2021

Annual Report KBC Group Re

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Company Profile

Incorporated on 20 March 1989
Share capital: 41.692.987,12 EUR
Address: 4 rue du Fort Wallis – L-2714 Luxembourg
Tel: 00 352 29 99 92 1
E-mail: contact@kbcgroupre.lu

Shareholder

Wholly owned by KBC Insurance NV*

IFS rating

KBC Group Re S.A. has an "A" (stable outlook) rating Standard & Poor's (24/06/2021)

Board of Directors

Chairman: Jan Van Hove (from 10 May 2021)

Members: Johan Daemen
Nele Vandaele
Ivo Bauwens

Day-to-day management:

Ivo Bauwens

External auditors

PricewaterhouseCoopers
2 rue Gerhard Mercator
L-1014 Luxembourg

** Wholly owned subsidiary of KBC Group NV*

Message from the Chairman

2021 has been a difficult year for the European insurance industry and especially for its clients. The flooding from storm Bernd in Europe in July was the costliest natural disaster on record in the region. However, even that was surpassed by the tragic cost in lives and property lost and the emotional aftermath of the disaster. The risk from flooding continues to rise and climate change can only worsen this situation. To tackle this challenge, the different players in the private sector and all the public authorities concerned must start working together more closely.

Obviously, the flood-related losses in Belgium impacted KBC Group Re, as did the tornado in the Czech Republic. Nevertheless, a positive technical result was ultimately achieved and a fairly high financial result was recorded for the past financial year, too. However, the scale of the losses led to reinsurance programmes being affected, as was the case for many other groups in Europe. This made the renewal of the property retrocession contracts for 2022 quite challenging from a pricing perspective. At the same time, the financial lines market remained a difficult one. Furthermore, diminished capacity and less extensive cover for cyber exposure were experienced. I would like to take this opportunity to thank all the relevant parties for their support here, under what have been quite difficult circumstances.

2021 was also the year in which the huge IFRS 17 project started some years previously took more concrete shape through the approval of the target operation model and the planning of dry and parallel runs. Needless to say this fundamental change of accounting, actuarial and reporting practices has heavily impacted the support systems and processes, has been and continues to be resource intensive. I am very happy and proud that, despite its size, KBC Group Re has handled this situation exceptionally well indeed.

When looking to the future, one can observe that the current year has got off to what can only be described as a difficult and unpredictable start. We are witnessing with astonishment what is happening in Ukraine and feel deep compassion for all those directly and indirectly affected by the tragedy that is unfolding as a result of the Russian invasion. We hope that reason and good sense will prevail and that a diplomatic solution emerges.

Climate change, inflation, keeping up with regulations and technology, as well as employee engagement, will demand our continued attention in 2022 and beyond.
Sound management of the fundamentals of our profession and the crucial role played by our staff and their teamwork will help alleviate those challenges. In closing, I wish to extend my sincere gratitude to each and every KBC Group Re employee for their untiring efforts. Their endeavours to come up with the right answers each day is truly appreciated.

Jan Van Hove, *Chairman*

Report of the Board of Directors

REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS

For the period starting from 1 January 2021 to 31 December 2021

Ladies, Gentlemen,

1. We are pleased to report to you on the activities of our Company during the past financial year. In accordance with the law and our articles of association, we hereby submit the annual accounts for the year ended 31 December 2021 for your approval.

   Our Company recorded a profit after tax of 28.385.743 EUR.

   Total assets amounted to 520,92 million EUR in 2021, compared with 494,43 million EUR in 2020.

2. **Non-life technical account**
   Gross written premiums amounted to 51,70 million EUR compared to 43,38 million EUR recorded in 2020. Earned premiums net of retrocession reached 27,88 million EUR (25,26 million EUR in 2020).

   The combined ratio is at 81,7% on 31st December 2021 compared to 57,7% on 31 st December 2020.

3. **Non-technical account**
   Financially, the year ended with a positive net financial result of 32,95 million EUR compared to 6,40 million EUR in 2020.

4. At year-end 2021 the Company had a rating of "A "(stable outlook) from Standard & Poor's. Our strategy, with support from KBC Group, aims at an "A"-rating.

5. **Risks and uncertainties facing the Company**
   The Company is primarily exposed to underwriting, market, counterparty and operational risks. We have established an adequate governance structure with regard to Company size and to the complexity of its business in order to identify, measure and report these risks.

   The underwriting risks comprise pricing, reserve and disaster risks. The risks are limited by the implementation and control of exposure limits and through use of an adapted retrocession programme.
   The technical reserves are valued on the basis of information provided by the ceding companies, reworked by the claims manager and supplemented by actuarial methods in order to value the IBN(E)R claims.

   Market risks include primarily interest rate and equity risks. They are limited by an ALM policy in line with the Company's reinsurance activities.

   Counterparty risks include credit risks in the Company's bond portfolio and credit risks on retrocession. A sound investment policy, defining the limits by issuer and rating types, and concentration limits, has been put in place to reduce risk in the investment portfolio. A retrocession policy deciding retrocession limits according to counterparties' own funds and rating is also pursued.

   Operational risks are managed in line with KBC Group requirements, and a 'Business Continuity plan' is in place.

6. No events or other decisions which could influence the continuation of the Company's business have occurred since the closure of financial year 2021.
   In the context of the "Covid-19" pandemic, since the first half of 2020, Management has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing and working from home) and securing the execution of our daily operations.

Report of the Board of Directors

We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people. Although the effects are uncertain, Management has not identified a major risk of non-going concern at the date of closing of these annual accounts.
From 16 to 21 February 2022 three subsequent important storms impacted North-Western Europe and these will generate an important claim for KBC Group Re S.A. and its reinsurers. Despite the uncertainty on figures the net impact for KBC Group Re S.A. is expected to remain manageable.

On 24 February 2022 Russia has begun an attack on Ukraine. The Russia/Ukraine conflict will probably exert downward pressure on our results in 2022. KBC Group Re S.A. has only limited exposure to Russia as such but there are the macroeconomic impact and spillover effects. It is impossible at this stage to make a reliable estimate of such consequences. We are of course closely monitoring the situation.

7. The Company's strategy as a systematic internal reinsurer for the Group and as an exclusive potential partner for any of the Group's files with an external insurer or reinsurer is pursued and is subject to continuous improvement.

8. Activities in research and development, as provided for by law, were not entered into by the Company.

9. The Company has no branch office.

10. In accordance with its investment policy, the Company did not use derivative products.

11. The Company did not purchase and does not detain any of its own shares.

12. The Company is included in the consolidated accounts drawn up by the KBC Group.

13. The Board of Directors proposes that:

- the statutory annual accounts, as presented here, to be approved,
- the result to be allocated as follows:

Result for the financial year	28.385.743
Kredietcorp - release of the unavailable reserve NWT 2017	548.975
KBC Group Re - release of the unavailable reserve NWT 2017	4.198.316
Five-year reserve NWT 2022	(254.075)
Dividend to pay	32.878.959

- discharge to be granted to the directors for the exercise of their mandate during the period between 1 January 2021 and 31 December 2021;
- the external auditor to be appointed: complying with the proposal by KBC Group to renew the appointment of a single auditor for most members of the Group, it is proposed that the mandate of PricewaterhouseCoopers be renewed as our Company's auditor for one year.

Luxembourg, 22 March 2022.

The Board of Directors

Jan VAN HOVE, *Chairman*
Ivo BAUWENS, *Managing Director*
Nele VANDAELE, *Director*
Johan DAEMEN, *Director*

Audit report

To the Shareholders of
KBC Group Re S.A.

Report on the audit of the annual accounts

Our opinion

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of KBC Group Re S.A. (the "Company") as at 31 December 2021, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Our opinion is consistent with our additional report to the Audit Committee or equivalent.

What we have audited

The Company's annual accounts comprise:

- the balance sheet as at 31 December 2021;
- the profit and loss account for the year then ended; and
- the notes to the annual accounts, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the annual accounts" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of the EU Regulation No 537/2014.

PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg
T: +352 494848 1, F: +352 494848 2900, www.pwc.lu

Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n° 10028256)
R.C.S. Luxembourg B 65 477 - TVA LU25482518

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period.

These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter
Valuation of Claims Reserve

The claims reserve (80.1 million EUR as at 31 December 2021) consists of the provision for claims outstanding and the Incurred But Not Reported provision (hereinafter "IBNR provision") which has been calculated based on estimates made by the Company (see Note 2 to the annual accounts). This IBNR provision is, by nature, the result of estimates.

These estimates are influenced by the calculation methodology and the various underlying assumptions used, which could therefore generate a risk of over or under estimation of this provision.

Furthermore, the calculation of the IBNR provision requires the use of exact and exhaustive source data.

How our audit addressed the key audit matter

Together with our actuarial experts, we first obtained an understanding of all Company's processes to determine the IBNR provision.

We have then complemented our procedures as follows:

- Our actuaries have assessed whether, the methodology, the methods and assumptions used by the Company to estimate the IBNR reserve are appropriate by using their experience and knowledge of the industry and comparing them to recognised actuarial techniques;

- Our actuaries also performed an independent recomputation of the IBNR reserve to ensure that the estimate is reasonable;

- Finally, we ensured the completeness and accuracy of the data used by the Company's actuaries to estimate the IBNR provision through a reconciliation with the accounting records.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the Report of the Directors but does not include the annual accounts and our audit report thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

- conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

The Report of the Directors is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We have been appointed as "Réviseur d'Entreprises Agréé" by the General Meeting of the Shareholders on 10 May 2021 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 6 years.

PricewaterhouseCoopers, Société coopérative
Represented by
Anthony Dault

Luxembourg, 4 April 2022

Balance sheet as at December 31, 2021 (expressed in Euro)

ASSETS	2021	2020
Intangible assets (Note 3)	153.165	213.794
Investments		
Other financial investments		
Shares and other variable yield transferable securities (Note 4)	87.914.972	91.845.673
Debt securities and other fixed income transferable securities (Note 5)	299.545.762	307.426.496
	387.460.734	399.272.169
Deposits with ceding undertakings (Note 6)	33.909.424	33.342.773
	421.370.158	432.614.942
Reinsurer's share of technical provisions		
Claims outstanding	22.490.148	7.399.085
Debtors		
Debtors arising out of reinsurance operations (Note 7)	4.876.135	6.113.378
Other debtors (Note 8)	34.934.739	27.465.773
	39.810.874	33.579.151
Other assets		
Tangible assets and stocks (Note 9)	96.647	147.112
Cash at bank and in hand	33.513.158	15.968.425
	33.609.805	16.115.537
Prepayments and accrued income		
Accrued interest and rent	3.484.295	4.507.122
TOTAL ASSETS	520.918.445	494.429.631

The accompanying notes form an integral part of the annual accounts

Balance sheet as at December 31, 2021 (expressed in Euro)

LIABILITIES	**2021**	**2020**
Capital and reserves (Note 11)		
Subscribed capital or equivalent funds (Note 10)	41.692.987	41.692.987
Reserves		
Legal reserve (Note 11)	4.169.299	4.169.299
Other reserves	9.981.099	12.955.087
Profit or loss for the financial year	28.385.743	26.536.326
	84.229.128	85.353.699
Technical provisions		
Claims outstanding	80.095.470	63.341.083
Equalisation provision (Note 2 l.)	334.687.243	325.688.839
	414.782.713	389.029.922
Provisions for other risks and charges		
Provisions for taxation (Note 17)	12.845.132	11.875.318
Deposits received from reinsurers	3.151.954	3.547.824
Creditors		
Creditors arising out of reinsurance operations (Note 12)	1.366.323	99.635
Other creditors, including tax and social security (Note 8)	4.098.881	4.073.382
	5.465.204	4.173.017
Accruals and deferred income	444.314	449.851
TOTAL LIABILITIES	**520.918.445**	**494.429.631**

The accompanying notes form an integral part of the annual accounts

Profit and Loss account

For the financial year ended 31 December 2021 (expressed in Euro)

	2021	2020
Technical account - Non-life insurance business		
Earned premiums		
Gross premiums written (Note 13)	51.694.062	43.379.494
Outward reinsurance premiums	(23.809.392)	(18.120.462)
	27.884.670	25.259.032
Allocated investment income transferred from the non-technical account	3.890.299	–
Other technical income, net of reinsurance	22.003	51.548
Claims incurred, net of reinsurance		
Claims paid		
Gross amount	(22.971.057)	(11.656.691)
Reinsurers' share	5.281.982	2.620.124
Change in the provision for claims		
Gross amount	(16.754.387)	(2.210.283)
Reinsurers' share	15.091.063	560.344
	(19.352.399)	(10.686.506)
Net operating expenses		
Acquisition costs	(1.392.303)	(1.929.389)
Administrative expenses (Note 15, 16 & 18)	(2.069.251)	(1.978.963)
Reinsurance commissions and profit participations	37.124	26.993
	(3.424.430)	(3.881.359)
Other technical charges, net of reinsurance	(21.739)	(12.766)
Change in the equalisation provision	(8.998.404)	10.871.133
Balance on the technical account for non-life insurance business	**0**	**21.601.082**

The accompanying notes form an integral part of the annual accounts

Profit and Loss account

For the financial year ended 31 December 2021 (expressed in Euro)

	2021	2020
Non-technical account		
Balance on the technical account for non-life insurance business	0	21.601.082
Investment income		
Income from participating interests	0	298
Income from other investments (Note 14)	13.237.922	12.598.900
Reversal of value re-adjustments on investments (Note 2 c. à f.)	9.472.743	326.394
Gains on the realisation of investments	18.556.318	6.821.962
	41.266.983	19.747.554
Investment charges		
Investment management charges, including interests	(4.719.640)	(4.190.883)
Value adjustments on investments	(584.057)	(9.145.664)
Losses on the realisations of investments	(3.009.033)	(9.937)
	(8.312.730)	(13.346.484)
Allocated investment return transferred to the non-life insurance technical account	(3.890.299)	–
Other income	555.295	280.722
Other charges, including value adjustments	(117.461)	(102.611)
Tax on profit or loss on ordinary activities (Note 17)	(964.999)	(1.434.553)
Profit or loss on ordinary activities after tax	28.536.789	26.745.710
Other taxes not shown under the preceding items (Note 17)	(151.046)	(209.384)
Profit or loss for the financial year	**28.385.743**	**26.536.326**

The accompanying notes form an integral part of the annual accounts

Notes to the annual accounts

NOTE 1 - GENERAL

KBC Group Re S.A. (formerly Assurisk) ("the Company"), a reinsurance Company, was incorporated on 20 March 1989 and is registered as a "Société Anonyme" under the laws of the Grand-Duchy of Luxembourg.

On 24 March 2011, the General Assembly has decided to change the name of the Company Assurisk in KBC Group Re S.A.

The main object of the Company is to carry out reinsurance operations in all classes of risks.

On 11 December 2018, KBC Group Re S.A. (the acquiring Company) has merged with Kredietcorp S.A. (absorbed Company), a public limited liability Company, existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 4, rue du Fort Wallis, L-2714 Luxembourg, registered in the Luxembourg Trade and Companies Register under number B14.223. The merger resulted in the transfer by the absorbed Company of all its assets and liabilities to the acquiring Company at book values, in accordance with the accounting and tax rules on valuations, and pursuant to Article 170 (2) of the amended Income Tax Act of 4 December 1967, so that the absorbed Company was dissolved without liquidation after the merger had been completed.

The Company's accounting year begins on January 1 and ends on December 31 each year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General principles
The annual accounts are prepared in accordance with the legal requirements in force and the accounting principles generally accepted for reinsurance companies in the Grand-Duchy of Luxembourg.

Accounting policies and valuation rules are, besides the ones laid down by the law of 8 December 1994, determined and applied by the Board of Directors. The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which assumptions changed.

Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly. The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the context of the "Covid-19" pandemic, Management has paid particular attention to the possible impacts linked to the health crisis on certain significant elements of its balance sheet and its income statement, and more particularly to aspects of valuation and recoverability of investments and receivables, but also to the estimation of technical provisions. Based on its monitoring and the controls and analysis put in place, Management has not identified any major impacts on the annual accounts requiring additional mention in the annual accounts.

The annual accounts of KBC Group Re S.A. are integrated in the consolidated accounts of KBC Insurance N.V., Professor Van Overstraetenplein 2, B-3000 Leuven, in Belgium. Consolidated accounts may be obtained from this Company.

These consolidated accounts are further integrated in the consolidated accounts of KBC Group, Havenlaan 2, Bruxelles, in Belgium. Consolidated accounts may be obtained from this Company.

The Company is exempt from establishing consolidated accounts and a consolidated management report.

a. Foreign currency translation
The Company maintains its accounting records according to the multi-currency system and its annual accounts are expressed in EUR.

Transactions expressed in foreign currencies are converted to EUR at the rates of exchange prevailing at the date of the transaction.

At the balance sheet date, assets and liabilities in foreign currencies, including technical provisions, are calculated in EUR on the basis of exchange rates in force at that date.

The exchange differences (realized and unrealized) resulting from the application of these principles are included in the result for the financial year.

b. Intangible assets
Intangible assets which are composed of software licenses and computer software are valued on the asset side of the balance sheet at acquisition cost.

These assets are depreciated on a straight-line basis over their estimated useful lives as follows:

- Software 5 years
- License 4 years

c. Shares in affiliated undertakings and participating interests
Shares in affiliated undertakings are valued at acquisition cost. Where the impairment is expected to be permanent in nature, the shares in affiliated undertakings are subjected to value adjustments in order to be valued at the lower price at the balance sheet date. These value adjustments are no longer continued when the reasons for which they were made cease to apply.

d. Debt securities and other fixed-income securities
Debt securities and other fixed income securities are recorded at acquisition cost including accessory transaction costs. Where the acquisition cost exceeds the amount repayable at maturity, the difference (premium) is charged to the profit and loss account in installments over the period remaining until repayment. Where the acquisition cost is lower than the amounts repayable at maturity, the difference (discount) is released to income in installments over the period remaining until repayment.

Where the directors expect impairment in value to be permanent in nature, these investments are subjected to value adjustments in order to be valued at the lower price at the balance sheet date. These value adjustments should no longer continue when the reasons for which they were made cease to apply.

e. Shares and other variable-yield securities and units in unit trusts
Shares and other variable-yield securities and units in unit trusts are recorded at their acquisition date, at cost.

At the end of the financial year, shares and other variable-yield securities and units in unit trusts are valued at the lower of acquisition cost or market value.

Dividends are booked net of any withholding taxes and are registered at the date of the decision to distribute them. Dividends are booked in the profit and loss account.

f. Units in private equity funds
In order to determine the estimated value of units in private equity funds, the Board of directors relies on the capital statements of the funds and/or on other available information or documents. In case of absence of valuation, the latest valuation is retained.

At the end of the financial year, value adjustments are made for any investment whose estimated value is lower than the acquisition cost. These value adjustments should no longer continue when the reasons for which they were made cease to apply.

The acquisition cost of the investment increases in case of new paid-up capital and decreases in case of distribution, whether it is a reimbursement of capital or any other type of distribution.

g. Debtors
Debtors are shown at their nominal value. Value adjustments are made should their full or partial recovery come into doubt.

h. Tangible assets
Tangible assets are valued at their acquisition cost. Depreciations are calculated based on their estimated useful lives.

i. Provision for unearned premiums
The provision for unearned premiums comprises the amount representing that part of gross premiums written which is to be allocated to the following financial year or subsequent financial years. It is computed separately for each reinsurance contract based on the information received from the ceding companies.

j. Provision for claims outstanding
The provision for claims is established on the basis of reports and individual estimates received from the ceding companies and includes the provision for late losses as well as the provision for future claims handling expenses.

At the end of each subsequent financial year, the provision is adjusted as a result of acquired experience and information available. The amount relating to reinsurance, if any, is shown separately under assets.

The estimate of claims incurred but not reported ('IBNR') is generally subject to a greater degree of uncertainty than the estimate of the cost of settling claims already notified to the Company, where more information about a claim event is generally available. Some claims tend to be reported to the reinsurer after a couple or more years after the event has incurred. In calculating the IBNR, the Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience.

k. Provisions for other risks and charges
Provisions for other risks and charges are included in order to cover losses or debts whose nature is clearly defined and are, at the balance sheet date, either likely or certain to be incurred but amounts or timing are indeterminable.

l. Equalisation provision
In accordance with the rules applicable for reinsurance companies in Luxembourg an equalisation provision must be established by the Company. Based on the grand ducal regulation of 5 December 2007 and other applicable legislation, the annual allocation to this provision equals the sum of the technical results and a share of the financial result until the provision reaches a ceiling. This ceiling is determined by applying to the net reinsurance premiums as determined according to the said regulation a factor fixed by the "Commissariat aux Assurances" for each type of risk.

... Notes to the annual accounts

NOTE 3 - INTANGIBLE ASSETS

	2021 EUR	2020 EUR
Gross Book Value Beginning of the year	293.288	141.867
Additions during the year	–	151.421
Disposals during the year	–	–
Gross Book Value End of the year	**293.288**	**293.288**
Accumulated depreciation beginning of the year	(79.494)	(40.472)
Depreciation during the year	(60.629)	(39.022)
Disposals during the year	–	–
Accumulated depreciation of the year	(140.123)	(79.494)
Net Book Value end of the year	**153.165**	**213.794**

NOTE 4 - SHARES AND OTHER VARIABLE YIELD SECURITIES

	2021 EUR	2020 EUR
Acquisition cost	93.028.849	105.848.236
Cumulated value adjustments	(5.113.877)	(14.002.563)
Net book value	**87.914.972**	**91.845.673**
Of which private equity	*439.452*	*442.905*
Current value	**104.803.092**	**108.059.751**
Of which private equity	*3.860.870*	*4.163.621*

NOTE 5 - DEBT SECURITIES AND OTHER FIXED INCOME SECURITIES

	2021 EUR	2020 EUR
Acquisition cost	308.964.010	317.937.420
Accumulated value adjustments/premiums/discounts/Amortisation	(9.418.248)	(10.510.924)
Net book value	**299.545.762**	**307.426.496**
Current value	**311.501.185**	**327.994.307**

During the year 2021, discounts recorded as income in the profit and loss account, amounted to EUR 95.242 (2020: EUR 86.675). The premiums booked as cost in the profit and loss amounted to EUR 2.214.208 (2020: EUR 2.462.002).
As at 31 December 2021, unamortized premiums amounted to EUR 7.588.437 (2020: EUR 8.954.528) and unamortized discount amounted to EUR 519.675 (2020: EUR 425.032).

The book value of some debt securities and other fixed income securities is greater (see table below) than their fair value. The book values have not been depreciated, as the impairment in value is not expected to become permanent.

	2021 EUR	2020 EUR
Net book value	53.673.965	4.138.409
Fair value	53.137.167	4.021.820

NOTE 6 - DEPOSITS WITH CEDING COMPANIES' UNDERTAKINGS

These deposits relate to technical deposits with ceding companies.

	2021 EUR	2020 EUR
Net book value	33.909.424	33.342.773
Current value	33.909.424	33.342.773

As at 31 December 2021, the deposits with ceding companies that are affiliated undertakings amounted to EUR 24.175.417 (2020: EUR 23.069.694).

NOTE 7 - DEBTORS ARISING OUT OF REINSURANCE OPERATIONS

As at 31 December 2021 debtors arising out of reinsurance operations owed by affiliated undertakings amounted to EUR 2.444.846 (2020: EUR 1.065.959).

NOTE 8 - OTHER RECEIVABLES AND OTHER CREDITORS, INCLUDING TAX AND SOCIAL SECURITY LIABILITIES

As at 31 December 2021, other receivables mainly included tax advances paid to the tax authorities by KBC Group Re S.A. in respect of the tax consolidation (EUR 28.783.616 - 2020: EUR 21.427.616), tax receivables from other entities of the Group that are part of the tax consolidation headed by KBC Group Re S.A. (EUR 1.556.402 - 2020: same amount) and tax receivables from the tax authorities (EUR 4.318.350 - 2020: same amount)).

Other liabilities include EUR 4.022.202 (2020: same amount) of tax provisions to the tax authorities and to other companies in the Group that are part of the tax consolidation Group.

... Notes to the annual accounts

NOTE 9 - TANGIBLE ASSETS

	2021 EUR	2020 EUR
Gross Book Value Beginning of the year	315.224	304.615
Additions during the year	6.366	10.609
Disposals during the year	–	–
Gross Book Value End of the year	**321.590**	**315.224**
Accumulated depreciation beginning of the year	(168.112)	(104.523)
Depreciation during the year	(56.831)	(63.589)
Disposals during the year	–	–
Accumulated depreciation of the year	(224.943)	(168.112)
Net Book Value end of the year	**96.647**	**147.112**

NOTE 10 - CAPITAL AND RESERVES

As at 31 December 2021, the share capital amounted to EUR 41.692.987 represented by 544 shares with no nominal value.

	Subscribed capital	Legal reserve	Other reserves	Dividend	Result of the year
In EUR					
As at 31.12.2020	41.692.987	4.169.299	12.955.087	–	26.536.326
Allocation of 2020 result	–	–	607.525	25.928.801	(26.536.326)
Kredietcorp - release of the reserve NWT 2016			(749.550)	749.550	
KBC Group RE - release of the reserve NWT 2016			(2.820.250)	2.820.250	
Kredietcorp merger – fair value reserves			(11.713)		
2021 result	–	–	–	–	28.385.743
As at 31.12.2021	41.692.987	4.169.299	9.981.099	29.498.601	28.385.743

The allocation of the 2020 result was made after approval of the accounts by the shareholders at the Annual General Meeting on 10 May 2021.

The fair value reserves correspond to the reserve set up by Kredietcorp S.A. pursuant to article 54 LIR in order to neutralize the realized gain on certain securities. During the financial year 2021, this gain was reversed in the amount of EUR 11.713. As at December 31, 2021, the residual gain amounted to EUR 210.302.

NOTE 11 - LEGAL RESERVE

5 % of the annual profit of companies incorporated under Luxembourg law must be allocated to the legal reserve. That allocation ceases to be necessary when the legal reserve reaches 10 % of the share capital.

The legal reserve cannot be distributed as dividend or in any other form of payment to the shareholders during the life of the Company. Allocation to the legal reserve is decided by the shareholders during their annual general meeting approving the annual accounts.

NOTE 12 - CREDITORS ARISING OUT OF REINSURANCE OPERATIONS

As at 31 December 2021, creditors arising out of reinsurance operations owed to affiliated undertakings amount to EUR 0 (2020: EUR 0).

NOTE 13 - GROSS PREMIUMS WRITTEN

Gross premiums are broken down as follows:

	2021 EUR	2020 EUR
Non-life insurance	51.694.062	43.379.494

NOTE 14 - INCOME FROM OTHER INVESTMENTS

Income from other investments is distributed as follows:

	2021 EUR	2020 EUR
Income from debt securities issued by affiliated undertakings	0	0
Income from deposits and current accounts held by affiliated credit institutions	0	0
Income from other investments	13.237.922	12.598.900
	13.237.922	**12.598.900**

NOTE 15 - STAFF COSTS

The average number of persons employed during the financial year 2021 amounted to 9,85 (in full time equivalent) (2020: 8,95 persons), represented as follows:

- Directors: 1 FTE
- Managers: 0 FTE
- Employees: 8,85 FTE

Staff costs relating to the financial year are composed as follows:

	2021 EUR	2020 EUR
Salaries	980.521	849.063
Social security costs	171.350	159.092
of which: pensions	74.532	65.337

Staff costs are included in the caption “administrative expenses”.

NOTE 16 - REMUNERATION GRANTED TO MEMBERS OF SUPERVISORY BODIES AND COMMITMENTS ENTERED INTO IN RESPECT OF RETIREMENT PENSIONS FOR FORMER MEMBERS OF THOSE BODIES

The Company did not grant any remuneration to members of supervisory bodies for the services rendered during the year 2021 and in 2020. The Company has no commitments in respect of retirement pensions for former members of those bodies as at 31 December 2021.

NOTE 17 - TAXES

The Company is subject to taxes on income and on wealth in force in the Grand Duchy of Luxembourg.
Taxes on income are recognized under “Tax on profit or loss on ordinary activities” in the profit and loss account. Taxes on wealth (NWT) are included in “Other taxes not shown under the preceding items” in the profit and loss account.

Since 28 December 2018, KBC Group Re S.A. has been granted the tax consolidation regime as a head Company as from the 2018 tax year. The integrated companies are: KBC Lease Luxembourg S.A. and KBC Ifima S.A.. Since December 2020, KBC Real Estate S.A. has joined the fiscal consolidation.

NOTE 18 - AUDITOR'S FEES

The total fees expensed by the Company and due for the current financial period to the audit firm are presented as follows:

	2021 EUR	2020 EUR
Legal audit of the annual accounts, Group Reporting and regulatory report	43.586	26.323
Other audit-related fees	–	–
Tax related fees	–	–
Other fees	–	–

NOTE 19 - OFF BALANCE SHEET COMMITMENTS

As at 31 December 2021, commitments representing the remaining capital to be paid for the private equity funds amounted to EUR 3.599.584 (2020: EUR 3.599.321).

NOTE 20 - SUBSEQUENT EVENTS

There were no significant events between 31 December 2021 and the date of the closing of the accounts.