every other risk, the model risk is managed. The success factors are:

- a good development of the model by various experts (in statistics, finance and insurance), in cooperation with the various business lines, who have extensive experience in the activity on which the modelling is applied;
- clear documentation of the models to expose weak points in a simple manner;
- thorough back-testing;
- a comparative study, insofar as possible;
- quality control of the data used; and
- an in-depth internal validation when the model is implemented and then during the entire lifecycle.

C.6.5. Legal & Compliance risk

The relevant legislation is systematically monitored by the Legal department. The follow-up of the implementation of new legal developments is carried out through very close consultation between the Legal department and the service(s) concerned. Furthermore, the Legal department provides advice on various legal matters and regularly reports to the Management Board on the developments concerning the legal risk at Belfius Insurance.

Legal and Compliance follow up jointly the legislation on privacy and supervise to the drafting of the privacy clauses in insurance documents and the declaration required by law to the privacy commission for all processing of personal data by Belfius Insurance and by the agents of DVV (in the applications of Belfius Insurance).

Finally, the departments Compliance and Life form the Acceptance Committee for assessing risky transactions or customers.

Assuralia's code of conduct for complaints management was adopted by Belfius Insurance and is available on the intranet. Pursuant to that code of conduct, systematic reporting is carried out on the quality of complaint handling and the content of the complaints.

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 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 the entire bond and loan portfolios (excluding loans to credit institutions) have been reclassified as "held to collect and sell" in order to counterbalance the other comprehensive income volatility linked to the IFRS 17 valuation of the insurance liabilities.

The remaining most important differences between Solvency II and IFRS are relates to the measurement of property and loans on policies.

Asset class

	Mio EUR	% of total
LEVEL 1 TOTAL	**11,727**	**62.8%**
Participations	152	0.8%
Equities – listed	359	1.9%
Government Bonds	4,898	26.2%
Corporate Bonds	1,703	9.1%
Investment funds	438	2.3%
Assets held for index-linked and unit-linked funds	4,176	22.4%
LEVEL 2 TOTAL	**605**	**3.2%**
Government Bonds	108	0.6%
Corporate Bonds	212	1.1%
Structured notes	65	0.3%
Collateralised securities	2	0.0%
Loans & mortgages to individuals	16	0.1%
Other loans & mortgages	203	1.1%
LEVEL 3	**6,337**	**33.9%**
Property, plant & equipement held for own use	1	0.0%
Property (other than for own use)	679	3.6%
Participations	175	0.9%
Equities – unlisted	175	0.9%
Government Bonds	417	2.2%
Corporate Bonds	228	1.2%
Investment funds	576	3.1%
Deposits other than cash equivalents	5	0.0%
Derivatives	4	0.0%
Loans on policies	106	0.6%
Loans & mortgages to individuals	3,594	19.3%
Other loans & mortgages	377	2.0%
TOTAL	18,669	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. All this may be adjusted if necessary in the light of expert judgements

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. 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 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 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 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 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 2023, 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 risk appetite targets.

As part of capital management, within the ORSA forward looking exercise, Belfius Insurance 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 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 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 has, in the current market circumstances and under current regulations, defined a minimum operational Solvency II ratio of 160%

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 2023 equal to EUR 118.5 million and to maintain the remaining of the profit in retained earnings. The Solvency II-ratio of Belfius Insurance stood at 207% at the end of December 2023, after dividend we end at 195%.

E.1.1. Capital structure and quality

Belfius Insurance 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 2,061 million at the end of December 2023. It is composed for 79% of the highest quality capital Tier 1. Tier 2 capital equals EUR 345 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 87 million.

Compared to December 2022, the regulatory own funds of Belfius Insurance have increased by EUR 18 million, after a foreseeable dividend of EUR 118 million. A slight decrease in interest rates had a positive impact on the assets which was almost fully compensated by increasing best estimate liabilities linked to this interest rate movement but tempered by the projected lower inflation.

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

Belfius Insurance 2023

(in millions of EUR)	Unrestricted Tier 1	Restricted Tier 1	Tier 2	Tier 3	Total
Elements of basic own funds	1,458	171	334	87	2,050
Capital in paid-up ordinary shares	557	-	0	-	557
Reconciliation reserve	867	-	-	-	867
Surplus Funds	35	-	-	-	35
Subordinated liabilities	-	171	334	0	505
Net deferred tax assets	-	-	-	87	87
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	1,458	171	95	0	1,724
SCR ELIGIBLE OWN FUNDS	**1,458**	**171**	**345**	**87**	**2,061**
SCR					1,055
MCR					475
SR AFTER DIVIDEND					**195%**

Belfius Insurance has unrestricted Tier 1 capital, restricted Tier 1 capital, Tier 2, Tier 2 ancillary own funds and Tier 3 capital. As 2023 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 1,458 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 35 million represent the Fund for future allocations.
  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. 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 does not have a single holding in another insurance company , since in 2023 Corona Direct was merged with Belfius Insurance. In addition to their share capital, the subsidiaries of Belfius Insurance have not issued any capital element.

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

Changes during book year 2023

(in millions of EUR)	Unrestricted Tier 1
UNRESTRICTED TIER 1 END OF 2022	1,444
Constituted by:	
The positive excess of 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
CAPITAL INCREASES DURING THE PERIOD	0
CHANGES IN SURPLUS FUNDS	(1)
CHANGES IN THE RECONCILIATION RESERVE	15
Changes in the IFRS equity Belfius Insurance	(37)
Changes in the value of assets Solvency II	920
Changes in the value of technical provisions Solvency II	(671)
Changes in the value of reinsurance Solvency II	4
Change in the value of subordinated loans Solvency II	(9)
Difference in the level of forseeable dividends	7
Other scope & changes in Solvency II	(196)
Delta deferred taxes on SII Adjustments	(3)
UNRESTRICTED TIER 1 END OF 2023	1,458
Constituted by:	
The positive excess assets over liabilities	1,663
DFT Asset	(87)
Forseeable dividends	(118)
In other words:	
Ordinary paid-up share capital	557
Surplus funds	35
Reconciliation reserve	867

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 2023 and the net asset value (equal to the difference between assets and liabilities) as calculated under Solvency II:

Belfius Insurance

(in millions of EUR)	
Ordinary paid-up share capital	557
Legal reserve	57
Non-available reserves	0
Available reserves	71
Profit/loss carried forward	710
Profit of the year	237
Latent or deferred gains and losses on assets not recognised in P&L	(354)
Latent or deferred gains and losses on liabilities not recognised in P&L	472
Remeasurement Pension Plans	9
Deferred taxes on IFRS Equity adjustments	(7)
Non-controlling interests	37
IFRS EQUITY BELFIUS INSURANCE	**1,788**
Solvency II adjustments	
Adjustment of the asset valuation	211
Adjustment of the intangible asset valuation	(59)
Adjustment of the subordinated loan valuation	18
Adjustment of the valuation of technical provisions	(193)
Adjustment of the reinsurance valuation	(20)
Scope and other changes	(49)
Deferred taxes on previous Solvency II adjustments	(33)
THE POSITIVE EXCESS OF ASSETS OVER LIABILITIES AS CALCULATED FOR SOLVENCY PURPOSE	**1,663**

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. A review of the business models of Belfius Insurance was performed on 1 January 2023 following the first time adoption of IFRS 17. More specifically, an accounting mismatch was created as Belfius Insurance opted for the OCI option under IFRS17 whereby part of the discount effect on technical liabilities is recognised in OCI. As IFRS 9 allowed a reassessment of the business models with the application of IFRS 17, Belfius Insurance reclassified its entire bond and loan portfolios (excluding loans to credit institutions) from a hold to collect business model and measured at amortised cost to a hold to collect and sale business model and measures these portfolios at fair value through other comprehensive income as from 1 January 2023 onwards.
- that the technical provisions are also stated at market (-consistent) value in the Solvency II balance sheet , but since the introduction of IFRS 17 this difference has also significantly decreased.

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

(in millions of EUR)	31/12/2022	31/12/2023
AVAILABLE FINANCIAL RESOURCES BEFORE FORESEEABLE DIVIDEND	2,169	2,180
Tier 1	1,570	1,576
IFRS Equity	1,827	1,788
Valuation difference (after tax)	(257)	(212)
Restricted Tier 1	171	171
Tier 2	336	345
Subordinated debt	325	334
Others	11	11
Tier 3	92	87
DTA	92	87
AVAILABLE FINANCIAL RESOURCES AFTER FORESEEABLE DIVIDEND	2,043	2,061
AFR before foreseeable dividend	2,169	2,180
Foreseeable dividend	126	118

At the end of 2023, the Solvency II available capital (AFR) was EUR 2,061 million, after dividend distribution. It is composed, up to 79 %, of first class capital, Tier 1 capital.

Tier 2 capital equals EUR 345 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 87 million.

Compared to December 2022, the regulatory own funds of Belfius Insurance have increased by EUR 18 million, after a foreseeable dividend of EUR 118 million. A slight decrease in interest rates had a positive impact on the assets which was almost fully compensated by increasing best estimate liabilities linked to this interest rate movement but tempered by the projected lower inflation.

As part of capital management, within the ORSA forward looking exercise, Belfius Insurance 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 asset and liability portfolio of Belfius Insurance and those investment entities included by look through 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.

The table below presents an overview of the required capital:

(in millions of EUR)	31/12/2022	31/12/2023
SOLVENCY II CAPITAL REQUIREMENT	1,060	1,055
Market risk	664	670
Credit Risk	111	133
Insurance Risk	843	804
Operational Risk	80	83
Diversification	(544)	(539)
Loss absorbing capacity deferred taxes	(94)	(96)
MINIMUM SOLVENCY REQUIREMENT	486	475

Belfius Insurance's SCR amounted to EUR 1,055 million at the end of December 2023, a decrease of EUR 5 million compared to the end of 2022. Market risk remains the main contributor to the required capital, due to spread and equity risk, that both decreased thanks to the adequate management actions executed throughout the year 2023. 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 decreased during the year 2023 mainly due to the lower inflation.

The Belfius Insurance Minimum Capital Requirement (MCR) amounts to EUR 475 million as at end of December 2023.

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. Solvency II ratio

The Solvency II-ratio of Belfius Insurance stood at 207% before foreseen dividend at the end of December 2023, after dividend we end at 195%. It increased compared to last year (193%), given the slight decrease in SCR and the increase of the AFR after foreseeable dividend.

The Board of Directors of Belfius Insurance proposed to the General Assembly to pay a dividend over FY 2023 equal to EUR 118 million and to maintain the remaining profit to be allocated in retained earnings.

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%.

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

	Shock	**Solvency II Ratio** (in %)	**Δ SII**
Base case (after dividend)		195%	
Stress scenarios			
Interest rate	-50bps	195%	+0pp
Equity	-30%	181%	-14pp
Credit Spread			
Credit spread on corporate bonds	+50bps	189%	-7pp
Credit spread on government bonds	+50bps	183%	-12pp
Credit spread on corporate & government bonds	+50bps	175%	-21pp
Real Estate	-15%	187%	-8pp
Volatily Adjustment (VA)	no VA	174%	-21pp
Ultimate forward rate (UFR)	equals 3%	193%	-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
NFR	Non-Financial Risk
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
RWA	Risk-weighted Assets
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]	Reason for exclusion	Solvency II Statutory
Belfius Euro Loans	Karel Rogierplein 11 – B-1210 Brussel	99.99		Transparancy
Belfius Insurance Services Finance SA	Rue de l'Industrie 20 – L-8399 Windhof	100		Transparancy
Belfius Part NV	Karel Rogierplein 11 – B-1210 Brussel	100.00		Participation at fair value
Capline NV	Karel Rogierplein 11 – B-1210 Brussel	74.99		Transparancy
Caring People NV	Karel Rogierplein 11 – B-1210 Brussel	100		Participation at fair value
Coquelets NV	Karel Rogierplein 11 – B-1210 Brussel	100		Transparancy
Elantis SA	Rue des Clarisses 38 – B-4000 Liège	100		Participation at fair value
ImmoActivity NV	Karel Rogierplein 11 – B-1210 Brussel	100		Transparancy
Immo Malvoz BVBA	Karel Rogierplein 11 – B-1210 Brussel	100		Transparancy
Immo Sint-Michel	Karel Rogierplein 11 – B-1210 Brussel	100		Participation at fair value
Immo Trèfles SPRL	Karel Rogierplein 11 – B-1210 Brussel	100		Transparancy
Immo Zeedrift NV	Karel Rogierplein 11 – B-1210 Brussel	100		Transparancy
Interfinance	Karel Rogierplein 11 – B-1210 Brussel	74.99		Transparancy
Jaimy NV	Karel Rogierplein 11 – B-1210 Brussel	100		Participation at fair value
Legros-Renier – Les Amarentes Seigneurie de Loverval NV	Karel Rogierplein 11 – B-1210 Brussel	100		Transparancy
LFB NV	Karel Rogierplein 11 – B-1210 Brussel	100		Transparancy
MC² Development NV	Karel Rogierplein 11 – B-1210 Brussel	100		Transparancy
Offico Immo BVBA	Karel Rogierplein 11 – B-1210 Brussel	100		Transparancy
Philadelphus NV	Karel Rogierplein 11 – B-1210 Brussel	100		Transparancy
Qualitass NV	Vilvoordsesteenweg 166 – B-1850 Grimbergen	100	Not material	Participation at fair value
VDL – Interass NV	Esplanade Oscar Van de Voorde 1 – B-9000 Gent	100	Not material	Participation at fair value

(1) percentage of capital held by holding company.

2. Non-fully consolidated subsidiaries

Name	Head Office	% of capital held[1]	Reason for exclusion	Solvency II Statutory
Bureau Laveaux & Martin BVBA	Vossendreef 6 – B-1180 Ukkel	100	Not material	Participation at fair value

3. Affiliated companies accounted for by the equity method

Name	Head Office	% of capital held[1]	Reason for exclusion	Solvency II Statutory
Assurcard NV	Fonteinstraat 1A bus 0301 – B-3000 Leuven	20	Not material	Participation at fair value
Belwing SA	Avenue Maurice-Destenay 13 – B-4000 Liège	20	Not material	Participation at fair value
De Haan Vakantiehuizen NV	Woluwelaan 46 – B-1200 Sint-Lambrechts-Woluwe	25		Participation at fair value
EPC CVBA (Economie Populaire de Ciney)	Rue Edouard Dinot 32 – B-5590 Ciney	61.37		Participation at fair value
Fixxer	Karel Rogierplein 11 – B-1210 Brussel	51.16		Participation at fair value
LIVe NV (Land Investment Vehicle)	Brugmannlaan 27A – B-1060 Brussel	25		Participation at fair value
R.E.D. Laboratories NV	Z1. Researchpark 100 – B-1731 Zellik	22.2	Not material	Participation at fair value
Syneco Agence Conseil VZW	Place l'Ilon 13 – B-5000 Namur	20	Not material	Participation at fair value
Vicinity Affordable Housing Fund CV	Bosrechterstraat 50 – B-1170 Watermaal-Bosvoorde	45.83		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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