

CONSOLIDATED SOLVENCY AND
FINANCIAL
CONDITION REPORT
31 DECEMBER 2018



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SCOPE

This report presents the solvency and the financial situation of the Belfius Insurance Group at a consolidated level.

SUMMARY

ACTIVITY AND PERFORMANCE

As a multi-channel insurer on the Belgian market, Belfius Insurance group ("the Group" or "Belfius Insurance") offers a complete range of Life and Non-Life insurance products to individuals, companies, freelances, the social sector and the public sector.

In 2018, Belfius Insurance collected EUR 1,918 million on the Belgian market, of which 63% for Life.

As at 31 December 2018 the Group had 1,219 full-time equivalent members of staff.

Belfius Insurance has two operational segments, Retail & Commercial Insurance ("RCI") and Public & Corporate Insurance ("PCI").

The RCI strategy rests on three pillars:

- ongoing development of the bank-insurance model, a growth driver for the Belfius Group;
- the DVV/Les AP network continues to focus on added value for its intermediaries; and
- Corona Direct, the Group's direct insurer, is an independent company and also acts as a pioneer in future digital development for all the channels of Belfius Insurance.

In 2018, Belfius Insurance decided to focus its Non-Life activities in Public and Corporate Insurance (PCI) on the social sector segment through direct distribution and to put the Non-Life-activities towards other institutional and corporate customers through the brokerage channel in run-off. The freed-up resources are reallocated to its strong developing Non-Life insurance business with SME customers through its own (bank and DVV/LAP) distribution channels.

In the 2018 financial year, Belfius Insurance achieved net pre-tax income of EUR 192 million. This excellent result is the fruit of our long-term strategy: strengthening the bank-insurance model, controlling our costs with particular attention paid to customer satisfaction, the profitability of all our channels and development of the Non-Life portfolio.

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. The strategic plan 2020-2025 aims to make Belfius Insurance a leading insurer on the Belgian market. We are constantly improving our processes to increase their efficiency and thus their impact on customer satisfaction. The Leadershift program, set up in collaboration with Belfius Bank, will prepare the Belfius managers for the challenges of the future.

GOVERNANCE SYSTEM

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

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

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

The teams that must specifically ensure effective risk management are:

- The Risk Management team (second line of control) under the responsibility of the Chief Risk Officer, member of the Management Board, tasked with the supervision of the risk management policy. This team defines lines of action for limits and delegated powers, monitors and measures the total risks, and awakes the implementation of harmonized 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 compliance 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 Chief Compliance Officer (CCO) (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 directly to the Chief Executive Officer, chairman of the Management Board. 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.

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.

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 on the basis of regulatory requirements (Solvency II) and sometimes by taking a specific look at the company.

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

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

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

Finally, Belfius Insurance is subject to the supervision of the Belgian and European supervisory authorities. As a major operator, regular contacts enable the supervisors to be aware of elements which might influence its risk profile and stress tests enable the supervisor to measure its resilience to these.

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.

At the end of December 2018, the SCR of Belfius Insurance at a consolidated level was EUR 1,097 million. The major part of the capital requirement arises from market risk, in particular the risk associated with spreads or equities. Considering the policy aimed at maintaining a reduced gap between asset and liability durations, the capital requirement dealing with the interest rate risk remains rather limited.

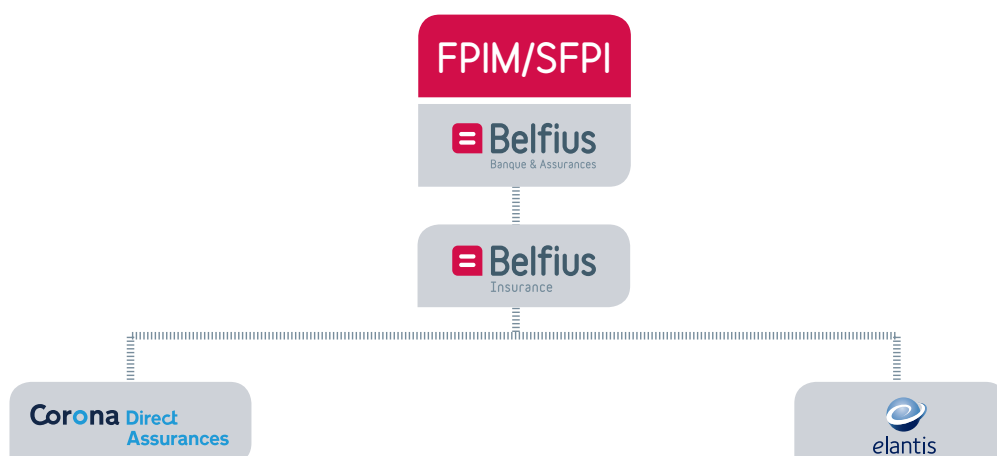
At the end of December 2018, the regulatory capital of Belfius Insurance was EUR 2,231 million. This leads to a Solvency II ratio of 203% at the date, after taking the foreseeable dividend into account.

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 GROUP PROFILE

A.1.1 STRUCTURE



Belfius Insurance belongs to the non-listed Belfius Bank and Insurance group, since the end of 2011 owned by the Belgian State which holds it through the Société Fédérale de Participation et d'Investissement/Federale Participatie- en Investeringsmaatschappij ("SFPI"/"F-PIM") to which supervision of the participation has been entrusted.

Occupying the fifth¹ place on the Belgian insurance market, Belfius Insurance offers a wide range of Life and Non-Life insurance products (intended) for individuals, companies, freelances, the social sector and the public sector.

Since 2012, we have introduced a new strategy by virtue of which we aim to become the most efficient insurer on the Belgian market, in terms of customer satisfaction, operational result and general costs, relying on our committed staff members and our multi-brand and multi-channel distribution.

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

In 2018, Belfius Insurance decided to focus its Non-Life activities in Public and Corporate Insurance (PCI) on the social sector segment through direct distribution and to put the Non-Life-activities towards other institutional and corporate customers through the brokerage channel in run-off. The freed-up resources are reallocated to its strong developing Non-Life insurance business with SME customers through its own (bank and DVV/LAP) distribution channels.

A.1.1.1 Belfius Insurance

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

Our corporate, social profit and public sector customers have the benefit of a complete range of Life insurance products specifically suited to the needs of each sector, via specialist brokers, direct distribution or bank channel.

1 2017 figure – Assuralia; 2018 figures not yet available.

A.1.1.2 DVV/LAP Insurance

DVV/LAP Insurance, a family insurer, distribute their products via an exclusive network of advisors, spread throughout the entire country. Via the 322 branches of DVV/LAP, individuals, freelances and small companies are offered a complete range of insurance products and mortgage loans, through a quality and tailored service.

A.1.1.3 Corona Direct

Our subsidiary Corona Direct is the direct insurer of the Belfius Insurance group. Corona Direct offers its insurances via two channels. On the one hand the direct channel, i.e. principally the Internet and telephone. On the other hand, the affinity channel, via partners such as car dealerships which offer their customers insurance when they purchase a car. Kilometre insurance and funeral insurance are two leading Corona products.

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

Regulator: National Bank of Belgium (NBB), Boulevard du Berlaimont, 1000 Brussels. Telephone: 02/221 21 11

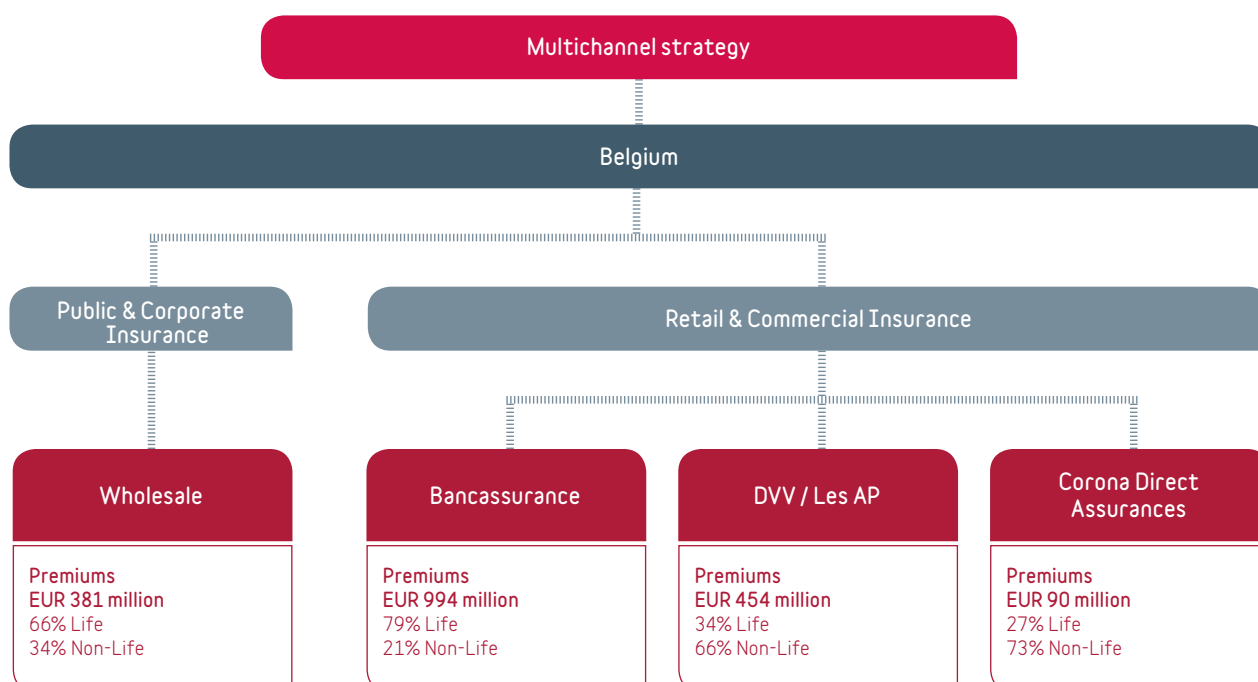
Auditor: Deloitte Auditeurs d'entreprise, SC s.f.d. SCRL, Luchthaven Nationaal 1 J / Gateway Building, 1930 Zaventem.

A.1.3 ACTIVITY REPORT

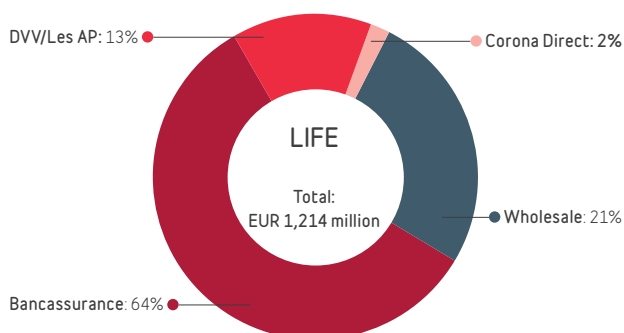
The production figures given in the activity report relate to the direct business of the Life and Non-Life activities, including Branch 23. The activity report focuses principally on commercial production, those figures are not taking account either reinsurance received or a series of technical (IFRS) and regulatory documents.

Gross total premium written amounted in 2018 to EUR 1,918 million, of which EUR 1,214 million in Life and EUR 704 million in Non-Life, against 1,728 million the previous year.

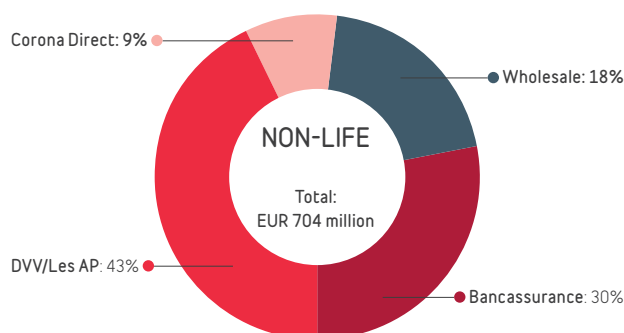
The following charts show premium collection by Public & Corporate Insurance (PCI) and by Retail & Commercial Insurance (RCI).



Life premiums by channels



Non-Life premiums by channels



A.1.3.1 Public & Corporate Insurance

Insurance decided to focus its Non-Life activities in Public and Corporate Insurance (PCI) on the social sector segment through direct distribution and to put the Non-Life-activities towards other institutional and corporate customers through the brokerage channel in run-off. The freed-up resources are reallocated to its strong developing Non-Life insurance business with SME customers through its own (bank and DVV/Les AP) distribution channels.

In Life, Belfius Insurance is and intends to stay a top player in pensions (first and second pillar) for the Public & Social sector.

A.1.3.1.1 Non-Life

The Non-Life premium collection has slightly decreased in 2018: EUR 128 million compared to EUR 135 million in 2017. This decrease is mainly due to the first effects of the decision to put the activities towards institutional and corporate customers in run-off. However, as most of the contract have a renewal date in January, effects are still limited. There is also a slight decrease in the Direct distribution channel related to a pruning made in some areas.

A.1.3.1.2 Life

PCI is profiled on the market as a specialist in pension solutions and specific investment products for the Public and Social Profit Sector. That is why PCI also continues to focus on controlled growth of the Branch 21, 27 and 26 portfolio (Belfius PubliPension, a product for public sector pensions, and investment insurance contracts) and on the active management of the existing group insurance portfolio.

Life premium collection amounts EUR 253.3 million in 2018. We can note a decrease compared to last year (EUR 272.9 million) due to lower production in investment insurance contracts. Production in pension products (first and second pillar) grows by 2.1% compared to 2017.

Proactive monitoring of the portfolio by a team of actuaries and financial experts, the success achieved by projects such as SIGeDIS (database of second pillar pensions for employees and freelances, created by the public authorities) and the launch of the implementation phase with a view to modernising management systems, are all factors which enable both Belfius and its customers to face the future with confidence. Furthermore the positive outcome of an market study realised in 2018 to extend our pension activities to the management of pension funds, strengthen our strategy as a specialist in pension solutions for the future.

The strategy which consists of aiming for sustainable and targeted growth, linked to the ongoing development of a more efficient and more customer-aligned organisation, forms the basis of a close relationship with customers in the Public, Social and Corporate Sector.

A.1.3.2 Retail & Commercial Insurance ("RCI")

A.1.3.2.1 DVV/Les AP

Belfius Insurance uses the DVV/Les AP channel, which is itself supported by a network of independent and exclusive DVV/Les AP advisors, to address individuals, freelances and SME. In addition to the qualitative range of Life and Non-Life insurance products, the personalised service and advice provided by the local intermediary provide the customer with the greatest added value.

DVV/Les AP intends to continue emphasising the added value of their intermediaries, their presence and their local involvement. For this purpose, they invest in IT sales and consulting tools which allow local advisors to profile themselves as insurance specialists, fully aware of all the new matters.

A.1.3.2.1.1 Commercial results

DVV/Les AP spent the year 2018 continuing to develop their activities in relation to Damage and Life insurances.

Non-Life premium collection passed EUR 298.5 million, with a growth in line with the market average.

In Car insurance, the rate of attrition within the portfolio remained lower than 10%. Car insurance production continued to accelerate and is at a good level. This means growth of 2.2% in premium collection compared to 2017.

By virtue of tax advantages, tax-allowable Life insurances did not suffer from the weakness of interest rates.

The premium collection in Life amounts EUR 155 million. Premium collection for Branch 21 products increased sharply (+6%) and decreased for Branch 23 (-9%).

The attention constantly paid to the further development of the customer base also bore fruit in 2018. The sales efforts made in favour of obtaining a complete customer file enabled the portion of IVAF-1 customers (3 of 4 products: Fire, Life, Car, Family) to be consolidated; in other words, more than 42% of DVV/Les AP customers have at least three of the four basic products, here too in favour of the low level of the rate of attrition.

Among the spearheads of the digitisation trend is the further development of the lead management application, intended to increase sales strength, and the electronic customer service platform. The new DVV/Les AP website has been launched. Various projects to facilitate the digital transition of DVV/Les AP have also been commenced. All this is related to the personal service of the DVV/Les AP advisor, which is essential within the framework of the customer approach. The brand identity has been modernised and is now in perfect harmony with DVV/Les AP's strategy.

The DVV/Les AP sales approach remains loyal to the brand promise, which consists of offering its customers quality insurance solutions. Regular contacts, in the form of check-up interviews, plus the personalised service provided by the advisor, enables very satisfied and loyal customers to be attracted: as evidence of the excellent results obtained at the end of the various surveys, the most recent reports a satisfaction rate above 95% and a historically high Net Promoter Score.

A.1.3.2.2 Bank-insurance

Via the Belfius Bank channel, Belfius Insurance addresses individuals, freelancers and SME seeking a solution (for both Life and Non-Life insurance products) in their bank branch. 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 risk), in addition to life insurances, like pension savings, mixed life insurances, Savings insurances, guaranteed income, Death and Outstanding Balance associated with mortgage loans. This extremely wide range enables Belfius Insurance fully to play its role as insurer with a local footing, which makes a point of protecting Belgian households and their incomes and contributing to the increase of their wealth.

A.1.3.2.2.1 Strategy

By 2025, our goal is to be a leading insurer

- which managed to increase its Life & Non-Life activities thanks to organic 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 in order to offer a stable and growing contribution to the results of Belfius Group.

Our strategic priorities for delivering 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;
- capitalize on our superior data management and digital expertise in all key moments of the customer journey.

Regarding insurance activity for SMEs and independents, Belfius wishes to:

- capitalize on the strengths of the two networks, both that of Belfius and DVV/Les AP;
- increase market share from 1.5% to 4%, representing annual growth of 20% for both Life and Non-Life.

A.1.3.2.2.2 Commercial results

2018 is the fifth year during which Belfius Insurance has focused on bank-insurance, and confirms its growth. Sales efforts are well integrated by the networks and premium collection in Non-Life has increased by more than 12% in one year. The branches have adapted their organisation to this strategy. Cross-sell 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. As from 2019, a dedicated unit for Bancassurance will ensure the concretisation of this distribution-oriented strategy and will reinforce the collaboration between Belfius Bank and Belfius Insurance.

A more competitive price for our best customers is guaranteed through the integration of segmentation. In addition, for more specific products, a specialized service by our intern broker Qualitass completes our offer to customers.

For bank-insurance, gross premium written in Non-Life insurances passed the milestone of EUR 213 million in 2018 (growth of 12.4% compared to 2016). This phenomenon is explained by the sale of more than 107,288 guarantees, an increase which is also true for Car as well as for Fire, Family and Assistance.

Intense activity in the housing loan market was also reinforced by the improvement (by around 86%) of the rate of cross-sales for Fire insurances. The intentional cross-sales of outstanding balance (Life) insurances stay high in 2018 with a rate of 140%.

The year 2018 also proved to be significant for the other Life activity. Macroeconomic conditions continue to favor the conversion of production from Branch 21 investment insurances towards Branches 23 and 44 (combination of Br21 and Br23). This is consistent with our diversification strategy. Several products were placed on the market against this background, in the first half-year as in the second. Life insurance premium collection increased by 28% to reach EUR 781 million gross in 2018. Both Branch 23 and 44 and classic Life insurances with associated outstanding balance insurance contributed to the result. Growth of more than 10% of Branch 23 reserves was impressive at least. In any event it is stronger than that achieved by the market as a whole. In line with the strategy, Branch 21 reserves, however, show a decline under the weight of contracts coming at maturity (more than eight years), which led to a large number of redemptions.

A.1.3.2.2.3 Principal achievements

Optimal agency organization and knowledge enhancement ensure improvement of sales and customer service. The new IT system for Auto Insurance products has been tested and developed in different pilot agencies in 2017 and globally rolled out in 2018, together with a fully digital salesflow.

The launch of the digital car offer highlights the innovative, user-friendly and omnichannel customer experience we offer. Our customers can now subscribe a car 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, Belfius Tablet and Belfius Direct Net). The customer can always be assisted by an advisor in an agency or via Belfius Connect. In addition, the Belfius Assistance insurance offer via digital channels has considerably accelerated agency sales. Currently, almost 23% of new business is underwritten in this way.

A new and innovative Branch 23 gamma was launched: Belfius Kite that groups together the most important products of Branch 23, which gives customers greater flexibility within the same contract. Alongside more traditional financial products, Kite offer was also extended with a sustainable product. This responds to the high sensitivity that we observe with some of our investor clients.

In addition, new products have been added to the life insurance offer: "Belfius Gift Protect" and "Belfius Assurance Obsèque". The first is an insurance solution to protect bank donations. The funeral insurance aims to cover funeral expenses through the guarantee of a capital (fixed or indexed) for life. It is a branch 21 type product with a guaranteed capital and a lifetime without medical acceptance.

A.1.3.2.3 Corona Direct

Corona Direct offers various insurance products (including Car, Fire, Family and Funeral Cost insurances) to retail customers via a direct, essentially digital channel. To do this it uses on the one hand the Corona Direct brand and on the other hand specific "affinity" partnerships, within the framework of which it is the partner's brand which is used. Car insurance, which represents 63% of premium collection, is its principal product; this is followed by Funeral cost insurance (24%). In 2018, Corona Direct continued its growth strategy with, as a reward, a jump of 10% in premium collection to EUR 65 million. The premium collection in Life amounts EUR 24 million.

It is increasingly on the web site that the customer makes contact with the Corona Direct brand. In 2018, the site recorded 1.1 million individual visitors. Corona Direct is not content simply to provide a user-friendly and intuitive site, including a new conversational mobile version of the web site, but also wants to be extremely easily accessible by telephone, email and chat, so many channels presented by staff members eager to provide good customer service. Corona Direct strives to achieve growth whilst maintaining its profitability and ensuring that its customers remain extremely satisfied (currently 98% satisfaction).

To that end it continues to invest in marketing and to take advantage of every sales signal. Digital developments play a major role in this growth strategy.

A.1.4 HUMAN RESOURCES MANAGEMENT

A.1.4.1 Employees in figures

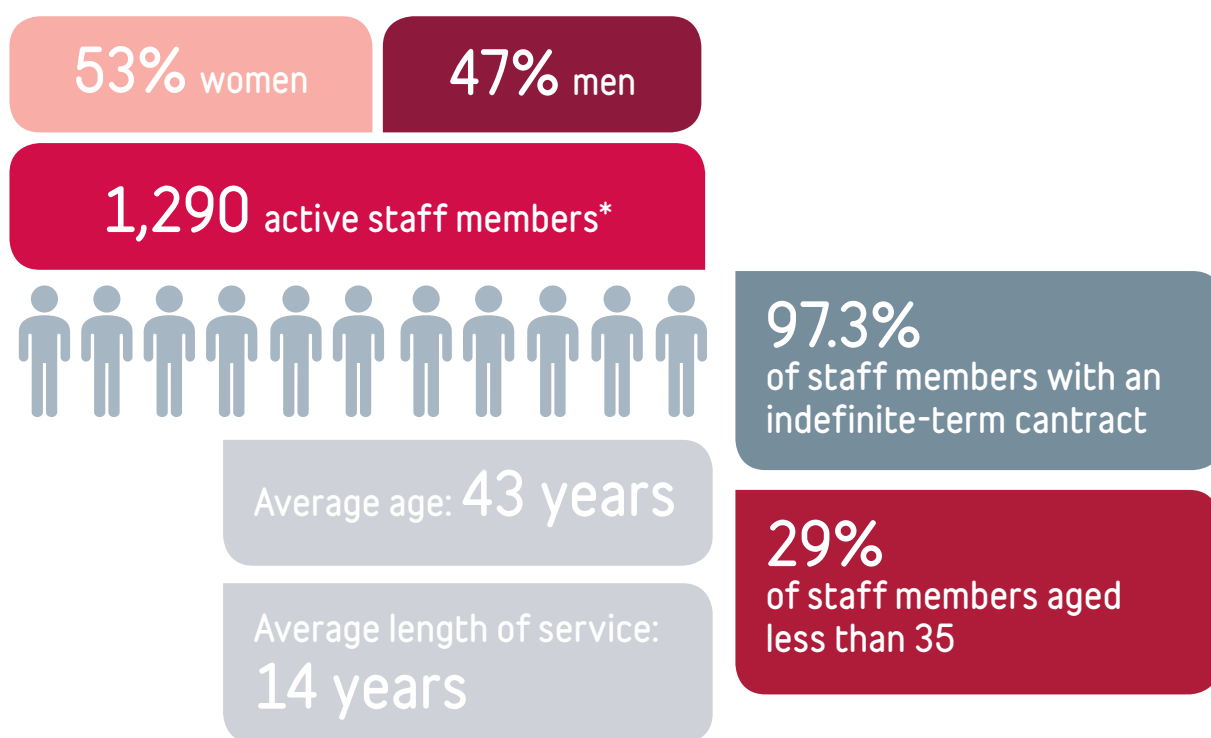
On 31 December 2018, Belfius Insurance and its subsidiaries Corona Direct, Caring People, Elantis and Belfius Insurance Invest in Belgium and Belfius Insurance Finance in Luxembourg employed a total of 1,290 people, or 1,219 full-time equivalents.

The population of employees comprises 16 different nationalities, of which the majority are Belgian (97.7%), followed by French, Dutch, Spanish and Indian (between 0.2% and 0.6%). The average age is 43 years which remains at the 2017 level.

Belfius Insurance (with its subsidiaries) generally shows a good gender balance. Women represent 53% and men 47% of the workforce. At Belfius Insurance Finance, Caring People and Elantis, women represent a large majority (more than 2/3 of the workforce in each entity). At Belfius Insurance, the largest entity, with 1,065 staff members, the ratio is proportional with 50% women and 50% men.

Job security is guaranteed within the various entities. More than 97% of the staff members have indefinite-term contracts.

In an ever faster changing world and context, Belfius Insurance and its subsidiaries are working on solutions for the future. To this among others, it is crucial to attract young talent. At the end of 2018, no less than 29.5% of employees were under the age of 36 years.



* Effectif

A.1.4.2 Focus 2018: Towards a flexible remuneration system, a sustainable mobility policy and an enhanced supply of self-care services

Belfius Insurance has the ambition to be a modern and future-oriented employer. Based on this vision, a new and modern remuneration policy was developed in 2018 together with the social partners, implementing a flexible remuneration system (cafeteria plan). Structural measures were taken that strongly encourage sustainable commuting, out-patient care insurance was offered and wellbeing was given a new dimension.

These innovations are based on six pillars (Flexibility, Security, Sustainability, Motivation, Competitiveness and Transparency) and will enter into force on 1 January 2019.

With the flexible remuneration system, Belfius Insurance wants to continue to reward in line with the market and both correctly reward the commitment of its current employees and continue to attract competent new staff.

As a socially committed employer, Belfius also finds it very important that our employees are aware of the importance of sustainable measures regarding commuting. That is why we facilitate the use of public transport and alternative forms of transport through employer interventions and measures to discourage the use of cars.

Finally, by extending the hospitalisation plan with a guarantee for outpatient care, launching a resilience survey linked to a personal action plan that monitors mental resilience and the introduction of an Employee Assistance Program, Belfius encourages its employees to pay the required attention to their physical and mental health.

Through all these different elements, Belfius wants to continue to motivate its employees in their contribution to the realisation of its company strategy, both now and in the future.

A.1.4.3 Belfius Together

We believe that all Belfius entities have the right talents and competences to achieve our objectives, but we realise that these are sometimes under-utilised due to a lack of sufficient internal mobility. Through closer day-to-day cooperation between Belfius Bank and Belfius Insurance (Belfius Together) in newly formed teams, our talents can be better used to build the future, based on diversity and complementarity. This is achieved both by making better use of career opportunities within a much broader internal labour market and by creating new opportunities for employees in the light of the “talent company” we are and want to become even stronger.

A.1.4.4 Training & Development

With the open offer of skills training courses for Belfius Bank and Belfius Insurance, including a new e-learning module specifically dedicated to insurance, Belfius Insurance offers every employee the opportunity to develop further on a continuous basis. The open offer has grown further over 2018 and is accessible to employees of both Bank & Insurance and Insurance.

In addition, together with Belfius Bank, a number of new joint projects/initiatives were launched:

- To prepare managers for the challenges of the future, Belfius launched the *LeaderShift program*, because investing in employees is investing in the future. The program consists of a thoughtful mix of immersion in leadership methodologies, workshops and company visits. With this Belfius wants to teach its leaders and, through them, all Belfius employees the right mindset, tools and practices to learn together and move forward in a rapidly evolving world.
The launch of the Belfius LeaderShift took place on Friday 14 September in the presence of the members of the executive committees of Belfius Insurance and Belfius Bank and its +/- 600 managers. On the agenda: the presentation of the objectives and challenges of the LeaderShift programme by Camille Gillon, Marc Raisière and Dirk Vanderschrick, some inspiring external speakers and a Tech Gallery, to become familiar with the latest technological developments.
- *Bridge Builders* is an initiative aimed at building bridges at several levels. A bridge between older and younger colleagues, between Belfius Bank and Belfius Insurance, between Belfius and the outside world... During the Bridge-Building sessions, participants (in pairs of a staff member with 25 years of experience or more and a younger one) focus on two specific roles in the Belfius leadership model. Based on exchanges with external organisations, the participants look for innovative ideas that can also be implemented within Belfius. In 2018, 3 Bridge Builders were organised for 2 days for a total of 120 employees of both Belfius Insurance and Belfius Bank.
- Finally, with the *Growth Mindset* program, we want to inspire the top of our executives on how new technologies and leadership are used in foreign companies and how we can get concrete creative ideas to apply within our company. In 2018, the 2 Growth Mindset expeditions brought the participants to Toronto, San Francisco, Beijing and Singapore.

A.1.4.5 Engagement Survey

Like every year, the annual Engagement Survey was launched again to assess the engagement and satisfaction of staff. In terms of engagement, the results remained high and in line with previous years with a score of 85% for 2018. In terms of the “satisfaction indicator”, 91% of our employees said they were satisfied working for Belfius Insurance. These results give us confidence for the future, since committed and satisfied staff members are the basis for satisfied customers.

A.2 UNDERWRITING PERFORMANCE

A.2.1 NON-LIFE

The table below shows the result of Non-Life insurances by product group for the years 2017 and 2018 as published in the Annual Report 2018.

Non-Life insurance by product group

	Gross earned premiums	Claims incurred and other technical expenses	Acquisition commissions	Technical result from ceded reinsurance	Net income on capital	Operating expenses	Other	Net income before tax
(in thousands of EUR)								
TOTAL AS AT 31 DECEMBER 2017 IAS 39	668,515	(369,870)	(129,789)	(17,768)	48,447	(157,528)	833	42,841
Accepted reinsurance	1,753	(1,229)	(171)	(337)	1,246	(83)	(9)	1,168
Direct business	666,763	(368,640)	(129,617)	(17,431)	47,201	(157,445)	843	41,673
All risks/accidents	109,298	(56,875)	(22,672)	(723)	9,097	(28,992)	(80)	9,053
Cars/third party liability	168,161	(120,954)	(28,578)	1,787	22,664	(42,557)	(193)	330
Cars/other branches	92,228	(51,915)	(17,684)	(940)	1,550	(23,590)	(13)	(364)
Fire and other damage to property	223,317	(83,884)	(55,622)	(16,982)	7,215	(45,792)	(310)	27,943
Other ⁽¹⁾	73,759	(55,012)	(5,060)	(574)	6,675	(16,514)	1,437	4,712

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

	Gross earned premiums	Claims incurred and other technical expenses	Acquisition commissions	Technical result from ceded reinsurance	Net income on capital	Operating expenses	Other	Net income before tax
(in thousands of EUR)								
TOTAL AS AT 31 DECEMBER 2018 IFRS 9	699,714	(375,567)	(134,937)	(30,559)	38,988	(157,192)	1,008	41,456
Accepted reinsurance	1,858	(1,831)	(207)	(283)	1,123	(3)	(7)	650
Direct business	697,856	(373,736)	(134,730)	(30,276)	37,865	(157,189)	1,015	40,806
All risks/accidents	118,021	(67,736)	(24,433)	(3,230)	7,713	(28,308)	(68)	1,960
Cars/third party liability	175,886	(81,365)	(28,779)	(7,711)	16,721	(42,651)	(133)	31,968
Cars/other branches	100,703	(57,756)	(18,673)	(776)	1,252	(24,561)	(11)	178
Fire and other damage to property	237,905	(104,601)	(57,308)	(17,956)	6,350	(45,690)	(56)	18,643
Other ⁽¹⁾	65,341	(62,277)	(5,537)	(603)	5,829	(15,980)	1,283	(11,944)

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

Gross premiums collected increased by 5%, from EUR 669 million to EUR 700 million. This growth is evidence of the success of the bank-insurance model and the digital developments in which Belfius is investing.

We can note a slight decrease of the Non-Life results due to lower financial results (mainly related to lower capital gains on shares due to IFRS 9). The technical results evolve positively thanks to the growth of premiums. Commissions and net claims (with reinsurance impact) increases in line with the gross premiums. Loss ratio is slightly above previous year, due to the segment Public and Corporate (lower results due to adjustments on large claims from previous years in Car and increase of claims in Worker's compensation and Property). In the growing segment Retail and Commercial, the loss ratio is decreasing despite the impact of NatCat in January and May 2018.

The costs are in line with 2017 which results in a decrease of the cost ratio thanks to the higher gross premiums.

A.2.2 LIFE

The figures shown in the table below reflect the activity as published in the Annual Report 2018.

	2018			
	Insurance contracts	Investment contracts with DPF	Index-linked & Unit-linked	Total
(in thousands of EUR)				
Gross technical provisions	4,686,633	7,957,237	2,837,971	15,481,841
Part of the reinsurer	12,390			12,390
Gross earned premiums	498,703	298,225	413,898	1,210,826

	2017			
	Insurance contracts	Investment contracts with DPF	Index-linked & Unit-linked	Total
(in thousands of EUR)				
Gross technical provisions	4,947,398	8,967,105	2,597,572	16,512,075
Part of the reinsurer	180,757			180,757
Gross earned premiums	474,465	325,202	250,070	1,049,737

Insurance contracts

Excellent results generated by the Life product range in 2018, up on the previous year, principally in view of the success of outstanding balance insurance in bank-insurance. The cross-selling of mortgage loans remains at a good level with a further increase of the premium collection at a good profitability.

With-profit insurances

This product line faced numerous redemptions on policies at maturity (rate guaranteed over 8 years). A part was reinvested in new products (Branch 23), but the majority of policies at maturity were redeemed by customers. As a consequence, mathematical reserves fell significantly for these products in run-off.

The economical (low interest rates) and regulatory context (IFRS 9) puts an extra pressure on the profitability.

With the decrease of benefits and the pressure on the margin, the results for this product line are lower than previous year.

Index-linked and unit-linked insurances

In 2018, Belfius Insurance has realized a strong increase of its premium collection in Br23 (+65% compared to 2017). This resulted in an increase of the benefits (however negatively impacted by a negative market effect due to the decrease of stock markets) which lead to an increase of the results.

A.3 INVESTMENT PERFORMANCE

A.3.1 INFORMATION CONCERNING CHARGES AND PROCEEDS COMPARED TO THE PREVIOUS YEAR

The financial result of 2018 amounts to EUR 539 million, below the income of 2017 of EUR 705 million.

An important decrease is attributable to the net interest margin, ending EUR 45.48 million lower at EUR 421 million. This evolution is explained by several elements:

- a further decline in Life reserves, resulting from the changed focus towards branch 23, mortgage-linked or fiscal (insurance) products leading to an important decrease of financial assets;
- the average yield on the portfolio continued to decrease, in line with the evolution of the market yield;
- a strong decrease in interest income on mortgages, due to the high number of external prepayments with impact on the volume and internal prepayments with impact on the average yield;

Dividend income remained stable and reached EUR 58.58 million, reflecting the importance of these assets in the revenues of the investment portfolio.

Net income on investments and liabilities amounts to EUR 66.4 million versus EUR 154.2 million for the previous period. The realization of capital gains depends on the available market opportunities and is part of an efficient asset management of matching the assets to the liabilities. In this context, the realizations were principally carried out on Belgian government bonds, equities, real estate and funds, but with a lower return than previous year. At the beginning of 2018, Belfius Insurance also implemented IFRS 9. Some financial instruments are now classified under fair value through profit or loss and contributed for a loss of EUR 22 million in 2018. The main reason for this loss is the correction of the financial markets in Q4-2018 and the loss of their dividend and coupon in their valuation.

Net income on capital (in millions of EUR)	31/12/17	31/12/18
Interest income & expense	466,788	421,308
Dividend Income	63,391	58,580
Net income from equity method companies	2,602	963
Net income from financial instruments at fair value through profit or loss	1,327	(22,351)
Net income on investments and liabilities (capital gains)	154,230	66,441
Other income & expense	16,726	14,609
TOTAL	705,065	539,550

A.3.2 PERFORMANCE (IN %)

The last quarter of 2018 was a difficult period for all asset classes and weighted on the performance of all asset classes.

In 2018 the performance of quoted shares and funds was -6.63%, versus the reference benchmark (Eurostoxx 50) performing at -12.03%. Quoted real estate underperformed the benchmark (50% Epra EMU + 50% Epra Belgium) in 2018 with 0.76% which ended at -0.19%.

The performance of the fixed income portfolio over 2018 was 0.11%. There is no benchmark investment approach for this portfolio.

	31/12/17	31/12/18
Available for Sale Financial Assets in MEUR (in millions of EUR)	Total	
Corporate bonds	1,696.27	1,697.38
Covered bonds	856.14	872.89
Danish MBS	168.53	179.48
Financial bonds	596.95	562.17
Government bonds	7,160.56	8,209.46
Monetary funds	935.58	133.43
Quoted funds	456.49	469.00
Quoted Shares	501.12	544.29
Quoted Real Estate	443.14	511.55
Unquoted shares and funds	72.98	102.98
TOTAL	12,887.76	13,179.65

With the acquisition of Auxipar in 2018 the position in unquoted shares and funds and quoted equities increased with respectively EUR 45 million and EUR 34 million.

A.3.3 SECURITISATION INVESTMENTS

Market Value	31/12/18
RMBS (Residential Mortgage Backed Securities)	85,219,779
DMBS (Danish Mortgage Backed Securities)	179,481,521
TOTAL	264,701,300

Belins had a position of EUR 264.7 million in securitisation, EUR 85.2 million in RMBS and EUR 179.5 million in Danish Mortgages.

A.4 PERFORMANCE OF OTHER ACTIVITIES

Belfius Insurance has no significant other activities.

A.5 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

As at 31 December 2018, the Board of Directors of Belfius Insurance had fourteen members, of whom six on the Management Board, and who are as follows:

Chairman	Jos Clijsters Chairman of the Board of Directors of Belfius Insurance SA (up to 31/12/18) Chairman of the Board of Directors of Belfius Bank SA	b) Non-executive directors	Marc Raisière Vice-Chairman of the Board of Directors of Belfius Insurance SA (Chairman of the Board of Directors of Belfius Insurance SA as from 01/01/19) Chairman of the Management Board of Belfius Bank SA
Other members <i>a) Executive officers</i>	Dirk Vanderschrick Chairman of the Management Board of Belfius Insurance SA		Eric Hermann Member of the Management Board of Belfius Bank SA (up to 31/12/18) Chief Risk officer of Belfius Bank SA
	Michel Luttgens Chief Distribution Officer Member of the Management Board of Belfius Insurance SA		Johan Vankelecom Member of the Management Board of Belfius Bank SA Vice-Chairman of the Board of Directors of Belfius Insurance SA (as from 01/01/19) Chief Financial Officer of Belfius Bank SA
	Frédéric Van Der Schueren Chief Financial Officer Member of the Management Board of Belfius Insurance SA		Rudi Vander Vennet Member of the Board of Directors of Belfius Bank SA
	Emmanuel Michiels Chief Risk Officer Member of the Management Board of Belfius Insurance SA		c) Independent directors
	Laurent Goudemant Chief Markets and Technical Officer Member of the Management Board of Belfius Insurance SA		Johan Tack Independent director of Belfius Insurance SA and of Corona SA
	Els Blaton Chief Operating Officer (as from 06/02/18) Member of the Management Board of Belfius Insurance SA		Chris Sunt Member of the Board of Directors of Belfius Bank SA , Independent director of Belfius Insurance SA
			Cécile Coune Independent director of Belfius Insurance SA and of Corona SA

B.1.1.2 Changes in the composition of the Board of Directors since 1 January 2018

B.1.1.2.1 Changes concerning executive officers

As from 6 February 2018, Mrs Els Blaton was appointed as a member of the Management Board and director.

B.1.1.2.2 Changes concerning non executive directors

Mr Jos Clijsters resigned, with effect from 1 January 2019, from his position as director and chairman of the Board of Directors.

Also with effect from 1 January 2019, Mr Marc Raisière was appointed Chairman of the Board of Directors and Mr Johan Vankelecom was appointed Vice-Chairman of the Board of Directors.

Mr Olivier Onclin was appointed non executive director subject to approval by the National Bank of Belgium.

B.1.1.3 Role, responsibilities and competences of the Board of Directors

The Board of Directors is a collegiate body which has the task, on the one hand, of defining the general policy of the company and, on the other hand, of exercising control over the management of the company.

By "general policy", we mean in particular:

- definition of the general policy, strategy and corporate values, on proposal and after receiving the opinion of the Management Board;
- control of the application of that strategy and those values by the Management Board;
- approval of the financial plan (the budget);
- determination and approval of the risk appetite and risk strategy of the company, as regards amounts;
- approval of major structural reforms; and
- responsibility for relations between the company and its shareholders.

Within the framework of its surveillance function, the Board of Directors also assumes the following tasks:

- establishment of the annual financial statements, which must present a true picture of the assets, financial situation and annual results of the company;
- assessment of the operation of the Board of Directors;
- surveillance of the Management Board and assessment of the services of members of the Management Board;
- assessment of the management structure and organisation of the company:
 1. assessment of the existence and operation of the appropriate internal control systems, including identification and correct management of risks and the reliability of the financial reporting process;
 2. establishment of an appropriate recruitment policy and the appropriateness of the training of directors, independent heads of control functions and executive officers;
- control of the existence and appropriate operation of the independent control functions (internal audit, compliance, risk function and actuarial function);
- control of the existence of conditions enabling the auditor or, as the case may be, the college of auditors to play its role in an appropriate manner;
- assessment of the services of the company in relation to the strategic objectives and the budgets set;
- definition and approval of elements forming a part of the management of the risks to which Belfius Insurance is exposed as an insurance group, in accordance with the strengthened role of the Board of Directors in the process of risk management, as described in the Risk Management Framework.

In addition, the Board of Directors has the following legal and statutory competences:

- the appointment of the Chairman, possibly one or more Vice-Chairmen, the Secretary of the Board of Directors, members of the Management Board and the co-opting of directors;
- the decision to grant a discharge to members of the Management Board;
- the decision to grant a discharge to members of the Audit Committee, if that committee has to take a decision by virtue of Article 133 §6 of the Companies Code;
- the decision to pay an interim dividend;
- the setting of the remuneration of members of the Management Board;
- the determination of the agenda for the annual meeting of shareholders and extraordinary as well possibly as special meetings of shareholders;
- the decision to convene a meeting of shareholders;
- the establishment of the corporate governance memorandum;
- the creation of consultative committees within the Board of Directors and the determination of their competences.

B.1.1.4 Conflicts of interest

If a director, directly or indirectly, has an interest which conflicts on an asset basis with a decision or an operation within the competence of the Board of Directors, they must inform the other directors prior to the deliberation of the Board of Directors. The declaration, as well as a substantiation of the conflicting interest of the director concerned, must appear in the minutes of the meeting of the Board of Directors which has to take the decision.

B.1.1.5 Relations between the Board of Directors and the Management Board

Management of the insurance company falls within the exclusive competence of the Management Board. That management is performed without any interference from outside, as part of the general policy defined by the Board of Directors.

B.1.2 MANAGEMENT BOARD

B.1.2.1 Composition

The Management Board is composed of members who have professional experience in the world of finance and insurance. The members of the Management Board form a college.

As at 31 December 2018, the Management Board had six members and was composed as follows:

Chairman	Dirk Vanderschrick
Members	Michel Luttgens Chief Distribution Officer
	Frédéric Van Der Schueren Chief Financial Officer
	Emmanuel Michiels Chief Risk Officer
	Laurent Goudemant Chief Markets and Technical Officer
	Els Blaton Chief Operating Officer (as from 06/02/18)

B.1.2.2 Role and competences of the Management Board

The Board of Directors has delegated the management of the company to the Management Board which was created from within it.

This delegation of competences does not relate to the control of the management or position of the company, the definition of general policy or the other competences which are reserved by virtue of the law to the Board of Directors.

The Management Board is responsible for the effective management of the company, of which it directs and coordinates the various business lines and their support activities, within the framework of the objectives and the general policy defined by the Board of Directors.

The Management Board, under the surveillance of the Board of Directors, takes the measures necessary to ensure that the company has a strategic structure, an administrative and accounting organisation and control and protection measures suited to its activities or its future activities with regard to the electronic processing of information and internal control.

The Management Board controls the hierarchy and respect of the competences and responsibilities attributed, as well as financial information.

The Management Board is responsible for taking all the measures necessary to be able to have:

- a procedure to establish an adequate financial report;
- a proper functional operation;
- a reliable internal control system; and
- effective rules regarding compliance and corporate integrity.

The Management Board formulates proposals and gives opinions to the Board of Directors concerning the company's general policy and strategy and informs the Board of Directors of the financial situation and all other aspects necessary for the proper performance of its tasks.

The Management Board regularly reports to the supervisory bodies and to the approved auditor on the financial situation, organisation, internal control and independent control functions.

B.1.3 SPECIALIST COMMITTEES CREATED BY THE BOARD OF DIRECTORS

B.1.3.1 Audit Committee

The Audit Committee is a consultative committee created within the Board of Directors and is composed of three non-executive directors.

B.1.3.1.1 Composition

The following persons are members of the Audit Committee of Belfius Insurance:

Chairman	Johan Tack Independent director of Belfius Insurance SA and of Corona SA
Members	Chris Sunt Independent director of Belfius Insurance SA and of Belfius Bank SA
	Johan Vankelecom Vice-Chairman of the Board of Directors of Belfius Insurance SA Member of the Management Board (Chief Financial Officer) of Belfius Bank SA

B.1.3.1.2 Independence and competence

On the one hand, an independent director, who has the individual competence required regarding accountancy and/or audit, sits on the Audit Committee. On the other hand, the Audit Committee has in its current composition a collective expertise in the activities of the company and in accountancy and audit.

Mr Johan Tack, who has a degree in economics and a special degree in management, also has professional experience in accountancy and audit which he acquired in particular in his capacity as director and member of the Audit Committee of various companies (City Hotels SA, Samsonite Corporation, Picanol SA and Quest for Growth SA), and as CEO of AON Belgium SA. He has the individual competence required and sits as "independent director" within the meaning of Article 526ter of the Companies Code.

Mr Chris Sunt, barrister-at-law with experience at the bar. He gained his knowledge of accountancy and audit in his considerable professional experience as a director and he sits as "independent director" within the meaning of Article 526ter of the Companies Code.

Mr Johan Vankelecom has experience in accountancy and audit through his function as a member of the Management Board of Belfius Bank SA, responsible for Finance, Tax and Legal (Chief Financial Officer).

As a consequence, the Audit Committee has collective expertise in the field of insurance and also in accountancy and audit.

B.1.3.1.3 Tasks and competences

The Audit Committee assists the Board of Directors in the performance of its tasks of surveillance and control.

B.1.3.1.3.1 Financial reporting

The Audit Committee examines the integrity of the financial information provided by the company, in particular assessing the accounting standards applied, including the criteria for the consolidation scope.

This examination also covers the monitoring of periodic financial information prior to its being submitted to the company's Board of Directors.

B.1.3.1.3.2 Internal control and risk management

At least once per annum, the Audit Committee examines the effectiveness of the internal control system and the risk management put in place by the executive management in order to ensure that the main risks (including risks associated with observance of the legislation and regulations in force) are properly identified and managed. To that end, the Management Board provides the Audit Committee with a report relating to the internal control system and to risk management.

During the year 2018, the Audit Committee read reports on the activities of Compliance and those of Audit and Internal Control.

B.1.3.1.3.3 Operation of the internal audit

The Audit Committee assesses the effectiveness and independence of the operation of the Internal Audit department. It checks the extent to which management responds to the observations of audit and its recommendations. Every year, the Audit Committee analyses the report on the activities of internal audit as at 31 December and as at 30 June, the assessment of the risks of annual audit and the annual audit plan as well as the periodic reports relating to the monitoring of recommendations.

B.1.3.1.3.4 Inspection of the intermediate and annual financial report

In 2018, the Audit Committee reported to the Board of Directors on the financial results of Belfius Insurance as at 31 December 2017 and as at 30 June 2018. After having assessed the comments made by company management and by the auditor, the Audit Committee expressed a positive opinion to the Board of Directors on the financial results and the facts which influenced them.

B.1.3.1.3.5 Function of external audit and monitoring the independence of auditors

The Audit Committee checks on the appropriate operation of the external control by the auditor.

The Audit Committee formulates opinions for the Board of Directors on the appointment and renewal of the mandate of the auditor by the general meeting of shareholders, as well as their independence and their remuneration.

The Audit Committee checks the independence of the auditor and its audit programme.

B.1.3.1.3.6 Monitoring the process of financial reporting, internal control and risk management systems, annual financial statements and the independence of the auditor of Corona Direct SA

In 2018, the Audit Committee of Belfius Insurance also assumed the role and obligations of the Audit Committee of Corona Direct SA, a 100% subsidiary of Belfius Insurance, in accordance with Circular CBFA_2009_22 dated 25 May 2009 relating to the Audit Committee, applicable cumulatively with Circular NBB_2016_31 relating to the prudential expectations of the NBB.

B.1.3.1.4 Operation of the Audit Committee

The Audit Committee can be called on to communicate all useful information or documents and have any examination performed. Within that framework, it calls on the internal audit of Belfius Insurance, which reports to the Chairman of the Management Board.

The Audit Committee met a total of eight times in 2018. During its ordinary meetings which were held prior to the meetings of the Board of Directors, in particular the Audit Committee analysed the intermediate and annual financial data.

Two consultation meetings were also held in joint sessions with the Audit Committee of Belfius Bank and Belfius Insurance. There was a conversation meeting held in joint session with the Risk & Underwriting Committee.

B.1.3.1.5 Internal audit

Belfius Insurance has an audit function with the task of promoting internal control and constantly ensuring the efficient operation, appropriate nature and effective application of the existing control systems, in accordance with the Circular of the National Bank of Belgium concerning internal control and the internal audit function (Circular NBB_2015_21 dated 13 July 2015 concerning internal control and the internal audit function).

Internal audit, with the assistance of internal audit tasks and the periodic monitoring of the realisation of the recommendations formulated, checks if the risks which Belfius Insurance takes within the framework of all its activities are effectively identified, analysed and managed.

The audit function contributes to maintaining the good reputation of Belfius Insurance and the effectiveness and integrity of its structures and the values which it considers to be particularly important.

B.1.3.2 Risk & Underwriting Committee

The Board of Directors has created a Risk & Underwriting Committee. This committee has been active since 5 June 2012.

B.1.3.2.1 Composition

The Risk & Underwriting Committee of Belfius Insurance SA consisted as at 31 December 2018 of four non-executive directors.

Chairman	Rudi Vander Vennet Member of the Board of Directors of Belfius Insurance SA and of Belfius Bank SA
Members	Cécile Coune Independent director of Belfius Insurance SA and of Corona SA
	Eric Hermann Director of Belfius Insurance SA Member of the Management Board (Chief Risk Officer) of Belfius Bank SA (up to 31 December 2018)
	Johan Vankelecom Vice-Chairman of the Board of Directors of Belfius Insurance SA Member of the Management Board (Chief Financial Officer) of Belfius Bank SA

B.1.3.2.2 Competences

The Risk & Underwriting Committee is a consultative body within the Board of Directors and has the following competences and responsibilities:

- discussing the risk appetite and strategy regarding corporate risk;
- analysing the attribution of the risk appetite within the framework of the different risk categories, as well as the measures and limits regarding risk for the management and limitation of major risks;
- assessing the insurer's risk profile in the light of service provisions vis-à-vis the risk appetite, risk trends and risk concentrations;
- assessing the forecast management of requirements (concerning risk) and the availability of capital (concerning finance) from an economic and regulatory viewpoint, in order to sustain the strategy of the company and in matters of risk. Management aligned to the future can in particular involve the management of the business lines concerning the specific types and a mix of asset and liability products;
- formulating an opinion concerning important operations and new proposals for strategic activities which have a considerable impact on the company's risk appetite;
- providing an opinion on important transactions with regard to liabilities management when it is also a matter of regulatory capital;
- reading and analysing the management reports on the nature and extent of the risks faced by the company, the committee can rely on these reports for the performance of its tasks, such as:
 1. the quarterly risk report;
 2. the results of stress tests;
 3. the quarterly risk appetite indicators (including the indicators relating to capital) and the opinion in relation thereto; and
 4. Solvency II reporting
- checking and providing an opinion to the Board of Directors on existing risk positions and future strategy with regard to risk, including the macroeconomic environment;
- assessing the effectiveness of the risk management function, including the structure of the organisation and the principal procedures, as well as the extent to which risk analysis corresponds to the best practices of the sector and the general evolution of the situation;
- providing an opinion on the Own Risk and Solvency Assessment (ORSA) process, in order for this to become a current Risk/Finance process which may be included in the establishment of the annual budget;
- analysing external financial studies and reports associated with risks; and
- analysing reports relating to selected topics relating to risks/insurances, such as changes in the regulations, which the committee considers on occasion recommended.

B.1.4 OTHER COMMITTEES

B.1.4.1 Nomination Committee

B.1.4.1.1 Context

Since 16 February 2012, there has been a Nomination Committee within the Board of Directors of Belfius Bank. It is composed exclusively of non-executive directors of Belfius Bank. At least one of its members must be an independent director.

This committee is also competent for Belfius Insurance.

The committee must have the necessary expertise with regard to appointment policy.

B.1.4.1.2 Competences

The Nomination Committee:

- identifies and recommends, for approval by the general meeting of shareholders or, as the case may be, by the Board of Directors, candidates suited to occupying vacant posts within the Board of Directors, assesses the balance of knowledge, skills, diversity and experience within the Board of Directors, draws up a description of the tasks and qualifications associated with a given appointment and assesses the time to be dedicated to such functions;
- periodically, at least once a year, assesses the structure, size, composition and performance of the Board of Directors, and makes recommendations to it with regard to any possible changes;
- periodically, at least once a year, assesses the knowledge, skills, experience, degree of involvement, in particular attendance, of members of the Board of Directors and the consultative committees, both individually and collectively, and reports to the Board of Directors;
- periodically examines the policies of the Board of Directors regarding the selection and appointment of members of the Management Board, and makes recommendations to the Board of Directors;
- prepares appointment proposals or, as the case may be, mandate renewals, of directors, members of the Management Board, the Chairman of the Board of Directors and the Chairman of the Management Board;
- assesses the aptitude of a director or candidate director to meet the criteria defined for the qualification of independent director;
- examines questions relating to problems of succession of directors and members of the Management Board;
- establishes a general and specific profile for directors and members of the Management Board;
- ensures application of the provisions with regard to corporate governance;
- prepares proposals for amendments to the internal rules of the Board of Directors and the Management Board;
- each year assesses the governance memorandum and as the case may be proposes amendments;
- checks respect for the corporate values;
- at least once a year, discusses and analyses the quantitative statement and qualitative analysis of communications regarding stress, burn-out and inappropriate behaviour at work and the actions taken to remedy it.

B.1.4.2 Remuneration Committee

B.1.4.2.1 Context

Since 16 February 2012, there has been a Remuneration Committee within the Board of Directors of Belfius Bank. It is composed exclusively of non-executive directors of Belfius Bank. At least one of its members must be an independent director.

This consultative committee is also competent for Belfius Insurance.

The committee must have the necessary expertise with regard to remuneration policy.

B.1.4.2.2 Competences

The Remuneration Committee prepares decisions of the Board of Directors relating to:

- the remuneration policy of Belfius Insurance; and
- the remuneration of the Chairman of the Management Board and, on their proposal, the remuneration of the members of the Management Board.

The Remuneration Committee periodically checks with management if the remuneration programmes achieve their objective and comply with applicable provisions.

B.1.4.3 Mediation Committee

In 2014, the Board of Directors of Belfius Bank decided to create a Mediation Committee within the Belfius group. This committee has been active since November 2014.

B.1.4.3.1 Composition

The Mediation Committee consists of three members:

- the Chairman of the Board of Directors of Belfius Bank, who chairs the Mediation Committee;
- an independent director of Belfius Bank; and
- an independent director of Belfius Insurance.

If the Chairman of the Board of Directors of Belfius Bank is not also the Chairman of the Board of Directors of Belfius Insurance, the Mediation Committee is enlarged to four people. The Chairman of the Board of Directors of Belfius Insurance will also be a member of the Mediation Committee.

As at 31 December 2018 the Mediation Committee was composed of the following members:

Chairman	Jos Clijsters Chairman of the Board of Directors of Belfius Bank SA
Members	Jean-Pierre Delwart Independent director of Belfius Bank SA
	Johan Tack Independent director of Belfius Insurance SA

B.1.4.3.2 Competences

The Mediation Committee is responsible for formulating an opinion on differences of views and blockages concerning material transactions or operations between Belfius Bank and its subsidiaries on the one hand, and Belfius Insurance and its subsidiaries on the other hand, or between their respective subsidiaries. These opinions are sent to the boards of directors of the companies concerned, which then take a definitive decision on such transactions or operations.

The Mediation Committee will evolve towards a more proactive role. The committee must, at least once per annum, check if the procedures regarding conflicts of interest in the different fields are respected.

External Functions of Directors- Article 83 of the Act of 13 March 2016 on the status and supervision of insurance and reinsurance undertakings:

By virtue of the Regulation of the National Bank of Belgium dated 6 December 2011, approved by Royal Decree dated 20 June 2012, concerning the exercise of external functions by executives of regulated companies, Belfius Insurance is obliged to publish the external functions exercised by its directors and executive officers. To that end, Belfius Insurance has opted for publication of such mandates in the company's annual report, which is lodged with the National Bank.

B.1.5 REMUNERATION OF THE ADMINISTRATIVE, MANAGEMENT OR CONTROL BODY

B.1.5.1 Remuneration policy and practice

The Board of Directors sets the remuneration of the members of the Management Board on a proposal from the Remuneration Committee and on the opinion of the Chairman of the Management Board.

The Remuneration Committee formulates proposals to the Board of Directors of Belfius Bank and Belfius Insurance concerning the remuneration policy for categories 1 and 2 of staff members in accordance with the remuneration policy for the Belfius group. Category 1 includes members of the Board of Directors of Belfius Bank and of Belfius Insurance (executive directors). Category 2 includes members of staff whose professional activities have a notable impact on the risk profile of the Belfius group, including top management and people who perform functions involving risks or independent control functions and staff members whose total remuneration places them at the same level of remuneration as that of top management or people who perform functions involving risks.

In certain individual cases, the Remuneration Committee can propose departure from the remuneration policy on the basis of a substantiated proposal from the Chairman of the Management Board (for example for reasons of retention/compliance in relation to the market). In such a case, the Board of Directors will take a decision on the basis of an opinion from the Appointments Committee and the Remuneration Committee.

The consequences of the remuneration policy at a risk and risk management level are globally analysed by the GRH in collaboration with the different departments (e.g. Risk Management, Audit, Compliance).

Each year, the Remuneration Committee will receive a report from the Management Board on the policy applied in subsidiaries of Belfius Bank and Belfius Insurance regarding remuneration and human resources.

The remuneration policy and practices that apply to the members of the Board of Directors and Management Board and to the managers of independent audit functions are set out in a policy. This policy covers the principles of the remuneration policy, with an explanation of the relative importance of the fixed part and variable part of the remuneration.

Within the Belfius group, there is no right to the allocation of share options, shares or other variable components of remuneration.

The principal characteristics of the supplementary pension scheme and early retirement of members of the Management Board are as follows:

The guarantees covered by the group insurance policy subscribed by Belfius Insurance in favour of members of the Management Board, as from 1 June 2012, rely on:

1. Pension lump sum of the defined contribution type
2. Cover for supplementary risk

As for pension regulation, the "General Conditions" described the extent, terms and principles of operation of the various types of Life insurance and supplementary cover.

- Point 1 of those General Conditions describes the principles of operation with regard to insurance technique, which is applied uniformly to all types of insurance.
- Point 2 describes the different risk covers. This point is also applied uniformly to all types of insurance.
- Point 3 contains provisions which are specific to the group insurance.
- Point 9 contains various provisions applied uniformly to all types of insurance.

Non-executive directors of Belfius Insurance have no retirement scheme subscribed by Belfius Insurance and to be borne by the latter. For heads of independent control functions, these are subject to the same group insurance scheme subscribed by Belins for members of staff.

B.1.5.2 Procedure

The procedure followed by Belfius Insurance on the assessment of the professional expertise and reliability of holders of key posts is described in the "Fit & Proper" policy. It contains the procedures described in the "Fit & Proper" policy in relation to the appointment, renewal and dismissal from a key post.

B.1.6 SHAREHOLDER STRUCTURE

B.1.6.1 Structure

At the end of 2018, the Belfius Insurance share capital was EUR 567,425,226.84, represented by 2,579,938 registered shares, each representing one/two million five hundred and seventy-nine thousand nine hundred and thirty-eight of the capital.

The shares of Belfius Insurance (formerly Dexia Insurance Belgium) are held by Belfius Bank SA (2,579,937 shares) and Belfius Asset Finance Holding (one action).

At the date of the present document, the company has also issued 100,000 registered profit shares, without nominal value. These profit shares do not represent share capital. The rights attached to these profit shares are described in the articles of association of Belfius Insurance. The shareholder of Belfius Insurance contributes to the healthy and prudent management of Belfius Insurance, to its good governance and to its sustainable development.

As regards the subsidiary Corona Direct, the total share capital is EUR 21,000,000, represented by 840,000 shares. Belfius Insurance holds 839,999 shares and Belfius Insurance Invest holds one share.

Corona Direct does not hold any of its own shares. The paid-up share capital is EUR 14,150,000.

B.1.6.2 Strategic objectives

The objective of Belfius Insurance is to guarantee a healthy financial profile and a business model guaranteeing the long-term profitability of the company, resulting from progressive growth and control over its results, by way of the following measures:

- increasing the capital of Belfius Insurance in fulfilment of its regulatory obligations under Solvency II, through a prudent investment strategy, a risk profile managed with care and by the adjustment of its product range;
- increasing the technical profitability of Non-Life insurances through active management of its portfolio (policy of acceptance, tariff adjustment, claims management);
- consolidation of Life results through growth of production in classic Life insurance and maintenance of current outstanding in Branch 21 “placements”;
- a continuing effort to maintain a stable spread between the company’s recurrent costs and its earnings;
- continuation of its strategy of customer satisfaction;
- effective exploitation of its multi-channel distribution model (bank-insurance).

B.1.7 MAJOR TRANSACTIONS INTRA-GROUP

Two agreements should be mentioned as major transactions:

- The first is the distribution agreement between Belfius Bank S.A. and Belfius Insurance, regularly updated (last signed on 22 December 2016), concluded for an indefinite term, the object of which is “distribution of the insurance products of Belfius Insurance by Belfius Bank to its Retail & Commercial Banking (RCB) customers”.
- The second is the “Term Subordinated Loan” agreement entered into between Belfius Bank and Belfius Insurance on 23 December 2016.

B.1.8 COMPETENCE AND HONOURABILITY (FIT & PROPER)

B.1.8.1 Requirements

Each director, member of the Management Board, as well as each head of independent control functions (hereinafter called the key functions) must, on their appointment and during the entire period of performance of their function, have the required professional competence and honourability.

These key functions must consequently meet the requirements relating to competence (“Fit”) and honourability (“Proper”) which are described in the “Fit & Proper” policy of Belfius Insurance. These requirements mean that each holder of a key function must be suitable for the function they perform and consequently meet the “Fit & Proper” assessment standards at a Belfius Insurance level and that of its regulated subsidiaries in Belgium (such as the limited company Corona Direct). These “Fit & Proper” standards are in particular those interpreted by the National Bank of Belgium, as the supervisory authority, in its Circular NBB_2018_25 dated 18 September 2018 and the Fit & Proper Handbook relating to the expertise and professional standards (“Fit & Proper”) required for members of the Management Board, directors, heads of independent control functions and executive officers of financial institutions (hereinafter abbreviated to “the NBB ‘Fit & Proper’ Circular”).

Moreover, a function profile is established by the company concerned (Belfius Insurance or the subsidiary concerned) and is adapted to the function sought. Each function profile is sent to the supervisory authority (the NBB) at the time of communication of the candidate file. Furthermore, there is also a regular assessment of the aptitude of directors and members of the Management Board and heads of independent control functions.

B.1.8.2 Process

The process by which Belfius Insurance assesses the professional competence and honourability of holders of key functions is detailed in the “Fit & Proper” policy. It contains the procedures relating to the appointment, renewal and dismissal of a key function as described at the end of the “Fit & Proper” policy.

B.2 RISK MANAGEMENT SYSTEM INCLUDING THE INTERNAL ASSESSMENT OF RISKS AND SOLVENCY

B.2.1 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 faces in the short and in the long term;
- a suitable reporting to make management aware of the overall risk profile in order to ensure an 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.2.2 OBJECTIVES OF THE RISK MANAGEMENT DEPARTMENT

The following objectives are defined for the Risk department:

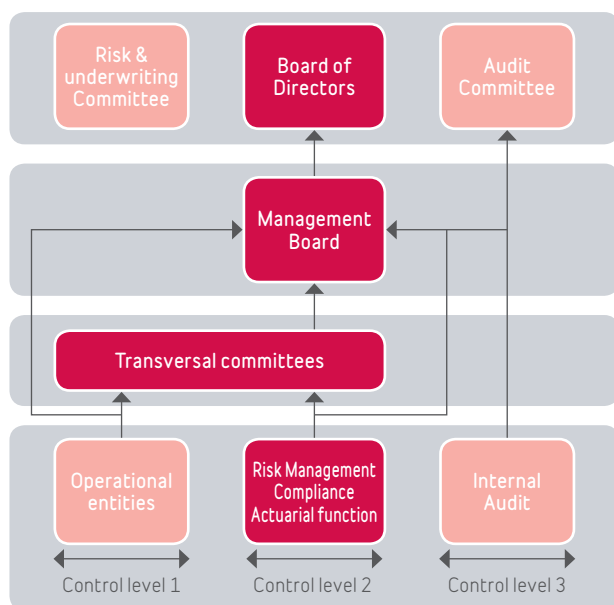
- define a Risk Appetite Framework for the insurance activities that is consistent with the Group approach;
- monitor and manage market, credit, ALM and liquidity risks, underwriting & reserving risks and operational and strategic risks for Belfius Insurance;
- optimize the Belfius Insurance Group risk profile, in line with its strategy, and in collaboration with the business units and activity lines;
- promote and encourage the risk culture within the group and implement the Risk Management practice driven by Solvency II principles;
- supervise proper data governance and quality framework throughout Belfius Insurance;
- implement risk assessment methods for each of Belfius Insurance's activities and operating entities to which this RMF applies;
- successfully integrate subsidiaries within the Belfius Insurance Group from a risk management perspective and implement best practices in all operational entities;
- ensure compliance with local and international legal and regulatory reporting requirements (in collaboration with the Finance Department);
- ensure the transversal coordination of the ORSA Process.

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

B.2.3 GOVERNANCE OF RISK MANAGEMENT

B.2.3.1 Overall view

The organisation of risk management at Belfius Insurance is put in place so as to widen the role of the risk management function and to integrate in a more structured manner the taking account of risk in all company decisions. The organisation of risk management is shown in the diagram below:



Belfius Insurance has chosen to implement the “three lines of defence” model as good practice regarding internal governance to monitor the design of the overall risk and control framework, to detect fields for improvement and to optimise its approach.

According to this model, the responsibility and obligation to be accountable must be differentiated and spread over three levels:

- In the first line of defence, the managers of the different departments are responsible for the integration of internal control measures in business processes, and the assessment, control and reduction of risks.
- In the second line of defence, the functions dedicated to risk management and control (actuarial function, compliance) are responsible for facilitating and monitoring the effective introduction of the risk/control framework and practices appropriate to the organisation's risk appetite. The second line also takes responsibility for the communication of the overall risk level and the maturity of the organisation's controls.
- In the third line of defence, on an ad hoc basis, internal audit gives an objective assurance drawn from audits of the dedicated risk and control functions, and audits of the implementation and appropriate functioning of the internal risk management/control frameworks which form a part of the first line of defence.
- On top of that, transversal committees 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 committees have been created: the Risk and Underwriting Committee and the Audit Committee.

B.2.3.2 Roles and responsibilities

B.2.3.2.1 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 runs.

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 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.2.3.2.2 Management Board

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

- is responsible for the implementation of the risk management system. This system is aligned to the definition of policies, processes and procedures which will enable the Belfius Insurance group to identify, monitor and respond to the risks which the group runs;
- regularly reviews the risk limits/tolerance proposed by the risk management department;
- constitutes the risk management function and establishes all the means necessary to identify, measure, monitor and respond to risks;
- 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;
- challenges the performance and results of the ORSA process;
- validates qualitative and quantitative reports on risks prior to their being sent to the NBB.
- approves and monitors the principal assumptions used in the risk models proposed by the Model Validation Committee;
- decides on the management of capital and its allocation to entities/activities of the Belfius Insurance group;
- monitors the use of capital and steers the solvency ratios of the Belfius Insurance group;
- the following responsibilities fall directly within the competence of the Management Board and not committees: approval of policies, guiding the ORSA and validating assumptions.

To avoid conflicts of interest, members of the Management Board who hold products of Belfius Insurance or their associated parties hold such products may not, in the absence of consensus, participate in any vote concerning such products.

B.2.3.2.3 Transversal committees

The task of the transversal committees is presented in the table hereinafter.

Committee	Task
Product and Pricing steering group (PPSG) both for Life and Non-life activities	<ul style="list-style-type: none"> Regularly reviews the prices of products issued by Belfius Insurance Advises the Management Board on a rule and on the annual allocation of participation to profits
ALCO	<ul style="list-style-type: none"> Decision-taking body for ALM and investment Analyses and monitors the evolution of ALM and the regulatory environment for Belfius Insurance at a group scale
Credit Risk and Depreciation Committee	<ul style="list-style-type: none"> Proposes (to the ALCO) credit risk limits for the investment portfolio within the context of the Investment Framework Monitors the appropriateness of the credit risk profile of Belfius Insurance with regard to the policies, guidelines and credit limits of the Belfius Insurance group Decides, monitors and ensures the good organisation, reporting and definition of limits of credit risk specific to Belfius Insurance, such as the counterparty risk for reinsurance, policy loans, claims on intermediaries or insurance holders Validates the methodology for asset valuation in order to ensure the appropriateness of the valuation with regard to market value Identifies a list of assets which must be impaired and proposes the amount of the impairment to the ALCO
Mortgage Steering Group	<ul style="list-style-type: none"> Is responsible for monitoring exceptions associated with mortgage loan activity Is responsible for setting mortgage loan tariffs Monitors mortgage credit risk in line with the risk appetite of Belfius Insurance and proposes that the ALCO takes appropriate measures when it deems it to be opportune
Reinsurance Steering Group	<ul style="list-style-type: none"> Ensures that the risk and capital strategy and policy of the Belfius Insurance group is declined in the different fields of reinsurance and associated activities Analyses studies on reinsurance and gives the Management Board of Belfius Insurance a forecast viewpoint on the management of reinsurance needs and opportunities, from the perspective of regulatory, commercial and economic risks, with the support of Belfius Insurance group strategy
Model Committee	<ul style="list-style-type: none"> Supervises the entire validation process over the life of the development of models Advises the Management Board as to the decisions to be taken at that level Validates models (prior to their implementation) Effectively manages projects relating to the models used in risk management
Crisis Management Committee	<ul style="list-style-type: none"> Effectively manages the crises by which Belfius Insurance is confronted
QRT Validation Steering group	<ul style="list-style-type: none"> Validates the quarterly and annual opening QRT (Quarterly Reporting Templates), including the report on financial stability, the ECB report and the public information, as well as associated narrative reports

B.2.4 RISK MANAGEMENT AT GROUP LEVEL

Belfius Insurance has a risk management function at group level, with competent staff members and appropriate systems. Each subsidiary, which can rely on these resources, is nonetheless responsible at last resort for the introduction of a risk management system to assess and monitor its own risks.

Each subsidiary will therefore have its own risk management strategy, which will be aligned to the risk management strategy of the Belfius Insurance group, as Belfius Insurance aligns its risk appetite to that of Belfius Bank. The local risk appetite policy must be approved by the local Board of Directors. The local Management Board will carry out quarterly monitoring of its key risk indicators and report on the evolution to its Board of Directors. In addition to the risk appetite policy, each individual risk management policy will also be submitted to the Board of Directors.

The Belfius Insurance risk glossary is applied to subsidiaries subject to the risk management framework. The individual assessment processes, including the assessments of operational risk, the control of internal risks and the ORSA, will be aligned to those of Belfius Insurance.

The methodology and management of models, as well as their validation, are centralised by the risk management department of Belfius Insurance. Local entities contribute their expertise to develop their own methodology and models such as the models for liability assessment or the definition of parameters specific to the undertaking (USP) for Non-Life activity. The models and applications will be available to subsidiaries so that they can prepare their solvency and risk reporting. Industrialisation may lead to centralised reporting, but the local entities remain responsible for reconciliation and final validation of the results provided.

Belfius Insurance applies the transparency rule for companies holding assets within the framework of calculating its risk indicators.

Correspondents have been appointed in each subsidiary in order to ensure appropriate communication between the parent company and its subsidiaries. Meetings are regularly organised between the CRO (Chief Risk Officer) and the correspondents for risks so as to ensure the consistency of risk management approaches.

Moreover, certain specific subjects are discussed directly by the Reinsurance Committee and the ALCO for the entire insurance group.

Risk management at a group level takes account of the risk management system both at the individual level and that of the group, and their interdependence.

B.2.5 ORSA PROCESS

ORSA is a descending process of which the Board of Directors is the owner. The Board of Directors elaborates a strategy and supervises its implementation. It may be assisted in its task by consultative committees such as the Risk & Underwriting Committee (RUC) of Belfius Insurance and the Audit Committee. Within the framework of the ORSA, the Management Board guides and coordinates the various ORSA activities, of which it supervises the management and progress.

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

A parallel ascending process may also start. The ORSA process is realised in line with the guidelines of the Board of Directors, and the consolidated results are the object of a report. This is discussed by the RUC and sent to the Management Board and to the Board of Directors.

A clear definition of a corporate strategy, strategic objectives and a risk appetite framework is a prior condition to the ORSA. The articulation between the (financial and non-financial) objectives of Belfius Insurance, its strategy and its risk appetite thus appear clearly. The three components must be determined in parallel in an iterative process, since they are mutually influential.

The ORSA process has the same seven stages as the risk management process described above:

B.2.5.1 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 yearly performed and is defined as a 3-steps process including:

→ 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.

→ 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.

→ 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, strategic and reputation risks. This assessment is facilitated by Risk Management and the resulting risk profile is presented to the Management Board, reviewed by Internal Audit and finally presented to the Board of Directors.

This first step of the ORSA will allow partially assessing the significance with which the risk profile deviates from the 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.2.5.2 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) is also assessed. 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 assessment of 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 can 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 takes into account any significant deviation from the assumptions underlying the SCR.

B.2.5.3 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. 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 realized in close collaboration between the Risk and Finance 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.2.5.4 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. 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;
- Finance to include stress-tests on business plan assumptions in the scenarios;
- Investments 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.2.5.5 Assessing observance 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 positions and stress testings allow measuring the actual and forecasted solvency position, in normal as well as in stressed situations.

At 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.2.5.6 Elaborating a contingency plan

At the end of the assessment made previously, the Company elaborates a business continuity plan according to a basic scenario and stress scenarios. It includes an action plan to manage unexpected overshoots of risk appetite indicators.

This plan may cover several topics:

- capital plan: strategy for increasing own funds if necessary and dividend distribution strategy;
- liquidity plan: plan to ensure that the liquidity level is sufficient;
- Business assumptions: alternative business choices;
- investment assumptions: potential changes in asset allocation to manage market risks which are costly to capital;
- risk mitigation strategies (for example through reinsurance).

The business continuity plan is elaborated by the Risk management department in close collaboration with the Financial department.

B.2.5.7 Report on the ORSA

The last step of the ORSA process is to produce a reporting on the realized exercise. Please refer to the specific paragraph below for more details on its content.

The reporting is prepared by Risk and presented to the Management Board, the RUC and the Board of Directors who finally gives its sign off. Finance and other departments are consulted when necessary.

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

B.3 INTERNAL CONTROL SYSTEM

B.3.1 DESCRIPTION OF THE INTERNAL CONTROL SYSTEM

B.3.1.1 Tasks of internal control

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

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

More precisely, the tasks allocated to internal control at Belfius Insurance may be grouped together in five main lines:

- checking the effectiveness of the risk management mechanism;
- ensuring the reliability and pertinence of accounting and financial information;
- ensuring observance of regulations and professional ethics rules, both internally and externally;
- improving the operation of Belfius Insurance whilst ensuring the effective management of existing means; and
- ensuring the operational effectiveness of all the activity lines.

B.3.1.2 Governance of the internal control system

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

In order to ensure the smooth operation and development of Belfius Insurance, the Management Board is ultimately responsible for the introduction 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 measures decided under this 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 teams concerned by the exercise of internal control are the Risk management and Compliance departments and the actuarial function as a second line of defence and internal audit as a third line of defence.

B.3.2 PROCESS OF ASSESSING RISKS AND CONTROLS

Assessing risks and controls involves three stages, namely:

- identifying risks (inherent risks);
- taking stock and assessing the controls associated with identified risks;
- assessing the residual risk.

The assessment may or may not give rise to action plans.

B.3.3 INTERNAL CONTROL SYSTEM AT GROUP LEVEL

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

The assessment of risk within the framework of internal control, facilitated by the risk management department, is a process in three stages including:

- identifying risks (inherent risks);
- taking stock and assessing the controls associated with identified risks;
- assessing the residual risk. The assessment may or may not give rise to action plans.

The results of the assessment are submitted to the Management Board and to the Audit Committee. This process is applied to Belfius Insurance and its main subsidiary (Corona Direct).

B.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, 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 2018, the implementation project of AML D4 regulations was launched. An internal risk assessment of AML risks was undertaken and reported to the management. Compliance also supported the groupwide GDPR project as well as the IDD project (directive on insurance distribution) and has launched an internal "mystery shopping" within the DVV/Les AP network.

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 organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes”. Our mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight.

Our internal audit activity evaluates, based on risk based approach and throughout our different audit assignment, risk exposures relating to the organization’s governance, operations, and information systems regarding the:

- achievement of the organization’s strategic objectives;
- reliability and integrity of financial and operational information;
- effectiveness and efficiency of operations and programs;
- safeguarding of assets;
- 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 validated by the Audit Committee on 16 March 2018.

B.5.2 ORGANISATION AND INDEPENDENCE

The independence of the internal audit function is guaranteed by the fact that the Chief Audit Executive administratively reports to Belfius Insurance CEO and functionally to the Audit Committee Chairman. A functional link is also defined between the Belfius Bank Chief Audit Executive and the Belfius Insurance 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 organization and the processes required to perform our tasks, which we will summarize hereunder.

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

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

B.6 ACTUARIAL FUNCTION

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 by the circular NBB_2018_23, the Actuarial Function is charged with the following tasks:

- coordinating the technical provisions stated in Solvency II – balance sheet;
- assessing the level of the technical insurance provisions stated in the annual accounts (drawn up according to Belgian standards);
- assessing the underwriting and pricing policy;
- assessing the reinsurance policy;
- tasks connected with the implementation of the risk management system;
- assessing the profit-sharing and discount policy and compliance with the related legal requirements.

These are set out in greater detail in the Actuarial Function Policy.

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

The Actuarial Function is also part of/invited to attend various bodies: Product & Pricing Steering Group Life, Product & Pricing Steering Group Non-Life, Model Committee, , Reinsurance Risk Steering, Steering Cost Allocation, Task Force IFRS17, Reserving Committee, the various consultative bodies in the context of Solvency II balance sheet, etc.

B.7 OUTSOURCING

Belfius Insurance works in collaboration with several external partners for certain specific IT and principally technical activities (PI² for management of the IT infrastructure). This collaboration is constantly monitored and action plans are defined and implemented to deal with any points for attention. Within this context, a series of measures have been put in place with PI² to improve the performance and stability of systems. These efforts will continue in the future with the desire for ongoing improvement.

Furthermore, a significant proportion of the anti-money laundering surveillance is also entrusted to Belfius Bank (Compliance). Within that context, an SLA defining the modes of working has been signed.

The roles and responsibilities concerning asset management are described in the agreement with Candriam relating to discretionary management and the services associated with financial management of the insurance portfolios of Belfius Insurance and its subsidiaries.

For the management of financial instruments, the final decision is for the ALCO committee. The execution of instructions given by the ALCO is in the hands of Candriam and monitored by the ALCO. Thus a meeting of the ALCO during which Candriam communicates the status of orders passed is organised every two weeks.

B.8 OTHER INFORMATION

None

C. RISK PROFILE

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

C.1 UNDERWRITING RISK

Belfius Insurance, a subsidiary of the Belfius group, accepts risks through the insurance contracts 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 arising from the underwriting of insurance contracts are illustrated below for both Life underwriting risk and Non-Life underwriting risk.

C.1.1 LIFE UNDERWRITING RISK

This is the risk resulting from the underwriting of Life insurance contracts. It is categorised as follows:

- Mortality risk: this corresponds to the risk of increasing mortality. It applies to all policies for which expected payments should increase in the case of a rise in mortality.
- Longevity risk: it is the opposite of mortality risk, it applies to policies on which a fall in mortality might generate an increase of expected payments (for example retirement insurance policies). In view of medical advances, due to which life spans are extended without re-establishment of the aptitude to work, these risks might be realised in a greater frequency than that currently observed.
- Morbidity or invalidity risk: this indicates the risk of loss or of unfavourable evolution of expected benefits due to changes of level, trend or volatility of the level of the disability rate.
- Lapse risk for Life: this is defined as the risk of loss or increase of payments due to a difference between the effective exercise of the contractual options by the policy holder and the one expected. The term "options" should be interpreted in the broad sense: the category covers options of redemption, termination, premium reduction, and also the extension of guarantees. For certain contracts, the exercise of options may be profitable to the insurance company but for others it will generate losses. This category therefore has two scenarios: a first for which options will be exercised more than forecast, and a second for which they will be exercised less.
- Management cost risk: this corresponds to the risk that management costs are higher than expected due to these being subject to a higher inflation than estimated.
- Revision risk: this is only applied to annuities whose amounts may evolve negatively for the insurer as a result of a change of legal framework or of the policy holder's health condition.
- Disaster risk: this is restricted to policies where an immediate and dramatic rise in mortality might result in an increase of payments.

C.1.2 NON-LIFE UNDERWRITING RISK

This is the specific risk resulting from the underwriting of Non-Life insurance contracts. These can be categorised as follows:

- Premium risk: the risk that the amount of premiums received is insufficient to cover the claims arising during the coverage period to which these premiums relate.
- Reserve risk: the risk of loss or unfavourable evolution of the value of insurance liabilities, resulting from changes in the frequency and severity of insured events, as well as the date and amount of claims to be paid.
- Disaster risk: the risk of occurrence of an event of major importance not covered by the two previous risks. Disasters are events such as, in particular, storms, floods, tsunamis, extreme winter weather conditions and other events associated with meteorological conditions, earthquakes, industrial explosions, major fires, pandemics and other catastrophes caused by mankind such as social unrest and terrorist attacks.

C.1.3 MANAGEMENT OF UNDERWRITING RISK

The Risk & Underwriting Committee (RUC) gives its opinion on the underwriting and reserve strategy of the insurance entities of Belfius Insurance and policy arising from it, in particular concerning the following points:

- the types and characteristics of insurance activities which Belfius Insurance is willing to manage;
- the criteria for risk selection in line with the risk appetite;
- the manner in which the effective underwriting is monitored;
- the adequacy between, on the one hand, insurance premiums received and, on the other hand, claims paid added to the borne costs;

- identification of the risks arising from the liabilities of Belfius Insurance, including implicit options and the capital guaranteed by insurance products; and
- claim provisioning.

At subsidiary level, this strategy is applied and monitored by local managers.

Reinsurance is one of the methods used to limit insurance risk. In fact, its objective is to reduce the volatility of capital requirements and profits and therefore the uncertainty associated with the insurer's valuation risk.

The drivers of reinsurance are:

- capacity: reinsurance allows insurers greater flexibility in terms of scope, types of risk and volumes of the activities which they can accept safely. This enables the insurer to embark on new activities, or to expand their activities for a short period;
- stability: structured reinsurance programmes enabling insurers to stabilise their operating result;
- protection: reinsurance provides protection against cumulative financial losses due to a succession of events (for example bad weather) or against significant financial losses arising from a single event;
- financing: reinsurance may be an alternative to a capital increase; and
- expertise: reinsurers assist insurers in their area of expertise. The qualified staff of reinsurance companies will offer their services for instance in introducing a new activity.

C.1.4 SENSITIVITIES

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

Given the low market rates, the value of the technical reserves is higher than the redemption value, which results in a negative impact on capital in the event of a reduction in the lapse rate. The sensitivity to the lapse rate has slightly increased in 2018. The review of cost assumptions has a negative impact on the available financial resources and its sensitivity.

The insured death capital is higher than the fair value of technical reserves, which results in a negative impact on available financial resources if there is an increase in mortality rates. The sensitivities remain stable between 2017 and 2018.

Underwriting risk Life: scenario that corresponds to (1) Impact on available financial resources before taxes

Underwriting risk Life: scenario that corresponds to ⁽¹⁾	Impact on available financial resources before taxes (in millions of EUR)		Underwriting risk Non-Life: scenario that corresponds to	31/12/17	31/12/18
	31/12/17	31/12/18			
An increase of 15% in mortality	(35)	(34)	An increase of 10% in administrative costs	(9)	(8)
An increase of 10% in costs + 1% inflation	(126)	(158)	An increase of 5% in claims made	(18)	(19)
A decrease of 10% in the redemption rate	-(21)	(23)			

(1) Impact for Belfius Insurance SA (= Belins solo), Branch 23 included

C.1.5 EVOLUTION OF CLAIMS

The claims triangle is the usual method for expressing the settlement of claims stretched out over a number of years. Inter alia it enables actuaries to assess the appropriateness of the technical provisions. In Non-Life insurance, between the event and closing date of a claim, the insurer can in general not determine the exact 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 only an estimate, there is a risk that the amount effectively paid is higher. To assess that risk, it is necessary to study the variation of two amounts:

- the total amount 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 SA and Corona SA since 2008 of the sum at the end of each year, of the total incurred claims cost per year of occurrence.

31/12/2018

(In thousands of EUR)	Year of occurrence										
Year of settlement	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Estimation at the end of the year of occurrence	284,441	331,831	376,927	368,410	366,403	365,798	415,445	389,632	427,822	417,069	441,459
1 year later	286,182	315,094	377,982	365,547	350,517	324,524	392,976	361,479	402,910	396,145	
2 years later	276,197	302,958	376,143	355,306	334,313	312,883	381,044	353,512	385,904		
3 years later	266,868	302,314	370,819	350,249	329,882	306,454	374,836	351,551			
4 years later	267,226	300,159	370,924	352,804	328,046	303,051	371,983				
5 years later	266,805	299,236	363,378	350,780	323,899	301,179					
6 years later	267,520	296,773	360,537	351,335	319,633						
7 years later	267,249	293,969	357,875	344,245							
8 years later	264,048	293,741	354,384								
9 years later	264,340	292,906									
10 years later	262,520										

(In thousands of EUR)											
Actual estimation	262,520	292,906	354,384	344,245	319,633	301,179	371,983	351,551	385,904	396,145	441,459
Cumulative payments	(228,718)	(268,076)	(302,729)	(300,328)	(272,831)	(251,659)	(311,647)	(265,894)	(278,323)	(247,810)	(197,009)
Actual provisions	33,802	24,830	51,655	43,918	46,802	49,520	60,336	85,657	107,581	148,335	244,450

(In thousands of EUR)											
Provisions (after 2008)											896,885
Provisions (before 2008)											129,820
Internal costs											47,256
Accepted deals											25,795

TOTAL⁽¹⁾ **1,099,756**

(1) Claims reserves 31 December 2018 - note 6.5.2.

C.2 MARKET RISK

Market risk is the risk of loss which may result from fluctuations of the prices of the financial instruments held in a portfolio. The various risk factors included are interest rates, exchange rates, equity or real estate prices. Fluctuations in these different elements are the main source of market risk.

Monitoring market risk is the responsibility of the risk management team.

This risk management department is in particular responsible for the definition of the Investment Framework in line with the risk appetite and risk limits, and the elaboration of the Strategic Asset Allocation (SAA) which consists of defining the appropriate allocations of assets classes to insurance liabilities. Technical provisions are divided among homogenous portfolios depending on the type of products and their optionalities.

The risk appetite and the strategy relating to market risk are defined at a Belfius Insurance group level. Local correspondents are responsible for its implementation at the level of their own respective entity. The presence of representatives of the Risk Management and Investments departments within local ALCO guarantees the consistency of market risk management at a local level.

C.2.1 CURRENCY RISK

Currency risk is not significant at Belfius Insurance as less than 1% of the total market value of the portfolio is denominated in foreign currencies. In fact, the possibility of holding positions in foreign currencies is voluntarily limited by the Investment Framework.

The current currency risk comes principally from positions in Danish krone (Danish mortgage bonds), the value of which is strongly linked to that of the Euro. In 2018, the exposure to Danish krone increased with EUR 7.5 million.

Market value	31/12/17	31/12/18
EUR	19,504	18,133
DKK	172	179
GBP	1	0
TOTAL	19,677	18,312

C.2.2 INTEREST RATE RISK

The objective is to manage and to limit volatility of results, which might be caused by fluctuations of interest rates, and to preserve the economic value of shareholder capital. Indeed, no position involving a high interest rate risk is voluntarily taken by Belfius Insurance.

The measure of duration and of sensitivity of the balance sheet value to interest rate is the main tool for the overall measurement of interest rate risk. Partial and global sensitivities of interest rate risk per time bucket are more precise indicators. These various indicators are monitored within the ALCO.

Interest rate risk limits are approved by the Management Board and the Board of Directors. They are reflected in the Investment Framework within the framework of asset management and are monitored by the ALCO.

Belfius Insurance maintains its ALM strategy which consists of maintaining practically identical asset and liability durations. The current low interest rates therefore only have a limited impact on existing assets and liabilities.

Due to the historically low level of interest rates which has persisted for some time it is not easy for Belfius Insurance to offer our customers interesting investment insurance products in Branch 21 and Branch 26. Different initiatives have been taken by which we offer our customers the opportunity to increase the security of their investments in Branch 23 via the concept of Branch 44.

C.2.3 RISK ASSOCIATED WITH EQUITY MARKETS AND REAL ESTATE

At a Belfius group level, various methods are used to monitor price risk (risk associated with equities and real estate): the Value at Risk (VaR) which represents the potential maximum loss on a portfolio over a time interval with a given probability, sensitivity or stress tests. Based on these indicators, a limit is set for the assets in which to invest.

To ensure diversified management, global and specific limit in terms of diversification, concentration and counterparty are also established.

C.2.4 SENSITIVITIES

Interest rate risk can take two forms: the volatility of the economic value of the insurer and the volatility of the interest rate result of the insurer. The measurement of both risks is complementary in understanding the complete scope of interest rate risk on the balance sheet (excluding financial markets).

The indicators for economic value measure the long-term impact of interest rate fluctuations. The sensitivity of the economic value to interest rates measures the change of ALM economic value if the entire interest rate curve shifts up by 10 basis points.

→ Interest rate risk decreases and remains low due to a limited duration gap.

→ The real estate risk rose slightly as a result of the increases in value of the real estate portfolio and new acquisitions.

Events (in thousands of EUR)	31/12/17	31/12/18
INTEREST RATE RISK		
Sensitivity (Increase of interest rate with 10 bp)	16,560	10,874
Earnings at risk (increase of interest rate with 50 bp)	2,743	2,347
EQUITY RISK		
Shock 30% (negative)	(361,808)	(362,550)
VaR (99%, 10 days)	35,720	53,400
PROPERTY RISK		
Shock 15% (negative)	0	0
SENSITIVITY TO CREDIT SPREADS		
Spread increase with 1 bp	(10,906)	(11,343)

The interest rate risk in insurance is limited. For Belfius Insurance, the ALM target comes down to having a natural match between the duration of positions in assets and liabilities. The impact of interest rate increases is translated in the accounting results of Belfius Insurance only in case of a sale (if Belfius Insurance is required to sell an asset due to e.g. liquidity needs).

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 a lower realized result. Significant downward shocks on equities may, however, result in impairment (application of the "significant decrease" principle according to the valuation rules).

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:

- default risk: any failure or delay in payment of the principal and/or interest 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 credit risk at several levels:

- credits granted to individuals and to companies;
- bonds in the investment portfolio;
- transactions with derivative products; and
- receivables from reinsurer-related technical provisions.

Belfius Insurance credit risk is controlled in collaboration with the Credit Risk Management (CRM) teams of Belfius Bank. An operational risk management and limits 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 Investments department. These specific guidelines are followed in 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 2017 and 31 December 2018. The evolution in bond market values reflects the combination of the movement in interest rates, credit spreads, purchases and sales and maturing exposures.

31/12/2017 € million	Cash	Real estate	Shares	Government bonds	Secured bonds	Financial bonds	Corporate bonds	Mortgages	Derivatives	Total
Belgium	374	592	594	6,707	0	114	1,116	3,696	0	13,193
France	0	0	245	381	515	153	947	0	0	2,241
Italy	0	0	1	733	6	20	117	0	0	878
Spain	0	0	1	360	115	20	100	0	0	596
United Kingdom	0		13	0	287	23	163	0	0	485
Germany	0	0	171	22	10	31	92	0	0	327
Netherlands	0	0	176	9	11	92	80	0	0	367
Luxembourg	0	0	10	17	0	53	669	0	0	749
United States	0	0	0	0	0	49	186	0	0	236
Poland	0	0	0	180	0	0	0	0	0	180
Ireland	0	0	0	37	24	0	32	0	0	93
Denmark	0	0	0	0	0	0	172	0	0	172
Other	0	0	16	292	1	60	65	0	0	428
TOTAL	374	592	1,220	8,739	970	615	3,739	3,696	0	19,945

31/12/2018 € million	Cash	Real estate	Shares	Government bonds	Secured bonds	Financial bonds	Corporate bonds	Mortgages	Derivatives	Total
Belgium	376	645	768	5,967	0	158	899	3,703	28	12,543
France	0	0	220	592	460	115	551	0	0	1,938
Italy	0	0	7	671	4	19	85	0	0	786
Spain	0	0	0	410	109	19	90	0	0	629
United Kingdom	0	0	10	0	275	45	157	0	0	487
Germany	0	0	128	3	0	21	72	0	0	224
Netherlands	0	0	126	21	0	40	78	0	0	266
Luxembourg	0	0	35	15	0	63	214	0	0	327
United States	0	0	0	0	0	43	165	0	0	208
Poland	0	0	0	155	0	0	0	0	0	155
Ireland	0	0	0	109	23	0	34	0	0	166
Denmark	0	0	0	0	0	0	179	0	0	180
Other	0	0	0	267	0	39	97	0	0	403
TOTAL	376	645	1,293	8,209	873	562	2,623	3,703	28	18,312

The overall market value of the portfolio decreased in 2018 compared to 2017 due to a global decrease of the total balance sheet as a result of the decrease of the branch 21 products and an increase of the branch 23 products. Meanwhile a new strategic asset allocation has been implemented in order to optimise the financial revenues respecting the risk appetite framework.

The largest part of the portfolio (68.5%) is invested in Belgium. Belfius Insurance endeavours to comply with its self-imposed credit risk framework.

The government bond portfolio decreased by EUR 529 million to EUR 8,209 million. Reinvestments were mainly focused on corporate bonds that offer a higher return. The corporate bond portfolio decreased by EUR 1,116 million to EUR 2,623 million, mainly due to the strong disinvestment in Money Market Funds investments (EUR - 802 million). At the end of 2018 the outstanding balance was EUR 3,703 million.

The mortgage loans remained stable during 2018.

The following tables show the ten largest exposures of Belfius Insurance per counterparty at 31 December 2017 and 31 December 2018:

Issuer (in millions of EUR)	Category	Market Value at 31/12/2017
Belgian government	Government bonds	4,866
Italian government	Government bonds	724
Caisse française de financement local	Covered bonds	407
Belfius Bank	Cash	374
AXA SA	Funds	357
CANDRIAM INVESTORS GROUP	Funds	351
Communauté française de Belgique	Bonds issued by Region / Community	351
Spain government	Government bonds	325
Société wallonne du logement	Bonds guaranteed by a government	283
French government	Government bonds	249
TOTAL		8,289

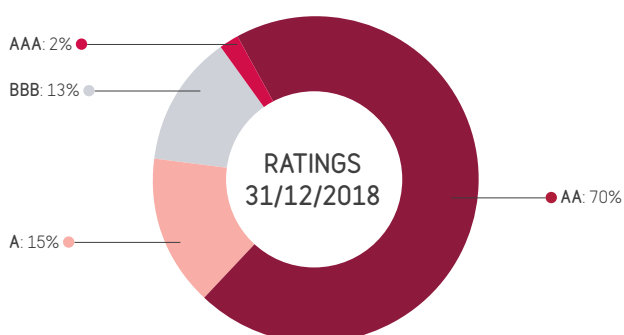
Issuer (in millions of EUR)	Category	Market Value at 31/12/2018
Belgian government	Government bonds	4,283
Italian government	Government bonds	671
REGION WALLONNE BELGIUM	Covered bonds	530
French government	Government bonds	486
Spain government	Government bonds	410
Caisse française de financement local	Obligations sécurisées	397
Belfius Banque SA	Cash	354
Communauté française de Belgique	Bonds issued by Region / Community	352
Société wallonne du logement	Bonds guaranteed by a government	235
Région de Bruxelles-Capitale	Bonds issued by Region / Community	228
TOTAL		7,945

Belfius Insurance remains mainly exposed to Belgian government bonds, although the exposure decreased with EUR 583 million in 2018.

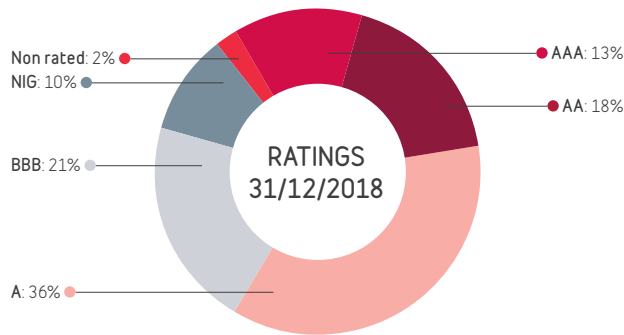
C.3.2 ADDITIONAL INFORMATION ON THE QUALITY OF THE PORTFOLIO

Belfius Insurance wants to maintain 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 2017 and 31 December 2018.

Government bonds at 31/12/2018



Corporate bonds (except RMBS) at 31/12/2018



The weighted average rating of the portfolio (including mortgage loans) remained stable in 2018 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 specialized in such loans. It contains the list of contracts for which the customer has had financial issues and for which the lender has made concessions on the initial terms and conditions of the contract.

The outstanding mortgage loans that meet the Forbearance conditions amounted to approximately EUR 44 million or 1.2% of the outstanding volume of mortgage loans under management as of year-end 2018. The amount of these credits is fully guaranteed by a mortgage registration. An impairment of EUR 0.75 million, being 1.6% of the outstanding Forbearance amount, was booked based on internal rules. This low percentage can be explained by the large number of credits with a loan to value (ie 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 loan to value of more than 75%.

Forbearance (in thousands of 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	44,332	725	44,332	0

C.4 LIQUIDITY RISK

As an insurance company, Belfius Insurance holds relatively long-term liabilities of which the cash flows are largely stable and predictable. Its funding requirement is therefore limited. Premiums paid by policyholders are invested over the long term to guarantee capital and interest associated at the maturity of the contract. Various internal and regulatory liquidity indicators show that Belfius Insurance constantly has enough liquid assets to cover its liabilities.

In addition, Belfius Insurance holds a significant amount of assets eligible according to the European Central Bank. In fact the company invests a large part of its bonds portfolio in government bonds which can be used for repo operations within the framework of its liquidity management.

The Investments department is responsible for the management of liquidity and cash flow. To that effect, it relies on the one hand on long-term projections of the cash flows of assets and liabilities simulated under normal or stress conditions and on the other hand on cash requirement projections at twelve months.

It is worthwhile to note that Belfius Insurance was always able to pay its engagements towards its customers during the two crisis periods in October 2008 (financial crisis after the bankruptcy of Lehman Brothers) and in October 2011 (dismantling of Dexia Group). During those uncertain months, the lapse rate didn't exceed the level of 1% of the Life reserve per month.

Please find table with the list of asset and liabilities per residual duration.

2017

(in millions of EUR)	Assets	Liabilities
< 1 year	868	729
1 < 5 year	4,204	6,610
5 year and +	11,818	7,407
Undetermined	5,288	3,486
TOTAL	22,178	18,323

2018

(in millions of EUR)	Assets	Liabilities
< 1 year	947	668
1 < 5 year	3,736	5,720
5 year and +	11,253	7,173
Undetermined	4,745	3,236
TOTAL	20,680	16,798

The assets are valued in market value. The "Undetermined" category includes the Branch 23 and shares.

The Liability side includes repo transactions and B23 products within the "Undetermined" category.

C.5 OPERATIONAL RISK

The operational risk management framework based on strong governance with clearly described tasks and responsibilities. The Management Board, which meets on a weekly basis, analyses the development of the risk profile of the various activities of Belfius Insurance regularly and takes the necessary decisions.

The head of operational risks translates in detail the policy that was approved by the Management Board in detail into recommendations for the commercial performed, and is responsible for the transversal supervision of the operational incidents and the analyses carried out.

The managers of the different departments are responsible for the management of operational risks (first line of defence). They assign a correspondent for the operational risks of their activities. The latter coordinates the gathering of data about operational risks and supervises the self-assessment of the risk, with support of the function for operational risk management.

C.5.1 METHODOLOGY

C.5.1.1 Establishment of an overview

Drafting 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 organized.

C.5.1.2 Self Assessment of risks and related controls

A self-assessment of the risks and the related controls is conducted every year for the various activities of Belfius Insurance.

C.5.2 FRAUD RISK

The fraud risk is scaled as acceptable in all processes, with a limited number of specific points of attention in certain processes.

The fraud prevention policy is charted and disseminated, internally and to the network of agents of DVV Insurance.

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.

Appropriate e-mail and internet security systems have been installed to limit the fraud risk on this front to the maximum. Various levels of permissions and authorizations are set in the IT system. Prevention and detection controls are also built in (manual and automatic) to prevent unauthorized payments.

Purchasing is carried out through the central purchasing department. Orders are placed and paid via a procedure with strict separation between ordering, approval and payment.

Belfius Insurance also has a separate department with specialized inspectors for fraud prevention in the insurance field.

C.5.3 HR RISK

The general and budgetary framework for staffing is established and approved during the business planning exercises. The open positions are filled with internal and external staff via dedicated processes.

A wide range of external and internal training programs are offered to employees.

Each employee gets personal feedback in which the annual performance reviews help to define the tasks and responsibilities for each one. Individual follow-up interviews in the course of the year help to see where adjustments are needed.

C.5.4 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.5.5 ELECTRONIC DATA PROCESSING RISK

The IT organization structure is geared to provide utmost service thanks to the IT accounts for optimal management of existing applications and the development of new applications.

The IT project portfolio is managed centrally by the Portfolio & Project Management. This selecting and reporting process aims to optimize the allocation of means and resources to strategic projects on the basis of a number of criteria.

The IT environment for the back office is highly automated with efficient application controls.

DIGIS (Global Imaging System) is geared to the user-friendly digitization of paper documents.

C.5.6 BUSINESS CONTINUITY RISK

The continuity of business activity is of vital importance in securing a timely delivery of Belfius Insurance products and services. Legal, contractual and regulatory obligations must moreover show that Belfius Insurance is capable of guaranteeing the service to its customers and of limiting to a minimum the interruption of its operations in case of an unforeseeable event.

The same approach is used in all activities for the charting and maintaining of the business continuity plan, in line with the approach that is used in Belfius Bank as well.

This entails providing, where possible, a number of workstations at disaster recovery sites, depending on the critical nature of the various activities. The effectiveness of the BCP plan is tested regularly and the implementation of any action plans is monitored.

The other activities of Belfius Insurance have their own continuity plan.

C.5.7 OUTSOURCING RISK

Belfius Insurance calls on various external partners for certain, primarily technical, IT activities (PI2) for the management of the IT infrastructure, Hexaware for certain developments, and other external suppliers). This cooperation is monitored continuously and action plans are defined and implemented to tackle any points requiring further attention. In that respect, a series of measures have been taken with PI2 to improve the performance and stability of the systems. The efforts will in future be continued with a view to ongoing improvement.

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

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

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 organizes 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.7 OTHER INFORMATION

None

D. VALUATIONS FOR SOLVENCY PURPOSES

D.1 ASSET VALUATION

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 or comply with the price reconciliation process run by the Market Risk department 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 below summarizes the fair value hierarchy for the most important asset classes:

Asset class	Mio EUR	% of total
LEVEL 1 TOTAL	13,679	65.8%
Participations	241	1.2%
Equities - listed	811	3.9%
Government Bonds	6,589	31.7%
Corporate Bonds	2,692	13.0%
Structured notes	2	0.0%
Investment funds	506	2.4%
Derivates (active)		0.0%
Assets held for index-linked and unit-linked funds	2,838	13.7%
LEVEL 2 TOTAL	586	2.8%
Government Bonds	20	0.1%
Corporate Bonds	413	2.0%
Structured notes	67	0.3%
Collateralised securities	86	0.4%
Deposits other than cash equivalents		0.0%
LEVEL 3 TOTAL	6,510	31.3%
Property, plant & equipment held for own use		0.0%
Property (other than for own use)	645	3.1%
Participations	114	0.5%
Equities - unlisted	16	0.1%
Government Bonds	536	2.6%
Corporate Bonds	586	2.8%
Structured notes	81	0.4%
Investment funds	174	0.8%
Derivates (active)	28	0.1%
Deposits other than cash equivalents		0.0%
Loans on policies	91	0.4%
Loans & mortgages to individuals	3,703	17.8%
Other loans & mortgages	536	2.6%
TOTAL	20,775	100.0%

D.1.2 DIFFERENCES IN VALUATION FOR SOLVENCY PURPOSES AND FINANCIAL REPORTING

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

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

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.

For the quantitative impact assessment of not applying the volatility adjustment we refer to the quantitative reporting template S.22.01 included in annex.

The best estimate and risk margins of the different homogenous risk groups can be found the quantitative reporting templates S.12.01 and S.17.01 included in annex.

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 in flows: payments for salvage and subrogation
- cash out flows: claims payments, claims handling expenses, administration costs.

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 definitive (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.

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 which are not dependent on economic conditions. 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;
 - 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 current value of insurance cash flows which depend on economic conditions. 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.

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. The results of the re-assessment are presented to the Model Committee which can propose to management board to revise the assumptions yes or no.

Assumptions of mortality

For assumptions of mortality, Belfius Insurance uses the experience tables of Assuralia based. Certain coefficients were applied on mortality rates in order to take account of the mortality observed on the specific portfolio of Belfius Insurance.

Assumptions on redemptions

Assumptions on redemptions are calculated according to the type of insurance product and the year 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 Committee 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 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.

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.3 OTHER LIABILITIES

For most liabilities the valuations used in the IFRS financial statements is 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 positions are included in the market value balance sheet.

→ 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.

D.5 ANY OTHER INFORMATION

Nothing to report

E. CAPITAL MANAGEMENT

E.1 CAPITAL MANAGEMENT OBJECTIVES

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 in calculating the (equity) capital 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, Belfius Insurance makes periodic checks of the Solvency II ratio, within the framework of the risk management system and the capital established by means of procedures. The Management Board and the Board of Directors are informed 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 emerge from these tests that available capital is sufficient to resist such shocks. For each of the shocks applied in 2018, the solvency ratio 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.

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), which forms the base of the ORSA exercise, contains a projection of funding requirements and helps focus actions for future funding, which is referred to as the capital planning.

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 assess the impact of stress tests on the resilience of the company 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.

Given the conclusion of 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, Belfius Insurance does not have any plans to issue new shares in the short or medium term.

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 the 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 not excessive capital, enabling us to respect our risk appetite and the requirements of all stakeholders. This ratio should allow us to make the best use of capital to serve a profitable growth scenario.

The actual capital level allows the payment of a foreseeable dividend of €160mio, while covering any potential Pillar 2 Solvency Requirements and still leaving a pocket available for investments and Business development, subject to Management decisions. The Solvency ratio after foreseeable dividend then equals 203%.

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

E.2 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).

Compared to December 2017, the regulatory own funds of Belfius Insurance have decreased by EUR 238 million to EUR 2,231 million, partly due to the increase of the foreseeable dividend from EUR 120 million end of 2017 to EUR 160 million end of 2018. The decrease is further caused by the market drop in the value of equities in the last months of 2018 and an increase of the bond spreads. The impact of that bond spread increase is partially offset by means of the spread-lock which Belfius Insurance concluded for that purpose in the course of 2018.

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

Belfius Insurance Consolidated 2018 (in millions of EUR)	Unrestricted Tier 1	Restricted Tier 1	Tier 2	Tier 3	Total
Elements of basic own funds	1,699	170	351	0	2,220
<i>Capital in paid-up ordinary shares</i>	557	0	0	0	557
<i>Reconciliation reserve</i>	1,143	0	0	0	1,143
<i>Subordinated liabilities</i>	0	170	351	0	521
<i>Net deferred tax assets</i>	0	0	0	0	0
Elements deducted from own funds	0	0	0	0	0
Elements of ancillary own funds	0	0	11	0	11
<i>Capital in non-paid-up ordinary shares</i>	0	0	0	0	0
MCR eligible own funds	1,699	170	100	0	1,969
SCR eligible own funds	1,699	170	361	0	2,231

Belfius Insurance has unrestricted Tier 1 capital, restricted Tier 1 capital, Tier 2 capital and Tier 2 ancillary own funds.

As 2018 ended with a deferred tax debt in the balance sheet established in accordance with Solvency II standards, no deferred tax receivable may be used as Tier 3 capital.

Non-restricted Tier 1 capital of EUR 1,699 million consists of fully paid-up ordinary share capital 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 has neither surplus funds nor issue premiums.

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 and forecast dividends.

Below is an analysis of the evolution of capital elements on the basis of non-restricted Tier 1:

Changes in 2018 (in millions of EUR)	Unrestricted Tier 1
INITIAL SITUATION 2018	1,940
<i>Constituted by:</i>	
The positive excess of assets over liabilities	2,060
Forseeable dividends	(120)
<i>In other words:</i>	
Ordinary paid-up share capital	557
Reconciliation reserve	1,384
CAPITAL INCREASES DURING THE PERIOD	0
CHANGES IN THE RECONCILIATION RESERVE	(241)
Changes in IFRS Equity (applying IFRS 9)	(97)
Changes in the value of assets Solvency II	(199)
Changes in the value of technical provisions Solvency II	28
Changes in the value of reinsurance Solvency II	2
Change in the value of subordinated loans Solvency II	(3)
Difference in the level of forseeable dividends	(40)
Other changes in Solvency II	41
Delta deferred taxes	27
FINAL SITUATION 2018	1,699
<i>Constituted by:</i>	
The positive excess assets over liabilities	1,859
Forseeable dividends	(160)
<i>In other words:</i>	
Ordinary paid-up share capital	557
Reconciliation reserve	1,143

Restricted Tier 1 capital consists of a perpetual subordinated loan in a nominal amount of EUR 170 million entirely issued before 18 January 2015 which, by virtue of a transitional measure, may be booked for ten years as core Tier 1 capital. Belfius Insurance has no intention of redeeming this loan in the near future.

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 has a nominal value of EUR 100 million, a variable interest rate, a term of ten years with a call after five 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 characteristics which allow it to be qualified as **auxiliary Tier 2 capital** of the Belfius Insurance group. The NBB approved the request in relation to this auxiliary asset component not shown in the balance sheet. The use of this element is subject to quantitative restrictions; the component may 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 group only has a single holding in another insurance company: this is a 100% holding in Corona Direct for a BGAAP book value of EUR 17.7 million.

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.

E.3 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 and the net asset value (equal to the difference between assets and liabilities) as calculated under Solvency II:

Belfius Insurance 2018 consolidated (in millions of EUR)	
Ordinary paid-up share capital	557
Legal reserve	57
Non-available reserves	1
Available reserves	70
Profit/loss carried forward	816
Adjustments for latent or deferred gains and losses not recognised in P&L	427
Adjustments for Shadow accounting and Shadow loss	(22)
Deferred taxes on previous IFRS adjustments	(112)
IFRS EQUITY BELFIUS INSURANCE GROEP	1,794
Solvency II adjustments	
Adjustment of the asset valuation	1,372
Adjustment of the intangible asset valuation	(59)
Adjustment of the subordinated bond valuation	0
Adjustment of the valuation of technical provisions	(1,091)
Adjustment of the reinsurance valuation	(23)
Scope and other changes	(5)
Deferred taxes on previous Solvency II adjustments	(128)
THE POSITIVE EXCESS OF ASSETS OVER LIABILITIES AS CALCULATED FOR SOLVENCY PURPOSE	1,859

The difference between 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 of the financial instruments; and
- that the technical provisions are also stated in the market value of the Solvency II balance sheet.

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

E.4 CAPITAL REQUIREMENTS

E.4.1 REQUIRED SOLVENCY CAPITAL

The calculation of required solvency capital within the framework of the Solvency II regulations (SCR) is based on the consolidated portfolio of assets and liabilities of Belfius Insurance, Corona Direct and the investment entities consolidated by global integration for solvency purposes.

The SCR is calculated using the “standard formula” defined under the Solvency II Directive. It takes account of the transitional measure relating to shares and the restriction associated with the capacity to absorb the losses of the deferred taxes, as provided by the NBB.

For determining a consistent market value of its insurance liabilities, Belfius Insurance makes use of the possibility provided in the Solvency II regulations of taking account of a correction for volatility which expresses the intrinsic insensitivity of the company’s long-term liabilities to short-term volatility at the level of the market value of its assets.

The expected evolution of required capital is made the object of a projection within the framework of the Own Risk & Solvency Assessment. The projected capital requirements remain relatively stable.

The table below presents an overview of the available capital, the required capital (SCR) and the Solvency II ratio as at 31 December 2018 (table from the annual report).

(in millions of EUR)	2017	2018
AVAILABLE FINANCIAL RESOURCES BEFORE FORESEEABLE DIVIDEND	2,589	2,391
Tier 1	2,060	1,859
IFRS Equity	2,173	1,794
Valuation difference	(113)	65
Restricted Tier 1	170	170
Tier 2	358	362
AVAILABLE FINANCIAL RESOURCES AFTER FORESEEABLE DIVIDEND	2,469	2,231
AFR before foreseeable dividend	2,589	2,391
Foreseeable dividend	(120)	(160)
SOLVENCY CAPITAL REQUIREMENT	1,128	1,097
Market risk	1,111	1,024
Credit Risk	157	170
Insurance Risk	603	640
Operational Risk	97	94
Diversification	(491)	(511)
Loss absorbing capacity of technical provisions and deferred taxes	(350)	(318)
SOLVENCY II-RATIO		
SOLVENCY II RATIO (BEFORE FORESEEABLE DIVIDEND)	230%	219%
SOLVENCY II RATIO (AFTER FORESEEABLE DIVIDEND)	219%	203%

At the end of 2018, the Solvency II consolidated available capital was EUR 2,391 million in total, before dividend distribution. It is composed, up to 78%, of Tier 1 capital.

The solvency capital requirements (SCR) of Belfius Insurance consolidated, which reached EUR 1,128 million at the end of December 2017, now reaches EUR 1,097 million. This evolution is mainly driven by the decrease in the market risk SCR which is attenuated by a decrease in the loss-absorbing capacity of deferred taxes. Besides fluctuations in the price of assets, the decrease in the capital requirement for the market risk module is explained by a new calibration for qualifying corporate infrastructure and a lower symmetric adjustment.

The largest portion of required capital (SCR) is constituted by market risks, as a result above all of the spread risk and the equity risk. Considering the good overall correspondence of the terms of assets and liabilities on the balance sheet of Belfius Insurance, required capital to cover interest rate risk is very limited.

Belfius Insurance consolidated Minimum Capital Requirement (MCR) amounts to EUR 498 million as at 2018Q4, which is the sum of the MCRs for Belfius Insurance and Corona Direct.

For more detailed information, please refer to the Quantitative Reporting Template (QRT) S.25.01.22.

The evolution of required capital was made the object of a projection within the framework of the Own Risk & Solvency Assessment. The result of the projection may be described as stable.

E.4.2 SOLVENCY II CONSOLIDATED SOLVENCY RATIO

The table below presents an overview of the available capital (AFR), required capital (SCR) and the Solvency II ratio as at 31 December 2018.

Belfius Insurance consolidated (in millions of EUR)	31/12/2017 (IAS 39)	01/01/2018 ⁽¹⁾ (IFRS 9)	31/12/2018 (IFRS 9)
AVAILABLE FINANCIAL RESOURCES BEFORE FORESEEABLE DIVIDEND	2,589	2,589	2,391
Tier 1	2,060	2,060	1,859
IFRS Equity	2,173	1,891	1,794
Valuation difference (after tax) (1)	(113)	169	65
Restricted Tier 1	170	170	170
Tier 2	358	358	362
Subordinated debt	347	347	351
Others	11	11	11
AVAILABLE FINANCIAL RESOURCES AFTER FORESEEABLE DIVIDEND	2,469	2,469	2,231
AFR before foreseeable dividend	2,589	2,589	2,391
Foreseeable dividend	(120)	(120)	(160)

(1) As of 1 January 2018, the IFRS equity and valuation changed due to first adoption of IFRS 9.

(in millions of EUR)	31/12/2017	31/12/2018
SOLVENCY CAPITAL REQUIREMENT	1,128	1,097
Market risk	1,111	1,024
Credit Risk	157	170
Insurance Risk	603	640
Operational Risk	97	94
Diversification	(491)	(511)
Loss absorbing capacity of technical provisions and deferred taxes	(350)	(318)
SOLVENCY II-RATIO (IN %)		
SOLVENCY II RATIO (BEFORE FORESEEABLE DIVIDEND)	230%	219%
SOLVENCY II RATIO (AFTER FORESEEABLE DIVIDEND)	219%	203%

At the end of 2018, the Solvency II consolidated available capital (AFR) was EUR 2,391 million in total, before dividend distribution. It is composed, up to 84%, of first class capital, Tier 1 capital.

The calculation of required solvency capital within the framework of the Solvency II regulations (SCR) is based on the consolidated portfolio of assets and liabilities of Belfius Insurance, Corona Direct and the investment entities consolidated by global integration for solvency purposes. The SCR is calculated using the "standard formula" defined under the Solvency II Directive. It takes account of the transitional measure relating to shares and the restriction associated with the capacity to absorb the losses of the deferred taxes, as provided by the NBB. For determining a consistent market value of its insurance liabilities, Belfius Insurance makes use of the possibility provided in the Solvency II regulations of taking account of a correction for volatility which expresses the intrinsic insensitivity of the company's long-term liabilities to short-term volatility at the level of the market value of its assets.

Belfius Insurance's required capital (SCR) amounted to EUR 1,097 million at the end of December 2018, a decrease of EUR 30 million compared to the end of 2017.

The decrease is driven by the transformation in the Life activity from Branch 21 towards Branch 23 products, partially offset by the further optimisation of the strategic asset allocation and the declining positive effect of the Loss Absorbing Capacity of Deferred Taxes. Market Risk is still the main contributor to the required capital due to the spread and equity risk. The SCR linked to the interest rate risk is rather limited thanks to the practice of a limited global duration mismatch between the assets and liabilities of Belfius Insurance.

The Minimum Capital Requirement (MCR) is calculated using a formula based on the SCR and for Belfius Insurance amounts to EUR 498 million.

For more detailed information, please refer to the Quantitative Reporting Template (QRT) S.25.01.22.

The Solvency II ratio of Belfius Insurance stood at 219% at the end of December 2018, before foreseeable dividend, slightly lower than the ratio as of December 2017. This decrease is the consequence of implementing our capital management strategy, namely to make an optimal use of the capital following the transformation in the business mix and the asset management in order to maximize the financial revenues taking into account the risk taking capacity allowed by the risk appetite of the company. The Solvency ratio was furthermore negatively impacted by the performance of the financial markets and the declining positive effect of the LACDT (Loss Absorbing Capacity of Deferred Taxes).

This level of capital allows the payment of a foreseeable dividend of EUR 160 million, while covering any potential Pillar 2 Solvency Requirements and still leaving a pocket available for investments and business development, subject to Management decisions. The Solvency ratio after foreseeable dividend then equals 203%. Further to the minimum regulatory requirements of 100%, Belfius Insurance has, in current market circumstances and under current regulations, defined a minimum operational Solvency II ratio of 160%, on solo and consolidated levels.

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. It shows from this analysis that Belfius Insurance possesses the capital margins required to absorb shocks, as stated in the risk appetite approved by the Board of Directors.

Solvency II ration sensitivity	Shock	Delta SCR (in mio EUR)	Delta AFR (in mio EUR)	Solvency II Ratio (in %)
Base case (after dividend)				203%
Stress scenarios				
Interest rate	-25 bps	16	(22)	198%
Equity	-30%	(82)	(384)	185%
Credit Spread	+50 bps	110	(171)	171%
Real Estate	-15%	23	(67)	193%
VA	no	98	(185)	171%
UFR	3%	18	(37)	197%

A 0.25% fall in the interest level (compared with the level at the end of 2018) would have an impact of -5pp on the Solvency II ratio. A stock market shock of -30% on share prices would have an impact of -18pp while a drop in the real estate portfolio of 15% would decrease the solvency ratio by 10pp. Both a 0.50% rise in the credit spreads across the whole bond and credit portfolio or the elimination of the Volatility Adjustment in calculation of the Best Estimate of liabilities would result in an impact of -32pp.

Note that the reduction of the UFR from the current level of 4.05% to a level of 3% would only slightly decrease our solvency ratio by 7pp. The resulting increase of the Market Value of liabilities is limited due to the small proportion of the long-term savings liabilities in the Belfius Insurance Balance Sheet.

E.5 INTERNAL MODEL

Not applicable in the case of Belfius Insurance.

E.6 PARAMETERS SPECIFIC TO THE COMPANY

Not applicable in the case of Belfius Insurance.

E.7 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.8 OTHER SIGNIFICANT 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

AFR	Available Financial Resources
AMBS	Administrative, Management or Supervisory Body
ALCO	Assets & Liabilities Committee
ALM	Assets & Liabilities Management
BCP	Business Continuity Plan
BE	Best Estimate
BGAAP	Belgian Generally Accepted Accounting Principles
CEO	Chief Executive Officer
CF	Cash Flow
CFO	Chief Financial Officer
CRO	Chief Risk Officer
COO	Chief Operations Officer
CO PCI & Reinsurance	Chief Officer Public and Corporate Insurance and Reinsurance
CCO	Chief Commercial Officer
CP	Consultation Paper
CRIC	Credit Risk and Impairment Committee
CRM	Credit Risk Management
ECB	European Central Bank
EIOPA	European Insurance and Occupational Pensions Authority
ESG	Economic Scenarios Generator
FHIC	Federal Holding and Investment Company
FTE	Full Time Employee
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IWI	International Wealth Insurer
LACDT	Loss Absorbing Capacity of Deferred Taxes
LOB	Line Of Business
LLP	Last Liquid Point
MBO	Management By Objectives
NBB	National Bank of Belgium
ORSA	Own Risk and Solvency Assessment
P&L	Profit and Losses
PCI	Public and Corporate Insurance
QRT	Quantitative Reporting Templates
QRR	Quarterly Risk Report
RAC	Risk Appetite Committee
RACI	Responsible, Accountable, Consulted, Informed
RCI	Retail and Commercial Insurance
RCC	Risk and Capital Committee
RMF	Risk Management Framework
RSR	Regular Solvency Reporting
RUC	Risk and Underwriting Committee
SAA	Strategic Asset Allocation
SCR	Solvency Capital Requirements
SFCR	Solvency and Financial Condition Reporting
SPC	Strategic challenging, Planning and Controlling Department
ULAE	Unallocated Loss Adjustment Expenses
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

(*) percentage of capital held by holding company

Name	Head Office	% of capital held(*)	Solvency II Statutory	Solvency II Consolidated
Auxipar NV	Karel Rogierplein 11 B-1210 Brussel	74.99	Participation at fair value	Integrally Consolidated
Belfius Insurance Invest NV	Karel Rogierplein 11 B-1210 Brussel	100	Transparency	Integrally Consolidated
Belfius Insurance Services Finance SA	Rue de l'Industrie 20 L-8399 Windhof	100	Transparency	Integrally Consolidated
BI New Co NV (Jaimy NV vanaf 5 maart)	Karel Rogierplein 11 B-1210 Brussel	99.90	Participation at fair value	Participation at fair value
Caring People NV	Metrologielaan 4 B-1130 Brussel	100	Participation at fair value	Participation at fair value
Charlin NV	Karel Rogierplein 11 B-1210 Brussel	99.90	Participation at fair value	Participation at fair value
Coquelets NV	Karel Rogierplein 11 B-1210 Brussel	100	Transparency	Integrally Consolidated
Corona NV	Metrologielaan 2 B-1130 Brussel	100	Participation at fair value	Integrally Consolidated
Elantis SA	Rue des Clarisses 38 B-4000 Liège	100	Participation at fair value	Participation at fair value
ImmoActivity NV	Karel Rogierplein 11 B-1210 Brussel	100	Transparency	Integrally Consolidated
Immo Malvoz BVBA	Karel Rogierplein 11 B-1210 Brussel	100	Transparency	Integrally Consolidated
Immo Zeedrift NV	Karel Rogierplein 11 B-1210 Brussel	100	Transparency	Integrally Consolidated
Interfinance CVBA	Karel Rogierplein 11 B-1210 Brussel	74.99	Participation at fair value	Integrally Consolidated
Legros-Renier Les Amarentes Seigneurie de Loverval NV	Karel Rogierplein 11 B-1210 Brussel	100	Transparency	Integrally Consolidated
LFB NV	Karel Rogierplein 11 B-1210 Brussel	100	Transparency	Integrally Consolidated
Offico Immo BVBA	Karel Rogierplein 11 B-1210 Brussel	100	Transparency	Integrally Consolidated

2. Non-consolidated subsidiaries

Name	Head Office	% of capital held	Reason for exclusion	Solvency II Statutory	Solvency II Consolidated
Belsur BVBA	Kruidtuinlaan 44 B-1000 Brussel	100	not material	Participation at fair value	Participation at fair value
Bureau Laveaux & Martin BVBA	Brusselsesteenweg 346C B-9090 Melle	100	not material	Participation at fair value	Participation at fair value
Qualitass NV	Vilvoordsesteenweg 166 B-1850 Grimbergen	100	not material	Participation at fair value	Participation at fair value
VDL - Interass NV	Brusselsesteenweg 346C B-9090 Melle	100	not material	Participation at fair value	Participation at fair value

3. Affiliated companies accounted for by the equity method

Name	Head Office	% of capital held	Solvency II Statutory	Solvency II Consolidated
L' ECONOMIE POPULAIRE DE CINEY SCRL	Rue Edouard Dinot 32 B-5590 Ciney	61.37	Participation at fair value	Participation at fair value
De Haan Vakantiehuizen NV	Woluwelaan 46 B-1200 Sint-Lambrechts-Woluwe	25	Participation at fair value	Participation at fair value
M80 Capital Comm.V.	Overwinningsstraat 1 B-1060 Sint-Gillis	22.91	Participation at fair value	Participation at fair value

4. Affiliated companies not accounted for by the equity method

Name	Head Office	% of capital held	Reason for exclusion	Solvency II Statutory	Solvency II Consolidated
Assurcard NV	Fonteinstraat 1A bus 0301 B-3000 Leuven	20	not material	Participation at fair value	Participation at fair value
Belwing SA	Avenue Maurice Destenay 13 B-4000 Liège	20	not material	Participation at fair value	Participation at fair value
Les News 24 NV	Genèvestraat 175 B-1140 Evere	33.22	not material	Participation at fair value	Participation at fair value
Syneco Agence Conseil VZW	Place l'Illon 13 B-5000 Namur	20	not material	Participation at fair value	Participation at fair value

F.2 APPENDIX 2: LIST OF PUBLIC QRT'S

The QRT's are published on the site: <http://www.belfius-insurance.be/FR/publications>

CONTACT

Need further general info on Belfius Insurance?
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And, of course, you can always follow us on:



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