baloise

Solvency and Financial Condition Report

Baloise Belgium NV

2022

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Glossary

Ancillary Own Funds

Ancillary Own Funds shall consist of items other than Basic Own Funds which can be called up to absorb losses. They require supervisory approval and cannot be used to cover the MCR.
(Solvency II Directive 2009/138/EC, Article 89)

Basic Own Funds

Basic Own Funds are composed of the excess of assets over liabilities, valued according to market-consistent principles, and subordinated liabilities.

Best Estimate

The Best Estimate is part of the Technical Provisions. It corresponds to the probability-weighted average of future cash-flows, taking account of the time value of money (expected present value of future cash-flows), using the relevant Risk-free Interest Rate Term Structure. The calculation of the Best Estimate is based upon up-to-date and credible information and realistic assumptions and is performed using adequate, applicable and relevant actuarial and statistical methods. The cash-flow projection used in the calculation of the Best Estimate takes account of all the cash in- and out-flows required to settle the insurance and reinsurance obligations over the lifetime thereof. It is calculated gross of reinsurance.

Minimum Capital Requirement

The Minimum Capital Requirement corresponds to an amount of eligible Basic Own Funds. Below this amount policy holders and beneficiaries are exposed to an unacceptable level of risk so that insurance and reinsurance undertakings are not allowed to continue their operations.
(Solvency II Directive 2009/138/EC, Article 129)"

Own Risk and Solvency Assessment (ORSA)

Own Risk and Solvency Assessment is a risk management process which connects business strategy and capital planning and which is an integral part of the business strategy. ORSA needs to be performed annually or whenever the risk profile changes significantly. The process is owned by the Board, and has to be documented and reported internally and to the supervisor.

Own Funds

Own Funds are defined as the sum of Basic Own Funds and Ancillary Own Funds.
(Solvency II Directive 2009/138/EC, Article 77)

Reconciliation Reserve

The Reconciliation Reserve (revaluation reserve) is part of the own funds of the Solvency II balance sheet. It results from the surplus of assets over liabilities less items such as share capital, capital reserve or foundation fund, preference shares and surplus fund. In addition, adjustments must be made, like for foreseeable dividend payments.

Risk Margin

The Risk Margin is part of the Technical Provisions and shall be such as to ensure that the value of the Technical Provisions is equivalent to the amount that insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations. The Risk Margin is determined by the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement necessary to support the insurance and reinsurance obligations over the lifetime thereof. (Solvency II Directive 2009/138/EC, Article 77)

Risk-free Interest Rate

The Risk-free Interest Rate term structure is relevant for the calculation of liabilities by insurance and reinsurance undertakings. EIOPA is required to publish the Risk-free Interest Rate for Solvency II.
As a default approach, the Risk-free Interest Rate is primarily derived from the rates at which two parties are prepared to swap fixed and floating interest rate obligations. (EIOPA-BoS-15/035)

Solvency Capital Requirement (SCR)

The Solvency Capital Requirement should reflect a level of eligible own funds that enables insurance and reinsurance undertakings to absorb significant losses and that gives reasonable assurance to policy holders and beneficiaries that payments will be made as they fall due. This amount is determined with reference to the risks assumed by the company.
(Solvency II Directive 2009/138/EC, Paragraph 62)

Solvency II Ratio

The Solvency II Ratio represents the company's own funds against its SCR. Insurance and reinsurance undertakings are required to maintain their Solvency II Ratio above 100 %. If the ratios are lower, measures are initiated by the national supervisory authority, such as the need for an action plan to restore the ratios to required levels.

Surplus Funds

Surplus Funds shall be deemed to be accumulated profits which have not been made available for distribution to policy holders and beneficiaries.
In so far as authorised under national law, Surplus Funds shall not be considered as insurance and reinsurance liabilities to the extent that they fulfil the criteria set out in Article 94(1).
(Solvency II Directive 2009/138/EC, Article 91)

Technical Provisions

The value of the Technical Provisions under Solvency II correspond to the amount which another insurance or reinsurance undertaking would be expected to require to take over and fulfil the underlying insurance and reinsurance obligations. They are calculated as the sum of the best estimates liabilities and the Risk Margin.

Volatility Adjustment

The Volatility Adjustment is a measure to ensure the appropriate treatment of insurance products with long-term guarantees under Solvency II. (Re) insurers are allowed to adjust the risk-free-rate to mitigate the effect of short-term volatility of bond spreads on their solvency position. In that way, the Volatility Adjustment prevents pro-cyclical investment behavior of (re)insurers.
https://eiopa.europa.eu/Pages/News/EIOPA-updates-representative-portfolios-to-calculate-volatility-adjustments-to-the-Solvency-II-risk-free-interest-rate-term.aspx

Abbreviations

ALCO RICO: Asset Liability Committee – Risk Committee

AML: Anti Money Laundering

BGAAP: Belgian Generally Accepted Accounting Principles

bp: Base Points

br.: branche

CEO: Chief Executive Officer

CFO: Chief Financial Officer

CRO: Chief Risk Officer

CSRD: Corporate Sustainability Reporting Directive

DPO: Data Protection Officer

EIOPA: European Insurance & Occupational Pensions Authority

FATCA: Foreign Account Tax Compliance Act

FSMA: Financial Services & Markets Authority

IBNR/IBNER: Incurred but not reported / Incurred but not enough reported

ICS: Internal Control System

ICT: Information & Communication Technology

IDD: Insurance Distribution Directive

i.e.: (id est) - namely

MCR: Minimum Capital Requirement

NBB: National Bank of Belgium

ORSA: Own Risk & Solvency Assessment

POG: Product Oversight & Governance

PSU: Performance Share Unit

RICO : Risk Committee

RSR: Regular Supervisory Reporting

SCR : Solvency Capital Requirement

SFCR : Solvency & Financial Condition Report

SFDR: Sustainable Finance Disclosure Regulation

USP: Undertaking Specific Parameter

VA: Volatility Adjustment

YE : Year End (in 'YE2022' : 31/12/2022)

This report has been prepared solely to fulfil the obligations arising from the supervisory reporting (Solvency and Financial Condition Report under Articles 51 et seq. of the SII Directive 2009/138 / EC in conjunction with Articles 290 et seq. of Delegated Regulation (EU) 2015 / 35 of the Commission of 10 October 2014). Unless otherwise indicated in this report, all statements and information contained herein are based on facts and knowledge as at the reference date of the report. The same applies to all forward-looking statements and information contained in this report, such as e.g. forecasts, expectations, developments, plans, intentions, assumptions, beliefs or outlooks. Forward-looking statements are subject to many factors, and no assurance, warranty or guarantee is given that the forward-looking statements will take place or be fulfilled as expected. Furthermore, new factors with a significant impact on forward-looking statements may arise at any time. It cannot be predicted what these factors are and what influence they have individually or in combination with other circumstances. It is not intended to update any of these forward-looking statements and information due to changed circumstances or new knowledge unless expressly required by applicable laws or regulations.

SFCR - Executive Summary

Introduction

Baloise Belgium nv is a composite insurance company. It operates under the legal form of a Limited Liability Company ('Naamloze Vennootschap'). Baloise Belgium nv is part of, and strongly embedded in the Baloise Group (owned by Bâloise Holding Ltd, Switzerland). Located at the heart of Europe, with its head office in Basel, the Baloise Group is a provider of prevention, pension assistance and insurance solutions.

Under the current prudential insurance regulation framework (commonly known as the 'Solvency II' regime), a broad range of requirements has been implemented for insurance companies, in view of assuring their long term financial solidity. For this purpose, insurers must among others provide capital buffers which are adequate in function of the risks they take (the solvency requirements), they must apply appropriate organisational structures and rules (the governance requirements), and they have to provide all necessary information allowing the competent authorities to control their activities (the supervisory reporting requirements). Finally, insurers also have to inform the public on their financial position (the public disclosure requirements).

The purpose of this report is to comply with the public disclosure requirements under the applicable Belgian and European legislation and regulation[1]. The elements of this disclosure relate to the company's business and performance, system of governance, risk profile, solvency valuation and capital management.

Baloise Belgium nv acts in a transformative age, an age which is characterized by new risks and opportunities (IoT, digitalisation, cyber risks, green energy, ….) on the one hand, and by fundamental changes in environmental and societal circumstances (nature disasters, pandemics, international migration, impact of social media, …) and in individual customer behavior on the other hand. Traditional insurance business models are being challenged by new thinking, new competitors, new ways of working and legislation which focuses on consumer protection and transparency.

Baloise Belgium nv's vision is developed in close connection with this changing environment and translated into a 'Simply safe' strategy. It emphasizes customer centricity, prevention, simple and efficient services, processes and tools, and making all the company's partners and stakeholders safer, including customers, brokers, staff and shareholders.

The strategy is oriented towards realizing a stable growth of the sustainable earnings, both in the life and the non-life business, with a strong focus on profitability and solvency. This will also assure the efficient investment of the capital provided by the shareholder.

[1] the 'Law of March 13th 2016 on the Regulation and Supervision of Insurance and Reinsurance Undertakings' and corresponding regulations, implementing the Solvency II Directive 2009/138/EC, the Commission Delegated Regulation (EU) 2015/35, its amendments and the EIOPA Guidelines on Reporting and Disclosure.

Highlights

The Covid-19 pandemic

After the two years 2020 and 2021, which were strongly influenced by the corona pandemic, the corona situation worldwide eased in 2022. Advanced vaccination campaigns and the progressive primary vaccination of the population have led to an improvement of the situation. As a result, in the course of the year, Baloise Belgium nv was able to scale back all taken corona measures. Lasting from the corona measures is the progress in the digitisation of business processes and hybrid working, which increasingly allows employees to work from both, the office and at home.

Baloise Belgium nv's crisis management was appropriate to the situation at all times. The business model is stable, and with marginal adaptions to the changed business environment, the corona pandemic was successfully mastered. The company has shown that it has been able to successfully continue on its path of sustainable and continuous growth and at the same time being a reliable partner for its clients, investors, employees and society.

Ukraine

Russia's attack on Ukraine is a severe incident in Europe which has however not directly affected Baloise Belgium's insurance business. The indirect consequences to the market environment were closely monitored by the company. It is clear that our clients and investors can rely on us even in this challenging market environment, as the company's good economic substance is also maintained there.

Macroeconomic situation and inflation

Worldwide, the corona pandemic led to an impairment of supply chains, which was further exacerbated by Russia's invasion of Ukraine. This can be seen in the tense energy situation in Europe. In combination with the various monetary and economic policy measures taken in previous years to contain the corona pandemic, inflation has skyrocketed and economic forecasts deteriorate. In response to this, interest rates were raised several times in 2022 and the «quantitative easing programs» that have been rolled out extensively were gradually reduced. As a result, both equities and fixed-interest securities suffered a fall in prices in 2022.

Our long-term and reliable investment strategy pays off in this challenging market environment. Baloise Belgium nv continues to manage its own investment portfolio with foresight and with as few fluctuations as possible.

Business and Performance

Continuation of profitability under challenging circumstances.

In terms of business volume, the company's total gross earned premiums in 2022 reached € 1,995.9 million, from € 2,032.4 million (-1.8 %) the year before.

In the non-life activity, the company realized a growth of +0.3 %. The evolution of the premium volume in the 'Motor vehicle liability' and 'Other motor insurance' lines of business reflects the fierce competition in the market, among others caused by the lower number of newly registered cars.

In the life activity, on the other hand, the premium volume decreased (- 6.6 %). While the total volume of recurring premiums practically remained unchanged, there was a decrease in the volume of new single premiums under adverse conditions caused by high inflation, geopolitical tensions, underperforming financial markets and changes in tax regulations (i.c. for self-employed). Within the new business, the proportional shift from the branches[2] 21 and 26 to branch 23 persisted.

In terms of underwriting profitability of the non-life activity as a whole, there are no significant changes, compared to the previous year. Whereas the 2021 underwriting result was influenced by the damage caused by the heavy floods during the summer, the results of 2022 are impacted by some adverse developments in the provisions for large claims from previous years. The impact of the increasing inflation on the claims remained under control.

In the life activity, the underwriting result[3] improved in 2022 compared to 2021. This positive evolution reflects the fact that the average guaranteed technical interest rate on the company's life portfolio as a whole decreased from 1.89 % in 2021 to 1.79 % in 2022.

Further, the total BGAAP investment income, net of investment charges and expenses, and excluding branch 23, contributed an amount of € 208.3 million to the result (compared to € 190.7 million in 2021). Recurring financial income (in EUR) increased by 7.6 % in comparison to 2021; with clear increases from shares and bonds, the latter as a result of new investments made at higher yields. The net investment income from realisations in 2022 amounted to € 34.4 million; value corrections (impairments and reversals) had only a negligible impact on the investment income.

As disclosed in Baloise Belgium nv's annual report, the company was able to close the year 2022 with a total net profit of € 51.8 million (€ 65.0 million in 2021) in accordance to BGAAP, and this despite the competitive insurance market, the high inflation, the widespread global uncertainty and the challenging conditions on financial markets. Both the life and the non-life activity provided positive contributions to the technical result.

[2] Branch 21 stands for life products with interest rate guarantee, branch 23 stands for unit-linked products, and branch 26 for capitalisation products.
[3] Corrected for claims and changes in technical provisions, covered by variations in unit linked assets.

System of Governance

We practice sound and responsible corporate governance.

Baloise Belgium nv attaches great importance to practicing and keeping up to date a sound, responsible corporate governance in an environment with continuously evolving challenges and risks.

The company's system of governance guarantees the clear definition of roles and responsibilities with respect to the company's organisation. The independent control functions[4] provide additional assurance for its correct implementation.

In its latest annual report on the adequacy of the system of governance, the Executive Committee confirmed that it assesses this system of governance as adequate to the nature, scale and complexity of the risks inherent to the company's business. Governance principles and framework are in line with regulatory requirements. Furthermore, the fit and proper process, together with the company's Code of Conduct ensure the adequacy of key staff.

Risk Profile

All material risks are identified, assessed and managed.

The company's risk management system comprises a comprehensive range of processes to identify, measure, assess, mitigate and monitor its risk position and to assure adequate reporting thereon. The regular assessments of the risks as defined in the Baloise Risk Map are performed by the functional responsible persons in the organisation, which act as risk owners and controllers, and so guarantee the integration of the risk management throughout the company's organisation. The risk management function coordinates, challenges and further integrates the results of these 'bottom up' risk assessments as an independent control function in the second line.

Further, the company has implemented specific processes to assess its strategic risks (i.e. which might threaten the realisation of the company's business plan, and which are assessed from a 'top down' perspective) as well as its emerging risks. And in addition to the aforementioned more qualitatively oriented approach, the (aggregated) risk categories defined under the official Solvency II regulatory framework are also assessed and managed within the quantitative framework of the Solvency II standard formula in view of the company's capital management. The integration of all these elements then allows the company to establish its risk profile, of which the compliance with the regulatory and internal risk appetite based requirements is monitored.

[4] The actuarial function, the risk management function, the compliance function and the internal audit function.

Market risk and non-life underwriting risk are the key elements of the company's risk profile.

The most recent assessments of the company's risk profile did in general not reveal any drastic changes, compared to the previous year and confirmed the adequate management of its risks.

Given the large volumes of investments the company makes, in particular with respect to its life activity, market risks take a prominent position in the risk profile, both from the bottom up and top down perspectives. The main market risks comprise first and foremost the credit spread risk, and further equity and property risk. The equity risk decreased over 2022 in line with the volumes in the portfolios and the applicable risk factor, which represents the riskiness of the current price levels of equity markets. The company's strategy to keep the durations of assets and liabilities aligned, limits the exposure to interest risk (i.e. the risk of fluctuations of the interest rates which impact the valuation of fixed income assets, and also of liabilities). Baloise Belgium nv's active management of these market risks includes among others the application of strict quality criteria when selecting assets, the follow up and management of the duration gap between assets and liabilities, and the close monitoring of the asset positions in terms of concentration risk. The company also emphasizes the high importance it attaches to the sustainability of its investments, by taking into account ESG (Environmental, Social, Governance) related criteria when selecting its investments.

Considering the importance of the company's non-life underwriting activities, an appropriate management of the catastrophe, premium and reserving risks is also assured. This is realized by the application of strict underwriting criteria and procedures, regular follow up of profitability of the business and the adequacy of the technical provisions, and by a comprehensive reinsurance program.

The latest risk assessments also confirmed the company's focus on, and appropriate monitoring and mitigation of the operational risks. These also include the Information Technology (IT) related risks, for which in 2022 a more granular approach has been introduced.

In order to monitor its risk profile, Baloise Belgium nv also regularly calculates how sensitive its solvency position is to changes in its relevant risk factors. The results of sensitivity analyses that show the impact of standard changes in interest rates, credit spreads and equity quotations on the solvency ratio can be found in the 'Risk Profile' chapter of this report.

Valuation for Solvency Purposes

Material differences between Solvency II and local accounting rules have been analyzed and explained.

The valuation principles Baloise Belgium nv uses for solvency purposes, namely for determining the capital, available to absorb adverse realisations of its risk exposure[5], are in line with the Solvency II legislation and regulation, and essentially reflect valuation at fair value. This means that for the most

[5] Or technically spoken, the own funds available to cover the regulatory 'Solvency Capital Requirement'.

important assets and liabilities, valuation is either based on market prices (if available) or on model based calculations.

As a result, significant differences in valuation can occur with the results obtained under the traditional Belgian Generally Accepted Accounting Principles ('BGAAP') rules, as used in the company's financial statements.

This is in particular the case for the fixed income assets like bonds, where the market value reflects changes in the market interest rate levels over time, while under BGAAP the valuation is based on amortized historic cost. The difference is most relevant for the company's bonds portfolio which is the asset class with the biggest share in the asset allocation. There, the strong increase of the interest rates over the past years has resulted in valuations for solvency purposes which now lie 12.9 % below those under BGAAP whereas one year earlier their solvency II value still exceeded that under BGAAP.

Solvency valuation of insurance liabilities (resulting in the technical provisions) is based on best estimates of discounted, model based future cash flows, to which a risk margin is added. Under BGAAP, traditional and prudent methods are used with ample reference to tariff base elements.

Therefor solvency valuation of technical provisions is sensitive to changes in interest rate levels, but also to other model assumptions like mortality rates (in life insurance) and claims ratios (in non-life insurance). The solvency valuation of technical provisions results in total in lower values (-13.5 %) than under the BGAAP counterpart. The strong increase of interest rates in 2022 is the main driver behind the decrease of the solvency values, just like for bonds. At YE2022, only in 'health similar to life', the value for solvency purposes still exceeded (slightly) the BGAAP value.

For the aforementioned valuation of its liabilities for solvency purposes, Baloise Belgium nv has applied the volatility adjustment. This specific 'long term guarantee' measure allows the company to consider liabilities values which are compensated for certain fluctuations of the actual asset valuations, related to, for instance, changing credit spreads. The company does not use any transitional measures for the valuation of its liabilities.

Application of the valuation principles for solvency purposes at 31/12/2022 results in a total asset value of € 12,030.1million (€ 13,266.1 million under BGAAP) and a total liabilities value of € 10,772.2 million (€ 12,225.4 million under BGAAP). This resulted in an excess of assets over liabilities (under valuation for solvency purposes) of € 1,257.9 million, and, after also taking into account the company's subordinated liabilities, a capital eligible to cover the solvency capital requirement of € 1,612.6 million.

In 2022, there were no major changes in the company's valuation principles for solvency purposes.

Capital Management

The company continuously complies with solvency and capital management requirements.

Assuring a capital position which complies with the regulatory requirements and which provides adequate protection in view of Baloise Belgium nv's evolving insurance activities, lies at the heart of the company's capital management.

The Baloise Belgium nv Solvency II ratio decreased from 178.2 % to 163.3 % at the end of the year 2022. Still well above the regulatory requirements that require an SCR ratio of 100 %. Moreover, 71.0 % of the eligible own funds is ranked as unrestricted tier 1, which means that it has the highest possible quality of own funds

The decrease of the underlying (eligible) own funds reflects first and foremost evolutions on financial markets over 2022, viz. the decrease of equities values, the increase of credit spreads and the level of compensation of the latter by the volatility adjustment. Further, the increased inflation led to higher technical provisions and hence lower own funds. On the other hand, the observed increase of the interest rates also had an indirect positive impact on the SCR, in that it reduced valuations of certain assets and liabilities which serve as drivers for the measurement of certain risks.

As can be expected, based on the large volume of the company's investments, the market risk provides the largest contribution to the SCR, with spread risk as its largest sub-risk. The capital requirement for interest risk is limited, thanks to the company's asset-liability strategy.

Next, the non-life underwriting risk also represents a risk factor with a significant contribution to the company's SCR, mainly reflecting its important premium and reserve levels for this activity, as well as its exposure to catastrophes, all taking into account reinsurance.

The table below summarizes the company's position in terms of own funds, required capital, and the resulting solvency ratios.

Solvency Position

	2021	2022
in '000 EUR		
Total eligible own funds to meet the MCR	1,491,196.0	1,233,193.2
Minimum Capital Requirement	468,069.6	444,496.1
Ratio of Eligible Own Funds to Minimum Capital Requirement	318.6%	277.4%
Total eligible own funds to meet the SCR	1,853,438.4	1,612,559.0
Solvency capital requirement	1,040,154.8	987,769.2
Ratio of Eligible Own Funds to Solvency Capital Requirement	178.2%	163.3%

A. Business and performance

A.1. Business

A.1.1. General information

Baloise Belgium nv is a Belgian composite insurance company, operating under the legal form of a Limited Liability Company ('Naamloze vennootschap').

The 'Nationale Bank van België' ('NBB') is its supervisory authority. The NBB has its registered office at the de Berlaimontlaan 14 in 1000 BRUSSELS. The external auditor is Ernst & Young Bedrijfsrevisoren BV (represented by J. Klaykens), De Kleetlaan 2, 1831 Diegem.

Baloise Belgium nv owns 99.82 % of the capital of Euromex, a Belgian Limited Liability Company which is active in legal assistance insurance.

Baloise (Luxembourg) Holding SA[6], (with registered office at 8, Rue du Chateau d'Eau 3364 Leudelange, LUXEMBOURG) is the main shareholder of Baloise Belgium nv, holding 99.99996 % of the capital. By this way, Baloise Belgium nv is part of, and strongly embedded in the Baloise Group (which is owned by Bâloise Holding AG[7], Aeschengraben 21, 4001 Basel, Switzerland – https://www.baloise.com/de/home/ueber-uns/impressum.html), a Swiss based financial services provider, which offers insurance and pension solutions.

At the end of 2022, in addition to its Swiss and Belgian activities, the Group had significant foreign operations in Germany, Luxembourg and Liechtenstein.

The following graph shows further details of Baloise Belgium nv's position within the legal structure of the Baloise Group.

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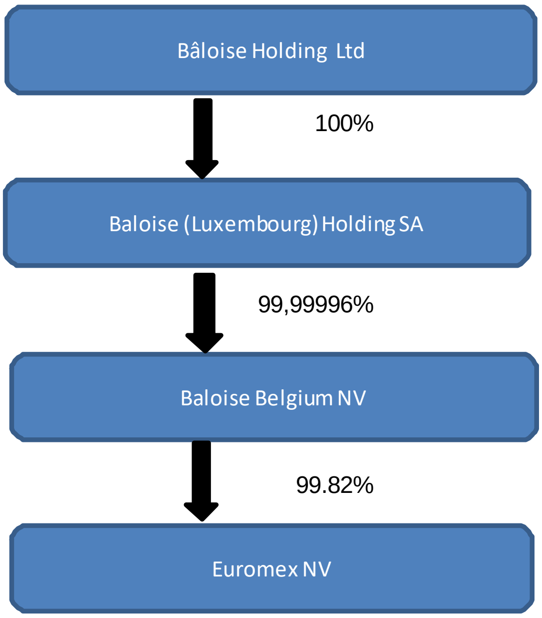
[6] Baloise (Luxembourg) Holding SA operates under the supervisory authority of the 'Commissariat aux Assurances' with address '7 Boulevard Joseph II, 1840 Luxembourg'.
[7] Baloise Group acts under the supervision of the Swiss 'Financial Market Supervisory Authority ('FINMA')', which can be contacted at Laupenstrasse 27 – CH-3003 Bern.



An active interaction exists between the Group and its Belgian subsidiary, based among others on the presence of Group representatives in Baloise Belgium nv's Board of Directors, and on the comprehensive management reporting procedures. Important synergies exist among others in ICT, in asset management and in risk management.

A.1.2. Significant business and geographical coverage

A.1.2.1. Main business lines and geographical areas

In 2022, Baloise Belgium nv realized a total BGAAP[8] gross earned premium volume of € 1,995.9 million, (from € 2,032.4 million in 2021) with the majority of this volume (70.9 %) realised in the non-life activity. The table below compares the volumes realized in 2022 to those realized in 2021.

Gross earned premium by activity group

	2021		2022		
	Premium volume	% of total	Premium volume	% of total	change vs. previous year
EUR '000					
Activity group					
Non-life	1,410,763.8	69.4%	1,415,160.5	70.9%	0.3%
Life	621,679.5	30.6%	580,715.2	29.1%	−6.6%
Total	2,032,443.3	100.0%	1,995,875.8	100.0%	−1.8%

[8] BGAAP data as mentioned in this chapter are based on the statutory accounts as used for the company's official financial reporting, but make abstraction of the company's group insurance for own staff members.

At 31/12/2022, the corresponding total technical provisions, according to Solvency II (including best estimates and risk margin) amounted to € 9,858.4 million (from € 11,909.2 million at 31/12/2021), which means that these decreased by 17.2 % over 2022. This decrease in technical provisions is essentially explained by the increase of the interest rates over the year, which leads to lower discounted values of future cash flows, and hence to lower technical provisions. This is most visible for the life activity with its long term liabilities. By far the largest part (€ 7,940.0 million, or 80.5 %) of the total technical provisions at 31/12/2022 concerns the life activity including unit linked and health similar to life business.

The non-life portfolio:

In 2022, the total earned premium volume in non-life increased by 0.3 %, This growth was realized in a market where in particular the retail activity had to face very competitive conditions. Positive growth is realized in the corporate business segment and in the underwriting agencies business, especially in the Netherlands. Both in the retail and corporate segments, the churn remains low.

Direct business represents 98.6 % of the total gross earned premium volume.

Below, we present a split of the total non-life premium volume by line of business.

Gross earned premium 'non-life' by line of business

	2021		2022		
	Premium volume	% of total (non-life)	Premium volume	% of total (non-life)	change vs previous year
EUR '000					
Line of business					
Income protection insurance	33,492.4	2.4%	33,012.7	2.3%	−1.4%
Workers' compensation insurance	82,401.6	5.8%	76,073.8	5.4%	−7.7%
Motor vehicle liability insurance	354,745.5	25.1%	340,649.5	24.1%	−4.0%
Other motor insurance	241,635.7	17.1%	239,212.8	16.9%	−1.0%
Marine, aviation and transport insurance	129,445.1	9.2%	148,649.9	10.5%	14.8%
Fire and other damage to property insurance	445,424.8	31.6%	457,848.9	32.4%	2.8%
General liability insurance	96,931.0	6.9%	92,310.2	6.5%	−4.8%
Other	26,687.8	1.9%	27,402.6	1.9%	2.7%
Total (Non Life)	1,410,763.8	100%	1,415,160.5	100%	0.3%

The largest increase (both proportionally and in absolute terms) is realized for the ‘Marine, aviation and transport insurance’ line of business, among others thanks to the expansion via the foreign underwriting agencies channel.

The ‘Fire and other damage to property’ line of business remains the most important separate line of business in terms of gross earned premium and it even increases its lead over the second.

The evolution of the premium volume in the ‘Motor vehicle liability’ and ‘Other motor insurance’ lines of business reflects the fierce competition in the market, among others caused by the lower number of newly registered cars. Regarding the decrease of the volume for the ‘Workers’ compensation’ and ‘General liability’ insurance, one has to take into account that the higher reference value for 2021 includes an exceptional reversal of premium provisions for Covid.

The relative importance of the different business lines remains stable.

Supported by the aforementioned growth in the Netherlands, the company increased its volume of earned premium from foreign business by 5.1 %. The main lines of business are here Marine & transport, Fire and other damage to property, and Motor third party liability. The Dutch business now represents 12.9 % of the total gross written premium in non-life. Further, besides the French market (where the company realizes 0.7 % of its written premium), foreign non-life activities only represent negligible volumes.

The life portfolio:

Year to year, Baloise Belgium nv's earned premium volume in life (including health similar to life) decreased in total by 6.6 % in 2022. While the total volume of recurring premiums practically remained unchanged, there was a decrease in the volume of new single premiums. This as a result of adverse conditions like high inflation, geopolitical tensions, underperforming financial markets and changes in tax regulations (i.c. for self-employed).

Within the single premium new business, the proportional shift from the branches[9] 21 and 26 to branch 23 persisted.

Volumes of recurring premiums slightly decreased in branch 21 while they grew in branch 23. The share of branch 23 in the new production in recurring premiums further increased. Over-all, branch 21 (combined with the health similar to life business) remains by far the largest of the life branches in terms of premiums, representing 76.0 % of the total premium volume, followed by branch 23 (with 15.7 %) and finally branch 26 (with 8.3 %).

For the life activity (including health similar to life[10]), we then find the following composition of the premium volumes:

Gross earned premium 'life' by line of business

	2021		2022		
	Premium volume	% of total (life)	Premium volume	% of total (life)	change vs. previous yr.
EUR '000					
Line of business					
Insurance with profit participation	481,565.2	77.5%	437,067.1	75.3%	−9.2%
Index-linked and unit-linked insurance	86,977.7	14.0%	91,158.6	15.7%	4.8%
Other life insurance	8,848.7	1.4%	7,454.3	1.3%	−15.8%
Health insurance	44,287.9	7.1%	45,035.4	7.8%	1.7%
Other	-	-	-	-	-
Total (Life)	621,679.5	100%	580,715.2	100%	−6.6%

Notwithstanding the lower volume of single premiums in the branches 21 and 26, the 'with profit participation' insurance remains by far the most important line of business.

[9] Branch 21 stands for life products with interest rate guarantee, branch 23 stands for unit-linked products, and branch 26 for capitalisation products.

[10] Which also contains the premiums for medical expense insurance.

A.1.2.2. Significant business or other developments during 2022

Economic environment and financial markets.

While 2020 and 2021 were strongly influenced by the corona pandemic, the impact on public health eased in 2022, thanks to advanced vaccination campaigns. However, the corona pandemic led to a worldwide impairment of supply chains, which was further exacerbated by Russia's invasion of Ukraine. This was seen in the tense energy situation in Europe. In combination with the various monetary and economic policy measures taken in previous years to contain the corona pandemic, inflation has skyrocketed and economic forecasts deteriorated. In an effort to counter the inflation, interest rates were raised several times by central banks in 2022 and the extensive «quantitative easing programs» were gradually reduced. As a result, both equities and fixed-interest securities prices dropped significantly in 2022.

Both the level of the risk free rates and the credit spreads for fixed interest securities increased since YE2021. This resulted in more attractive yields for new fixed income investments. The Belgian 10-year OLO linear bond started the year 2022 at 0.19 %, but climbed to a peak of 3.18 % on 30/12/2022.

Equity prices first dropped significantly (with losses often exceeding 20 %) but then recovered partially towards the end of the year. However, most stock exchange indexes still lost more than 10 % over the full year.

Insurance business: general trends and challenges.

During the past years, insurers have become more and more aware of the need to integrate technological innovations into their strategies, given the opportunities these offer in areas like process digitalisation, distribution and communication, big data exploitation and the development and tailored offering of new products and services. However, these developments also imply significant requirements in terms of business models, privacy and information security.

This digitalisation also supports the emergence of insurance ecosystems, which can provide interconnected personalized offerings from multiple carriers including new players in the market, via integrated interfaces, which further focus on customer experience. Customers themselves indeed also have rising expectations in terms of communication, product offerings and real time and qualitative service. In response, the traditional intermediaries are also making efforts to increase the value they add for their customers. And insurers are looking for ways to accommodate these customers' needs, e.g. by systematic use of data analytics or by offering integrated services in their product packages.

Sustainability and the ESG criteria are other themes which are getting more and more attention from the insurance sector. Gradually, the awareness of the importance of the ESG criteria is increasing among insurers and their customers. As a first step, ESG criteria are more and more taken into account for investment decisions. In a next step, insurers start looking how to further implement these in the complete insurance value chain.

The climate of low interest rates persists, which puts the insurers' recurring financial income under strong pressure, so that the insurers are stimulated to improve their efficiency, productivity and profitability and to reallocate their assets in view of the optimisation of the trade-off between risk and return while also paying attention to the aforementioned sustainable nature of their investments.

This is in particular challenging for life insurers who have to assure that investment income matches the guaranteed growth of their significant technical provisions. As a result, insurers make prudent choices when setting the level of interest rates they guarantee (in branch 21) and they further stimulate the commercialisation of unit-linked (branch 23) products.

Non-life insurers carefully watch trends related to climate change, cyber insurance and self-driving cars, which can have substantial impact on claims volumes and frequencies.

Regulatory environment.

The European legislator continued to work on the revision of the Solvency II Directive in 2022. On the basis of the legislative proposals formulated by the European Commission at the end of 2021, and after discussion by the EU economy and finance ministers, Member States agreed on a common position on the proposed adjustments on 17 June 2022. Discussions and debates continued throughout 2022.

At the beginning of 2022, the technical standards under the Sustainable Finance Disclosure Regulation (SFDR) were published, which come into force from 1 January 2023.

In August 2022, the changes to the Insurance Distribution Directive (IDD) and Product Oversight & Governance (POG) regarding sustainability came into force, requiring insurance distributors to take customers' sustainability preferences into account.

In December 2022, the European legislator published the Corporate Sustainability Reporting Directive (CSRD). As of reporting year 2025, this directive replaces, upgrades and extends the provisions of the Non-Financial Reporting Directive concerning the publication of non-financial information, in particular regarding sustainability reporting.

Business environment, corporate strategy and organisation.

We live in a transformative age, an age of change which is characterized by new risks and opportunities (IoT, digitalisation, cyber risks, green energy, ...) on the one hand and by fundamental changes in environmental and societal circumstances (nature disasters, pandemics, international migration, impact of social media, …) and in individual customer behavior on the other hand. Traditional insurance business models are being challenged by new thinking, new competitors, new ways of working and legislation which focuses on consumer protection and transparency.

Baloise Belgium nv’s strategy is developed in close connection with this changing environment, and it is translated into a 'Simply safe' approach. It emphasizes on customer centricity, prevention, simple and efficient services, processes and tools, and making all the company's partners and stakeholders safer, including customers, brokers, staff and shareholders.

The strategy is oriented towards realizing a stable growth of the sustainable earnings, both in the life and the non-life business, with a strong focus on profitability and solvency. This will also assure the efficient investment of the capital provided by the shareholder.

In order to further strengthen our core business we focus on a continuous improvement of our business processes, in combination with an optimisation of our ICT-landscape.

We strive for an excellent broker and customer experience by pro-actively serving their needs and create a high level of connectivity. Digital communication channels are combined with human contact in a well thought way and are focusing on improving the easiness of doing business with us. Technological solutions and the use of data and extracted business knowledge will become some of the cornerstones of our business collaboration. Furthermore our ambition over the next years is to further develop services delivering added value for our customers beyond the risk coverage.

A.2. Performance of underwriting activities

In this section, we provide information on the company's underwriting performance over the year 2022 in terms of the contributions from earned premiums, claims, changes in other technical provisions and expenses, as measured according to BGAAP. As for now, we make abstraction of the investment income, which will be the subject of the next section.

We distinguish between the non-life and the life activity[11].

A.2.1. Underwriting performance of the non-life activity

A.2.1.1. Aggregate underwriting performance

In the table below, we present the components of the non-life underwriting performance as aggregated over all non-life and health non-similar to life activities[12]. Both the gross and net views (respectively before and after reinsurance) are shown.

Premiums, claims and expenses - non-life aggregated

	2021		2022	
	Gross	Net	Gross	Net
EUR '000				
Premiums earned	1,410,763.8	1,255,962.4	1,415,160.5	1,232,644.6
Claims incurred	838,759.9	653,438.7	847,623.8	633,053.2
Changes in other technical provisions	−10.5	−10.5	−10,000.0	−10,000.0
Total Expenses	592,311.0	577,290.8	604,564.2	589,406.2
Annual underwriting result	−20,296.6	25,243.4	−27,027.5	20,185.1

We see that the main components of the underwriting result did not change significantly between 2021 and 2022.

[11] Where non-life also includes activities qualified as 'health similar to non-life', while other health related activities are represented by the life activity.

[12] Our analyses of the underwriting performances take into account the elements mentioned in the QRT S.05.01.02 (see chapter F. Annexes). In our tables in the current chapter, the amounts representing ‘Changes in other technical provisions’ include a change of sign, compared to the original QRT data, mentioned in the Annexes.

The reinsured fraction of the gross premium increased from 11.0 % in 2021 to 12.9 % in 2022, reflecting among others the higher reinsurance rates that emerged in the wake of the Covid crisis and the floods that struck western Europe in the summer of 2021.

The claims charge gross of reinsurance increased slightly in 2022 (by 1.0 %) while net of reinsurance, the claims charge decreased by 3.1 %. Whereas in 2021 the damage caused by the aforementioned floods was a central element in our analysis, the results of 2022 were mainly impacted by some adverse developments in the provisions for older claims (see below). The impact of the increasing inflation on the claims remained under control.

The ‘changes in other technical provisions’ (€ -10.0 M) in 2022 concern the amount withdrawn from the provision for indexation of annuities in ‘workmen’s compensation’, after several indexations of these annuities according to the high inflation of the past year.

The increase of expenses remained limited to 2.1 % in 2022, hence Baloise Belgium nv has been able to control the growth of its expenses despite the high inflation levels observed throughout the year.

All this resulted in an net underwriting result over 2022 of € 20.2 M.

We also remind that the aforementioned presentation of the underwriting result only takes into account the technical elements as withheld in the table S.05.01.02 Non-life. Other elements, like the amount released from the company’s provision for equalisation and catastrophes, are not taken into account in this approach but nevertheless contribute to the company’s technical result under BGAAP. For the contribution of the non-life investment income, we refer to the section ‘Performance of investment activities’ below.

A.2.1.2. Underwriting performance by line of business

The table below shows the composition of the total net underwriting result by line of business for 2022, and a comparison with the corresponding total net underwriting result in 2021.

Premiums, claims and expenses – non-life by line of business

	2022					2021
	Net premiums earned	Net Claims incurred	Net changes in other technical provisions	Expenses	Net Underwriting result	Net Underwriting result
EUR '000						
Line of business						
Medical expense insurance	-	5,736.8	-	2,454.7	−8,191.6	−7,932.2
Income protection insurance	31,624.7	5,661.9	-	12,279.0	13,683.9	14,519.5
Workers' compensation insurance	71,661.3	51,056.0	−10,000.0	41,768.4	−11,163.1	1,854.5
Motor vehicle liability insurance	320,404.9	195,276.1	-	160,367.0	−35,238.2	43,497.9
Other motor insurance	234,611.8	149,764.4	-	101,546.8	−16,699.3	−9,361.7
Marine, aviation and transport insurance	102,091.0	51,335.6	-	38,380.0	12,375.5	453.7
Fire and other damage to property insurance	358,575.6	128,305.2	-	170,064.3	60,206.2	−19,844.2
General liability insurance	88,055.2	36,705.1	-	40,624.5	10,725.6	9,224.3
Other	25,620.2	9,212.2	-	21,921.8	−5,513.8	−7,168.5
Total (Non Life)	1,232,644.6	633,053.2	−10,000.0	589,406.2	20,185.1	25,243.4

The following paragraphs discuss separately the results for each of the top 5 lines of business in terms of net earned premium:

Fire and other damage to property

This largest line of business in terms of premium volume has provided the highest positive contribution to the non-life underwriting result of 2022. It has a history of solid profitability, but was in 2021 impacted by the exceptional floods, leading to a negative result in that year. The impact of the storm ‘Eunice’ in February of 2022 on the company’s underwriting result was limited.

Motor vehicle liability

In 2022 this normally very profitable business line was not profitable. Additional provisions had to be made for a number of large claims occurred in previous years. Further, a modification of the company’s reserving policy for physical damage had an additional ‘one off’ impact on the result of 2022. Finally, the mitigating effect of Covid 19 on claims frequency as observed in 2021 petered out in 2022.

Other motor insurance

The underwriting result of this line of business decreased in comparison to the previous year. Just like for motor vehicle liability insurance, the mitigating effect of Covid 19 decreased; further, the company faced some adverse fluctuations in the development of older claims from its foreign business

Marine and transport

After a number of years with decreasing business volumes, this line of business started growing again in 2019, with gradually improving results thanks to improving claims ratios. The positive results reflect the effectiveness of a profit improvement plan implemented for specific brokers.

General liability insurance

Traditionally, the general liability insurance activity provides quite stable and positive contributions to the company’s underwriting results. For the business written in 2022, this was again the case.

A.2.1.3. Underwriting performance by geographic area

The large majority of the company's non-life business is realized in the home country, so the over-all underwriting performance predominantly reflects the performance of the home country business. Nevertheless, the profitability of the business realised in foreign markets is monitored separately, considering the nature of the risks and the distribution approach. For the foreign business, written in 2022, we observed claims ratios which were for all lines of business lower than those obtained from the home country business. On the other hand, the results from the development of provisions for claims from prior years is more volatile in case of the foreign business.

We refer to the table S.05.02.01 in the annexes for more details.

A.2.2. Underwriting performance of the life activity

When assessing the underwriting performance of the life activity, we start with an approach similar to the one applied for the non-life activity, actually we take into account premiums, claims, changes in other technical provisions and expenses. However, for life insurance the underwriting performance cannot be judged without taking into account the investment income. Otherwise the growth of the technical provisions according to the technical interest rate weighs heavily on the underwriting performance. The underwriting performance alone is not sufficient to get an indication about the overall profitability of the life activity.

A.2.2.1. Aggregated underwriting performance

In the table below, we provide the components of the global (aggregated) life underwriting performance, including the health similar to life business.

Premiums, claims, changes in other technical provisions and expenses - Life

	2021		2022	
	Gross	Net	Gross	Net
EUR '000				
Premiums earned	621,679.5	606,068.0	580,715.2	575,738.6
Claims incurred	479,817.4	470,863.4	549,973.0	548,912.8
Changes in other technical provisions	313,836.6	313,851.6	−38,819.7	−38,655.7
Expenses incurred	86,342.2	86,342.2	86,183.0	86,183.0
Other expenses	7,658.7	7,658.7	8,980.1	8,980.1
Total Expenses	94,000.8	94,000.8	95,163.1	95,163.1
Annual underwriting result	−265,975.4	−272,647.8	−25,601.2	−29,681.6

We see that for Baloise Belgium nv's life activity, reinsurance has much less impact on the annual underwriting result than for the non-life activity. As can be expected in normal situations, reinsurance impact appears as a net cost, i.e. the underwriting result after reinsurance lies below that before reinsurance.

The bottom-line figures in the table above do not yet take into account that the changes in technical provisions also comprise changes in the branch 23 provisions which are completely compensated by changes in value of the underlying assets. If we correct the (gross) underwriting results above for this element, we obtain an improvement of the thus corrected result from € -184.3 million at 31/12/2021 to € -169.8 million at 31/12/2022.

This positive evolution is supported by the fact that the average guaranteed technical interest rate on the company's life portfolio as a whole decreased from 1.89 % in 2021 to 1.79 % in 2022. This (persistent) trend reflects the gradual replacement of older contracts (with higher technical interest rate levels) by new contracts (with on average lower rates), and also reflects the company's management of the guaranteed tariff rates on new business[13] in view of the evolutions on financial markets. The

[13] And also on future premiums for universal life products without interest guarantee on future premiums as well as for guarantee renewals for investment contracts with expiring (temporary) interest guarantees.

technical BGAAP result in life also benefited from a release from the company's Fund for Future Appropriation[14] of € 5.0 million.

Both in 2021 and 2022, the company also benefited from the exemption of dotations to the flashing light reserve by the NBB, based on a solid Solvency ratio.

A.2.2.2. Underwriting performance by line of business

Next, we provide some additional information on the underwriting performance of the different lines of business of the life activity.

Insurance with profit participations

This is by far the largest line of business, both in premium volume and in technical provisions. In absolute value, it also provides the largest contribution to the underwriting result in life. Given the large volumes of mathematical reserves it represents, the level of applicable technical interest rate will play an important role in the underwriting result. Other elements impacting the underwriting result are the level of profit sharing, the difference between the mortality rates used for the tariffication of the death or longevity cover and the actually observed mortality rates in the portfolio, as well as the difference between the tariff loadings for expenses (including commissions) and the actually incurred expenses.

Index linked and unit linked insurance

For this line of business, the main element with impact on the underwriting result (after correction for changes in value of the underlying unit-linked assets) is the difference between the tariff loadings for expenses (including commissions) and the actually incurred expenses.

Other life insurance and Health insurance

Here we typically find products which cover biometric risks (like, in particular, death or disability). The underwriting result will depend essentially on the difference between the biometric rates or parameters used for the tariffication of the risk and the actually observed mortality or disability rates in the portfolio. Next, in case, increases or decreases of ageing reserves will also have an impact on the underwriting result of the year, as well as elements like the difference between the tariff loadings for expenses (including commissions) and the actually incurred expenses.

We refer to the table S.05.01.02 in the annexes for more details.

A.2.2.3. Underwriting performance by geographic area

All of Baloise Belgium nv's life activity qualifies as 'home country' activity.

[14] 'FTT' or 'Fonds voor toekomstige toewijzingen' in Dutch.

A.3. Performance from investment activities

A.3.1. Review of investment income and expenses

Together with the underwriting income, the investment income will have a strong impact on the company's overall profitability. In particular in the life activity, its investment income provides the natural compensation for the service of the interest guarantee on the customer's technical reserves, which is expressed in the aforementioned underwriting result.

In 2022, the total net investment income, after taking into account investment charges and expenses, and excluding branch 23, contributed an amount of € 208.3 million to the result[15] (compared to € 190.7 million in 2021). We now provide some additional information on the main components of this amount.

The largest part of the company's investment income is recurring. On a gross basis (before investment charges and expenses), the recurring financial income (in EUR) from property, shares, bonds and mortgages and loans increased by 7.6 % since 2021. In the table below, we show the contributions from these main asset classes to the company's (gross) recurring (BGAAP) investment income[16].

Gross recurring investment income from the main asset classes

	2021		2022	
	Recurring investment income	% of sum	Recurring investment income	% of sum
EUR '000				
Asset class				
Property	18,477.1	8.8%	19,113.0	8.5%
Shares	28,374.3	13.5%	38,249.4	16.9%
Bonds	155,769.4	74.2%	160,852.8	71.2%
Mortgages & Loans	7,225.0	3.4%	7,652.1	3.4%
Sum	209,845.8	100.0%	225,867.3	100.0%

For the bonds portfolio, traditionally the company's largest source of recurring investment income, this income consists of coupons and annual actuarial amortisations. The amount of recurring income from bonds increased by 3.3 % over 2022. In previous years, the corresponding average rate of return mostly decreased as a consequence of the persistently low interest rates on the capital markets, but thanks to new investments made in 2022 which benefited from higher yields in the market, we now observe again an increase of this average rate of return.

The increase in recurring income from shares comes primarily from increased dividends from participations.

Rent income remained stable over 2022.

[15] According to the income statement in BGAAP.
[16] Recurring income from some smaller asset classes is not presented in the table.

The non-recurring part of the investment income corresponds essentially to the net results from realisations of capital gains and losses. The net investment income from realisations in 2022 amounted to € 34.4 million.

Further, investment income is also impacted by value corrections (impairments and reversals), although for 2022, these had a negligible impact on the company's income from investments.

Finally, interest charges and investment expenses (including the cost of financial instruments) have also to be taken into account when determining the total net investment income.

As a result of all the aforementioned elements, we obtain a total net investment income of € 208.3 million. The company's long-term vision and prudent investment strategy pays off in this challenging market environment. Baloise Belgium nv continues to manage its investment portfolio with foresight and with as few fluctuations as possible.

As also disclosed in Baloise Belgium nv's annual report, the company was able to close the year 2022 with a total net profit of € 51.8 million (€ 65.0 million in 2021) while facing a competitive insurance market and challenging conditions on financial markets Both the life and non-life activity provided positive contributions to the technical result.

A.3.2. Gains and losses recognized directly in equity

Under BGAAP, there are no gains or losses that are recognized directly in equity.

A.3.3. Investments in financial instruments based on repackage loans

At 31/12/2022, Baloise Belgium nv had no investments in securitisation.

A.4. Performance of other activities

Baloise Belgium nv has no other activities with material income or expenses. It has also no material leasing arrangements.

A.5. Other relevant information

The Group-wide rebranding was launched in autumn 2022. Baloise is now united as one brand. The different subsidiaries are now aligned in brand perception, especially towards our clients. Attributes such as human, inspiring and responsible stand for the claim to put our stakeholders at the heart of our business.

B. System of governance

B.1. General information

B.1.1. Governance structure: overview

B.1.1.1. Board of Directors

The Board of Directors of Baloise Belgium nv has among others the following duties and responsibilities:

Pursuant to article 44 of the Supervision Act, the Board of Directors determines "*the strategy and objectives of the company and the risk policy, including the risk tolerance limits and the […] integrity policy*".

- Firstly, with regard to the company's strategy and objectives, the Board of Directors shall determine and validate at least the following:
  - the objectives of the company, including the commercial policy;
  - the key elements of its organisational structure and its internal control structure (which should be proportionate to the objectives pursued);
  - the company's governance policy sensu stricto (in particular the "fit & proper" policy, the remuneration policy, the outsourcing policy, the internal rules on external mandates, the IT security and continuity policy and the charters of the independent control functions);
  - reporting to the public (such as the Solvency and Financial Condition Report or SFCR).
- Secondly, with regard to the risk policy, the Board of Directors must:
  - determine the company's risk appetite and overall risk tolerance limits (risk appetite policy);
  - approve the company's general risk management policy and approve the specific risk management policies, namely the following relevant policies (whether or not individually or combined in one or more policy documents): a) the policy relating to the management of underwriting risk and reserving risk, b) the policy relating to the management of assets and liabilities, c) the policy relating to the management of investment risk, d) the policy relating to the management of liquidity risk, e) the policy relating to the management of concentration risk, f) the policy relating to the management of operational risk, g) the reinsurance policy, h) if applicable, the mortgage credit management policy, i) the asset and liability valuation policy, j) the profit-sharing policy, k) the Own Risk and Solvency Assessment ("ORSA") policy, l) the capital management policy and m) the policy guaranteeing that the information reported to the National Bank of Belgium is always adequate (article 77, §7 of the Supervision Act);

- o being in the front line for strategic decisions regarding risk and being closely involved in the ongoing monitoring of the development of the company's risk profile (this requires that the board or directors, where appropriate through the audit- and risk committee, has relevant and complete information about the risks faced by the company at all times);

- o the approval of the reports to the supervisory authority (the "Regular Supervisory Report" (RSR) and the ORSA);

- Thirdly, the Board of Directors must also approve the company's integrity policy, which lays down the basic ethical principles of the company and includes at least the following: rules on conflicts of interest, whistleblowing, rules on the prevention of money laundering and terrorist financing, codes of conduct, etc.

Monitoring of the operations:

The monitoring of the operations and the regular assessment of the effectiveness of the company's governance system are the second major pillar of the Board of Directors' responsibilities.

This supervision relates to all areas of the company's activities and, in particular, to the Executive Committee (supervision of the Executive Committee's decisions) and to the monitoring of the risk policy.

This supervision is carried out in particular through (i) the reporting by the four independent control functions (internal audit, compliance, risk management and actuarial function), (ii) the effective use of the investigative powers of the members of the Board of Directors, (iii) the reporting by the Executive Committee on the development of the company's activities and (iv) the access to the minutes of the Executive Committee.

Pursuant to article 77 of the Supervision Act, the Board of Directors shall at least:

- assess the effectiveness of the governance system once a year and ensure that the Executive Committee takes the necessary measures to address any shortcomings;

- periodically, and at least once a year, assess whether the company's four independent control functions are being properly exercised. In addition to the assessment which it can make on the basis of its regular contacts and of the information provided to it by these four functions, the Board of Directors relies on the periodic report of the Executive Committee, which indicates in particular the measures required to remedy any shortcomings. The Board of Directors is obliged to send an annual report to the National Bank of Belgium on the assessment of the proper functioning of the compliance function. It also ensures that the Executive Committee takes the necessary measures to remedy any shortcomings;

- determine which measures to take in response to the findings and recommendations of the internal audit and ensure that these measures are carried out;

- review the general principles of the remuneration policy on a regular basis and at least annually, and be responsible for overseeing its implementation;

- verify compliance with the policy on reporting to the National Bank of Belgium approved by the Board of Directors pursuant to article 77 §7 of the Supervision Act; and

- be responsible for the integrity of the accounting and financial reporting systems, including operational and financial control arrangements, audit the functioning of internal control at least annually and ensure that these systems provide reasonable assurance on the reliability of the reporting process.

Approval of transactions or projects involving an investment or divestment of at least 75 million EUR:

In particular, the Board of Directors has the exclusive power to approve all transactions and projects involving investments or divestments of at least 75 million EUR.

This implies that such transactions and projects shall always require the prior approval of the Board of Directors (without prejudice to all other powers for which the Board of Directors has exclusive competence in accordance with the articles of association, company law and other legal provisions, such as the Supervision Act).

Other:

The Board of Directors is also responsible for the duties and responsibilities reserved to it by Belgian company law and the articles of association. The directors can divide tasks of the Board of Directors among themselves.

Any division of tasks between the directors must always be notified to the supervisory authority. This division of tasks cannot be invoked against third parties, even if it is published.

B.1.1.2. Executive Committee

The Executive Committee, under the direction of Ch. Hamal, is responsible for effective management of the enterprise, and is composed of managing directors, as well as Executive Committee members who are not a member of the Board of Directors.

There is a periodic reporting to the Executive Committee on the main issues and business risks.

The Executive Committee has the powers of the management board (‘directieraad’) as provided for in the Code of Companies and Associations for a public limited company with dual management.

The Executive Committee is, in particular, authorized to perform all acts necessary or useful for achieving the company's objects, except those for which the general shareholders’ meeting is authorized by law and without prejudice to the powers reserved by law, the articles of association or otherwise to the Board of Directors.

The Executive Committee has among others the following duties and responsibilities:

- Implementation of the strategy and management of the company as laid down by the Board of Directors:
    - implementing the strategy adopted by the Board of Directors;
    - managing the business in accordance with the strategic objectives set and with the risk tolerance limits laid down by the Board of Directors;
    - supervising line management and ensuring compliance with assigned powers and responsibilities;
    - making proposals and providing advice to the Board of Directors for the development of the general policy and strategy of the company;
- Implementation of the risk management system:
    - translating into procedures and processes the risk appetite framework established by the Board of Directors, the general risk management policy and the specific risk management policies;
    - implementing the necessary measures to control the risk;
    - ensuring, on the basis of the reports of the independent control functions, that all relevant risks to which the company is exposed (financial risks, insurance risks, operational and other risks) are properly identified, measured, managed, controlled and disclosed;
    - monitoring the development of the company's risk profile and controlling the risk management system;
- Introduction, follow-up and assessment of the organisational and operational structure:
    - implementing the governance policy sensu stricto (fit & proper policy, remuneration policy, outsourcing policy, internal rules on external mandates, security and continuity policy, integrity policy) defined by the Board of Directors by giving it concrete form in procedures and processes;
    - setting up an organisational and operational structure to support the strategic objectives and ensure consistency with the risk appetite framework defined by the Board of Directors, in particular by defining the competences and responsibilities of each business area and by specifying reporting procedures and lines;
    - setting up appropriate internal control mechanisms at all levels of the company and assess the adequacy of those mechanisms;
    - implementing the necessary framework for the organisation and functioning of the independent control functions and, based on the work of these control functions, assess the efficiency and effectiveness of the risk management, internal control and governance arrangements established by the company;
    - monitoring the correct implementation of the remuneration policy;

- establishing a system of internal reporting that provides reasonable assurance regarding reliability of financial information and prudential reporting;

- Implementation of the integrity policy defined by the Board of Directors (in particular conflicts of interest, whistleblowing, anti-money laundering and anti-terrorist financing rules, codes of conduct etc.) by giving it concrete form in procedures and processes;

- Reporting to the Board of Directors and the National Bank of Belgium:

  - communicating to the Board of Directors and/or where appropriate, to one of its subcommittees, the relevant information and data to enable them to monitor the company's activities;

  - implementing the policy defined by the Board of Directors concerning the reporting to the National Bank of Belgium (article 77, §7 of the Act of 13 March 2016 on the status and supervision of insurance and reinsurance undertakings, "**Supervision Act**") and, within that framework, providing the expected prudential reports to the National Bank of Belgium.

  - approving the reports regarding the annual and quarterly qualitative statements (QRT – Qualitative Reporting Templates) and submission thereof to the National Bank of Belgium in accordance with article 80, §5 and 202 of the Supervision Act.

  - annually and six-monthly declaring to the National Bank of Belgium that the information provided to it in accordance with articles 312 to 316 of the Supervision Act (i) is complete, (ii) correctly reflects the situation of the company, taking into account its risk profile, and (iii) has been drawn up in accordance with the legal requirements and the instructions of the National Bank of Belgium; and

  - providing a report on the effectiveness of the governance system to the Board of Directors, the statutory auditor and the National Bank of Belgium at least once a year;

- Approval of transactions or projects involving investments or divestments up to 25 million EUR.

B.1.1.3. Committees of the Board of Directors (composition, role, activities)

The Board of Directors has appointed the Audit and Risk Committee, the Investment Committee and the Nomination and Remuneration Committee. In the fulfillment of their responsibilities, the members of such committees observe the required objectivity and independence with respect to the Executive Committee.

The **Audit and Risk Committee** has the following tasks with regard to the audit activities:

- monitoring the financial reporting process and the integrity of the financial statements, and make proposals or recommendations to ensure the integrity of the process;

- monitoring the effectiveness of internal control and risk management systems, as well as monitoring internal audit and its effectiveness;

- informing the Board of Directors about the outcome of the statutory audit of the annual accounts and the consolidated accounts and explain how the statutory audit of the annual accounts and the consolidated accounts has contributed to the integrity of financial reporting and what was the role of the audit committee in that process;

- assessing and monitoring the independence of the statutory auditor and of the auditor responsible for auditing the consolidated financial statements, in particular the appropriateness of providing additional services to the company. More specifically, the audit committee shall analyze with the statutory auditor the threats to his independence and the safeguards applied to mitigate those threats, when the total fees in a public-interest entity referred to in Article 4/1 exceed the criteria set out in Article 4 (3) of Regulation (EU) No 537/2014;

- reporting regularly to the Board of Directors on the execution of its duties, at least with respect to the annual and consolidated accounts and providing periodic information at the end of the financial year and at the end of the first semester;

- making recommendations to the Board of Directors on the appointment of the auditor responsible for the statutory audit of the consolidated financial statements in accordance with Article 16 (2) of Regulation (EU) No 537/2014.

The **Audit and Risk Committee** has i.a. the following tasks with regard to the risk activities:

a) With regard to the risk strategy:

- giving its opinion to the Board of Directors on:
    - the adequacy of the organisation's available resources and capacity for identifying, measuring, managing and reporting the principal risks to which the undertaking is exposed;
    - the appropriateness of the risk monitoring procedure based on the challenges facing the company in its various business lines, and in particular the separation of operational and control functions;

- advising the Board of Directors on all aspects relating to the current and future risk tolerance and risk strategy. The committee shall assist the Board of Directors in overseeing the implementation of this strategy by the Executive Committee or, where appropriate, the effective management;

- ensuring that the strategic decisions taken by the Board of Directors with respect to underwriting liabilities, establishment of technical provisions, determination of reinsurance cessions, investment policy, asset and liability management and liquidity management take into account the risks incurred by the undertaking regarding its business model and its strategy with respect to risks, in particular reputational risks which may arise from the types of products which can be offered to clients;

- determining the nature, extent, form and frequency of information to be provided to the committee on risks;

- collaborating with the nomination and remuneration committee to ensure, in particular, that the total amount of variable remuneration allocated and the performance targets set in the remuneration policy are consistent with the company’s risk profile;

b) With regard to the functioning of the risk management function:

- examining the procedures on which the company relies, in accordance with the strategy laid down by the Board of Directors, to cover the risks relating to its assets, its operations and its liabilities resulting from appropriate insurance policies;

- requesting all necessary information (at least the annual report) from the risk management function and be aware of the action plan and the follow-up on this plan by that risk management function;

- hearing the Chief Risk Officer (CRO), advising the board on the organisation of the risk management function and keeping abreast of its work program; where appropriate, requesting the board to impose specific tasks on the risk management function.

The Audit and Risk Committee can receive specific tasks from the Board of Directors, is completely autonomous in the execution of these tasks, and reports regularly to the Board of Directors until its assignment is completed.

The **Investment Committee** has (amongst others) the following tasks:

- validating the investment decisions that (may) contain reputation risks;

- deciding on transactions or projects involving an investment or divestment between 25 and 75 million EUR.

The **Nomination and Remuneration Committee** has the following tasks:

- providing advice on the fit & proper policy and the remuneration policy that must be determined by the Board of Directors and every amendment thereof;

- formally carrying out the fit & proper assessments of new members of the Board of Directors (and of the Executive Committee) and the new persons responsible for the independent control functions;

- monitoring that the fit & proper information submitted to the National Bank of Belgium is complete and accurate;

- periodically assessing the collective expertise of the Board of Directors and the Executive Committee as governing bodies;

- preparing decisions on remuneration, in particular those which have implications for the company's risk and risk management and on which the Board of Directors must take a decision. When preparing such decisions, the nomination and remuneration committee takes into account the long-term interests of shareholders, investors and other stakeholders in the company as well as the public interest;

- preparing decisions with respect to the remunerations of persons responsible for the independent control functions;
- supervising the remuneration of the persons responsible for the independent control functions.

B.1.1.4. *Independent control functions*

In addition to the aforementioned roles observed by the (executive and non-executive) directors, the company has created four (key) independent control functions, viz. the compliance, risk management, actuarial and internal audit functions. The Executive Committee implements the framework for the organisation and operational adequacy of these functions.

Independence of these control functions comprises the following elements:

- They have an appropriate statute guaranteeing all necessary powers, resources, expertise and access within the organisation including access to the Board of Directors;
- They are hierarchically and operationally independent of the organisational levels they have to control;
- They report both to the executive and non-executive directors in accordance to the established procedures. At least once a year, they report on their activities, on encountered issues and corresponding recommendations, and on their annual planning;
- The remuneration of persons responsible for these functions is from a material point of view not related to the profitability of the activity.

The Executive Committee uses the findings and recommendations of the independent control functions to strengthen the administrative structure, organisation and internal control.

As a part of its supervisory function, the Board of Directors also periodically checks whether the independent control functions are working well.

The four independent control functions are discussed further in this report.

B.1.1.5. *Material changes in the governance structure*

During the reporting period, the governance structure underwent no material changes.

B.1.2. Remuneration policy

Remuneration principles and objectives

The general remuneration policy is compliant with, and contributes to a healthy and efficient risk management. The remuneration policy and practices are determined and implemented according to the business and risk management strategy, the risk profile, the goals, the risk management practices and the long-term interest and performance of the company as a whole. They comprise measures geared towards avoiding conflicts of interest and undesirable incentives. The remuneration of the members of the Executive Committee is based on value creation and is determined according to the Remuneration Policy of Baloise Belgium and the remuneration concept as decided by the Remuneration Committee of Bâloise Holding Ltd.

The remuneration policy is designed to take into account the internal organisation of Baloise Belgium nv and the nature, scale and complexity of the risks inherent in the business model and activities of Baloise Belgium nv.

The remuneration policy ensures that the granting of remuneration does not jeopardise the company's ability to maintain an adequate capital base and that remuneration practices do not encourage excessive risk-taking, taking into account the risk management strategy of Baloise Belgium nv.

The success of the company is largely defined by the skills, talents and achievements of its employees. That is why it is essential that it can attract well-educated, skilled and motivated employees and managers, enable them to fully develop and succeed in keeping them on board. The level of remuneration offered by Baloise Belgium nv is in line with the going market rate and is performance-related. Baloise Belgium nv has put in place a remuneration policy that is also compliant with the Baloise Group remuneration policy.

The objectives of the remuneration system are to further increase the emphasis on performance at Baloise Belgium nv, to encourage sustainable business practices, and to strengthen employees' and executives' loyalty and commitment to the organisation.

In addition to paying its staff in line with market rates and according to individual achievement, the company encourages its executives to focus on the longer term and on its shareholder's interests.

Remuneration components

The company's compensation packages consist of the basic salary plus short- and long-term variable remuneration and of other material and immaterial benefits such as pension contributions, additional benefits, and staff development opportunities.

Basic salary

The basic salary is the remuneration that matches the duties and responsibilities of the job in question and the expertise that the employee must have in order to achieve the relevant business targets and objectives. Baloise Belgium nv strives for basic salaries around the market median. In accordance with its Code Of Conduct and Integrity Policy, Baloise Belgium nv applies the principle of equality internally: those who do the same job and have the same qualifications should be paid the same wage.

Variable remuneration

The key factors determining the amount of variable remuneration paid are the global result of the economic value added, and the employee’s individual performance. Baloise Belgium nv attaches great importance to sustainable business operations.

In addition to the profit sharing which applies to all staff members (except for the members of the Executive Committee) and depends on the company's profit, the Performance Pool exists. The size of the Performance Pool, which is decided by the Nomination and Remuneration Committee, depends on business performance, the evolution of the share price, risk mitigation and implementation of the strategy. It is distributed among the individual staff members qualifying for access to the Performance Pool (in particular the members of the Executive Committee, the members of the management team and the executives). The overall performance assessment (based on performance, commitment, cooperation, leadership and conduct) is the primary tool for determining the amount granted to each individual.

The members of the Executive Committee are, within their variable remuneration of the Performance Pool, obliged to subscribe to shares on a progressive scale: they receive at least 30 per cent of their short-term variable remuneration in the form of shares, which must account for at least 30 per cent of their total variable remuneration (if the long-term effect of the Performance Share Units is included). The shares to which they thus subscribe are restricted for three years and are exposed to market risks during this period. Furthermore, the members of the Executive Committee are awarded Performance Share Units (or PSUs), which are immediately granted, but only vested after 3 years.

Pension schemes

The company offers its employees an attractive occupational pension solution (in the 2nd pension pillar) that meets the following objectives:

- It covers the needs of its insured employees when they retire, die or become unfit for work and mitigates the financial consequences of this with an occupational pension scheme based on the principle of social partnership;
- It allows retired employees to maintain the standard of living to which they are accustomed by guaranteeing them a sufficiently high replacement income (combining benefits in the 1st and 2nd pension pillars) to compensate for their lost income;
- The employer makes a major contribution to the financing of the company pension scheme;
- The pension solutions are future-proof, solid, predictable and cost-effective.

The members of the Executive Committee are insured under a pension scheme, run by Baloise Belgium nv. The other (non-executive) members of the Board of Directors have never been entitled to have contributions paid to the pension fund, nor to have such contributions be paid to them.

Practical implementation

The (annual) determination of (individual and corporate) targets, the performance assessment and the determination of the variable remuneration is controlled centrally through a performance management process.

Baloise Belgium nv provides systems of performance-related remuneration for all of its staff members, although the variable part depends on the group to which each staff member belongs. These distinct groups are the members of the Executive Committee, the Direction Team, the management and executives, the employees and the sales team.

Corporate targets (for Direction Team members and executives) are formulated in terms of measurable quantities like growth rates or combined ratios (as integrated in the business plan which covers 5 years), success in the implementation of the corporate culture, the realisation of team and individual targets and personal development.

B.1.3. Shareholders

Group structure and shareholders

Baloise Belgium nv is an (indirect) subsidiary of Bâloise Holding Ltd. and is part of the Baloise Group (Switzerland).

The shareholders of Baloise Belgium nv are[17]:

- Baloise (Luxembourg) Holding SA, a company incorporated under Luxembourg law whose registered office is at 3364 Leudelange (Grand Duchy of Luxembourg), 8, rue du Château d'Eau;
- Basler Versicherung AG, a company incorporated under Swiss law with headquarters in 4002 Basel (Switzerland), Aeschengraben 21.

Baloise Group, headquartered in Basel, Switzerland is a European financial services provider that offers insurance and pension solutions and is distinguished by its 'Simply Safe' approach. In addition to the Swiss and Belgian subsidiaries, the Baloise Group also has subsidiaries in Germany, Luxembourg and Liechtenstein. The shares of Bâloise Holding Ltd are listed on the SIX Swiss Exchange, in the Main Market Segment.

Material transactions with shareholders

Over the reporting period, Baloise Belgium nv engaged in material transactions with Basler Versicherung AG. There were in particular reinsurance transactions and transactions relating to shared operational costs, the latter mostly for services delivered in the area of ICT.

[17] These did not change over 2022.

Further, Baloise Belgium nv renewed the senior loan to Baloise (Luxembourg) Holding SA granted during the reporting year 2019.

B.2. Fit and proper requirements, transactions with leaders

B.2.1. Fit and proper requirements

Fit and proper principles and objectives

The company has a fit and proper policy that describes how to verify the expertise and reliability of the people who actually run the company or hold key functions.

The incumbents of positions to whom this policy applies include the members of the Board of Directors and the Executive Committee, as well as the persons responsible for risk management, compliance, the actuarial function and internal audit.

Assessment process of key personnel

Fitness check

Recruitment and appointment processes include selection and assessment methods that ensure that account is taken of previous experience, qualifications, professionalism, knowledge and skills, purposefully focusing on the competencies laid down in the job description or job profile.

Attention is paid to ensuring that the management bodies have sufficient expertise and experience to comprehend the company's business activities, strategic initiatives and major transactions and to assess them critically.

The collective knowledge, skills and experience of the management bodies ensure that they are aware of and have an understanding of:

- The broader business, economic and market environment in which the company operates;
- The company's business strategy and business model;
- The system of governance (risk management, supervision and controls);
- The financial and actuarial analysis;
- The regulatory framework, and the corresponding requirements and expectations;
- Risk management, compliance and internal audit;
- Information technology and security;
- Climate and environmental risks;
- Local, regional and mondial markets;

- Money laundering and terrorism financing risks;
- Management of international groups and risks relating to group structures.

External and internal candidates for positions that fall within the scope of the fit & proper policy are assessed on the basis of the specific requirements set out in the job description.

Propriety check

The company prescribes a series of specific controls for verifying whether the candidate is honest, sincere and financially independent, and whether he/she has a good reputation.

The company attaches a number of requirements to the recruitment of new employees or to internal promotions. Before it offers the candidate an employment contract, the HR Department asks him/her to submit the documents required for the aforementioned controls and goes through them. The employees who verify the candidate's reliability during a one-to-one interview draw up a formal report of that interview.

The principles applied during the selection process to ensure that the incumbents of critical positions are honest and financially independent, and have a good reputation, continue to remain in full force beyond the recruitment.

All incumbents of critical functions are required to undergo a Code Of Conduct training relating to subjects such as applicable regulations, insider trading, money laundering practices and other topics. The compliance function regularly organises these trainings on the Code Of Conduct.

The fit and proper policy prescribes initial and annual assessments.

The appointment of members of the Board of Directors and the Executive Committee is based on a number of key requirements to ensure a sufficient mix of qualifications, competences and relevant expertise is available to fulfil their responsibilities. Further, annual assessments, based on a 'skills matrix' are made in order to assure the collective presence of the required knowledge and experience in the aforementioned committees.

B.2.2. Loans, credits, guarantees and insurance contracts for leaders

Baloise Belgium nv can directly or indirectly provide loans, credits or guarantees to, and conclude insurance contracts for members of the Board of Directors and members of the Executive Committee or their spouses, partners and first-degree relatives, subject to the usual market conditions, amounts and guarantees. The granting of these loans, credits and guarantees must be reported in advance to the Nomination and Remuneration Committee if they amount to more than € 100,000 on a cumulative basis for a specific person, company or institution.

No loans, credits or guarantees may be granted, directly or indirectly, not even through a credit or bail-in insurance contract, to persons that enable them to subscribe to shares or other securities that provide a direct or indirect entitlement to dividends of the insurance undertaking or of a company with which there is a close connection or which confer the right to acquire such shares or other securities.

During fiscal year 2022, there were no material transactions of these types with members of the Board of Directors, members of the Executive Committee, or their spouses, partners and first-degree relatives.

B.3. Risk management system including the ORSA

B.3.1. Risk management system

B.3.1.1. Description of the risk management system

Risk management is one of the core capabilities of Baloise Belgium nv. The company has developed appropriate strategies, organisation structures, models, decision and reporting procedures in this area in order to meet the requirements that result from its continuously evolving activities.

Its risk management approach is based on a sound and comprehensive risk management system, which is founded in the company's overall business strategy. It is adapted to the size and nature of its activities, reflects the overarching risk strategy of the Baloise Group, and is embedded in its own solid governance structure.

The risk strategy and risk appetite

The risk strategy is the basis of Baloise Belgium nv's risk management system. It is aligned with the general corporate strategy, and aims to limit the risks the company is exposed to within defined bandwidths. The risk strategy thus serves in particular the balance between business-based considerations on the one hand and risk-managing considerations on the other.

The central concept of the risk strategy is the risk appetite, which describes the extent of Baloise Belgium nv's willingness to take risks in the pursuit of its strategic objectives. The main components of the risk appetite include

- compliance with regulatory requirements;
- capital protection;
- protection of the income statement.

While accepting significant volumes of underwriting risk as its core business, Baloise Belgium nv only tolerates low levels of investment and operational risks, including reputation risk, with exposure to compliance risk kept at an absolute minimum.

In order to implement these levels of risk appetite, the company has established a broad limit system, which covers areas like underwriting, investment, and general operational processes, but also the capital management of the company. Together with the defined control mechanisms, including the company's comprehensive internal control system[18], and the reporting procedures, this limit system is a key element in the company's risk management system, in view of the adequate identification, measurement, monitoring and mitigation of all material risks.

The Policy Framework and the policies

The company's Policy Framework is another key element in its risk management system. This framework contains all written policies that provide the high-level principles according to which the company organises its activities, both in addressing the risks it is exposed to and in organising its functions, responsibilities and tasks in general. Furthermore, these policies fully comply with standards and policies issued at the level of Baloise Group.

Baloise Belgium nv's policies typically contain general, more abstract rules and guidelines, which are further translated into processes and procedures. All policies within the Policy Framework are reviewed on an annual basis, so that elements like underwriting limits, referenced legislation and policy ownership are kept up to date. The reviewed policies of the Policy Framework are finally approved by the Board of Directors.

The conceptual frameworks underlying Baloise Belgium nv's risk management system

A key methodological element in Baloise Belgium nv's risk management system is the Baloise Risk Map below, which contains a complete set of risks that are categorised at different levels of aggregation. It provides the basic taxonomy the company uses for the identification, assessment, monitoring and mitigation of the risks it is exposed to. The high granularity at the basic level of the 'stand-alone' risks supports a deep and broad integration of the risk management activity throughout the different levels and domains of Baloise Belgium nv's activities. The Baloise Risk Map is regularly updated depending on changes in the risk environment.

[18] 'ICS' abbreviated.

RISK MAP

Business Risks

Actuarial Risks Life

- Parameter Risks
- Catastrophe Risks

Actuarial Risks Non-Life

- Premiums
- Claims
- Catastrophe Risks
- Reserving

Reinsurance

- Premiums/Pricing
- Reinsurance Default
- Active Reinsurance

Investment Risks

Market Risks

- Interest rates
- Equities
- Currencies
- Real Estate
- Market Liquidity
- Derivatives
- Alternative investments

Credit Risks

Financial Structure Risks

Asset-Liability Risks

- Interest Rate Change Risk
- (Re)Financing, Liquidity

Risk Concentration

- Accumulation Risks
- Cluster Risks

Balance Sheet Structure and Capital Requirements

- Solvency
- Other Regulatory Requirements

Business Environment Risks

Change in Standards

Competition Risks

External Events

Investors

Operational Risks

IT Risks
- IT Governance
- IT Architecture
- IT Operations
- Cyber Security

HR Risks
- Skills/Capacities
- Availability of Knowledge
- Incentive System

Legal Risks
- Contracts
- Liability and Litigations
- Tax

Compliance

Business Processes
- Process Risks
- Project Risks
- In-/Outsourcing

Risk Analysis and Risk Reporting
- Risk Analysis and Risk Assessment
- Risk Reporting

Leadership and Information Risks

Organizational Structure

Corporate Culture

Business Strategy
- Business Portfolio
- Risk Steering
- Sustainability

Merger and Acquisitions

External Communication
- External Reporting
- Reputation Management

Financial Statements, Forecast, Planning

Project Portfolio

Internal Misinformation

The Solvency II standard formula, which is used by the company for regulatory purposes, provides an additional framework which is in particular useful for the measurement of risks, from the point of view of quantitative risk management at the level of the higher aggregations of risks and capital management in relation to the company's overall risk position.

Procedures of risk identification, measurement, management and reporting

In order to monitor and manage the risks listed in the Baloise Risk Map, Baloise Belgium nv has implemented its comprehensive risk management system throughout its whole organisation. This forms part of a holistic framework where, apart from the risk management system, also the internal control system and the compliance activities play an important role in providing an overall protection against risks. Evidently, in addition to purely financial and business risks, also operational and strategic risks as well as reputation risks and compliance risks are recorded and assessed.

A central role in this risk management system is played by the yearly risk assessment on the basis of the Baloise Risk Map. This assessment is part of the overarching risk management process, which involves representatives of the operational departments in the first line of defence, viz. the 'risk owners' and 'risk controllers' for the identification, assessment, monitoring, mitigation and reporting of the individual or so-called 'stand-alone' risks the company is exposed to. In this yearly exercise, the expected likelihood and possible impact of each risk are rated on a scale from 1 to 4. The impact is rated on both financial and non-financial criteria. On the basis of its rating, each risk is mapped in a heat map. This allows a standardised classification and reporting of the risks, ranging from low, over medium and high, to critical, and, under well-defined conditions, the initiation of an escalation process. Annually, the risk management function thoroughly reviews and consolidates the assessments made by the 'first-line' operators.

The aforementioned risk assessment is further complemented with two additional assessments, which are also performed on an annual basis and which are prepared by the risk management function. First, there is the 'top-down' assessment of the strategic risks, based on the views of the members of the Executive Committee. These strategic risks are evaluated in terms of likelihood and potential impact on the company's business plan. Secondly, the Executive Committee also identifies the emerging risks in terms of potential impact and expected time when the risks will become relevant for Baloise Belgium nv.

The risk management function, as a part of the 'second line of defence'[19] controls and integrates the reported risk position.

At the higher level of the aggregated risk categories and the capital position, the quarterly official solvency reporting process provides essential input on the company's global risk and solvency position. This information is supplemented by intermediate, monthly estimates and by a comprehensive annual assessment of the company's risk and solvency position in the ORSA process (see below).

Adequate reporting processes, covering the aforementioned risk measurement and assessment procedures as well as the comprehensive internal control system, are in place, guaranteeing that the Board of Directors[20], the Executive Committee, the risk management function and the Asset Liability Committee and Risk Committee (hereinafter called 'ALCO-RICO') receive all relevant information allowing to monitor the company's risk position.

B.3.1.2. Integration of the risk management system in the organisation structure and the decision process

Strategic choices regarding risk and capital management are integrated into the corporate strategy. When formulating the business strategy and its translation into business practice, for instance in business plans, the principles of risk management and the risk tolerance limits are complied with. The Executive Committee, of which the Chief Risk Officer (CRO) is a member, oversees compliance with criteria with respect to the types of risks the company is prepared to accept, the profitability of the operations, and the above-mentioned limit system.

[19] The risk management, compliance and actuarial functions constitute the second line of defense. Internal audit constitutes the third line of defence.
[20] Often through the Audit and Risk Committee.

The strategy for managing the 'stand-alone' risks according to the Baloise Risk Map is also fully integrated into the company's organisational structure.

The established procedure for the decision-making process ensures that the various elements of the risk management system are respected. Here, the ALCO-RICO plays a central role. In this advisory body, representatives of the risk management function, the actuarial function, the Finance department and other relevant departments periodically discuss the company's risk and solvency position. The ALCO-RICO provides risk-related input to the Executive Committee on all decisions to be made in matters with a potential significant impact on the company's risk position.

Risk management is thus consistently embedded in the decision-making processes.

B.3.2. Own risk and solvency assessment

Goals, procedure and frequency of the company's ORSA process

Baloise Belgium nv has developed its Own Risk and Solvency Assessment ('ORSA') process in view of the regular assessment of its current and future risk position and solvency needs, and more generally with the objective to create risk and solvency-related input to support its strategic business decisions, including its business planning activity.

The latter highlights the close connection between the company's capital management and its risk management system. Indeed, in the ORSA process, the company determines its future capital needs on the basis of its future risk exposure, as projected in line with the company's business planning assumptions. In turn, these projected capital needs provide crucial input for the development of the company's business strategy and planning, which also includes capital planning.

The principles underlying the ORSA process are inscribed in the company's ORSA policy. The regular ORSA process is performed on an annual basis by the risk management function[21]. The results are presented in a written ORSA report which is discussed with, and reviewed by the Executive Committee, and approved by the Board of Directors, taking also into account the advice of the ALCO-RICO.

As a result, the relevant information from the ORSA process reaches the competent decision levels within the organisation, and appropriate action is guaranteed whenever the ORSA report might reveal a need for this.

The ORSA process comprises among others

- The verification of the continuous compliance with the regulatory requirements regarding technical provisions and solvency capital, as well as with the company's own risk appetite, and this under normal and stressed conditions;
- The assessment of the own solvency needs given the company's risk profile;

[21] If certain developments occur with an impact on the company's risk profile or solvency position, the company will analyze the situation and activate an additional 'non-regular' ORSA process if this impact is considered as substantial.

- The assessment of the sensitivity of the solvency position to specific factors and circumstances[22];

- The definition, quantification and assessment of stress test scenarios which are relevant in view of the company's risk position and which show its resilience under coherent sets of stressed risk factors[23] and subsequent reactive actions from the company's management. The risk management function identifies and calibrates scenarios in collaboration with representatives from the different business units and departments involved.

The company has validated the appropriateness of the assumptions underlying the Solvency II standard formula for its proper risk profile. It considers the global regulatory capital requirement as a relevant indication for its solvency needs.

During the ORSA process, systematic interaction takes place between the risk management function and the management, for instance in view of the business planning and monitoring activities and with respect to stress-testing.

Determination of the own solvency needs in function of the risk profile and the capital management

The company specifies the relationship between its risk profile and its capital needs in its 'Risk Strategy, Risk Appetite & Capital Management' policy. In the first instance, the company determines its solvency and capital needs in terms of the capital requirement as based on the Solvency II standard formula. In addition, according to internal risk management guidelines, the capital position has also to comply with the capital requirements from the 'Swiss Solvency Test'[24] framework. In cases, however, where the company's analyses would indicate that its risk profile represents an excess of risk exposure in comparison to the assumptions underlying the standard formula, the capital needs would be adjusted accordingly.

B.3.3. Risk management function

Baloise Belgium nv's risk management function operates directly under the responsibility of the CRO and has the following responsibilities:

- To collect, aggregate, assess, manage and report all relevant data with respect to significant risks the company is exposed to;

- To participate actively in the definition of the risk strategy in alignment with Baloise Group's strategy;

[22] In 2022, the company also introduced a materiality analysis of the sensitivity of the company's balance sheet to climate change risk;
[23] In 2022, the company's stress test scenarios mainly focused on the occurrence of prolonged periods of higher inflation, in combination with lower and even negative real growth rates, with consequences for investments and insurance business activities.
[24] These Swiss Solvency Test (SST) calculations are also required for Baloise Group, given that the latter has to comply with SST based capital requirements.

- To participate in all management decisions that have a significant impact on the company's risk position;
- To provide a complete overview of the risks the company is exposed to.

This further includes:

- To assist the Board of Directors[25], the Executive Committee and the other involved functions in view of the efficiency and uniformity of the risk management system;
- To define and implement risk measurement methodologies and control processes in compliance with the regulatory requirements and in line with the Baloise Group approach;
- To implement the company's risk management system and monitor the general risk profile;
- To assess and report, both regularly and ad hoc, on the company's risk exposure, and to escalate the matter in case of a critical risk;
- To advise the Board of Directors and the Executive Committee on risk-related matters;
- To identify and assess new and emerging risks;
- To support the activities of the risk and solvency-related advisory bodies within the company;
- To coach the company's staff and to raise risk awareness among them;
- To fulfil regulatory requirements and take care of the contacts with the supervisor.

B.4. Internal control system

B.4.1. Overview internal control system

Within the company's integrated and company-wide risk management approach, the internal control system (ICS) plays a central role. It contains a broad range of implemented control measures and processes that are effective, traceable and efficient.

In accordance with its internal control policy, Baloise Belgium nv's internal control system must, under the responsibility of the management, allow reasonable assurance over the following areas:

- The conduct of business is well-organised and prudent, with clearly defined goals;
- The company's resources are used economically and efficiently;

[25] And, if relevant, the Audit and Risk Committee.

- The risks are known and adequately managed from the viewpoint of protection of the capital;
- The financial and management information is integer and reliable;
- The laws, regulations, general policies, plans and internal guidelines are observed.

The Board of Directors and the Executive Committee see to it that an adequately functioning internal control system is established and that the necessary resources are available. Strategy and objectives are clearly defined in the company's internal control policy.

The company's internal control system covers the company-wide operational risks, which also traditionally includes risks related to the financial reporting process. The focus lies on the key risks and a distinction is made between risks in the business processes (covered by process controls), risks related to ICT systems (covered by IT general controls) and more general risks for the company as a whole (covered by entity level controls). In this way, the ICS is complementary to the assessments of, and reporting on the risks represented in the Baloise Risk Map, and the compliance risks.

A systematic annual risk-scoping guarantees that the ICS stays up to date in view of the continuous changes in the company's processes. For each process, comprehensive documentation is available. The effectiveness of the installed controls is also assessed annually by the management and appropriate measures are taken in case deficiencies are revealed. The annual reporting process on the applied controls and their effectiveness is supported by a dedicated reporting tool. The report is provided to the Executive Committee and the Board of Directors, who closely monitor the results and take appropriate measures if necessary.

B.4.2. Compliance function

The compliance function is a key function within Baloise Belgium nv's integrated risk management approach. It acts under the hierarchical responsibility of the CRO, and its main features have been summarised in the compliance function charter.

Tasks of the compliance function

The compliance officers permanently monitor and promote compliance with the regulations and company standards, which is necessary for the preservation of the public trust, integrity and good reputation of the company.

By monitoring the company's residual exposure to compliance risks, the compliance function provides an important contribution to the company's entity-wide risk management.

The compliance function also provides a yearly measurement and assessment of the compliance risks along the main identified compliance themes. The results are reported to the Executive Committee, the Risk and Audit Committee and the Board of Directors.

On an annual basis, the compliance function also reports to these bodies on its planning and its activities.

Implementation throughout the organisation

The compliance function is exercised independently from the operational and other control functions, and follows a proactive and preventive approach.

Practical implementation of the compliance activity is realised in collaboration with the compliance partners. These are staff members from other departments which are designated to act as a point of contact for the compliance function, and to support the elaboration of the compliance principles and requirements within their own department.

Further, the compliance function interacts on a regular basis with other relevant functions such as the other control functions, the Baloise Group Compliance Officer, the DPO, the Complaints Officer, the Deputy FATCA Officer and the compliance partners.

B.5. Internal audit function

B.5.1. Organisation and governance

Baloise Belgium nv's internal audit area covers the systematic assessment of the adequacy and effectiveness of the company's processes and of the elements of risk management, internal control and governance.

On the one hand, the internal audit function controls and ensures that the operational processes take place as intended and so supports the achievement of the company's objectives.

On the other hand, recommendations are made to improve the quality and effectiveness of these processes.

Internal audit works in accordance with the International Standards for the Professional Exercise of Internal Auditing, the code of conduct of the IIA (Institute of Internal Auditors) and the Baloise Group Internal Audit Standards. The principles governing the company's internal audit approach are inscribed in the company's internal audit policy and in its internal audit function charter.

The internal audit function is authorised to perform audits throughout Baloise Belgium nv's organisation, which includes its subsidiary companies. It possesses extensive, unlimited rights to information, inspection and control, which are necessary for it to fulfil its assignments. A system of close follow-up of its recommendations guarantees the effective remediation of identified issues.

The establishment of the annual audit planning is essentially risk-driven, and takes into account input obtained from sources like the risk assessments, interviews with Executive Directors, the Internal Audit Watchlist and external benchmarking.

The Head of Internal Audit shares information and coordinates activities with other internal and external providers of assurance and consulting, including the other independent control functions within Baloise Belgium nv's organisation.

B.5.2. Independence of the internal audit function

The internal audit function is organisationally independent of the operational business activities. The Head of Internal Audit reports to the Chairman of the Executive Committee for assistance in establishing direction, support, and administrative interface; and to the Audit and Risk Committee for strategic direction, reinforcement, and accountability. It has unrestricted access to the Audit and Risk Committee, the Board of Directors, and the Executive Committee. The Head of Internal Audit always has the opportunity to contact the Chairman of the Audit and Risk Committee, the approved statutory auditor or the supervisory authority directly, i.e. without prior consultation with the Executive Committee, on its own initiative, whenever it deems this necessary. The Head of Internal Audit annually confirms the operational independence of the internal audit function to the Audit and Risk Committee.

B.6. Actuarial function

Within Baloise Belgium nv's governance framework, the actuarial function has several responsibilities. This includes the coordination of the calculation of the technical provisions and the assessment of the overall underwriting policy, the reinsurance program and the profit-sharing program (and the reporting of its opinion thereon). The actuarial function also contributes to the effective implementation of the risk management system. The actuarial function formulates recommendations in specific projects related to product development.

The principles on which the organisation and implementation of this function are based, are inscribed in the company's actuarial function policy and actuarial function charter. The actuarial function is exercised independently of hierarchical and organisational levels of the activity lines and the revenue-generating departments it has to control.

It undertakes its duties in an objective and fair manner, and is also subject to the company's fit and proper requirements.

The actuarial function works in close collaboration with the other control functions. It has direct access to the Board of Directors and the Executive Committee, to which it also provides its opinions.

B.7. Outsourcing

Baloise Belgium nv is of the opinion that the outsourcing of certain activities or functions can be beneficial for the company. However, outsourcing decisions are always subject to strict conditions which are specified in the company's outsourcing policy.

According to this policy, each possible outsourcing of critical or important services or activities has to be thoroughly analysed before the decision to enter into an outsourcing agreement can be taken. A strict procedure and governance have to be complied with, both during the preparation and the execution phase of the outsourcing.

For strategic activities, the approval of the Board of Directors is required, and in all cases, Baloise Belgium nv remains responsible for the provided services and activities. External service providers must not only prove their financial and operational solidity, they must also have reliable internal control procedures, and the quality of their processes and systems has to guarantee compliance with Baloise Belgium nv's requirements in terms of IT security, data protection and confidentiality.

A written agreement must not only specify the execution modalities like service level agreements and accessibility of information, but it must also allow an orderly return of the activity to Baloise Belgium nv in case of cancellation or a transfer to another service provider.

For each outsourced function or activity, an outsourcing owner is designated. The latter is responsible for the monitoring of the service provider's performance and results during the whole duration of the outsourcing contract. For critical or important outsourcing agreements, an annual control and assessment procedure with standardised reporting is implemented. This procedure includes an updated analysis of the risks related to the outsourcing, and a reporting and assessment of the controls performed by Baloise Belgium nv on the external provider, his performance and governance. This annual control and assessment procedure of the outsourcing agreements has been integrated in the company's internal control system.

The following list shows the critical or important activities that were outsourced on 31/12/2022:

Outsourced critical or important activities

Activity	Area	Internal/ External	Jurisdiction of service provider
Real estate management	Asset mgt.	External	B
Investment advice (quoted securities)	Asset mgt.	Internal	CH
Agile insurance platform	ICT	External	FI
Biztalk monitoring and integration services security	ICT	External	B
Financial collections	Business/Fin	External	B
Customer communication management	ICT	External	B
Customer identity & access management	ICT	External	NL
Data center services	ICT	External	B
Document management	Gen. services	External	B
IT network management	ICT	External	B
Telephone services management	Gen. services	External	B
ICT systems, applications and services - data center services	ICT	Internal	CH
Hosting ICT systems, applications and services for portfolio ex-Fidea	ICT	External	B
IT office infrastructure for portfolio ex-Fidea	ICT	External	B
Administration and claims handling hospitalisation	Business	External	B
Central printing for portfolio ex-Fidea	Gen. services	External	B
Roadside and home assistance	Business	External	B
Assistance and intake motor claims outside the business hours for portfolio ex-Fidea	Business	External	B
Acceptance, pricing, contract management and/or claims handling (several service providers)	Business	External / Internal	B/NL
Transitional services for portfolio ex-Athora	ICT + business	External	B

B.8. Other relevant information

Since 2019, Baloise has a sustainability network in place. It consists of representatives from all Baloise business areas with the necessary knowledge to develop and update the content of the sustainability strategy regularly. Baloise Belgium is equipped with a local sustainability network for the operative implementation of the sustainability strategy.

C. Risk Profile

Overview

The main sources of risks impacting Baloise Belgium nv's non-life insurance underwriting activity are related to natural disasters and other catastrophic events, major industrial risks (also including the Marine and Transport activity), liability risks and personal injury risks. Baloise Belgium nv analyses these risks on a regular basis, in collaboration with Baloise Group, and with reinsurance companies and brokers, in order to determine its exposure and the necessary degree of risk transfer. The results of these analyses are taken into account in product design, in pricing and reserving, and in reinsurance decisions.

In the life activity, the pricing of biometric risks (mortality, longevity and disability) can usually be based on reliable statistical information from the market. In the current climate of volatile market interest rates, the management of the interest rate risk in relation to the life activity receives continuous attention.

With respect to its investments, Baloise Belgium nv considers the credit spread risk as its most substantial market risk.

In addition to the aforementioned sources of risk, which belong intrinsically to the company's core activity, the company has also to take into account risks which it would prefer not to take at all, but which are an unavoidable consequence of its operations. Here we mention e.g. the operational risk, but also the compliance and reputation risks.

The management of the risks the company is exposed to, is strongly embedded in its governance system. This governance system provides a general framework which comprises a number of risk management instruments and processes that together address the company's total risk position:

- Written instructions for operational activities, including policies, procedures and manuals, which are the translation of the company's risk strategy and appetite, and keep the risk exposure within acceptable limits.

- The Internal Control System which guarantees the compliance with the aforementioned instructions.

- A yearly assessment of the company's exposure to the individual (or stand-alone) risks according to the Baloise Risk Map, by risk owners and controllers in the business departments. These representatives of the first line of defense also identify, implement and monitor appropriate risk mitigating measures. Next, aggregation, second line assessment and further reporting are performed by the risk management function. These assessments of the stand alone risks are complemented with an assessment, by the members of the Executive Committee, of the strategic risks and the emerging risks.

- Quarterly comprehensive quantitative assessments for the different risk categories based on the Solvency II standard formula, with monthly intermediate estimates of the solvency ratio.

- A yearly assessment of the company's resulting risk profile, as a part of the ORSA process; this also includes the monitoring of compliance with the regulatory and internal, risk appetite based requirements.

We now provide more specific information on the risk exposure and management by risk type.

C.1. Underwriting risk

C.1.1. Underwriting risk Non-Life

C.1.1.1. Risk Exposure

The majority of the insurance risks underwritten by Baloise Belgium nv cover individuals and small and medium-sized companies. However, the company is also expanding its activities for large corporate clients and it has a strong position in the marine and transport activity.

Premium and Reserving Risk

Premium risk relates to an inadequate coverage of the claims charge by premium income, while reserving risk occurs when technical provisions appear to be insufficient to settle the ultimate claim charge.

The motor vehicle liability activity represents by far the largest exposure to premium and reserving risk. This is not surprising, given that this is by far the largest non-life line of business in terms of net technical provisions for outstanding claims, with long development patterns for claims handling, and the second largest in terms of net premium volume.

Other lines of business with material, although lower exposures to the premium and reserving risk are the fire and other property damage, third party liability, other motor and marine and transport activities.

Catastrophe Risk

Catastrophe risk is the risk that a single event, or a series of events over a short period, results in a significant adverse deviation of the claims volume from the expectation. The main source of exposure to catastrophe risk for the company is the risk of natural catastrophes, which includes, in decreasing order of importance, windstorm, hail, flood and earthquake risk.

Assessment of the risk exposure

Based on results obtained by the application of the Solvency II standard formula, we see that the company's exposure to the premium and reserve risk is significantly higher than that to the catastrophe risk (after reinsurance).

C.1.1.2. Risk Concentration

Risk concentration can apply to geographic concentration, e.g. in case of elementary damage scenarios like floods or windstorms, but e.g. also to single large customers or buildings.

C.1.1.3. Risk management and mitigation

Baloise Belgium nv has a broad range of practices and measures to manage and mitigate its non-life underwriting risk. Strict profitability criteria apply for the product development and pricing process, based on reliable data and thorough risk analyses. Various analyses and studies (including with Baloise Group) support these activities. Clear underwriting instructions have been developed in terms of which types of risks qualify for acceptation, and in terms of underwriting limits with respect to amounts insured. In this way, excessive exposures, or exposures to unwanted or unknown risk types are avoided.

A close follow up of the underwriting results guarantees that insufficient premium levels will be detected quickly and that the necessary measures are taken.

The company also monitors and manages the concentration of risks in its portfolios by procedures like the measurement of its exposure by geographic region, but e.g. also by the aggregation of its risks exposure by customer.

The reserving risk is also kept well under control, thanks to prudent reserving procedures and a close follow up of the development of outstanding reserves.

Further, reinsurance is the main risk mitigating technique for the company's exposure to the non-life underwriting risk and the related concentration risk.

Baloise Belgium nv's reinsurance program covers both exposure to large claims and accumulation of claims (e.g. due to catastrophe events) and it is developed in close collaboration with Baloise Group. It is built around three blocs: property, liability and persons. It comprises a balanced combination of reinsurance contract types including excess of loss covers, stop loss covers and facultative reinsurance.

C.1.1.4. Risk sensitivity

Sensitivity to the underwriting risk in non-life can, among others, be derived from the application of the solvency II standard formula. Taking into account the implemented risk mitigating measures and in particular the reinsurance strategy, the remaining impact the underwriting risks can have, is limited. Typical losses (even if calibrated in line with the standard formula) represent only a limited fraction of the company's own funds, so that the capital position remains clearly above the regulatory solvency requirement.

C.1.2. Underwriting risk Life

C.1.2.1. Risk Exposure

Traditionally, in life insurance, fixed sums are payable which do not depend on actual losses incurred by the insured. Baloise Belgium nv's life insurance portfolio contains several types of contracts, which expose the company to several different components of the life underwriting risk.

Mortality Risk

Mortality risk materializes essentially when real mortality rates in contracts with positive risk capital[26] exceed the expected mortality rates underlying the pricing (or the current reserving bases).

Several types of contracts in Baloise Belgium nv's life portfolio, including pure term and mortgage protection insurance, offer death covers, and thus do expose the company to the mortality risk.

Longevity Risk

Longevity risk occurs when real mortality rates in contracts with negative risk capital are lower than the expected rates underlying the pricing (or the current reserving bases).

Types of contracts that expose the company to longevity risk are e.g. annuities and certain types of classic life contracts like deferred capital contracts.

Lapse risk

Lapse risk occurs when differences between real and expected lapse rates create losses for the insurer. Apart from a few exceptions like annuities, all of Baloise Belgium nv's life insurance contracts can be impacted by the lapse risk.

Expense risk

Expense risk occurs when real expenses exceed those expected according to the pricing (or the current reserving bases). Considering the long term nature of the life insurance contracts, longer periods of high inflation could e.g. have an adverse impact on the company's future financial position.

In principle all of Baloise Belgium nv's life portfolio is exposed to the expense risk.

Catastrophe risk

The life catastrophe risk corresponds to the occurrence of extreme death events like pandemics which result in large numbers of claims for life contracts.

Again, in principle all of Baloise Belgium nv's life portfolio can be impacted, but losses will be limited to contracts with positive risk capital (and more generally contracts where the termination results in a loss of profits).

[26] In cases where the death capital exceeds the contract reserves.

Other risks

Further, granting interest rate guarantees, either on constituted reserves or on future premiums, exposes life insurers to the risk that future investment returns will not be sufficient to cover the growth of the corresponding reserves. From a methodological point of view, however, this risk is managed as a market risk, rather than as an underwriting risk.

Assessment of the risk exposure

Based on the risk measurements defined by the Solvency II standard formula, we see that, just like at YE2021, the company's exposure to the lapse and expense risk is higher than that to the aforementioned biometric and catastrophe risks (after reinsurance). Overall the life underwriting risk increases in 2022, driven by an increase of the lapse risk as a result of the significantly increased interest rates. The application of the mass lapse shock leads to a lower net asset value than those obtained from the upward or downward lapse shocks.

C.1.2.2. Risk Concentration

Given the large number of insured persons, and the high degree of independence among them, Baloise Belgium nv considers the level of risk concentration in its life portfolio as limited.

However, large scale factors or trends (e.g. economic and financial circumstances, or changes in lifestyle) could lead to mass lapses or changes in mortality rates.

C.1.2.3. Risk management and mitigation

Much of the aforementioned principles for managing and mitigating the non-life underwriting risks also apply for the life underwriting risk.

So, the use of prudent pricing parameters and contract conditions with respect to biometric parameters, loadings and penalty clauses in case of lapse[27] will protect the company against adverse experience.

Further, strict acceptation criteria and limits are in place for the underwriting process, as well as a follow up of the results.

Here also reinsurance remains a relevant risk mitigation technique, in particular for the death and disability risk, although the proportion of the earned premiums that is ceded to reinsurers, is much smaller than in non-life. Again, the company's reinsurance program covers both exposure to large claims and accumulation of claims.

C.1.2.4. Risk sensitivity

Sensitivity to the underwriting risk in life can among others be measured by results from the Solvency II standard formula. Based on these results, we see that even when the life underwriting risks are

[27] Including penalties in function of market interest rates.

aggregated, their impact remains limited. Typical losses, calibrated in line with the standard formula, represent only a limited fraction of less than 15 % of the company's own funds, so that, under the considered assumptions, the capital position remains clearly above the regulatory solvency requirement.

C.2. Market Risk

Market risks are reflected in losses resulting from fluctuations of market prices or other related data which could lead to a potential decrease of the company's own funds.

The potential impact of the risk is dependent on the extent of price fluctuations on the market and the exposed volumes.

According to Baloise Belgium nv's risk strategy and risk appetite statement, the company only accepts a low level of market risk with respect to its investment assets.

This means that the company complies with the *prudent person principle* in its investment decisions.

The company only invests in assets and instruments of which the risks can be properly identified, measured, monitored, managed and reported. Moreover, these assets have to qualify for contribution to the company's own funds in view of the solvency position.

All assets are invested in such a way as to ensure the security, quality, liquidity, return and congruence of the portfolio as a whole. In addition, risk concentration is avoided and the assets are located in such a way that their availability is guaranteed.

Baloise Belgium nv’s investment decisions have also to comply with its sustainability criteria, with a focus on the Environmental, Social and Governance (‘ESG’) themes as described in the responsible investment policy.

The assets that cover technical provisions are invested in a manner that is consistent with the nature and duration of the insurance obligations. These assets are invested in the interests of all policyholders and beneficiaries. The use of derivative instruments is allowed, if they reduce risk or facilitate efficient portfolio management.

Investments and assets not traded on a regulated financial market are limited.

Baloise Belgium nv manages its market risk both from a holistic point of view and separately at the level of its different components. Below we discuss the latter one by one and the way they are specifically managed. As a part of its life insurance activity, Baloise Belgium nv also offers unit-linked life insurance contracts. While the investment risk is essentially carried by the policyholder, the company itself also recognizes a residual risk for potential losses of future income under adverse evolution of the value of the underlying investments.

In view of the following analysis of the company's exposure to the different components of the market risk, and the changes thereof over the reporting period, it is useful to consider the contributions of the different sub-risks to the capital requirement for market risk according to the Solvency II standard formula.

Solvency Capital Requirement : Market Risk (according to Standard Formula)

	2021	2022	change vs. previous year
EUR '000			
Calculation of Solvency Capital Requirement for Market Risk			
Interest rate risk	15,654.7	35,222.7	125.0%
Equity risk	220,292.7	194,609.1	−11.7%
Property risk	171,500.6	179,942.4	4.9%
Spread risk	297,584.2	232,351.4	−21.9%
Market risk concentration	-	-	-
Currency risk	36,692.2	27,227.4	−25.8%
Diversification	−110,966.5	−104,991.7	−5.4%
Solvency Cap. Requirement for Market Risk	630,757.9	564,361.2	−10.5%

C.2.1. Risk exposure

C.2.1.1. Interest risk

Interest risk is the risk resulting from changes in interest rates, in the interest rate structure or in the value of instruments based thereon.

These have a direct impact on the value of all interest-sensitive positions within the company's assets and liabilities. Ultimately, interest risk is measured by the impact on the (net) own funds value, resulting from incomplete compensation between changes in market consistent value of assets and liabilities.

The better the duration structure of the asset cash flows matches with that of the liabilities, the less the insurer will be exposed to the interest risk.

Within Baloise Belgium nv's assets, the bond portfolio is the largest interest sensitive asset class.

Still at the asset side, the fair value of loans (mortgages and other) and collective investment undertakings invested in fixed income assets[28] also depends on market interest rates, while at the liabilities side, the technical provisions represent the main interest dependent items.

With its much larger volumes of assets and liabilities, the life activity is more susceptible to interest rate risk than the non-life activity. The aforementioned risk measurements based on the Solvency II standard formula resulted in a higher interest rate risk at YE2022 (than at YE2021). In absolute terms however,

[28] By application of the 'look through' principle, e.g. for Dutch mortgages.

the value obtained at YE2022 still remains very low in relation to the corresponding volumes of assets and liabilities, which confirms the effectiveness of the company's strategy to align portfolios.

C.2.1.2. Equity risk

Equity risk is the risk that arises from adverse changes in the market value of equity investments (or of instruments depending thereon). The higher the volatility of the equity markets the higher this risk is.

The company's equities, including its shares in collective investment undertakings (or investment funds) and its holdings in related undertakings (incl. participations) are in principle subject to the equity risk. However, for investment funds and holdings in related undertakings, the look through approach has to be applied. As a result, the company's participations, invested in property, contribute to the property risk, and similar reallocations of the risk are made for the investment funds in function of their underlying assets. Hence, the evolution of the capital requirement for equity risk will reflect the evolution of the composition of the underlying asset portfolio after application of these reallocations. At YE2022, a decrease of the equity risk is observed compared to YE2021. Both the volume in scope and the risk factor decreased, the former as a result of market evolutions an disinvestments, the latter as a result of a lower symmetric adjustment.

C.2.1.3. Property risk

Property risk is the risk that negative developments in the value of property lead to decreases of the company's own fund position. The company considers its property investments as an important source of diversification within its asset allocation.

Taking into account the application of the aforementioned look through principle on the company's property participations and investment funds, property now represents 6.5 % of Baloise Belgium nv's assets (from 5.3 % at 31/12/2021).

C.2.1.4. Spread risk

Spread risk is the risk that an increase of credit spreads results in decreases of the market value of certain asset classes, and hence also in a decrease of the company' s own funds.

Such increases of the credit spreads could result from deterioration of the credit quality of the issuer, which could be reflected in rating downgrades for specific issuers, or from changes in risk premiums the market requires to compensate for the credit risk.

Baloise Belgium nv considers this risk to be applicable on its bonds portfolio including infrastructure debt as well as on its loans, in case also on its term deposits and on certain parts of its investment funds, based on the look through principle.

This risk has to be distinguished from the counterparty default risk. The latter relates to the situation where the default of individual counterparties results in the loss of a fraction (the loss given default) of the nominal outstanding debt or payable of the counterparty in question.

Throughout Baloise Belgium nv's risk assessments and measurements, the spread risk is recognized as the highest risk of all, and hence its monitoring and management receive continuous attention.

The measurement of this risk according to the standard formula shows a decrease compared to the value at 31/12/2021. This decrease essentially reflects the decrease of the market value[29] of the portfolio in line with the increase of the interest rates over 2022. The credit quality is closely monitored, and continuously complies with the company's standards.

C.2.1.5. Currency risk

Currency risk is the risk that changes in exchange rates lead to decreases of the company's own fund position. The effective exposure to the currency risk for a given currency depends on:

- The volume of the net exposure i.e. the difference between assets and liabilities held in that currency.
- The volatility of the exchange rate of the currency.
- The correlation of the currency with other risk factors.

The company has some insurance activities with liabilities in USD, but these are continuously covered by congruent assets, and leave practically no net currency risk exposure. In addition, the company holds also a (limited) volume of investment positions (mostly equities and investment funds), quoted in foreign currencies, which are unrelated to the aforementioned liabilities. These then contribute to the company's effective currency risk exposure.

C.2.2. Risk concentration

In application of the prudent person principle, Baloise Belgium nv diversifies its assets in order to avoid excessive dependence on a particular asset, a particular issuer or group of companies, or a particular geographical area. In this way, excessive risk accumulation in the portfolio can be avoided.

C.2.3. Risk management and mitigation

Interest risk

Baloise Belgium nv continues its active management and mitigation of the interest risk by controlling and steering the duration structure of its assets in function of that of its liabilities.

The effectiveness of the management of this risk is reflected by the calculation of the capital requirement for interest risk at YE2022 (as calculated according to the SII standard formula).

At the same time, the level of technical interest rate guarantees the company offers in its life insurance products is also closely monitored, which resulted in updates of these guaranteed rates for certain

[29] Or more generally the market consistent value.

products in 2022 in view of the developments of the capital markets. The management of the technical interest rate guarantees does not only apply for new contracts but also for contracts where the current guarantee does not extend to future premiums, and for investment contracts where temporary interest guarantees on constituted reserves expire and are renewed.

Equity risk

In order to protect its quoted equity portfolio against adverse market developments, Baloise Belgium nv applies hedging of the corresponding equity risk by using long put options for risk mitigation in function of the market conditions.

Property risk

The company only invests in low risk and high quality properties, with a focus on recent offices, situated in Belgium, with existing lease contracts and well-established tenants.

Investment decisions are thoroughly prepared by examining the sustainable profitability of the project, and require approval by the company's Investment Committee.

The management of the property portfolio has been outsourced to a professional service provider in order to maximize investment value and return.

Spread risk

In order to manage the exposure to the spread risk, the company closely monitors counterparty quality. Further, management of the spread risk is integrated in its aforementioned holistic approach for the management of the market risk, which is based on compliance with tolerance levels under specific stress test scenarios

Currency risk

The company neutralizes its risk exposure resulting from insurance liabilities expressed in foreign currencies by holding corresponding amounts of congruent covering assets, i.e. assets quoted in the foreign currency in question. In addition, at 31/12/2022, Baloise Belgium nv held a very limited volume of (unhedged) investment assets quoted in foreign currencies (less than 1 % of the total asset value). Baloise Belgium nv’s policy is to hedge this kind of currency risk in case the risk level becomes material.

C.2.4. Risk sensitivity

Baloise Belgium nv regularly examines the sensitivity of its capital and solvency position to various market risk factors e.g. as a part of its annual ORSA process.

For the position at YE2022, the company has measured its risk sensitivities by calculating the immediate impact of the following delta's ('shocks') relative to the central assumptions underlying the officially reported results:

- A decrease of the interest rate curve by 50 bp.
- An increase of the interest rate curve by 50 bp.
- A decrease of equity market prices by 25 % (equity shock).
- An increase of the credit spread by 50 bp[30].

Such changes in assumptions lead in general to changes in both the company's own funds position and in the capital required to be held to comply with the Solvency II principles, and hence also in the ratio between own funds and capital requirement (the so called Solvency Ratio)[31].

If, in order to measure the sensitivity to the level of interest rates, a downward shift of 50 bp is applied on the yield curve, the solvency ratio increases to 164.3 % (from 163.3 %) while it decreases to 156.1 % if the opposite (upward) shift is applied. Under the assumption of the equity shock (-25 %), applied on the company's equity portfolio, the ratio after the shock amounts to 156.5 %. Finally, the increase of the credit spread by 50 bp results in a solvency ratio of 159.1 %. Here, part of the loss of market value on the bonds portfolio is compensated by the increase of the volatility adjustment, which reduces the valuation of the liabilities. Under each of these shocks, the change in the company's solvency ratio is such that it would continue to meet the regulatory and internal, risk appetite based capital requirements.

C.3. Credit risk

C.3.1. Risk exposure

Credit or counterparty default risk relates to the potential losses resulting from unexpected defaults or deteriorations of the creditworthiness of the company's counterparties and debtors, that are not taken into account under the credit spread component of the market risk.

In Baloise Belgium nv's case, the main sources of this risk are exposures to large counterparties like banks (with respect to cash deposits and derivatives) and reinsurers (essentially recoverables), but also to intermediaries and customers. Depending on the fact whether the exposure concerns a smaller number of larger counterparties with limited diversification among them (like banks and reinsurers) or a large number of smaller counterparties with a high degree of diversification, these risks are respectively labelled as 'type 1' or 'type 2'.

The risk exposure from ‘type 1’ decreased since 31/12/2021 while that from ‘type 2’ increased. In ‘type1’, the decrease mainly reflects the company’s lower cash balances and derivatives positions. In ‘type 2’,

[30] Applied on the part of the bonds portfolio to which the spread shock, defined in the Solvency II standard formula applies.
[31] For more details on the actual calculation of the solvency ratio as used for official reporting purposes, we refer to the chapter on Capital Management. We remind that at YE2022, the actual, officially reported solvency ratio amounted to 163.3 %.

the increase is related to an increase in insurance and intermediaries recoverables and in exposure to participations (via look through).

C.3.2. Risk concentration

The company's balances of cash accounts with its main bank relations can fluctuate throughout the year. At 31/12/2022 the bank counterparty with the largest cash position represented 15.3 % of the company's total 'type 1' risk exposure. However, this bank has a high credit rating, and the total cash amount at risk still represents only a very limited fraction of the company's total asset volumes. Moreover, the number of reinsurance counterparties is high, and the exposed amounts by reinsurer remain limited.

Finally, the company's loans portfolio and its insurance recoverables and receivables are also highly diversified, so the company considers its total risk concentration regarding counterparty default risk as acceptable.

C.3.3. Risk management and risk mitigation

When Baloise Belgium nv starts a collaboration with large parties like banks or reinsurers, it always carefully checks their creditworthiness.

For reinsurers, in general, transactions will only be engaged in with candidates that have at least an A rating (with BBB allowed in exceptional cases and under certain conditions). Selection of reliable partners is further supported by the use of a list of safe ('admitted') reinsurers, provided by Baloise Group, while a frequently updated watch list is available mentioning reinsurers with payment problems.

Baloise Belgium nv spreads its reinsurance among a sufficient number of economically independent counterparties which guarantees a substantial diversification, so that the concentration risk is adequately managed.

Finally, collateral under the form of reinsurance deposits mitigates the exposure to this risk for a substantial part of the reinsurance recoverables.

Evidently, the prudent approach followed when selecting reinsurance partners also applies when selecting bank counterparties for cash deposits or derivatives contracts.

The large majority of the aforementioned highly diversified 'type 2' receivables relates to intermediaries and customers. Management of the exposure to intermediaries is realized by Baloise Belgium nv's criteria to start and continue the collaboration with brokers, and further by procedures of close monitoring of timely settlement of receivables and balances of broker accounts. The exposure to clients is essentially managed by an active follow up system for unpaid premiums.

For retail mortgage loans (including the Dutch mortgages portfolio) strict criteria regarding the ‘loan to value’ ratio apply.

All the aforementioned policies, practices and mitigating actions make that the counterparty default risk only represents a limited fraction of Baloise Belgium nv's overall risk exposure.

C.3.4. Risk sensitivity

When using the Solvency II standard formula quantification of the counterparty default risk as an indicator for the company's sensitivity to this risk, we conclude that its impact on the company's own funds is such that the compliance to regulatory capital requirements further holds.

C.4. Liquidity risk

C.4.1. Risk exposure and risk management

Liquidity risk is the risk that, especially under the circumstances where sudden large cash outflows occur, the company is unable to liquidate the necessary investments and other assets, or to find alternative refinancing in order to settle its financial obligations without incurring significant financial losses.

An important indicator for the assessment of the liquidity risk is provided by the volume of bonds and equities that are traded in an active market, as a percentage of the total asset position. In this sense, at 31/12/2022, 66.4 % of the total assets volume is considered as liquid, which indicates that the company is substantially protected against this risk. Sudden surges of the lapse rates in large parts of the life activity are very unlikely, given the application of substantial fiscal and contractual penalties in case of early surrender. Moreover, the realisation of the company's sustainable growth strategy in a going concern setting is strongly supporting the generation of large net annual cash inflows, and hence additionally protecting the company against the liquidity risk.

Exposure to the liquidity risk in the longer term is also assessed on a quarterly basis by use of cash flow projections, which allow to project cash balances by future one year periods over a 40 year horizon. All performed projections confirm the availability of sufficient future liquidity.

In addition, Baloise Belgium nv has an active cash management, based on a detailed liquidity planning of which the objective is exactly to assure that cash will be available in function of the company's short term liquidity needs.

Based on the aforementioned features of Baloise Belgium nv's assets and liabilities, and its active management and follow up of its liquidity position, the company considers its exposure to the liquidity risk as very low.

The expected profits included in future premiums amount in total to € 162.2 M.

C.4.2. Risk concentration

Given the high degree of diversification in the company's portfolio of liquid assets (in terms of asset types, counterparties and maturity dates) and in its client portfolio (in terms of legal status, tax regime, age structure and product type), the company considers the concentration of its liquidity risk as immaterial.

C.4.3. Risk mitigation

Considering the adequacy of the aforementioned management of the liquidity risk, Baloise Belgium nv does currently not intend to take any additional risk mitigating measures.

C.4.4. Risk sensitivity and stress testing

The company's regular long term cash projections are not only performed under a central scenario but also under a series of alternative scenarios, which measure the sensitivity to several modifications of the yield curve. These scenarios also take into account the impact on the projected surrender rates in the life activity. The projections did not reveal any circumstances which would require further action.

C.5. Operational risk

C.5.1. Risk exposure

Operational risk stems directly or indirectly from the business operations of a company and includes losses arising from inadequate or failed internal processes, staff members or systems, or from external events.

We consider the exposure to the operational risk as an inherent element of the business activity. However, the early recognition, assessment and management of potential sources of operational risk are covered by the company's internal control system and its periodic risk assessment process, so that the residual exposure to the operational risk remains limited and acceptable.

The internal control system provides a systematic risk coverage, based on a detailed and recurring company-wide risk analysis at the level of the elementary business processes, the definition of appropriate measures and controls and a recurrent assessment of the effectiveness and the observation of these control measures[32].

[32] For more details on the principles and methodology of the Internal Control System and the control assessment process, see the section on the company's Internal Control System in the chapter on the governance system.

The periodic risk assessments, which follow the structure of the Baloise Risk Map, include coverage of the main operational risk clusters like IT risks, HR risks, process risks, legal and compliance risks and risks related to risk reporting itself. Here also, the Baloise Risk Map is modified whenever material changes in the risk landscape occur. For the assessment made in 2022, a more granular approach was introduced for the cluster of the IT risks, based on an increased number of individual or ‘stand-alone’ risks.

The combined implementation of both approaches, viz. internal control system and risk assessments of stand-alone risks based on the Baloise Risk Map, guarantees that the operational risks are under control; according to the most recently reported annual risk assessment, none of the stand-alone operational risks has been labelled as a ‘critical’ or ‘high’ risk.

C.5.2. Risk concentration

The various operational risks relate to a wide range of mostly mutually independent operational areas so we consider the risk of concentration with respect to operational risks as limited.

C.5.3. Risk mitigation

Mitigation of operational risks is an inherent component of the aforementioned processes of risk management and internal control, in that these processes comprise both the definition and the assessment of the effectiveness of risk mitigating measures.

Risk mitigation measures can be either one-time measures (e.g. organisational adjustments) or recurrent controls, where the latter range from the general entity level (covered by entity level controls), over the general IT control level to the individual operational processes (covered by process controls). Furthermore, the company has adequate processes in place for periodic reporting on the status and effectiveness of the Internal Control System.

In all departments of the company, operational risk partners have been appointed. They are the first contacts of the risk management function and have an important role to play in raising awareness of the entities’ exposure to operational risk. Another important task of the operational risk partners is to notify the risk management function of the operational incidents that occurred in their departments and the measures that were taken to deal with them. The risk management function collects these incidents in a central register and makes a yearly analysis of them.

C.5.4. Risk sensitivity

The annual risk assessments of the (stand-alone) operational risks according to the Baloise Risk Map include estimations of the potential impact e.g. in terms of financial loss, reputational damage, regulatory consequences and the need for organisational adaptations. These estimations are often based on analyses of elementary adverse scenarios related to the considered operational (sub-)risk. In this way the results of the risk assessments provide indications for the company's sensitivity to specific aspects of the operational risk. Even if an occurrence of several of these stand-alone operational risks is assumed in the same year, compliance with the solvency capital requirements is always maintained.

While the aforementioned approach for the assessment and management of operational risks largely focuses on a wide range of sub-risks, the company also uses the regulatory capital requirement of the standard formula for operational risk as an alternative, global indicator for its overall exposure to this risk. So this capital requirement can again be interpreted as an indication for risk sensitivity, and the obtained loss amounts again represent only a limited fraction of the company's own funds.

Finally, the company has also devised qualitative plans for the remediation of situations according to stress test scenarios including the failure of key processes and systems and unavailability of key functions, the occurrence of severe external events and a cyberattack.

C.6. Other material risks

The Baloise Risk Map also identifies two groups of risks which have not yet been dealt with in the previous paragraphs: the business environment risks and the leadership and information risks.

The company also looks at its risk position from two additional perspectives, namely the strategic risk view and the view of the emerging risks, in order to identify other, potentially material risks. Finally, we also look at risks potentially related to off-balance sheet transactions.

Business environment risks, and leadership and information risks

Business environment risks and leadership and information risks arise directly or indirectly from the business environment and the strategic activities of the company, respectively. Both categories are included in the yearly risk assessment exercise based on the Baloise Risk Map.

In the category of the leadership and information risks, the risk regarding Financial statements, forecasting and planning is the highest ranked risk, and it has been rated as a ‘medium level’ risk.

Emerging risks

Emerging risks are new or foreseeable risks, which cannot easily be quantified yet, for example due to the lack of historical data, but which might have a major financial impact.

Baloise Belgium nv performs the identification and analysis of emerging risks on an annual basis with a time horizon of 20 years in mind. The assessment is made in terms of potential impact and expected time until materialisation.

In 2022, the company identified 9 emerging risks with a potentially high impact; for each risk, it was also estimated when it could have effect on Baloise Belgium. In the short term, i.e. within 1 to 3 years, the terrorism risk and risks related to sustainability were rated as high risk. In the longer term, among others the risk concerning environmental and climate change, geopolitical tensions, energy shortages, blockchain and cryptocurrency and pandemics were also considered as high.

Strategic risks

The relevant time horizon for the assessment of strategic risks is equal to the business planning period.

The most recent assessment ranks risks related to stagflation, corrections on the real estate and mortgage market, and insufficiency of IT service continuity skills as the main strategic risks.

Sustainability risks

In general, sustainability is considered along the dimensions environmental[33], social and governance (ESG). Risks related to sustainability are integrated into existing risk management processes and frameworks. Whereas the strategic aspect of sustainability forms a separate risk type within the risk category “Leadership and Information Risks”, operative sustainability risks are integrated within the traditional risk categories of the risk map such as market, underwriting or reputational risks. Integrating risks with a sustainability aspect into existing risk processes (e.g. into the ORSA process) assures that they are assessed regularly from different perspectives and that measures are in place to manage and mitigate them successfully.

In addition, more specifically for climate change risk, the company produces materiality assessments based on sensitivity analyses, and it is making the necessary developments to further integrate this risk into its quantitative models.

Risks related to off balance sheet positions

Baloise Belgium nv's security lending activity is hedged by the use of collateral (essentially bonds), which covers the lent securities. To minimize the credit risk, a regular assessment of the values of the covering securities takes place.

In addition, contracts also include a parental guarantee from the custodian, meaning that the custodian is responsible for returning the securities back to Baloise Belgium nv, in case the borrower shouldn't meet his obligation.

C.7. *Other relevant information*

There is no additional relevant information to be mentioned.

[33] Including climate change.

D. Valuation for solvency purposes

When valuating its assets and liabilities for solvency purposes under Solvency II, Baloise Belgium nv aligns its valuation principles with the regulatory requirements as formulated in the Law of the 13th of March 2016 on the regulation and supervision of insurance and reinsurance undertakings, and in the related regulation. This means that valuations are based on fair value. In practice, the company uses either observable market values or values based on generally accepted methods and models.

In its financial statements, on the other hand, Baloise Belgium nv valuates its assets and liabilities according to local (Belgian) general accounting principles (or in short 'BGAAP'). In the following sections, Baloise Belgium nv further documents the valuation principles it applies for solvency purposes, and it highlights relevant differences with the BGAAP based valuation as used in its financial statements.

First this will be done for the assets, then for the technical provisions, and finally for the other liabilities[34].

D.1. Assets

D.1.1. Basis, methods and assumptions for the valuation

General principles for the valuation of assets for solvency purposes.

Asset valuations are set at, or based on market price ('marking to market'), insofar as the corresponding active market requirements (for instance enough transactions in terms of frequency and volume have to take place between willing, knowledgeable parties) are met.

If no relevant market prices are available, generally accepted models of mathematical finance will be used if available.

In subordinated order, other valuation principles which comply with the regulatory requirements will be considered.

In some cases, for instance for cash and for insurance and intermediaries receivables, the valuation will be based on the nominal amount outstanding[35], which, in general also corresponds to the value under the IFRS standards.

There have been no material changes in the principles for recognition, valuation and classification of assets for solvency purposes since the previous reporting period.

[34] There are no substantial changes in the valuation principles compared to the previous period.
[35] Corrected, if applicable, for doubtful debt on a case by case basis.

Application of the valuation principles by material asset class.

For the company's complete bonds portfolio and practically all[36] of its equity portfolio (excluding its participations), quoted market prices from active markets were readily available for the valuation at 31/12/2022.

For the valuation of investment property, the discounted cash flow approach is complemented by comparisons with market data from similar properties.

Participations in property corporations are valuated by correcting the BGAAP equity for latencies on property and loans and for deferred taxes, while for other participations the market value is in general estimated by use of the IFRS equity[37].

Loans and mortgages, granted by the company, are valuated by discounting the projected cash flows with the Solvency II discount curve, including a correction (as a spread term) for credit risk.

For investments in collective investment undertakings, valuation coincides with the net asset value of the shares at valuation date. This also holds for the shares held for unit linked insurance.

Valuation of the reinsurance recoverables is coherent with the valuation of the underlying (direct) liabilities. It further includes a correction for the expected losses, due to the default of the reinsurer.

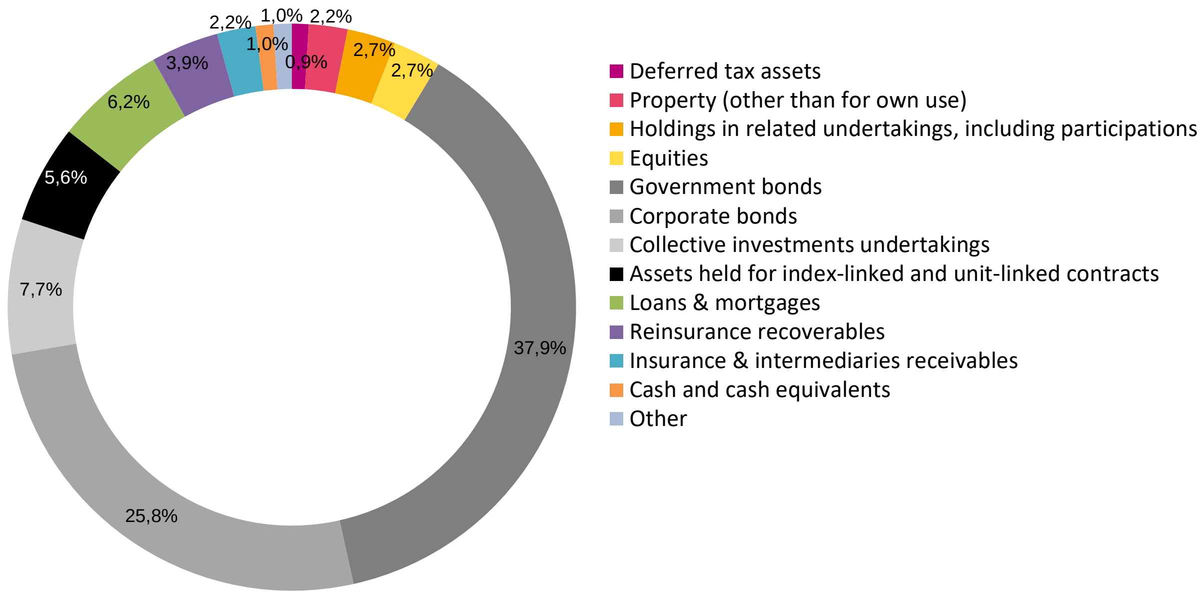
(Net) deferred tax assets are calculated as the difference, at valuation date, between deferred recoverables and deferred taxes, resulting from negative and positive temporary differences between the actual value for solvency purposes and that for tax purposes. The amount of deferred recoverables is only taken into account for so far as its recoverability is probable.

Results of the valuation.

Detailed results of the valuation for regulatory solvency purposes can be found in the table S.02.01.02 in the annexes. The graph below shows the distribution of these values over the most important asset classes.

[36] 96.9 %.

[37] For the Euromex participation, the Solvency II own funds are used.



Comparison to the previous reporting period.

The table below shows the values of the different asset classes (as valuated for solvency purposes) at the end of the previous and the current reporting period.

Balance Sheet: Assets under Solvency II Valuation

	2021	2022	Change vs. prev. year
EUR '000			
Deferred tax assets	76,171.9	113,599.3	37,427.4
Property (other than for own use)	259,811.1	265,518.0	5,707.0
Holdings in related undertakings, including participations	338,036.5	330,045.6	−7,990.9
Equities	437,899.1	326,889.9	−111,009.2
Government bonds	5,988,864.8	4,559,719.4	−1,429,145.5
Corporate bonds	3,650,187.8	3,106,649.9	−543,537.9
Collective investments undertakings	1,075,239.9	924,723.2	−150,516.7
Assets held for index-linked and unit-linked contracts	782,031.5	676,263.1	−105,768.4
Loans & mortgages	695,469.6	750,679.8	55,210.2
Reinsurance recoverables	516,028.4	465,184.5	−50,843.9
Insurance & intermediaries receivables	238,568.3	264,111.7	25,543.3
Cash and cash equivalents	149,867.7	120,811.3	−29,056.3
Other	132,569.2	125,945.8	−6,623.4
Total assets	14,340,745.7	12,030,141.5	−2,310,604.3

We observe a decrease of the total asset value. The main impact is coming from the increase of the market interest rates in 2022, which was reflected in a decrease of the value of the company's bond portfolio and other fixed income investments. The decrease of the value of the equities portfolio reflects on the one hand the adverse market conditions for equities in 2022 and on the other hand the company's decision to reduce its equities position. The decrease of the value of the collective investment undertakings and assets held for index-linked and unit-linked contracts can also be attributed to these weaker performances of the financial markets.

D.1.2. Reconciliation to financial reporting

Comparison of valuation results for solvency purposes with valuations for financial reporting.

In the table below, we compare the aforementioned valuation of the assets for solvency purposes at 31/12/2022 with the valuation according to the local BGAAP principles as used for financial reporting.

Balance Sheet: Assets under Local GAAP and Solvency II Valuation (at YE2022)

	Solvency II	Local GAAP	Difference
EUR '000			
Deferred tax assets	113,599.3	-	113,599.3
Property (other than for own use)	265,518.0	197,346.1	68,171.9
Holdings in related undertakings, including participations	330,045.6	175,342.0	154,703.6
Equities	326,889.9	333,144.2	−6,254.3
Government bonds	4,559,719.4	5,342,676.9	−782,957.5
Corporate bonds	3,106,649.9	3,457,285.1	−350,635.2
Collective investments undertakings	924,723.2	1,090,943.1	−166,219.9
Assets held for index-linked and unit-linked contracts	676,263.1	676,263.1	0
Loans & mortgages	750,679.8	814,075.2	−63,395.4
Reinsurance recoverables	465,184.5	552,659.2	−87,474.6
Insurance & intermediaries receivables	264,111.7	322,517.9	−58,406.2
Cash and cash equivalents	120,811.3	120,811.3	0
Other	125,945.8	183,050.6	−57,104.7
Total assets	12,030,141.5	13,266,114.6	−1,235,973.1

Significant differences between asset valuation for solvency purposes and for financial reporting.

The most significant differences between both valuation approaches are found with the bonds portfolio. Under BGAAP, valuation is based on the 'actuarial return' method, which corresponds to the discounting of future cash flows at the actuarial return rate as determined at acquisition date of the bond, with the application of impairments limited to substantially adverse evolutions. In 2022, there were no significant realisations, impairments or revaluations on earlier impairments for the bonds portfolio, so its BGAAP value evolved steadily, without additional fluctuations while its valuation for solvency purposes moved in function of the increased market interest rates.

We see a positive difference between valuation for solvency purposes and BGAAP for Baloise Belgium nv’s holdings in related undertakings, including participations, which are mostly invested in property. For these holdings in related undertakings, BGAAP valuation is based on the purchase price (with the application of impairments and revaluations restricted to specific circumstances) while valuation for solvency purposes in particular reflects the evolution of the market value of the underlying assets. In our case, the difference between both valuation frameworks mainly reflects the increase in market value of the underlying property over the past years.

For (directly owned) property, equities and collective investment undertakings, BGAAP valuation is also based on the historic cost[38], which means that the differences with valuations for solvency purposes again reflect accumulated fluctuations in market value resp. net asset value.

For loans and mortgages, BGAAP valuations coincide in principle with the nominal amount outstanding, so unlike under solvency valuation, changes in value due to movements of the interest rate curve used for valuation are not reflected under BGAAP. Just like for the bonds portfolio, the increase in interest rates led to values for solvency purposes below BGAAP unlike last year.

Under BGAAP, valuation of reinsurance recoverables is derived from the BGAAP valuation of the corresponding direct liabilities. The excess of the BGAAP valuation over the valuation for solvency purposes at the reinsurance level mainly reflects the higher direct non-life technical provisions under BGAAP.

Under BGAAP, intangible assets are recognized (which is not the case under the valuation for solvency purposes) while on the contrary, the notion of deferred tax assets is not considered under BGAAP.

Finally, the BGAAP value of 'insurance and intermediaries receivables' item additionally contains a contribution for the 'estimated recourse'. Under solvency valuation, this 'estimated recourse' is treated as an element which is directly taken into account in the technical provisions.

D.2. Technical provisions

D.2.1. Basis, methods and assumptions for the valuation

Technical provisions represent by far the largest part of the company's liabilities.

Just like for the other liabilities, there are generally no market prices available for the valuation of technical provisions. Hence, the valuation methods of these technical provisions for solvency purposes, (which are composed of a best estimate part and a risk margin) have to take into account appropriate market parameters.

The valuations are made by using actuarial models and methods of mathematical finance which produce stochastic and deterministic cash flow projections, that are then, in turn, discounted in order to obtain the best estimates. These cash flow projections are based on comprehensive sets of realistic parameters and assumptions, which, in general, comprise future premiums[39], claims, expenses, commissions, profit sharing and rebates, etc. In the case of the life activity, elements like future mortality, lapses, financial scenarios (and the impact thereof on lapses and profit sharing) also impact the timing and size of the projected cash flows. In the non-life activity, claims and cost ratios, the development

[38] Albeit with the application of amortisations for property.
[39] As far as within the applicable contract boundaries.

patterns for claims settlement and the allocation of loss adjustment expenses are typically the important drivers underlying the cash flow projections.

For discounting the cash flows, the company applies the official EIOPA risk free yield curves, to which it adds the volatility adjustment as also published by EIOPA. The volatility adjustment allows the company to take into account liabilities' valuations which reflect an improved coherence with asset valuations so as to eliminate peculiar fluctuations in a context of long term assets and liabilities. It is based on the assumption that the company will often be able to avoid early realisation of losses on assets thanks to the long term nature of the liabilities they cover. Its implementation is not subject to any prior approval by the supervisory authority. We remind that the use of the volatility adjustment precludes the application of the 'matching adjustment'[40] on the risk free yield curve.

Risk margins are calculated using a 'cost of capital' approach. Under this approach, the risk margin represents the cost of providing an amount of eligible own funds equal to 100 % of the regulatory required solvency capital for the existing liabilities over their remaining lifetime[41]. No diversification effects are taken into account between the life and the non-life activity when calculating the risk margins.

Although the regulation offers insurance companies possibilities to apply for a gradual transition from the previously applicable ('Solvency I') solvency framework to the current Solvency II framework over a period of 16 years[42], Baloise Belgium nv has chosen not to make use of these transitional measures.

D.2.2. Results of the valuation for solvency purposes

Results at 31/12/2022.

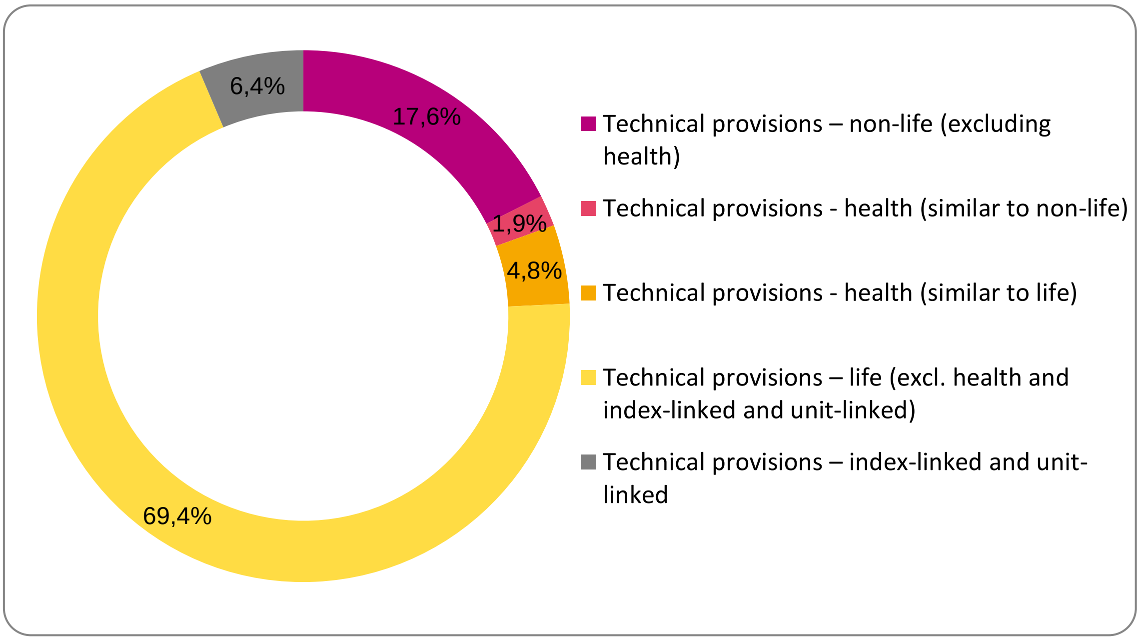
We refer to the table S.02.01.02 in the annex for an overview of the results of the valuation of the technical provisions. In addition, the tables S.12.01.02 and S.17.01.02 provide the amounts of the technical provisions by lines of business respectively for 'Life and Health SLT' and for 'Non-life'.

The following graph shows the distribution of the technical provisions over the main product groups.

[40] Which is another so called 'long term guarantee measure' with similar purpose, available within the Solvency II framework as an alternative for the 'volatility adjustment'.

[41] From the point of view of a 'reference undertaking', making abstraction of the capital cost for hedgeable market risks.

[42] Either at the level of the applicable interest rates for discounting, or by application of an annually decreasing deduction on the amount of technical provisions.



Given the random nature of several factors impacting the company's insurance liabilities a level of uncertainty has to be taken into account when considering the valuation of these liabilities as a result of model uncertainty and assumptions. In the life business, fluctuations of market interest rates and inflation can be considered as significant sources of uncertainty. In the non-life business, the actual number and size of claims, the occurrence of catastrophes and adverse developments of existing claims settlements can lead to significant deviations from the estimates underlying the valuation of the gross liabilities, although reinsurance significantly reduces the volatility at the level of the net own funds position of the company.

While for the base case calculations underlying the officially reported technical provisions, the company has used the volatility adjustment (or 'VA'), it has also performed a calculation without VA. Under the latter assumption, the projected cash flows are discounted with lower discount rates, so that the value of the technical provisions increases from € 9,858.4 million (with VA) to € 9,978.1 million (without VA) while the amount eligible to cover the SCR decreases from € 1,612.6 million to € 1,495.6 million. The amount eligible to cover the MCR decreases from € 1,233.2 million to € 1,117.1 million. The SCR itself increases from € 987.8 million to € 997.7 million and the MCR increases from € 444.5 million to € 449.0 million. We remind that such a complete cancellation of the VA is hypothetical and that under decreasing VA, at least a partial compensation by increasing asset values could be expected. See also the table S.22.01.21 in the annexes for the corresponding figures.

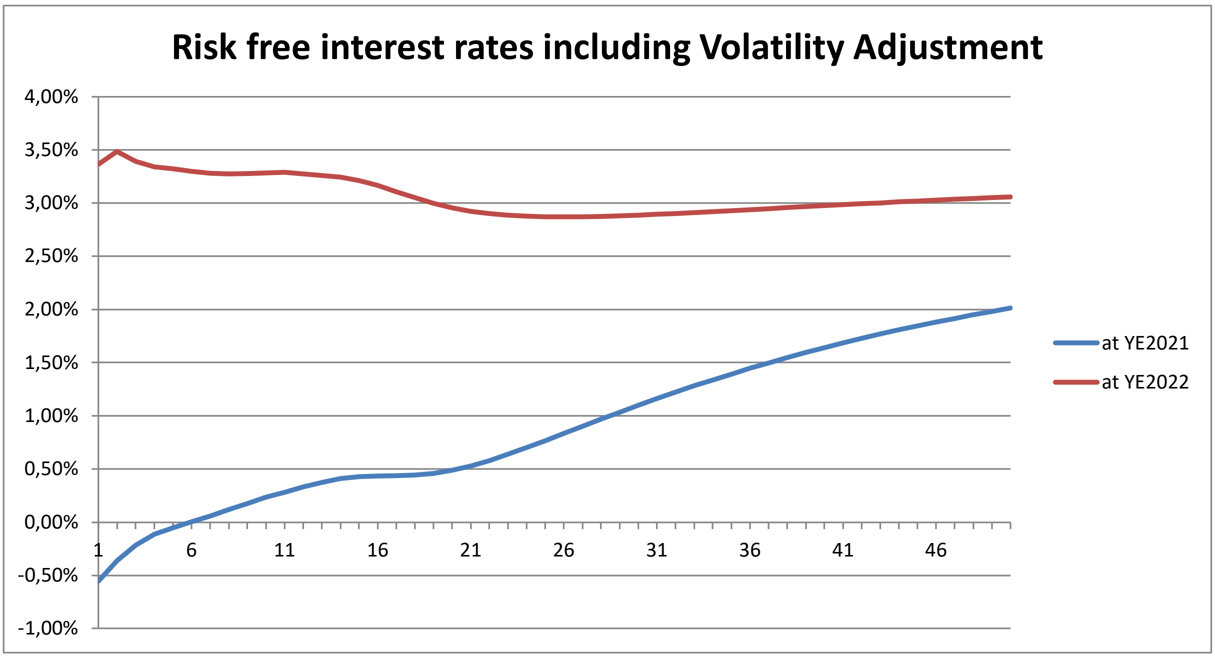
Comparison to the previous reporting period.

The table below shows the evolution of the valuation of the technical provisions (gross of reinsurance[43]) since the previous reporting period.

Balance Sheet: Technical provisions under Solvency II Valuation

	2021	2022	Difference
EUR '000			
Technical provisions – non-life (excluding health)	1,819,464.8	1,730,920.7	−88,544.0
Technical provisions - health (similar to non-life)	199,821.9	187,496.4	−12,325.5
Technical provisions - health (similar to life)	487,978.4	474,006.4	−13,972.0
Technical provisions – life (excl. health and index-linked and unit-linked)	8,669,839.7	6,837,656.5	−1,832,183.2
Technical provisions – index-linked and unit-linked	732,117.5	628,367.6	−103,749.9
Total technical provisions	11,909,222.3	9,858,447.6	−2,050,774.7

Changes in interest rate curves, as used for discounting projected cash flows, are traditionally important factors in the explanation of changes in the company's technical provisions, and this in particular for the life and health similar to life activities, where the long term nature of the liabilities results in high sensitivities to such changes. When comparing discount rates in force at 31/12/2022 (more specifically the risk free rates increased by the VA) with those at 31/12/2021, we clearly notice a significant increase[44], as the graph below illustrates.



For the life and health similar to life activities, this results in a decrease of the technical provisions. For the non-life and health similar to non-life liabilities, the proportional impact of the increase of the discount rates on the technical provisions is smaller, given their shorter duration.

[43] The value of the amounts recoverable from reinsurers can be found in the section on the valuation of the assets. The company does not use any special purpose vehicles.
[44] The average increase over the first 30 years amounts to 274 bps.

For both life and non-life activities the impact of the increased yield curve is partially neutralized by the increase of inflation since YE2021. The proportional impact of the increased inflation is the highest for the health similar to life activities, more specifically for the workmen's compensation portfolio.

Evidently, various assumptions, model parameters and estimates underlying the projections of cash flows have also been updated in 2022 to stay in line with the company's actual expectations, for instance with respect to claims amounts and expenses, mortality rates, lapse rates etc. And some further methodological optimisations were implemented.

D.2.3. Reconciliation to financial reporting

In the table below, we provide a summary view of the valuation of the technical provisions at 31/12/2022 (again gross of reinsurance), both under valuation for solvency purposes and according to BGAAP.

Balance Sheet: Technical provisions under Local GAAP and Solvency II Valuation

EUR '000	Solvency II	Local GAAP	Difference
Technical provisions – non-life (excluding health)	1,730,920.7	2,378,132.2	−647,211.5
Technical provisions - health (similar to non-life)	187,496.4	315,751.8	−128,255.4
Technical provisions - health (similar to life)	474,006.4	461,877.4	12,129.0
Technical provisions – life (excl. health and index-linked and unit-linked)	6,837,656.5	7,571,444.2	−733,787.6
Technical provisions – index-linked and unit-linked	628,367.6	676,263.1	−47,895.5
Total technical provisions	9,858,447.6	11,403,468.7	−1,545,021.0

We find the largest difference in valuation between both frameworks for the life business (excluding unit-linked products); this can be explained by structural differences in the valuation methodology and underlying parameters, especially the discount rates. While under valuation for solvency purposes, all relevant expected cash flows are projected and then discounted within a market consistent framework, BGAAP calculations of the technical provisions are based on tariff parameters like the technical interest rate, and make abstraction of realistic expectations for expenses, commissions, mortality rates, future profit sharing and market consistent discounting factors. The increase of the discount rates leads to SII technical provisions 'life' dropping below the level of the BGAAP reserves, (which only comprise a partial correction for unfavorable evolutions of the market interest rate[45].

With respect to the non-life business, the claims provision part of the BGAAP technical provisions starts in general from a prudent case by case estimation of the total expected claims amount, without application of any discounting effect. For certain lines of business, IBNR/IBNER provisions are added. For the motor vehicle liability line of business, the calculation is based on actuarial extrapolations of aggregated past claims developments. For the provision for unearned premiums, a simplified 'pro rata' reserving approach is applied. Under Solvency II, on the other hand, the best estimate is again the expected discounted value of all relevant cash flows, based on a 50 % confidence level.

Finally, we remind that under BGAAP, there is no explicit equivalent of the risk margin.

[45] The so called 'flashing light reserves'.

D.3. Other liabilities

In addition to the aforementioned technical provisions, the liabilities side of the company's balance sheet for solvency purposes contains a number of 'other liabilities'.

D.3.1. Basis, methods and assumptions for the valuation

General principles for the valuation of other liabilities for solvency purposes.

Given the nature of the majority of the items belonging to the 'other liabilities' group, relevant corresponding market prices are often unavailable. For several of these items, especially for various types of payables, valuation for solvency purposes will correspond to the IFRS carrying value which is then based on the nominal amount outstanding or payable. Settlement terms for such payables are usually short and amounts fixed, so that the risk for deviations from the thus obtained valuation is limited.

For a few specific liability items, more elaborate valuation techniques have to be implemented in order the align valuation with Solvency II's fair value approach.

Application of the valuation principles by material ‘other liabilities’ class.

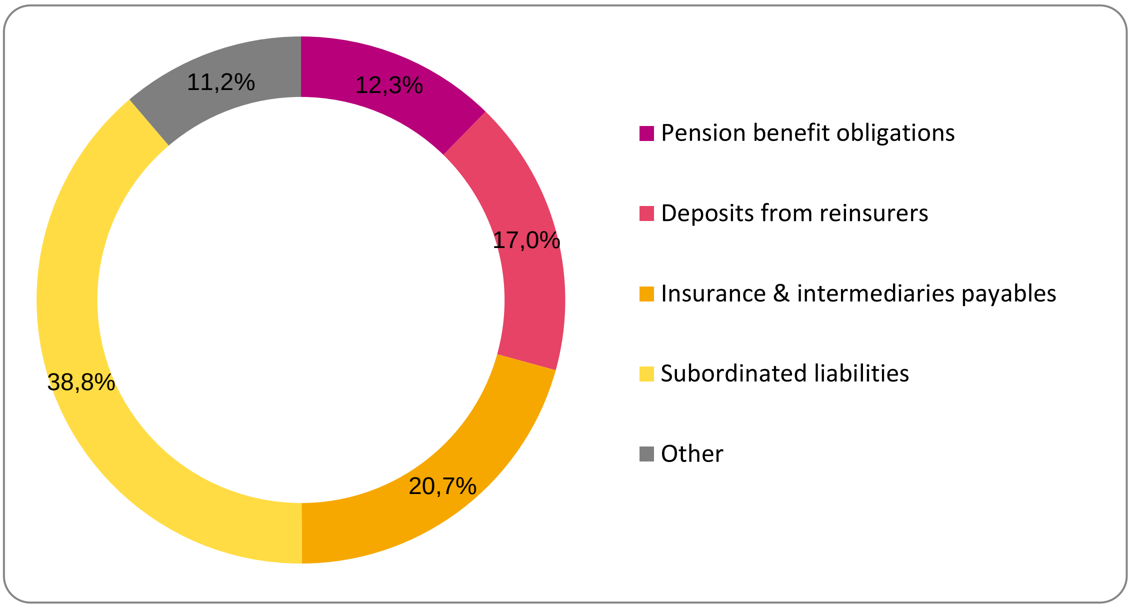
Pension Benefit Obligations relates almost completely to the company's obligations as an employer, resulting from specific types of pension benefit plans for own staff members. The valuation for solvency purposes is based on the IAS19 approach. It implies cash flow projections which reflect realistic assumptions for premium rates, profit sharing, turnover rates, salary evolutions etc. Essentially, the liability is valuated by calculating the present value of the expected future cash flows using a market relevant discount rate.

For subordinated liabilities, valuation is based on discounting of cash flows.

Other liability items with significant amounts on the balance sheet are 'Insurance and intermediaries payables' and 'Deposits from reinsurers'. For both, the valuation is based on the nominal amounts outstanding.

Results of the valuation.

Detailed results of the valuation for solvency purposes can be found in the table S.02.01.02 in the annexes. The graph below shows which items provide significant contributions to the total valuation for 'other liabilities'.



The table below shows the changes in the composition of the company's 'other liabilities' over 2022.

Balance Sheet: Other liabilities under Solvency II Valuation

EUR '000	2021	2022	Difference
Pension benefit obligations	135,843.9	112,624.1	−23,219.9
Deposits from reinsurers	166,996.2	155,078.8	−11,917.4
Insurance & intermediaries payables	181,258.7	188,732.7	7,474.0
Subordinated liabilities	379,684.4	354,665.7	−25,018.7
Other	93,986.2	102,699.3	8,713.1
Total other liabilities	957,769.4	913,800.6	−43,968.8

The decrease of the value of the Pension benefit obligations and the Subordinated liabilities is explained by the increase of the discount rates. This is to a large extent also the case for Deposits from reinsurers.

D.3.2. Reconciliation to financial reporting

Comparison of valuation results with financial reporting.

The table below shows the differences in valuation between the valuation for solvency purposes and BGAAP for the most important 'other liabilities' items.

Balance Sheet: Other liabilities under Local GAAP and Solvency II Valuation

EUR '000	Solvency II	Local GAAP	Difference
Pension benefit obligations	112,624.1	98.5	112,525.6
Deposits from reinsurers	155,078.8	155,078.8	0
Insurance & intermediaries payables	188,732.7	184,772.7	3,960.0
Subordinated liabilities	354,665.7	380,000.0	−25,334.3
Other	102,699.3	102,025.4	673.9
Total Other Liabilities	913,800.6	821,975.4	91,825.2

We find the largest difference in value for the pension benefit obligations. This is caused by the fact that under BGAAP, the IAS19 principles do not apply, and that the valuation and reporting of the liabilities resulting from pension plans for staff members simply follow those of the company's other life insurance contracts. So under BGAAP, these liabilities are limited in value to the normal contract reserves and are completely reported as a part of the life technical provisions.

The difference in value for the Subordinated liabilities results from the use of the nominal value of the liabilities for valuation under BGAAP, whereas the valuation for solvency purposes is based on the discounting of cash flows.

Further, there are no significant differences between the two valuation approaches at YE2022.

D.4. Alternative methods for valuation

This is not applicable for Baloise Belgium nv.

D.5. Other relevant information

There is no additional relevant information to be mentioned.

E. Capital management

E.1. Own funds

E.1.1. Capital management: objectives, policy and processes

The overarching conditions regarding the company's capital position are set on the one hand by regulatory requirements and on the other by internal capital and risk management guidelines. Together, these will allow to assure both the protection of the policyholder, and the risk-oriented management of the business activity.

The objective of Baloise Belgium nv, as specified in its 'Risk Strategy, Risk Appetite and Capital Management policy', is the long-term and sustained securing of sufficient capitalisation, the fulfillment of all supervisory requirements, and the safeguarding of the interests of its stakeholders. Baloise Belgium nv's capital management supports, and is fully integrated in the risk-based business strategy and ensures an efficient use of capital at all times, while fulfilling the aforementioned boundary conditions.

Baloise Belgium nv uses the Solvency II standard formula to derive its regulatory capital requirement that has to be met by its own funds and to specify its capital needs, according to internal risk management guidelines. In addition, the capital and solvency needs are also quantified with reference to the 'Swiss Solvency Test'. The company's dividend decisions and capital planning are coordinated in view of the current and future compliance with these criteria. The observation of these requirements also takes a central place in the company's business planning activity, which provides each year an update of the business plan, covering a horizon of 5 years.

Baloise Belgium nv has implemented all necessary reporting procedures, decision processes and controls to guarantee the implementation of the aforementioned requirements. The processes comprise the regular[46] comprehensive calculations and assessments of the company's risk, capital and solvency position. These are complemented by intermediate estimates on a monthly basis, provided by Baloise Group. For cases where target solvency ratios might not be reached, an escalation procedure has been established which includes the identification of appropriate reactive management actions. And the company's governance system guarantees that, whenever a management decision could have a potential impact on the company's capital position, this impact will be assessed and documented before the final decision is taken.

In 2022, there have been no changes in the approach underlying the company's capital management.

[46] i.e. quarterly for Solvency II, yearly for Swiss Solvency Test.

E.1.2. Own funds analysis

Amount of own funds.

At 31/12/2022, the amount of available own funds to meet the SCR (€ 1,612.6 million) results from an excess of assets over liabilities of € 1,257.9 million and a subordinated liability valued at € 354.7 million. All of these available own funds are of the basic own funds type[47]. All of these available own funds are eligible to cover the SCR.

The large majority (€ 1,144.3 million, or 71.0 %) of these eligible own funds belongs to the unrestricted tier 1 class, which represents the highest possible quality level of own funds. The main parts of the 'unrestricted Tier 1' own funds correspond to the ordinary share capital and the reconciliation reserve. For these items, there are no terms or conditions which reduce their availability.

The tier 2 part of the eligible own funds corresponds to the company's 'subordinated liabilities' position of € 354.7 million (i.e. 22.0 % of the total). Just like at YE2021, these subordinated liabilities do not exceed the 50 % of the company's Solvency Capital Requirement, and they fulfill all criteria to qualify as eligible own funds.

Considering that the recognized net deferred tax assets at YE2022 do not exceed the 15 % of the SCR nor the difference between 50 % of the SCR and the eligible Tier 2 own funds, these net deferred tax assets are completely eligible as Tier 3 capital. They represent € 113.6 million or 7.0 % of the total eligible own funds.

Changes in own funds over the year.

The total amount of eligible own funds (to cover the SCR) decreased from € 1,853.4 million at 31/12/2021 to € 1,612.6million at 31/12/2022, thus decreasing by 13.0 %. Below, we show a comparison of the eligible own funds at 31/12/2022, by tier, with the corresponding values at 31/12/2021

Own funds by tier

Amount of eligible own funds covering the SCR	2021	2022	change vs. previous year
EUR '000			
Tier 1 unrestricted	1,397,582.1	1,144,293.9	−18.1%
Tier 1 restricted	-	-	-
Tier 2	379,684.4	354,665.7	−6.6%
Tier 3	76,171.9	113,599.3	49.1%
Total eligible own funds	1,853,438.4	1,612,559.0	−13.0%

The amount of unrestricted Tier 1 own funds has decreased by € 253,3 million over the reporting period. This decrease already takes into account an interim dividend of € 74.8 million over the reporting year 2022. Several elements have had an impact on this evolution. First, both equities and bond markets went down significantly in 2022, the latter driven by increasing risk free interest rates and credit spreads. The evolution of these elements, and the level of compensation of these spread changes by changes in volatility adjustment explain the largest part of the decrease of the company's Tier 1 own funds. Further,

[47] See table S.23.01.01 in the annexes.

whereas the impact of the surge in inflation levels on the company's paid claims remained limited in 2022, it nevertheless led to increases of technical provisions for future claims and expenses, and hence to a further decrease of the Tier 1 own funds.

The aforementioned increase of the interest rates also explains the decrease (by € 25.0 million) of the subordinated liabilities of Tier 2.

The change in Tier 3 eligible own funds (i.e. an increase with € 37.4 million) results from the updated valuation of taxable and deductible temporary differences in the company's balance sheet, and from a reassessment of the recoverability of the corresponding deferred tax assets.

The reconciliation reserve decreased from € 792.3 million to € 544.0 million.

In 2022, there have been no emissions or redemptions of own fund instruments.

Reconciliation with equity capital under BGAAP.

As mentioned in the company's financial statements, established under the BGAAP standards, Baloise Belgium nv's total equity capital at 31/12/2022 amounts to € 928.2 million. If the surplus fund ('Fonds voor toekomstige toewijzingen') of € 112.5 million is added to this equity capital, this results in a total BGAAP equivalent of excess of assets over liabilities of € 1,040.7 million.

The difference we observe with the excess of assets over liabilities under valuation for solvency purposes (again at 31/12/2022), is equal to € 217.2 million. This amount can be exactly reconciled with the differences in valuation of assets, technical provisions and other liabilities as represented in the Solvency II balance sheet[48]. We refer to the chapter 'Valuation for Solvency Purposes' for more details on the different underlying valuation principles and the contributions from the different asset and liabilities classes.

Deferred tax assets.

The company's total gross deferred tax asset as calculated at 31/12/2022 amounted to € 399.4 million. Of this amount, € 182.0 million has been recognized based on reversion of deferred tax liabilities, € 200.1 million is recognized, based on probable future taxable profits[49] and € 17.4 million is not recognized. The net deferred taxes, obtained as the difference between the gross recognized deferred tax assets and the deferred tax liabilities, then amount to € 113.6 million, which is available as a tier 3 basic own funds item. This amount is also completely eligible to cover the SCR.

[48] This difference regarding the BGAAP values is composed of the following elements:

- A lower valuation of the assets under solvency valuation (difference € 1,236.0 million)
- A lower valuation of the technical provisions under solvency valuation (difference € 1,545.0 million)
- A higher valuation of other liabilities under solvency valuation (difference € 91.8 million)

[49] Probable taxable future profits, not yet recognized in the actual SII balance sheet, are derived by extrapolation of taxable profits generated by the new business as expected according to the company's business plan. For the considered business, realised beyond the business plan horizon, a progressive correction is applied in order to take into account the increasing uncertainty of the future profits.

E.1.3. Transitional arrangements

The company does not make use of any transitional measures mentioned in Art. 308 ter, (9) or (10) of the Directive 2009/138/EG.

E.1.4. Eligible amount of own funds to cover the SCR and MCR

Starting from the composition of the company's available own funds per tier at 31/12/2022 (71.0 % Tier 1 unrestricted, 22.0 % Tier 2 and 7.0 % Tier 3), considering the absence of ancillary own funds, and the complete eligibility of the Tier 2 and Tier 3 parts of the available own funds after application of the usual limits, we find that

- The total own funds, eligible to cover the SCR amount to € 1,612.6 million, as obtained by taking the sum of the whole Tier 1 (€ 1,144.3 million), Tier 2 (€ 354.7 million), and Tier 3 (€ 113.6 million) parts of available own funds.

- The total own funds, eligible to cover the MCR amount to € 1,233.2 million, as obtained by taking the sum of the whole Tier 1 amount (€ 1,144.3 million) and the Tier 2 available capital, limited to 20 % of the MCR (€ 88.9 million).

E.2. Solvency Capital Requirement and Minimum Capital Requirement

E.2.1. Solvency model

For the calculation of its regulatory solvency capital requirement, Baloise Belgium nv uses the Solvency II standard model and its standard formula and parameters. As a part of its ORSA process, the company regularly validates the appropriateness of the assumptions underlying the standard parameters for its own risk profile. This appropriateness was again confirmed in 2022.

For 2022, Baloise Belgium nv has not made use of the possibility to request the authorisation to use undertaking specific parameters (USP's) instead of the parameters provided by the standard formula. Nor has it applied any simplified calculations in the use of the (sub-)modules of the standard formula.

E.2.2. *Solvency Capital Requirement*

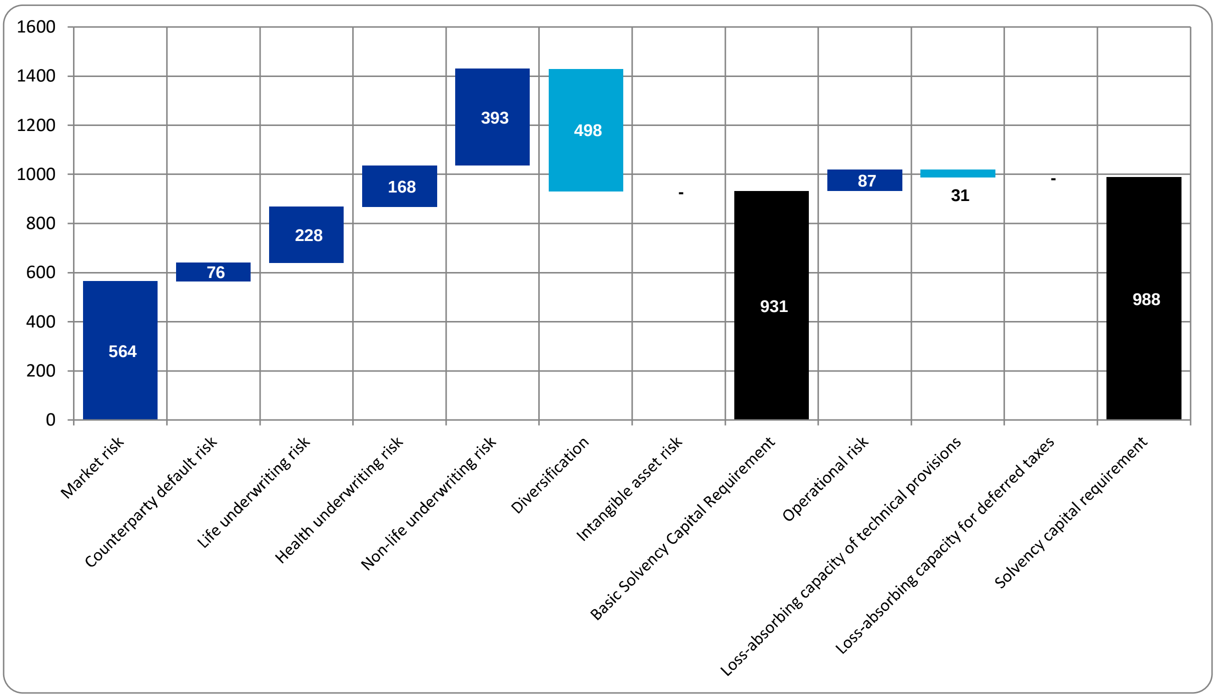
Application of the standard formula has resulted in a Solvency Capital Requirement (or SCR) of € 987.8 million at 31/12/2022.

The table below shows how this amount is composed in function of the contributions from the several risk modules, and compares the situation at 31/12/2022 with that at 31/12/2021.

Solvency Capital Requirement — by use of the Standard Formula

Gross solvency capital requirement	2021	2022	change vs. previous year
EUR '000			
Calculation of Basic Solvency Capital Requirement			
Market risk	630,757.9	564,361.2	−10.5%
Counterparty default risk	72,024.6	76,138.5	5.7%
Life underwriting risk	163,693.1	227,843.8	39.2%
Health underwriting risk	137,608.2	167,908.1	22.0%
Non-life underwriting risk	400,918.7	393,341.0	−1.9%
Diversification	−453,855.8	−498,239.8	9.8%
Intangible asset risk	-	-	-
Basic Solvency Capital Requirement	951,146.7	931,352.8	−2.1%
Calculation of Solvency Capital Requirement			
Basic Solvency Capital Requirement	951,146.7	931,352.8	−2.1%
Operational risk	98,966.8	87,360.0	−11.7%
Loss-absorbing capacity of technical provisions	−9,958.8	−30,943.6	210.7%
Loss-absorbing capacity of deferred taxes	-	-	-
Total Solvency Capital Requirement	1,040,154.8	987,769.2	−5.0%

The graphic below visualizes the composition of the SCR at 31/12/2022.



At 31/12/2022, market risk and non-life underwriting risk provide, in that order, the largest contributions to the SCR capital requirement. Market risk is essentially related to the asset position the company maintains in order to cover its large technical provisions (of which the life activity group represents the largest part). Within market risk, the spread and equity risks are the most important. Non-life underwriting risk reflects the premium, reserving and catastrophe risks the company assumes in relation to its important activities in the non-life activity group as already documented in the chapter A. of this report.

While changes in the capital requirement for non-life underwriting risk and counterparty default risk remained limited compared to YE2021, there were more significant changes for other risks.

First, a decrease of the capital requirement for market risk, and in particular for the underlying spread and equity risk is observed. The decrease for spread risk reflects the decrease in market values of the subjected assets as a result of the increase of interest rates and credit spreads in the financial markets. The decrease for equity risk is, on the one hand a consequence of the smaller volume of the company's equity portfolio. On the other hand the downward evolution of the equity markets resulted in a lower symmetric adjustment used in the calculation of the capital requirement, further reducing the equity risk. The capital requirement for interest rate risk remains low, given the company's active management of the duration gap between its assets and liabilities.

The increase of the capital requirement for life underwriting risk can also be explained with reference to the aforementioned evolutions of the financial markets in 2022. More specifically, the main driver behind this increase is the increase of the mass lapse risk in the actual climate of increased interest rates.

The increase of the health underwriting risk is mainly a consequence of modifications in the applied methodology.

The increase of the loss absorbing capacity of the technical provisions is also related to the aforementioned market interest rate increases: higher interest rates result in higher technical provisions for future profit sharing and hence in an increased capacity to absorb future losses by reducing these expected future profit sharing dotations.

The company does not use the possibility to reduce its solvency capital requirement by subtracting a loss absorbing capacity of its deferred taxes.

We refer to the chapter on 'Risk Profile' for a more detailed qualitative discussion of the several risks and the way Baloise Belgium nv manages and mitigates its exposure to these risks.

Based on the aforementioned amounts for SCR and corresponding eligible own funds, we obtain an SCR ratio of 163.3 % (€ 1,612.6 million / € 987.8 million) at 31/12/2022 vs. 178.2 % (€ 1,853.4 million / € 1,040.2 million) at 31/12/2021. The ratio was continuously monitored during the year. Measures of risk steering included the continuous alignment of durations of assets and liabilities and the selection of asset classes in view of an optimisation of the risk-return ratio.

E.2.3. Minimum Capital Requirement

The calculation of the Minimum Capital Requirement ('MCR') takes into account a set of business related quantities comprising best estimates (from the life and non-life activity), capital at risk (from the life activity) and premiums (from the non-life activity).

The MCR amounts are calculated in two steps (of which the main intermediate results can be found in the table S.28.02.01 in the annexes).

In the first step, the so called linear contributions are calculated separately for the non-life and life activities. For the non-life activity, this is based on volumes of net best estimates (in total for € 1,357.4 million at 31/12/2022) and net premiums (in total for € 1,244.5 million over 2022). For the life activity, the volume of best estimates taken into account amounted to € 7,761.6 million (at 31/12/2022), while the relevant volume of net capital at risk at that date was equal to € 12,855.1 million.

In the second step, the total value is calculated with the effective application of a 'cap', equal to 45 % of the SCR; at 31/12/2022; this resulted in a total MCR of € 444.5 million (vs € 468.1 million at 31/12/2021) of which € 228.0 million was allocated to the life activity and € 216.5 million to the non-life activity.

Finally, given that the own funds, eligible to cover the MCR, amount to € 1,233.2 million, the obtained MCR ratio is equal to 277.4 % (= € 1,233.2 million / € 444.5 million) at 31/12/2022 vs. 318.6 % at 31/12/2021. Evidently Baloise Belgium nv largely exceeds the minimum required level of 100 %.

The table below summarizes these results by comparison with the situation at 31/12/2021.

Minimum Capital Requirement (MCR) by activity

Minimum Capital Requirement	2021	2022	change vs. previous year
EUR '000			
MCR Life	263,780.7	228,010.8	−13.6%
MCR Nonlife	204,289.0	216,485.3	6.0%
Total MCR	468,069.6	444,496.1	−5.0%
MCR Ratio	318.6%	277.4%	

We observe a moderate proportional decrease of the total MCR over 2022 which is identical to that of the SCR over the same period (-5.0 %). The contribution from the life activity to the MCR remains slightly larger than that from non-life.

E.3. Use of the duration-based equity risk sub-module for SCR calculation

During the reporting period, the company did not use the duration based approach to calculate the capital requirement for equity risk.

E.4. Difference between the standard formula and any internal model used

During the reporting period, Baloise Belgium nv did not use any internal models, hence this section is without object.

E.5. Non-compliance with the MCR and the SCR

The company has the necessary processes in place to monitor its compliance with its MCR and SCR on a continuous basis. Over the considered reporting period, the company continuously complied with all regulatory and internal, risk appetite based capital requirements.

E.6. Other relevant information

There is no additional relevant information to be mentioned.

F. Annexes

Basic Information - General

		C0010
Undertaking name	R0010	Baloise Belgium NV
Undertaking identification code	R0020	LEI/549300T9LVWWHU63HW52
Type of undertaking	R0040	Undertakings pursuing both life and non-life insurance activity
Country of authorisation	R0050	BELGIUM
Language of reporting	R0070	English
Reporting submission date	R0080	08/04/2023
Reporting reference date	R0090	31/12/2022
Regular/Ad-hoc submission	R0100	Regular reporting
Currency used for reporting	R0110	EUR
Accounting standards	R0120	Local GAAP
Method of Calculation of the SCR	R0130	Standard formula
Use of undertaking specific parameters	R0140	Don't use undertaking specific parameters
Ring-fenced funds	R0150	Not reporting activity by RFF
Matching adjustment	R0170	No use of matching adjustment
Volatility adjustment	R0180	Use of volatility adjustment
Transitional measure on the risk-free interest rate	R0190	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	R0200	No use of transitional measure on technical provisions
Initial submission or re-submission	R0210	Initial submission

S.02.01.02. Balance sheet: assets

EUR '000		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	-
Deferred tax assets	R0040	113,599.3
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	38,923.0
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	9,513,561.5
Property (other than for own use)	R0080	265,518.0
Holdings in related undertakings, including participations	R0090	330,045.6
Equities	R0100	326,889.9
Equities - listed	R0110	316,630.0
Equities - unlisted	R0120	10,259.9
Bonds	R0130	7,666,369.2
Government Bonds	R0140	4,559,719.4
Corporate Bonds	R0150	3,106,649.9
Structured notes	R0160	-
Collateralised securities	R0170	-
Collective Investments Undertakings	R0180	924,723.2
Derivatives	R0190	15.5
Deposits other than cash equivalents	R0200	-
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	676,263.1
Loans and mortgages	R0230	750,679.8
Loans on policies	R0240	98,891.3
Loans and mortgages to individuals	R0250	5,076.5
Other loans and mortgages	R0260	646,711.9
Reinsurance recoverables from:	R0270	465,184.5
Non-life and health similar to non-life	R0280	450,960.6
Non-life excluding health	R0290	429,889.3
Health similar to non-life	R0300	21,071.2
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	14,250.0
Health similar to life	R0320	−385.0
Life excluding health and index-linked and unit-linked	R0330	14,635.0
Life index-linked and unit-linked	R0340	−26.0
Deposits to cedants	R0350	491.2
Insurance and intermediaries receivables	R0360	264,111.7
Reinsurance receivables	R0370	62,753.4
Receivables (trade, not insurance)	R0380	19,713.9
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	120,811.3
Any other assets, not elsewhere shown	R0420	4,048.8
Total assets	R0500	**12,030,141.5**

S.02.01.02. Balance sheet: liabilities

		Solvency II value
EUR '000		C0010
Liabilities		
Technical provisions – non-life	R0510	1,918,417.1
Technical provisions – non-life (excluding health)	R0520	1,730,920.7
Technical provisions calculated as a whole	R0530	-
Best Estimate	R0540	1,632,865.3
Risk margin	R0550	98,055.4
Technical provisions - health (similar to non-life)	R0560	187,496.4
Technical provisions calculated as a whole	R0570	-
Best Estimate	R0580	175,269.3
Risk margin	R0590	12,227.1
Technical provisions - life (excluding index-linked and unit-linked)	R0600	7,311,662.9
Technical provisions - health (similar to life)	R0610	474,006.4
Technical provisions calculated as a whole	R0620	-
Best Estimate	R0630	433,792.2
Risk margin	R0640	40,214.2
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	6,837,656.5
Technical provisions calculated as a whole	R0660	-
Best Estimate	R0670	6,705,312.7
Risk margin	R0680	132,343.8
Technical provisions – index-linked and unit-linked	R0690	628,367.6
Technical provisions calculated as a whole	R0700	-
Best Estimate	R0710	628,306.3
Risk margin	R0720	61.3
Other technical provisions	R0730	0
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	29,649.7
Pension benefit obligations	R0760	112,624.1
Deposits from reinsurers	R0770	155,078.8
Deferred tax liabilities	R0780	-
Derivatives	R0790	-
Debts owed to credit institutions	R0800	-
Financial liabilities other than debts owed to credit institutions	R0810	1,958.4
Insurance & intermediaries payables	R0820	188,732.7
Reinsurance payables	R0830	19,893.9
Payables (trade, not insurance)	R0840	33,132.8
Subordinated liabilities	R0850	354,665.7
Subordinated liabilities not in Basic Own Funds	R0860	-
Subordinated liabilities in Basic Own Funds	R0870	354,665.7
Any other liabilities, not elsewhere shown	R0880	18,064.5
Total liabilities	R0900	**10,772,248.2**
Excess of assets over liabilities	R1000	**1,257,893.2**

S.05.01.02. Premiums, claims and expenses by line of business: non-life & accepted non-proportional reinsurance (part 1 of 3)

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)					
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance
		C0010	C0020	C0030	C0040	C0050	C0060
EUR '000							
Premiums written							
Gross - Direct Business	R0110	-	33,453.0	75,786.9	338,759.4	240,549.6	148,485.2
Gross - Proportional reinsurance accepted	R0120	-	-	288.3	-	-	245.0
Gross - Non-proportional reinsurance accepted	R0130						
Reinsurers' share	R0140	-	1,388.0	4,412.5	20,244.6	4,602.4	46,555.0
Net	R0200	-	32,065.0	71,662.7	318,514.8	235,947.2	102,175.2
Premiums earned							
Gross - Direct Business	R0210	-	33,012.7	75,785.5	340,649.5	239,212.8	148,404.9
Gross - Proportional reinsurance accepted	R0220	-	-	288.3	-	-	245.0
Gross - Non-proportional reinsurance accepted	R0230						
Reinsurers' share	R0240	-	1,388.0	4,412.5	20,244.6	4,601.0	46,559.0
Net	R0300	-	31,624.7	71,661.3	320,404.9	234,611.8	102,091.0
Claims incurred							
Gross - Direct Business	R0310	5,736.8	6,618.8	48,432.4	236,320.8	153,862.7	92,736.8
Gross - Proportional reinsurance accepted	R0320	-	-	26.2	−3.7	-	4.2
Gross - Non-proportional reinsurance accepted	R0330						
Reinsurers' share	R0340	-	956.9	−2,597.5	41,041.0	4,098.4	41,405.5
Net	R0400	5,736.8	5,661.9	51,056.0	195,276.1	149,764.4	51,335.6
Changes in other technical provisions							
Gross - Direct Business	R0410	-	-	10,000.0	-	-	-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0430						
Reinsurers' share	R0440	-	-	-	-	-	-
Net	R0500	-	-	10,000.0	-	-	-
Expenses incurred	R0550	2,454.7	12,279.0	41,768.4	160,367.0	101,546.8	38,380.0
Other expenses	R1200						
Total expenses	R1300						

S.05.01.02.Premiums, claims and expenses by line of business: non-life & accepted non-proportional reinsurance (part 2 of 3)

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)					
		Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0070	C0080	C0090	C0100	C0110	C0120
EUR '000							
Premiums written							
Gross - Direct Business	R0110	459,083.8	96,582.7	-	3,269.8	1,416.8	8,538.2
Gross - Proportional reinsurance accepted	R0120	5,467.6	162.6	-	5,446.1	8,993.3	-
Gross - Non-proportional reinsurance accepted	R0130						
Reinsurers' share	R0140	98,801.0	4,255.0	-	1.4	481.7	1,313.2
Net	R0200	365,750.4	92,490.3	-	8,714.6	9,928.3	7,225.0
Premiums earned							
Gross - Direct Business	R0210	452,765.8	92,147.1	-	3,451.0	1,448.6	8,402.5
Gross - Proportional reinsurance accepted	R0220	5,083.2	163.1	-	5,480.3	8,620.3	-
Gross - Non-proportional reinsurance accepted	R0230						
Reinsurers' share	R0240	99,273.3	4,255.0	-	1.4	481.7	1,299.3
Net	R0300	358,575.6	88,055.2	-	8,929.9	9,587.1	7,103.1
Claims incurred							
Gross - Direct Business	R0310	245,257.0	42,261.0	0.0	1,409.4	397.3	−920.1
Gross - Proportional reinsurance accepted	R0320	7,019.2	−13.5	-	5,040.0	3,438.4	-
Gross - Non-proportional reinsurance accepted	R0330						
Reinsurers' share	R0340	123,971.0	5,542.4	-	−0.1	0.2	152.8
Net	R0400	128,305.2	36,705.1	0.0	6,449.6	3,835.5	−1,072.8
Changes in other technical provisions							
Gross - Direct Business	R0410	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0430						
Reinsurers' share	R0440	-	-	-	-	-	-
Net	R0500	-	-	-	-	-	-
Expenses incurred	R0550	170,064.3	40,624.5	-	1,775.8	3,197.8	2,337.2
Other expenses	R1200						
Total expenses	R1300						

S.05.01.02.01 Premiums, claims and expenses by line of business: Non-Life & Accepted non-proportional reinsurance (part 3 of 3)

		Line of Business for: accepted non-proportional reinsurance				
		Health	Casualty	Marine, aviation, transport	Property	Total
		C0130	C0140	C0150	C0160	C0200
EUR '000						
Premiums written						
Gross - Direct Business	R0110	-				1,405,925.4
Gross - Proportional reinsurance accepted	R0120	-				20,602.9
Gross - Non-proportional reinsurance accepted	R0130	-	-	-	-	-
Reinsurers' share	R0140	-	-	-	-	182,054.9
Net	R0200	-	-	-	-	1,244,473.4
Premiums earned						
Gross - Direct Business	R0210	-				1,395,280.4
Gross - Proportional reinsurance accepted	R0220	-				19,880.1
Gross - Non-proportional reinsurance accepted	R0230	-	-	-	-	-
Reinsurers' share	R0240	-	-	-	-	182,516.0
Net	R0300	-	-	-	-	1,232,644.6
Claims incurred						
Gross - Direct Business	R0310	-				832,112.9
Gross - Proportional reinsurance accepted	R0320	-				15,510.9
Gross - Non-proportional reinsurance accepted	R0330	-	-	-	-	-
Reinsurers' share	R0340	-	-	-	-	214,570.6
Net	R0400	-	-	-	-	633,053.2
Changes in other technical provisions						
Gross - Direct Business	R0410	-				10,000.0
Gross - Proportional reinsurance accepted	R0420	-				-
Gross - Non-proportional reinsurance accepted	R0430	-	-	-	-	-
Reinsurers' share	R0440	-	-	-	-	-
Net	R0500	-	-	-	-	10,000.0
Expenses incurred	R0550	-	-	-	-	574,795.2
Other expenses	R1200					14,611.0
Total expenses	R1300					589,406.2

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

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
EUR '000										
Premiums written										
Gross	R1410	45,012.5	437,067.1	91,158.6	7,454.3	-	-	-	-	580,692.4
Reinsurers' share	R1420	4,060.8	905.6	-	10.2	-	-	-	-	4,976.7
Net	R1500	40,951.7	436,161.4	91,158.6	7,444.1	-	-	-	-	575,715.7
Premiums earned										
Gross	R1510	45,035.4	437,067.1	91,158.6	7,454.3	-	-	-	-	580,715.2
Reinsurers' share	R1520	4,060.8	905.6	-	10.2	-	-	-	-	4,976.7
Net	R1600	40,974.5	436,161.4	91,158.6	7,444.1	-	-	-	-	575,738.6
Claims incurred										
Gross	R1610	17,714.6	462,585.5	49,810.2	5,286.7	14,576.0	-	-	-	549,973.0
Reinsurers' share	R1620	1,034.7	25.4	-	0.0	-	-	-	0.0	1,060.2
Net	R1700	16,679.9	462,560.1	49,810.2	5,286.7	14,576.0	-	-	−0.0	548,912.8
Changes in other technical provisions										
Gross	R1710	2,407.9	−80,733.8	113,521.4	3,624.2	-	-	-	-	38,819.7
Reinsurers' share	R1720	164.0	-	-	-	-	-	-	-	164.0
Net	R1800	2,243.9	−80,733.8	113,521.4	3,624.2	-	-	-	-	38,655.7
Expenses incurred	R1900	8,957.4	63,011.1	12,924.9	1,289.6	-	-	-	-	86,183.0
Other expenses	R2500									8,980.1
Total expenses	R2600									95,163.1

S.05.02.01. Premiums, claims and expenses by country: non-life obligations

		Home country	Top 5 countries (by amount of gross premiums written) — non- life obligations					Total for top 5 countries and home country (by amount of gross premiums written)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		NETHERLANDS	FRANCE	GERMANY	LUXEMBOURG	ITALY	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
EUR '000								
Premiums written								
Gross - Direct Business	R0110	1,209,800.5	183,686.6	9,847.5	980.1	280.0	178.3	1,404,772.9
Gross - Proportional reinsurance accepted	R0120	20,602.9	-	-	-	-	-	20,602.9
Gross - Non-proportional reinsurance accepted	R0130	-	-	-	-	-	-	-
Reinsurers' share	R0140	119,674.1	61,017.2	743.5	78.7	41.4	17.4	181,572.3
Net	R0200	1,110,729.3	122,669.4	9,104.0	901.3	238.6	160.9	1,243,803.5
Premiums earned								
Gross - Direct Business	R0210	1,198,400.6	183,316.2	9,901.4	946.1	297.0	187.8	1,393,049.1
Gross - Proportional reinsurance accepted	R0220	19,880.1	-	-	-	-	-	19,880.1
Gross - Non-proportional reinsurance accepted	R0230	-	-	-	-	-	-	-
Reinsurers' share	R0240	120,086.2	61,067.4	743.9	78.7	39.7	17.4	182,033.4
Net	R0300	1,098,194.5	122,248.8	9,157.5	867.4	257.3	170.4	1,230,895.9
Claims incurred								
Gross - Direct Business	R0310	727,957.7	108,164.7	−5,291.0	−303.6	−2.0	−12.9	830,512.9
Gross - Proportional reinsurance accepted	R0320	15,510.9	-	-	-	-	-	15,510.9
Gross - Non-proportional reinsurance accepted	R0330	-	-	-	-	-	-	-
Reinsurers' share	R0340	175,315.1	39,192.0	63.5	-	-	-	214,570.6
Net	R0400	568,153.5	68,972.7	−5,354.5	−303.6	−2.0	−12.9	631,453.3
Changes in other technical provisions								
Gross - Direct Business	R0410	10,000.0	-	-	-	-	-	10,000.0
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0430	-	-	-	-	-	-	-
Reinsurers' share	R0440	-	-	-	-	-	-	-
Net	R0500	10,000.0	-	-	-	-	-	10,000.0
Expenses incurred	R0550	541,777.2	27,697.8	2,628.6	87.4	42.4	6.1	572,239.5
Other expenses	R1200							14,210.2
Total expenses	R1300							586,449.7

S.05.02.01. Premiums, claims and expenses by country: life obligations

		Home country	Top 5 countries (by amount of gross premiums written) — life obligations					Total for top 5 countries and home country (by amount of gross premiums written)
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400							
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
EUR '000								
Premiums written								
Gross	R1410	580,692.4	-	-	-	-	-	580,692.4
Reinsurers' share	R1420	4,976.7	-	-	-	-	-	4,976.7
Net	R1500	575,715.7	-	-	-	-	-	575,715.7
Premiums earned								
Gross	R1510	580,715.2	-	-	-	-	-	580,715.2
Reinsurers' share	R1520	4,976.7	-	-	-	-	-	4,976.7
Net	R1600	575,738.6	-	-	-	-	-	575,738.6
Claims incurred								
Gross	R1610	549,973.0	-	-	-	-	-	549,973.0
Reinsurers' share	R1620	1,060.2	-	-	-	-	-	1,060.2
Net	R1700	548,912.8	-	-	-	-	-	548,912.8
Changes in other technical provisions								
Gross	R1710	38,819.7	-	-	-	-	-	38,819.7
Reinsurers' share	R1720	164.0	-	-	-	-	-	164.0
Net	R1800	38,655.7	-	-	-	-	-	38,655.7
Expenses incurred	R1900	86,183.0	-	-	-	-	-	86,183.0
Other expenses	R2500							8,980.1
Total expenses	R2600							95,163.1

S.12.01.02. Life and Health SLT Technical Provisions (part 1 of 4)

			Index-linked and unit-linked insurance			Other life insurance		
		Insurance with profit participation	All contracts Index-linked and unit-linked insurance	Contracts without options and guarantees	Contracts with options or guarantees	All contracts Other life insurance	Contracts without options and guarantees	Contracts with options or guarantees
		C0020	C0030	C0040	C0050	C0060	C0070	C0080
EUR '000								
Technical provisions calculated as a whole	R0010	-	-			-		
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020	-	-			-		
Technical provisions calculated as a sum of BE and RM								
Best Estimate								
Gross Best Estimate	R0030	6,668,610.3		-	628,306.3		4,171.8	32,530.6
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	−81.1		-	−26.0		1,745.4	12,970.6
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	6,668,691.3		-	628,332.3		2,426.4	19,560.0
Risk Margin	R0100	131,665.0	61.3			678.8		
Amount of the transitional on Technical Provisions								
Technical Provisions calculated as a whole	R0110	-	-			-		
Best estimate	R0120	-		-	-		-	-
Risk margin	R0130	-	-			-		
Technical provisions - total	R0200	6,800,275.3	628,367.6			37,381.2		

S.12.01.02. Life and Health SLT Technical Provisions (part 2 of 4)

		Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)
		C0090	C0100	C0150
EUR '000				
Technical provisions calculated as a whole	R0010	-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020	-	-	-
Technical provisions calculated as a sum of BE and RM				
Best Estimate				
Gross Best Estimate	R0030	-	-	7,333,618.9
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	-	-	14,608.9
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	-	-	7,319,010.0
Risk Margin	R0100	-	-	132,405.1
Amount of the transitional on Technical Provisions				
Technical Provisions calculated as a whole	R0110	-	-	-
Best estimate	R0120	-	-	-
Risk margin	R0130	-	-	-
Technical provisions - total	R0200	-	-	7,466,024.1

S.12.01.02. Life and Health SLT Technical Provisions (part 3 of 4)

		Health insurance (direct business)		
		All contracts Health insurance (direct business)	Contracts without options and guarantees	Contracts with options or guarantees
		C0160	C0170	C0180
EUR '000				
Technical provisions calculated as a whole	R0010	-		
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020	-		
Technical provisions calculated as a sum of BE and RM				
Best Estimate				
Gross Best Estimate	R0030	-	110,276.4	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080		−385.0	-
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	-	110,661.4	-
Risk Margin	R0100	31,844.1		
Amount of the transitional on Technical Provisions				
Technical Provisions calculated as a whole	R0110	-		
Best estimate	R0120	-	-	-
Risk margin	R0130	-		
Technical provisions - total	R0200	142,120.5		

S.12.01.02. Life and Health SLT Technical Provisions (part 4 of 4)

		Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0190	C0200	C0210
EUR '000				
Technical provisions calculated as a whole	R0010	-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020	-	-	-
Technical provisions calculated as a sum of BE and RM				
Best Estimate				
Gross Best Estimate	R0030	315,128.3	8,387.5	433,792.2
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	-	-	−385.0
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	315,128.3	8,387.5	434,177.2
Risk Margin	R0100	5,948.0	2,422.0	40,214.2
Amount of the transitional on Technical Provisions				
Technical Provisions calculated as a whole	R0110	-	-	-
Best estimate	R0120	-	-	-
Risk margin	R0130	-	-	-
Technical provisions - total	R0200	321,076.3	10,809.5	474,006.4

S.17.01.02. Non-Life Technical Provisions (part 1 of 3)

		Direct business and accepted proportional reinsurance					
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance
		C0020	C0030	C0040	C0050	C0060	C0070
EUR '000							
Technical provisions calculated as a whole	R0010	-	-	-	-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	-	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM							
Best estimate							
Premium provisions							
Gross	R0060	-	−4,775.7	−9,216.6	60,979.8	61,661.1	−3,630.9
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-	−261.5	−1,718.0	−2,521.6	−1,892.5	−441.5
Net Best Estimate of Premium Provisions	R0150	-	−4,514.1	−7,498.6	63,501.4	63,553.6	−3,189.3
Claims provisions							
Gross	R0160	3,325.3	18,816.3	167,120.0	829,784.4	28,769.3	150,433.0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	-	4,432.1	18,618.7	272,450.8	2,001.8	55,397.2
Net Best Estimate of Claims Provisions	R0250	3,325.3	14,384.2	148,501.3	557,333.6	26,767.5	95,035.8
Total Best estimate - gross	R0260	3,325.3	14,040.6	157,903.3	890,764.2	90,430.4	146,802.2
Total Best estimate - net	R0270	3,325.3	9,870.1	141,002.7	620,835.0	90,321.1	91,846.5
Risk margin	R0280	95.7	1,968.3	10,163.1	40,486.6	11,072.6	12,192.1
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	R0290	-	-	-	-	-	-
Best estimate	R0300	-	-	-	-	-	-
Risk margin	R0310	-	-	-	-	-	-
Technical provisions - total							
Technical provisions - total	R0320	3,421.0	16,009.0	168,066.4	931,250.8	101,502.9	158,994.3
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	-	4,170.6	16,900.7	269,929.2	109.2	54,955.7
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	3,421.0	11,838.4	151,165.8	661,321.6	101,393.7	104,038.6

S.17.01.02. Non-Life Technical Provisions (part 2 of 3)

		Direct business and accepted proportional reinsurance					
		Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0080	C0090	C0100	C0110	C0120	C0130
EUR '000							
Technical provisions calculated as a whole	R0010	-	-	-	-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	-	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM							
Best estimate							
Premium provisions							
Gross	R0060	76,058.9	13,917.4	-	−373.0	−563.2	−1,178.7
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	−14,509.4	−916.9	-	-	-	−172.0
Net Best Estimate of Premium Provisions	R0150	90,568.2	14,834.4	-	−373.0	−563.2	−1,006.7
Claims provisions							
Gross	R0160	179,622.2	213,168.0	-	22,319.3	298.7	1,598.9
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	75,445.5	43,951.3	-	22.0	-	1,074.8
Net Best Estimate of Claims Provisions	R0250	104,176.7	169,216.8	-	22,297.3	298.7	524.1
Total Best estimate - gross	R0260	255,681.1	227,085.5	-	21,946.3	−264.6	420.2
Total Best estimate - net	R0270	194,745.0	184,051.2	-	21,924.3	−264.6	−482.5
Risk margin	R0280	17,034.9	14,597.7	-	1,656.3	524.4	490.8
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	R0290	-	-	-	-	-	-
Best estimate	R0300	-	-	-	-	-	-
Risk margin	R0310	-	-	-	-	-	-
Technical provisions - total							
Technical provisions - total	R0320	272,716.0	241,683.2	-	23,602.6	259.8	911.0
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	60,936.1	43,034.3	-	22.0	-	902.8
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	211,779.9	198,648.9	-	23,580.6	259.8	8.3

S.17.01.02. Non-Life Technical Provisions (part 3 of 3)

		Accepted non-proportional reinsurance				
		Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0140	C0150	C0160	C0170	C0180
EUR '000						
Technical provisions calculated as a whole	R0010	-	-	-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM						
Best estimate						
Premium provisions						
Gross	R0060	-	-	-	-	192,879.2
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-	-	-	-	−22,433.5
Net Best Estimate of Premium Provisions	R0150	-	-	-	-	215,312.7
Claims provisions						
Gross	R0160	-	-	-	-	1,615,255.4
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	-	-	-	-	473,394.1
Net Best Estimate of Claims Provisions	R0250	-	-	-	-	1,141,861.3
Total Best estimate - gross	R0260	-	-	-	-	1,808,134.6
Total Best estimate - net	R0270	-	-	-	-	1,357,174.0
Risk margin	R0280	-	-	-	-	110,282.6
Amount of the transitional on Technical Provisions						
Technical Provisions calculated as a whole	R0290	-	-	-	-	-
Best estimate	R0300	-	-	-	-	-
Risk margin	R0310	-	-	-	-	-
Technical provisions - total						
Technical provisions - total	R0320	-	-	-	-	1,918,417.1
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	-	-	-	-	450,960.6
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	-	-	-	-	1,467,456.6

S.19.01.21. Non-life insurance claims: gross claims paid by accident year

Total non-life business

Accident year

Gross Claims Paid (non-cumulative)
(absolute amount)

		Development year												In current year	Sum of years
		0	1	2	3	4	5	6	7	8	9	10 & +			
in EUR '000		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0160		C0170	C0180
Prior	R0100											3,057,426.	R0100	29,966.0	3,057,426.4
N-9	R0160	309,187.1	161,529.6	35,951.7	22,258.9	13,715.3	11,693.1	8,712.1	6,425.2	2,866.1	4,388.9		R0160	4,388.9	576,728.1
N-8	R0170	383,262.5	190,665.2	34,798.8	20,000.7	15,928.1	9,165.5	7,394.7	4,794.1	6,025.1			R0170	6,025.1	672,034.7
N-7	R0180	324,116.0	178,562.4	39,381.5	21,203.5	13,664.7	13,013.4	12,081.3	10,361.4				R0180	10,361.4	612,384.3
N-6	R0190	337,917.7	191,942.7	36,846.0	24,074.0	13,611.2	9,333.9	11,013.7					R0190	11,013.7	624,739.1
N-5	R0200	317,734.5	183,519.8	49,826.8	23,034.7	15,271.9	12,800.7						R0200	12,800.7	602,188.5
N-4	R0210	356,361.0	193,585.0	56,133.6	23,006.3	19,517.7							R0210	19,517.7	648,603.6
N-3	R0220	378,426.4	202,705.6	46,571.4	29,381.2								R0220	29,381.2	657,084.5
N-2	R0230	331,848.3	171,370.9	54,869.9									R0230	54,869.9	558,089.1
N-1	R0240	404,905.4	226,738.6										R0240	226,738.6	631,644.0
N	R0250	375,361.8											R0250	375,361.8	375,361.8
Total	R0260												R0260	**780,425.0**	**9,016,284.1**

S.19.01.21. Non-life insurance claims: gross best estimate by accident year

Total non-life business

Accident year

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

		Development year												In current year
		0	1	2	3	4	5	6	7	8	9	10 & +		
in EUR '000		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0160		C0360
Prior	R0100											3,212,902.	R0100	365,546.7
N-9	R0160	-	-	-	121,012.0	76,779.3	72,391.7	39,825.4	39,756.7	35,437.3	27,861.1		R0160	22,851.1
N-8	R0170	-	-	150,282.7	87,881.0	87,539.9	53,811.6	48,987.8	41,104.3	35,675.0			R0170	28,821.7
N-7	R0180	-	230,593.8	150,855.2	136,532.3	100,834.2	91,267.7	75,799.9	64,878.8				R0180	53,262.3
N-6	R0190	408,690.5	173,790.4	144,273.0	87,683.3	85,030.7	69,226.6	70,730.2					R0190	57,863.3
N-5	R0200	325,623.4	193,248.0	132,066.0	105,241.1	86,627.4	73,565.5						R0200	60,274.8
N-4	R0210	382,992.0	178,585.7	136,306.7	112,767.1	88,918.6							R0210	72,870.0
N-3	R0220	367,137.9	173,149.7	120,376.4	94,544.9								R0220	77,423.0
N-2	R0230	346,201.3	207,864.1	179,482.5									R0230	147,128.8
N-1	R0240	399,503.1	232,078.3										R0240	204,511.6
N	R0250	387,933.0											R0250	341,552.5
Total	R0260												R0260	**1,432,105.7**

S.22.01.21. Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
EUR '000						
Technical provisions	R0010	9,858,447.6	-	-	119,701.8	-
Basic own funds	R0020	1,612,559.0	-	-	−116,964.3	-
Eligible own funds to meet Solvency Capital Requirement	R0050	1,612,559.0	-	-	−116,964.3	-
Solvency Capital Requirement	R0090	987,769.2	-	-	9,969.0	-
Eligible own funds to meet Minimum Capital Requirement	R0100	1,233,193.2	-	-	−116,067.0	-
Minimum Capital Requirement	R0110	444,496.1	-	-	4,486.1	-

S.23.01.01. Own funds: basic own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
EUR '000						
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	355,254.0	355,254.0		-	
Share premium account related to ordinary share capital	R0030	132,528.6	132,528.6		-	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	-	-		-	
Subordinated mutual member accounts	R0050	-		-	-	-
Surplus funds	R0070	112,500.0	112,500.0			
Preference shares	R0090	-		-	-	-
Share premium account related to preference shares	R0110	-		-	-	-
Reconciliation reserve	R0130	544,011.3	544,011.3			
Subordinated liabilities	R0140	354,665.7		-	354,665.7	-
An amount equal to the value of net deferred tax assets	R0160	113,599.3				113,599.3
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	-	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	-				
Deductions						
Deductions for participations in financial and credit institutions	R0230	-	-	-	-	
Total basic own funds after deductions	R0290	1,612,559.0	1,144,293.9	-	354,665.7	113,599.3

S.23.01.01. Own funds: ancillary own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
EUR '000						
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	-			-	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	-			-	
Unpaid and uncalled preference shares callable on demand	R0320	-			-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-			-	-
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	-			-	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	-			-	-
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	-			-	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	-			-	-
Other ancillary own funds	R0390	-			-	-
Total ancillary own funds	R0400	-			-	-

S.23.01.01. Own funds: eligible own funds and capital requirements

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
EUR '000						
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	1,612,559.0	1,144,293.9	-	354,665.7	113,599.3
Total available own funds to meet the MCR	R0510	1,498,959.7	1,144,293.9	-	354,665.7	
Total eligible own funds to meet the SCR	R0540	1,612,559.0	1,144,293.9	-	354,665.7	113,599.3
Total eligible own funds to meet the MCR	R0550	1,233,193.2	1,144,293.9	-	88,899.2	
SCR	R0580	987,769.2				
MCR	R0600	444,496.1				
Ratio of Eligible own funds to SCR	R0620	163.3%				
Ratio of Eligible own funds to MCR	R0640	277.4%				

S.23.01.01. Own funds: reconciliation reserve

		C0060
EUR '000		
Reconciliation reserve		
Excess of assets over liabilities	R0700	1,257,893.2
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	-
Other basic own fund items	R0730	713,881.9
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	-
Reconciliation reserve	R0760	544,011.3
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	77,367.3
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	84,762.5
Total Expected profits included in future premiums (EPIFP)	R0790	162,129.8

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

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
EUR '000				
Market risk	R0010	564,361.2		
Counterparty default risk	R0020	76,138.5		
Life underwriting risk	R0030	227,843.8		
Health underwriting risk	R0040	167,908.1		
Non-life underwriting risk	R0050	393,341.0		
Diversification	R0060	−498,239.8		
Intangible asset risk	R0070	-		
Basic Solvency Capital Requirement	R0100	931,352.8		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	87,360.0
Loss-absorbing capacity of technical provisions	R0140	−30,943.6
Loss-absorbing capacity of deferred taxes	R0150	-
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency capital requirement excluding capital add-on	R0200	987,769.2
Capital add-on already set	R0210	-
Solvency capital requirement	R0220	987,769.2
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	-
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	-
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	-
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	-
Diversification effects due to RFF nSCR aggregation for article 304	R0440	-

Approach to tax rate		
		C0109
Approach based on average tax rate	R0590	

S.28.02.01. Minimum Capital Requirement: background information

Background information

		Non-life activities			Life activities
		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
EUR '000					
Medical expense insurance and proportional reinsurance	R0020	3,325.3	-	-	-
Income protection insurance and proportional reinsurance	R0030	9,870.1	32,065.0	-	-
Workers' compensation insurance and proportional reinsurance	R0040	141,002.7	71,662.7	-	-
Motor vehicle liability insurance and proportional reinsurance	R0050	620,835.0	318,514.8	-	-
Other motor insurance and proportional reinsurance	R0060	90,321.1	235,947.2	-	-
Marine, aviation and transport insurance and proportional reinsurance	R0070	91,846.5	102,175.2	-	-
Fire and other damage to property insurance and proportional	R0080	194,745.0	365,750.4	-	-
General liability insurance and proportional reinsurance	R0090	184,051.2	92,490.3	-	-
Credit and suretyship insurance and proportional reinsurance	R0100	-	-	-	-
Legal expenses insurance and proportional reinsurance	R0110	21,924.3	8,714.6	-	-
Assistance and proportional reinsurance	R0120	-	9,928.3	-	-
Miscellaneous financial loss insurance and proportional reinsurance	R0130	−482.5	7,225.0	-	-
Non-proportional health reinsurance	R0140	-	-	-	-
Non-proportional casualty reinsurance	R0150	-	-	-	-
Non-proportional marine, aviation and transport reinsurance	R0160	-	-	-	-
Non-proportional property reinsurance	R0170	-	-	-	-

S.28.02.01. Minimum Capital Requirement: MCR components life

MCR components (life)

		Non-life activities	Life activities
		MCR(L, NL) Result	MCR(L, L) Result
		C0070	C0080
EUR '000			
Linear formula component for life insurance and reinsurance obligations	R0200	8,108.0	258,338.3

S.28.02.01. Minimum Capital Requirement: MCR components non-life

MCR components (non - life)

		Non-life activities	Life activities
		MCR(NL, NL) Result	MCR(NL, L)Result
		C0010	C0020
EUR '000			
Linear formula component for non-life insurance and reinsurance obligations	R0010	237,171.7	-

S.28.02.01. Minimum Capital Requirement: total capital at risk

Total capital at risk for all life (re)insurance obligations

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0090	C0100	C0110	C0120
EUR '000					
Obligations with profit participation - guaranteed benefits	R0210	-		6,632,353.7	
Obligations with profit participation - future discretionary benefits	R0220	-		39,286.4	
Index-linked and unit-linked insurance obligations	R0230	-		628,332.3	
Other life (re)insurance and health (re)insurance obligations	R0240	386,093.5		75,580.8	
Total capital at risk for all life (re)insurance obligations	R0250		-		12,855,072.3

Baloise Belgium nv -Insurance company with code no. 0096 – Baloise Insurance is the trade name of Baloise Belgium nv.

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