Octium Assurance AG, Vaduz

Solvency and Financial Condition Report ("SFCR")

For the financial year ended 31 December 2021

Abbreviations

AA	Appointed Actuary
AC	Audit Committee
AF	Actuarial Function
AMSB	Administration, Management or Supervisory Board
BoD	Board of Directors
BoP	Beginning of Period
BRC	Board Risk Committee, or just Risk Committee
CRO	Chief Risk Office(r)
CSG	Credit Suisse Group AG
CSLP	Credit Suisse Life & Pensions AG, Vaduz
CSLPIB	Credit Suisse Life & Pensions AG (Italian Branch), Milano
EC	Eligible Capital
EM	Executive Management
EoP	End of Period
FMA	Financial Market Authority Liechtenstein
FLDS	First Line of Defence Support (formerly BRM)
GAAP	Generally Accepted Accounting Rules
IR	Interest Rate
LACDT	Loss absorbing capacity of deferred taxes
LGD	Loss Given Default
MCR	Minimum Capital Requirement
Octium	Octium Assurance AG
OF	Own Funds
ORSA	Own Risk and Solvency Assessment
PVFP	Present Value Future Profits
q-o-q	quarter-on-quarter
RAF	Risk Appetite Framework
RMM	Risk Management Manual
RSR	Regular Supervisory Report
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SH EQ	Shareholder Equity
VersAG	Versicherungsaufsichtsgesetz
VersAV	Versicherungsaufsichtsverordnung
y-o-y	year-on-year

Conventions

Dec-21	as per month end December 2021
Dec21	during the month December 2021
4Q21	as per quarter end Q4 2021
YE21	as per year end 2021
m	millions

Table of Contents

Executive Summary

This Solvency and Financial Condition Report (SFCR) has been prepared to satisfy the public disclosure requirements in accordance with and pursuant to the national Liechtenstein Insurance Supervision Act (Versicherungsaufsichtsgesetz, "VersAG") and Liechtenstein Insurance Supervision Ordinance (Versicherungsaufsichtsverordnung, "VersAV"), the Solvency II Directive 2009/138/EC, the Commission Delegated Regulation (EU) 2015/35 and the EIOPA Guidelines on Reporting and Public Disclosure EIOPA-BoS- 15/109 EN. The structure of this report follows the Annex XX of the Delegated Regulation and covers the financial year 2021. The main chapters relate to business and performance, system of governance, risk profile, solvency valuation and capital management. Moreover, there is an appendix which holds the quantitative reporting templates of the SFCR. Following approval by the Board of Directors the SFCR is published on the website of Octium Group, https://www.octiumgroup.com.

Octium Assurance AG ("Octium" or the "Company") – former Credit Suisse Life & Pensions Aktiengesellschaft – is a life insurance company incorporated in Liechtenstein and regulated by the Financial Market Authority of Liechtenstein. The Company was first authorised to write life insurance business in 2001 and holds licences for class III (Unit Linked). Octium writes unit linked policies on a cross border basis under the EU freedom of services legislation, and through its Italian Branch under the EU freedom of establishment legislation in Italy.

In 2021 Credit Suisse AG, Zurich, the former shareholder of the Company, decided to sell Credit Suisse Life & Pensions Aktiengesellschaft and therefore initiated a sales process. For that purpose, a sales purchase agreement was signed in July 2021, which was subject to approval by the Financial Market Authority in Liechtenstein. Following this approval, the sales transactions was fully completed as at 31 December 2021 with the sale of Credit Suisse Life & Pensions Aktiengesellschaft to Octium Holding S.A, Luxembourg. Moreover, the name of the Company was changed to Octium Assurance AG.

Octium offers single premium unit linked life insurance products to High Net Worth ("HNW") individuals, whereby Clients have the flexibility to select from a broad range of investment options.

The Company operates cross border into EU under the third life directive's freedom to provide services regime and in Italy under the directive's freedom of establishment. Octium distributes its products directly or through banks. All products are offered subject to the local regulatory and tax requirements and in local language. The key markets for the Company are Italy and Germany.

The Company has had no material changes over the period to its business, performance, systems of governance, risk profile or valuation for solvency purposes. The Company maintains a strong solvency position with a ratio of available assets to solvency requirement of 203% as of 31 December 2021. Below is a summary of the business profile, key changes and events in 2021.

Business and performance

In 2021 the COVID-19 pandemic continued to impact significantly the way how Octium was performing its business and led to a higher level of new business volume of CHF 363m – compared to previous year of CHF 159m – but also to a higher level of claims with CHF 308m of full and partial surrenders and CHF 249m of death and maturity claims - compared to last year with CHF 247m and CHF 166m, respectively. Despite these effects the level of fee income in original currency remained also in 2021 fairly stable. Nevertheless, one-off effects like additional costs for remediation activities and FX effects explain why the profit for 2021 decreased to CHF 1.9m compared to last year's profit of CHF 7.5m.

System of governance

Octium's Board of Directors ("BoD") has responsibility for compliance with the regulatory requirements and the governance arrangements. The Company and its BoD have maintained effective governance and controls to manage business activities and risks. The Company continued in 2021 to strengthen its governance and procedures. Going forward internal guidelines will be reviewed in order to align them within Octium Group.

Risk profile

Octium is exposed to risks outlined in section C below. The most significant risks are market (equity risk and FX risk) and lapse risk. Octium has established a robust risk management to monitor and manage these risks. Mortality risk is largely reinsured and risk results within the retention have been positive and stable over the years. Although the above mentioned significant risks may have an impact on future profitability, they do not have a significant impact on our ability to meet payments to clients. Policyholder investments are managed on a unit-linked basis where we ensure we are always able to meet policyholder withdrawal requests. The low risk nature of our business means that our solvency coverage ratio remains resilient to changes in the business. There have been no material changes in Octium's risk exposures during the year.

Valuation for solvency purposes

Octium continues to manage its balance sheet prudently to ensure its solvency is maintained adequately throughout the business cycle. The Company holds sufficient assets to match its policyholder liabilities at all times. Octium is also required to keep a buffer in excess of policyholder liabilities to cover potential losses arising from business risks. The BoD ensures that Octium's capital is adequate to cover the expected requirements in the short to medium term.

Capital management

Octium's capital requirements are assessed by its Appointed Actuary ("AA"). The solvency coverage ratio as of 31 December 2021 was 203% by already considering a foreseeable dividend of CHF 1.9m (2020: 235%). The solvency coverage ratio indicates the amount of capital relative to regulatory requirements and has remained strong year-on-year, even if the Company paid out a dividend in the amount of CHF 7.5m in 2021.

Other information

This report has been prepared in accordance with the requirements of the Solvency II Directive as of 31 December 2021. Octium's financial year runs to 31 December each year and it reports its results in CHF. Octium's financial statements are prepared on the basis of the principles of the Liechtenstein Persons and Companies Act (PGR) and the Law of 6 December 1995 on the supervision of insurance companies (Insurance Supervision Act; VersAG) and the associated ordinance (Insurance Supervision Ordinance; VersAV) in the currently valid versions.

A. Business and Performance

A.1 Business

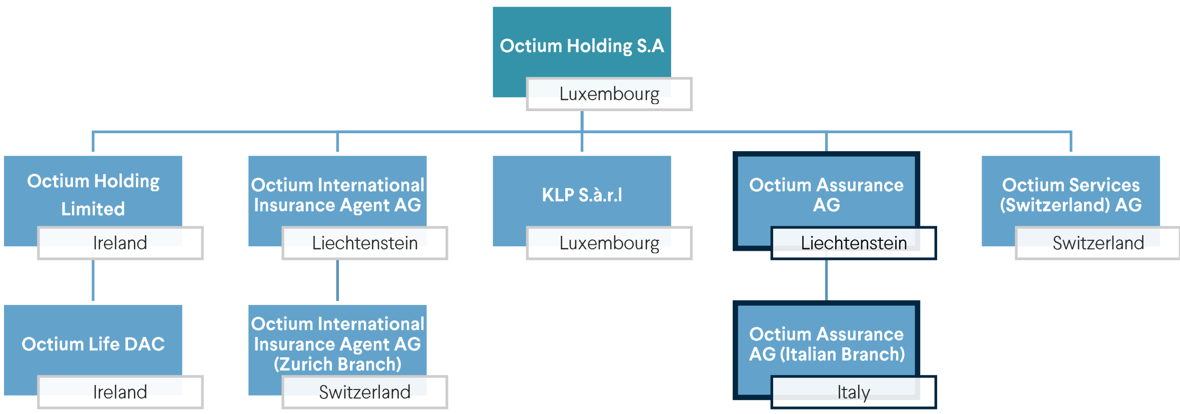
A.1.1 Company Information

Octium Assurance AG, Vaduz, is an unquoted, limited company, located in Vaduz, Liechtenstein (Fürstentum Liechtenstein). Under the regime of freedom of establishment Octium operates a branch, Octium Assurance AG (Italian Branch), abbreviated here and in the following as "Octium IB", domiciled in Milan, Italy.

National supervisory authority	"Finanzmarktaufsicht Liechtenstein" (FMA)	Landstrasse 109 Postfach 279 9490 Vaduz LIECHTENSTEIN
Auditors	PricewaterhouseCoopers AG	PricewaterhouseCoopers AG Birchstrasse 160 8050 Zürich SWITZERLAND
Supervisory authority of shareholder Credit Suisse Group	Swiss Financial Market Supervisory Authority FINMA	Eidgenössische Finanzmarktaufsicht FINMA Laupenstrasse 27 3003 Bern SWITZERLAND

A.1.2 Shareholdings

Octium Holding S.A., Luxemburg, ("Octium Group") is the Company's sole shareholder. Octium Group is an independent international insurance group specializing in the design, structuring and distribution of unit-linked life insurance products. Octium Group has policyholder assets worth approximately EUR 10 billion and operates in global markets with a unique offering of unit-linked insurance products for wealth and succession planning. With Headquarters in Luxembourg, the Group operates the insurance companies Octium Life DAC, Dublin, and Octium Assurance AG, Vaduz, inclusive its branch Octium Assurance AG (Italian Branch), Milan, as well as the insurance intermediary Octium International Insurance Agent AG, Vaduz, and its Zurich Branch. Moreover, the Group operates a service company, Octium Services (Switzerland) AG, Zurich, providing insurance administration and similar services.



A.1.3 Products

Octium only offers unit linked insurance products where the investment risk is born by the policyholder and currently focuses its sales activities in Germany and Italy. In Belgium it holds a small book of policies written many years ago which is in run-off now. Octium targets ultra-high-net-worth or high-net-worth individuals or those private clients' asset managers. So far, most of the business volumes have come from the close relationship with Credit Suisse Group. Based on this and on the attractiveness of its products, it is planned that partners of Octium Group and new partners will contribute going forward to business volumes.

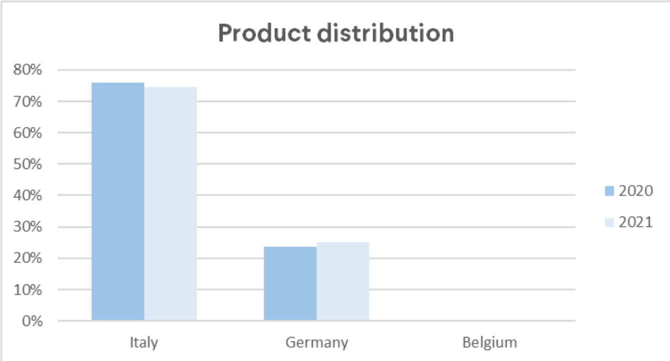


Figure 1: Product distribution according to Assets under Management.

A.1.4 Significant Events

On the regulatory side, Octium - like all other life insurance companies - is affected by ever increasing regulatory requirements be it through the "Packaged Retail and Insurance-based Investment Products" (PRIIPs) regulation or the "Insurance Distribution Directive" (IDD). The PRIIPs regulation introduced the Key Investor Document (KID) that must be shared with all investors, i.e. our policyholders, before they enter into a contractual agreement on any unit-linked life insurance product. IDD (formerly known as IMD II) facilitates the cross-border business in the EEA, strengthens consumer protection with particular focus on insurance distribution, but also with significant requirements for manufacturers. The implementation and maintenance of PRIIPs and IDD caused additional expenses but also strengthened the product development and review process.

As outlined by the European Commission when concluding the Paris Agreement on Climate Change the transition to a low-carbon, more sustainable, resource-efficient, and circular economy in line with the Sustainable Development Goals is key to ensuring the long-term competitiveness of the economy of the Union. As a consequence of the European Commission's Action Plan 'Financing Sustainable Growth' a series of amendments to the respective delegated regulation have been conducted which will come into effect in the cause of 2022. This is going to also require insurance undertakings to consider the integration of sustainability risks in their governance, investment management, and reporting as well as in the development and distribution of its products. Respective projects to assess and implement these far-reaching amendments have already been initiated.

On the business side Octium has been indirectly affected by the COVID-19 pandemic due to the capital market turbulences resulting in a reduction of fee income in the first half year and due to a slowdown of new business volumes in a competitive insurance market. However, this could be partly compensated by a favourable development of the capital markets towards the second half of the business year which led to a stabilization of the value of policyholder assets and, thus, a stabilization of fee income.

At the moment of writing this report the impact of the second and third wave and the further development of the COVID-19- pandemic can hardly be assessed. Moreover, mortality incidents are likely to increase in 2022. In addition, inflation fear and the war in Ukraine have caused a new turmoil on the capital markets or even an economic downturn which is likely to affect the economy and the capital market and impact the development of the value of policyholder assets. This development as well as the impact on clients, contractors and other important stakeholders are monitored closely by the management and possibilities to mitigate the impact are reviewed.

A.2 Underwriting Performance

Amounts booked (in CHF m)						#Policies[1]	
Year	New Bus.[2]	Surr.[3]	Claims[4]	VTR[5]	Profit	New Bus.	Total
2020	159	-247	-166	5'367	7.5	71	3'165
2021	363	-308	-249	5'155	1.9	97	3'019

Table 1: New Business, total and partial Surrenders, Octium 2020-2021.

As can be seen from Table 1, sales volumes of new single premiums for 2021 was CHF 363m (of which CHF 354m stem from the Italian Branch) and for 2020 was CHF 159m (of which CHF 151m stem from the Italian Branch). Life Portfolio Italy remains the main contributor for writing new business. In 2021 surrenders with CHF 308m were higher than last year with CHF 247m. Claims also increased to CHF 249m compared to last year's amount of CHF 166m. Please note that mortality risk is to a large extent reinsured and Octium only keeps a low retention. Overall, statutory risk results net of reinsurance have been positive and stable over the years in a range of CHF 0.2m to CHF 0.4m. Over recent years, Octium's policyholder (PH) investment base has been volatile for various reasons. The increase in 2019 was mainly driven by the positive capital market development, especially towards the end of the year. The decrease in 2020 resulted from a decline in the capital market due to Covid-19 and reduced new business volume. The decrease in 2021 resulted from an increase in surrender and mortality claims that could not be compensated by new business volume and market performance.

Despite these effects the level of fee income in original currency remained fairly stable in 2021. Nevertheless, one-off effects like additional costs for remediation activities and FX translation effects explain why the profit for 2021 decreased to CHF 1.9m compared to last year's profit of CHF 7.5m. Amendment to existing as well as new regulation and reporting requirements will keep operating expenses on a high level. The capital market development influences to a large extent the yearly results as fee income depends on the level of the value of policyholder assets and the development of exchange rate between EUR and CHF.

A.3 Investment Performance

Given Octium's business model and its stringent investment management policy, returns and investment performance on its own funds is basically non-existent due to negative interest on cash positions. See Table 2 below some figures on Shareholder Equity (SH EQ) and also on acquisition and administration expenses.

[1] Source: „Geschäftsbericht", "Jahresbericht"

[2] including additional payments (source: as above)

[3] including partial and total surrenders but excluding maturing policies and death cases (source: as above)

[4] including mortality claims and maturing policies

[5] VTR stands for statutory "Versicherungstechnische Rückstellungen"

Year	(A) SH EQ	(B) Acquisition Expenses	(C) Administration Expenses
2020	109.5	-2.0	-5.2
2021	103.9	-1.9	-6.8

Table 2: Shareholder Equity and Expenses per Year in CHFm.

Some comments on the above figures:

- (A) Shareholder Equity (SH EQ): Changes caused by retained earnings which accumulate on a quarterly basis and obviously reflect business environment of the respective quarter. Moreover, there was a dividend payout of CHF 7.5m in 2021.
- (B) and (C) Expenses: Expenses consist of variable (triggered by recurring expenses depending on number of policies administered) and fixed elements (primarily resources). Similar to 2020 (B) Acquisition Expenses could be stabilized at around CHF 1.9m. (C) Administrative Expenses increased by CHF 1.6m mainly due to additional costs for remediation activities.

With regard to the unit linked business of Octium where the investment risk is borne by the policyholder the investment performance comprises investment income and expenses as well as realized and unrealized gains and losses and depends on capital market developments.

In 2021 the performance was CHF -0.3m and significantly lower than in 2020 with CHF +67.1m. More details can be seen from the following numbers:

- Investment income in 2021 (2020) was some CHF 24.8m (32.4m), realized capital gains were some CHF 179.0m (157.5m), and unrealized gains were some CHF 325.4m (309.2m), in total some CHF 529.2m (499.1m).
- Investment expenses in 2021 (2020) were some CHF –43.2m (-44.8m), realized capital losses were some CHF –90.5m (-249.3m), and unrealized losses were some CHF –395.8m (-137.9m), in total some CHF -529.5m (-432.0m).

Octium is exposed primarily to the currency pair CHF/EUR (a large portion of costs in CHF, revenues pre-dominantly in EUR). During the business year the FX-rate CHF/EUR declined further and was 1.033871 as of 31 December 2021 compared to 1.08299 as of 31 December 2020. This also affected the fee income converted into CHF. Accordingly, FX changes (market fluctuation as well as potential trigger events (such as the SNB decision back in mid-January 2015)) are closely monitored.

A.4 Performance of other activities

According to Art. 1(2), Decree 209/2002, Italian resident insurance companies (and Italian permanent establishments of non-resident insurance companies) are subject to making advance tax payments based on a tax on mathematical reserves of certain life insurance products. The annual pre-payment is based on the current pre-tax rate of 45bps that potentially increases liquidity/funding needs, hence, interest cost. The Decree also foresees recovery mechanisms (by which corporate tax or capital gains tax of policyholders on policy income can partially be offset) and an additional cap (defined percentage of the mathematical reserves) allowed by the Italian tax authorities. Overall, the balance of the advance tax payments decreased to CHF 41.6m compared to last year with CHF 62.8m due to the recovery mechanism. The recovery mechanisms and the cap is explained in more detail in Section E.6. In the Solvency II balance sheet as well as in the statutory balance sheet the balance of the advance tax payments are considered as receivable (trade, not insurance).

A.5 Any other information

Coronavirus ("COVID-19") continuous to have significant effects on global economic activity and to create social disruption. Longer term socio-economic implications and the impact on the insurance industry remain highly uncertain. Key drivers of uncertainty include:

- Public, corporate and government responses to COVID-19, and the extent to which these responses impact global supply chains and economic conditions;
- The impact of restrictions arising from the virus might cause operational constraints affecting claims reporting, handling and settlement that may not fully manifest for some time dependent on the post-pandemic reversion to normalised levels of business activity in the affected markets;
- The effectiveness, duration and timing of containment measures in reducing future infection and fatality rates of the virus, the speed and effectiveness of vaccines or treatments and the ability of health systems to cope with potentially large numbers of individuals simultaneously requiring treatment; and
- The impact on assets prices.

The Company continues to closely monitor the situation to ensure it is well positioned to respond appropriately as required.

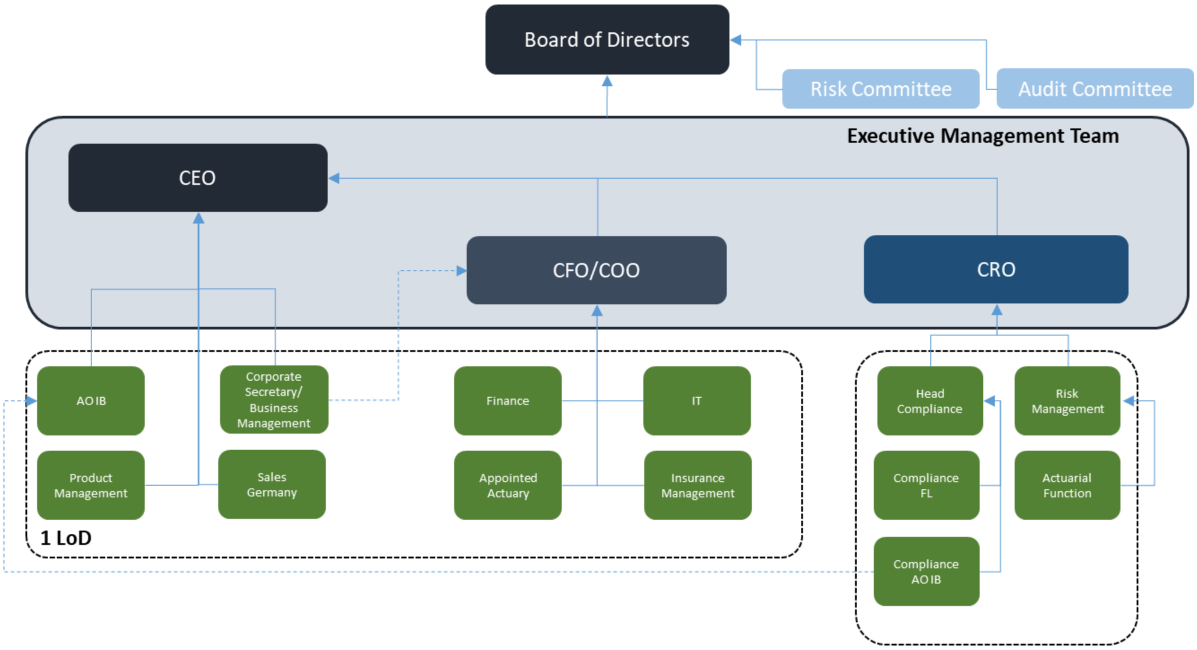
B. System of Governance

B.1 General information on the system of governance

Octium is subject to the corporate governance requirements for insurance undertakings. In this context the BoD is the supervisory body of the Company with responsibility for the overall direction, management and for ensuring Octium complies with applicable laws, rules and regulations. The BoD decides on the strategic aims and the necessary financial and human resource requirements based on recommendations of the Executive Management and Chief Executive Officer.

B.1.1 Administrative, Management or Supervisory Body (AMSB)

Octium is committed to high standards of corporate governance. The Octium governance structure comprising the BoD, Board Committees, Executive Management and key functions is outlined below:



B.1.2 Board of Directors

As of December 2021, the BoD comprised of three Non-Executive Directors, whereof two from Credit Suisse Group and one Independent Non-Executive Director:

BoD Member	Type
Nicolas Vaccaro*	Chairman, Non-Executive Director
Bernhard Felder*	Non-Executive Director
Rainer Marxer	Independent Non-Executive Director

** Resigned 31 December 2021 due to the new shareholder as of 31 December 2021*

Following the purchase of the Company and as of January 2022, the BoD comprised of five Non-Executive Directors, whereof three are from Octium Group and two are independent:

BoD Member	Type
Harley Rowland	Chairman, Non-Executive Director
Jean-François Willems	Non-Executive Director
Dara Hurley	Non-Executive Director
Alexander Ospelt	Independent Non-Executive Director
Rainer Marxer	Independent Non-Executive Director

At least annually, the Board reviews its own performance, as well as the performance of its Committees to determine whether they are functioning effectively and efficiently.

B.1.3 BoD Committee

The Audit Committee and the Risk Committee assisted the BoD in discharging its obligations and have operated throughout the year. Both committees operate under defined terms of reference and report regularly to the BoD.

Audit Committee

The Audit Committee ("AC") oversees the integrity of the Company's financial statements and regulatory reports, the effectiveness of its internal and external audit functions, its reporting procedures, its risk management framework, its compliance with legal and regulatory requirements and its system of internal controls. Its membership consists of the BoD members and the AC is also attended by the Executive Management, the Head Compliance and internal and external Audit.

Board Risk Committee

The Board Risk Committee ("BRC") oversee the risk management framework. The Committee provides leadership, direction and oversight of the risk management function and reviews the principal risks and the way they are managed, controlled and mitigated. Its membership consists of the BoD members and the BRC is also attended by the Executive Management, the Head Compliance and the Actuary.

B.1.4 Executive Management

The Executive Management consists of the senior management team and includes the Chief Executive Officer, Chief Financial Officer and Chief Risk Officer. The Executive Management has responsibility for:

- Day to day management of operations;
- Implementation of policies and strategy approved by the BoD;
- Compliance with regulatory and legal obligations and ensuring there is adequate monitoring and reporting of breaches;
- Financial management and reporting;
- Product development and marketing.

B.1.5 Key Functions under Solvency II

Octium has established four key independent control functions, who are responsible for providing oversight of and challenge to the business and for providing assurance to the BoD on matters relating to the risk management framework and system of internal controls:

1. Risk Management
2. Compliance
3. Actuarial Function
4. Internal Audit

Risk Management

The Risk Management Function is assumed by the CRO. It is charged with the oversight, review and supervision of the identification, measurement, management, reporting and monitoring of the risks to which the business is exposed. The responsibilities of the Chief Risk Officer include:

- to develop and maintain an effective risk management framework that meets the needs of the Company;
- to facilitate the setting of the Risk Appetite by the BoD;
- to definition of Risk Limits and promptly information of the BoD and CEO of any material breach;
- to develop and maintain appropriate risk policies and procedures;
- to develop and maintain a risk register;
- to monitor the impact of emerging issues and how they are managed;
- to ensure a comprehensive understanding of how risks affecting the Company are managed and monitored;
- to assess the capital model and provide input into the current and projected future solvency position;
- to facilitate the production of the ORSA report and maintain the record-keeping file.

The Chief Risk Officer is a member of the Executive Management, reports to the Chief Executive Officer and has direct access to the Chairman of the BoD and the Board Risk Committee as required.

Compliance

The Compliance function is assumed by the Head of Compliance, is charged with oversight and implementation of the Company's Compliance Policy which aims to ensure Octium complies with all applicable laws, rules and regulations, and conducts its activities in compliance with those laws, rules and regulations.

The Head of Compliance provides advice and guidance in all compliance related matters, by identifying and evaluating all compliance risks associated with the Company's present and future business activities including new products and new business relationships.

The Head of Compliance responsibilities include:

- The design, implementation and execution of a risk-based compliance monitoring plan including reporting and escalation of issues to the BoD, Audit or Executive Management as appropriate;

- Assisting in identifying the legal regulatory and code requirements which Octium is required to comply with and advising on new relevant regulations and standards;
- Maintaining a record of all material compliance obligations, together with details of how, when and by whom these are met and of any breaches that have been notified;
- Acting as Money Laundering Reporting Officer (MLRO) and in that capacity, the filing of Suspicious Activity Reports with the proper authorities in accordance with legislation and Octium Anti Money-Laundering Policies and Procedures ("AML Procedures");
- Reviewing staff training processes to ensure appropriate compliance competencies;
- As ICS Officer responsible for the cycle and operation of the Internal Control System of Octium during the year; and
- Promoting a culture of compliance across the company.

In the first three quarters of 2021 Compliance was fully outsourced to Credit Suisse AG. Meanwhile it is insourced. The Head of Compliance has direct access to the Chairman of the BoD and the Audit Committee as required.

Actuarial Function

Please refer to Section B.6 Actuarial function.

Internal Audit

Please refer to Section B.5 Internal audit function.

B.1.6 Changes in the System of Governance

There have been changes during the business year related to the insourcing of the Head of Compliance of the Company, which led also to changes in the composition of the Audit and Board Risk committees. Moreover, the Company increased the number of employees at the headquarter in Vaduz. Going forward internal guidelines will be reviewed in order to align them within Octium Group.

Despite these changes, no other material changes to Octium's system of governance were implemented during 2021.

B.1.7 Remuneration Policy and Practices

Principles and statements as set out in the Company's Compensation Policy stipulating that Octium

- supports a performance culture that is based on merit, and differentiates and rewards excellent performance, both in the short and long term, and recognizes the Group's values;
- enables the Group to attract and retain employees, and motivate them to achieve results with integrity and fairness;
- balances the mix of Fixed Compensation and Variable Compensation to appropriately reflect the value and responsibility of the role performed day to day, and to influence appropriate behaviours and actions;
- is consistent with, and promotes, effective risk management practices and the Group's compliance and control culture;
- fosters teamwork and collaboration across the Group;

- takes into account the long-term performance of the Group, in order to create sustainable value for the Group's shareholders; and
- is approved by CSG's Board of Directors (BoD) and regularly monitored in terms of implementation by CSG's independent Compensation Committee of the BoD.

Regarding performance criteria, further referring to CSG's Compensation Policy, Octium adopts a performance culture with a strong emphasis on disciplined risk management, ethics and compliance-centered behaviour. Allocation decisions are based on the performance of CSG, the Division, and the individual. To support this, there is a comprehensive performance management system based on two performance ratings: Contribution and Competency. Contribution ratings are typically based on objective criteria, such as achieving budget targets, increasing market share, and successful completion of a project. Competency standards covering ethics, risk, and control form an integral part of the performance management system.

B.1.8 Material Transactions of Shareholder Capital

In November 2021 it has been decided to pay a dividend in the amount of CHF 7.5m (corresponding to the profit for the business year 2020) to Credit Suisse AG, the shareholder of Octium at that time. Other than that, no material transactions with the shareholder capital, persons who exercise a significant influence on the undertaking or with members of the BoD took place during the reporting period.

B.2 Fit and proper requirements

As outlined in more detail in Octium's dedicated Board of Director's Charter, 'Fitness' and 'Properness' of relevant staff is assessed on an annual basis by the BoD, and, respectively, by the Board's Chairman. Apart from general requirements such as fulfillment of internal and regulatory requirements as well as standard HR processes during and after recruiting of new staff, this 'fit and proper' assessment additionally is carried out on BoD, EM inclusive the head of the Branch and key functions following a structured approach for specific requirements. This structured approach is based on a questionnaire where the BoD needs to assess whether, and if so, which, external (e.g. regulatory changes, changes in markets) and/or internal factors (e.g. downsizing of resources) changed in a way such that certain (individual) skill sets are not deemed sufficient anymore. In case changes are actually identified, measures need to be defined and scheduled. Within the same questionnaire, 'properness' is looked at by e.g. assessing actual, intended or potential commitment of financial or other crime or violation of laws. Questionnaires need to be filled out for the BoD, for the EM, and for key functions. The mandatory annual 'fit and proper' assessment is performed in November. It is also the Board's Chairman duty to document and archive the corresponding questionnaires physically.

B.3 Risk management system including the Own Risk and Solvency Assessment

Octium's Risk Management System has been developed to enable the BoD and Executive Management to understand, appropriately manage and mitigate the risks associated with Octium's business strategy over the short, medium and longer term.

The Board Risk Committee receives regular reporting from the CRO in relation to the outcome of the periodic risk assessments undertaken by the Executive Management and risk owners.

B.3.1 Risk management and risk appetite framework

Octium maintains a comprehensive Risk Management Manual (RMM) describing all relevant information and processes in the context of Risk Management. The three Lines of Defence (LoD) Principle is defined in the RMM. Regular meetings between the 1st LoD and the 2nd LoD contribute to a strong awareness of responsibilities and interdependencies as e.g. taken during the annual risk identification and review process. Further roles and responsibilities are defined for the BoD, its committees (AC and BRC) and the Risk Management Function. Especially for the latter, a decomposition of risk management into risk identification, risk assessment, risk monitoring and risk appetite is used to define in detail responsibilities and processes around these components, further relying on other documents and descriptions:

- Risk identification: An extensive Risk Catalogue as contained in Octium's Risk Appetite Framework (RAF) defines all kinds of risks, their underlying risk factors/indicators, flags each of them as relevant for Octium (also in terms of exposure and volatility of the underlying risk factor) and whether accounted for in the Solvency II calculation. This Risk Catalogue is the starting point for the annual risk identification and review process but also is a key element in the annual assessment of the adequacy of the standard formula as required in the annual ORSA under Solvency II.
- Risk assessment: This – as long as deemed adequate – summarizes the key elements and logics of the standard formula under Solvency II.
- Risk monitoring and mitigation: Apart from Octium's quarterly assessment of its capitalization under Solvency II there is the annual ordinary ORSA and, if required, an ad-hoc ORSA. Due to the nature of the business, Octium is mainly exposed towards equity risk, FX risk, lapse risk, expense risk and death risk. The latter is largely reinsured.
- Risk appetite: Octium's Risk Appetite Framework – apart from the above-mentioned Risk Catalogue – defines further essential elements of a sound risk management framework. The core element is the target capital ratio under Solvency II, articulated via a SCR coverage ratio and two further thresholds completing a simple traffic light system with well-defined actions as described inFigure 2:

Figure 2: Traffic light system for SCR-coverage.

'Breaching' the defined thresholds might imply certain management action and is assessed and discussed in Octium's Risk Committee. Octium further defined risk limits which are rather limits serving as operational controls on specific risk indicators hence thought as early warning indicators. Octium has defined and parameterized stress scenarios which were identified as most likely[6] adversely impacting Octium's capital position. These stress scenarios are run on a quarterly basis; results are compared with the regular runs together with previous quarters' stress results and presented to the Risk Committee. Octium follows an implicit definition of trigger events by

[6] though one might intuitively think that certain market scenarios clearly push capitalization in one direction, diversification effects and specific asset allocation scenarios might pull into another direction

defining an additional set of actions in case risk limits are breached in order to assess if any further action is required.

The main risks Octium is exposed to are dealt with in more detail in Section C.

B.3.2 Own Risk and Solvency Assessment (ORSA)

Octium's ORSA policy elements are embedded in the RMM and contain the following main elements:

Scope & frequency

The quarterly mode applied in the business year can be summarized as follows:

- 1st quarter each year: simple update of Octium's Solvency position;
- 2nd quarter each year: focus on model changes and updated assumptions (assumptions setting process is defined and carried through between the actuarial and the risk management function);
- 3rd quarter each year: incorporation of Octium's annually updated Business Plan (business inputs are used to update projection parameters for the Cash Flow projection);
- 4th quarter each year: full ORSA report. The core elements of the annual ORSA report are presented to and discussed by the Board Risk Committee; all BoD and EM members sign this report. This report also refers to the annual risk identification and review process, summarizes trainings and educations.

This specific quarterly mode was designed to transparently analyse, document and report effects in an isolated manner and to prevent from losing control due to overlapping effects. The quarterly Board Risk Committee hence receives a transparent snapshot on a regular basis. Explicit approval is required for model changes, Octium's RAF, the SF's adequacy, the annual risk identification and review and the ORSA itself.

Awareness and culture

The establishment of the above by the Company in 2014 has continuously increased the awareness and understanding of Solvency II. Contents like the potential sale of a subset of the portfolio or a material death case are brought up by the 1st LoD to allow for an additional consideration in the context of Solvency II. Monthly meetings of the EM between the CEO, CFO and CRO further ensure that relevant topics are shared.

Governance & process

Ultimately, the Risk Committee, as mandated and equipped by the BoD, is the regular forum and quorum receiving information around the ORSA. Further, the entire reporting process is surrounded by strong governance elements. Calculations are carried out within the policy administration system hence minimizing data distribution. Automated notifications/sign-off requests are distributed via Email to the corresponding data providers, report preparers, report owners and report reviewers. This guarantees an end-to-end auditable and traceable process preventing from manual intervention and operational mistakes.

During 2021 the impact of the COVID-19 pandemic on the capital coverage and mortality results was continuously reviewed but did not show a deterioration. Thus, for the business year no ad-hoc ORSA was required. The ordinary ORSA was conducted in Q4-2021, based on actual numbers as of 30 September 2021, and the latest available business plan. Following a review and assessment of the risk types and risk profile, the risk appetite and the target capital ratio was confirmed. The ORSA and its results were intensively discussed in the BRC and challenged by the BoD and EM, with ultimate responsibility and sign-off by BoD, complemented with sign-off by EM, the Appointed Actuary/Actuarial Function and the Compliance Function.

The results of the ORSA 2021 show that Octium remains well capitalized with a SCR-coverage ratio well above the set target capital ratio. This also holds true for all conducted stress scenarios and the 4-years forward looking solvency capital projection.

B.4 Internal control system

Octium's ICS has been developed and improved over the years taking proportionality, the particularities of the life insurance business and elements of CSG' banking sector ICS into account:

- The BoD is the ultimate body responsible for supervision and internal control of the company basing its supervision on regular and systematic risk analysis – Octium has clearly defined procedures, requirements and responsibilities which are mainly documented in Octium's BoD Charter.
- The Internal Revision has been ensured by CSG's Internal Audit Function; its interaction with CSLP's BoD is defined in CSLP's BoD Charter, too.
- The Executive Management primarily, besides other duties,
  - designs adequate processes for the identification, measurement and control of its risks; in this regard Octium also uses various processes and tools implemented at the time by CSG (as also referred to in Octium's Risk Management Manual) such as, for example,
    - 'myIncidents' (reporting of operational incidents and (potential) losses (profits));
    - 'MICOS' (performing and signing off Supervisory Controls);
    - 'RCSA' (annual Risk Control Self-Assessment);
    - 'GRS' (used to assign roles and responsibilities in regulatory reporting);
    - 'GLASS' (monthly sign-off of financial accounts);
  - defines an organizational structure with clear roles and responsibilities. Octium is well documented which is regularly assessed by Internal Audit.
- Octium benefits from a clear three Lines of Defence model with:
  - First Line of Defence Support (FLDS), e.g. carrying out annual RCSAs, SOX control assessments, quality assurance reviews etc.;
  - Second Line of Defence functions, i.e. Compliance but also Operational Risk Management;
  - Third Line of Defence, namely Internal Audit.

A list of policies owned and maintained by the Compliance function is available to staff on a respective sharepoint.

The Compliance Function in its role of ICS Officer is responsible for the cycle and operation of the ICS during the year and leads the conduction of the operation. This is defined and described in more detail in the specific Octium Internal Control System Guideline. Since begin of 2019 the revised ICS has been up and running. Room for improvement has been reported to the ICS Officer. Moreover, the ICS Officer conducted his review on the controls currently in place. On that basis further improvements have been made during 2021 to the Company's ICS (mainly related to AML-relevant controls).

B.5 Internal audit function

The main tasks and responsibilities of the Internal Audit Function are to provide a systematic objective and independent assessment of whether

- risks are appropriately identified and managed;
- the Internal Control System is effective;
- governance processes ensure compliance with policies, standards, procedures and applicable laws and regulations;
- management performs efficient monitoring and oversight of processes and activities.

For each business year there is a mandatory internal audit covering the scope determined. The audit plan is prepared on the basis of a robust bottom-up risk assessment, combined with a regular top- down assessment of the key risks and controls in the business. Moreover, ad-hoc internal audits can be initiated. These aspects are defined and described in more detail in the respective contractual agreement and are based on CSG's Internal Audit Charter. The Internal Audit Function is independent, reports directly to the BoD, and does not assume any other operational function or key function. Audit reports are addressed to the BoD and the EM and are – as part of CSG's System of Governance – also circulated to respective CSG functions and committees. The Internal Audit Function was outsourced to Credit Suisse AG throughout 2021.

B.6 Actuarial function

The main tasks and responsibilities of the AF comprise to provide for the appropriateness of methods, models and assumptions used with regards to the calculation of the technical provisions, to assess the sufficiency and quality of data in this respect, and to express an opinion on the underwriting policy and on the appropriateness of the overall reinsurance arrangements. The tasks and services carried out by the AF are defined and described in more detail in the respective Actuarial Services document and summarized in the Mandate AF. The AF was outsourced until end of March 2020 and has been insourced since April 2020.

Please note that the function holder of the AF is currently also the Appointed Actuary of the Company. In order to deal with potential conflicts of interest an escalation mechanism bas been established.

B.7 Outsourcing

With the Company being part of CSG in 2021 Octium adhered to CSG' global policy on third party management as well as to internal procedures and corresponding guidance as published by the FMA, which, for example, requires to

- appoint an Outsourcing Manager to supervise the Outsourcing and manage risks;
- assess business criticality (assessment of criticality), regulatory significance of service, identify potential tax requirements;
- conduct a due diligence assessment of the supplier;
- document potential organizational and process changes;
- implement a robust governance model with adequate monitoring and oversight (regular assessment of performance against contractual agreements).

The outsourcing of key functions and important activities is listed in Table 3below.

Outsourced key function or important activity	Jurisdiction in which the service provider is located
Compliance Function (until end of June 2021)	Switzerland
Internal Audit Function	Switzerland
Important activities wrt Insurance Management, Product Management, IT	Switzerland
Accounting and Asset Accounting	Switzerland
Asset Management	Switzerland, Italy, Germany, UK, Luxembourg

Table 3: Outsourcing key function/important activity and jurisdiction of service provider in 2021

B.8 Any other information

As part of the regular ORSA the System of Governance is assessed and approved on an annual basis. It is subject to regular review by Internal Audit, too. Based on further improvements implemented in 2020 and 2021 as part of the Action Plan the System of Governance is deemed proportionate and suitable & appropriate for Octium, However, going forward headcount in Vaduz shall be increased by replacing assignments with hiring new staff and the policy framework shall be reviewed and updated with the integration into Octium Group. A respective plan has already been approved by the BoD.

C. Risk Profile

Octium's risk profile from a qualitative perspective is articulated via the Risk Catalogue as defined in Octium's RAF, subject to annual review. The risks Octium is exposed to are assessed with regards to Risk Appetite, the annual risk identification and review process and the annual evaluation of the adequateness of the Standard Formula which complements this assessment on an annual basis. An (annual) assessment of Octium's risk profile from a quantitative perspective is interpreted to be fulfilled by the decomposition of SCR and a calculation of risk type contributions, documented in the annual ORSA report.

Ultimately, Octium's risk profile is the aggregated view of the risks Octium's is exposed to and the changes in underlying risk factors. Structured processes around the regular assessment with clear ownership, escalation lines and outcomes are seen as strong framework to let Octium's AMSB feel comfortable with the regular assessments.

The Table 4 below provides a breakdown of the key components of the Standard Formula calculation. Please note that due to a model change in 2021 the SCR Submodules are now calculated and reported gross of tax (whereas YE20 were calculated and reported net of tax) such that the figures cannot be compared directly. As a consequence of the "gross tax" calculation the loss absorbing capacity of deferred taxes ("LACDT") was introduced in 2021 and is applied on the BSCR for the evaluation of the Solvency Capital Requirement.

Solvency Capital Requirement (Amounts in CHFm)	YE 2020 (net of tax; no LACDT)	YE 2021 (gross of tax; with LACDT)
Market risk	46.1	65.6
Counterparty risk	3.3	3.8
Underwriting risk	38.0	49.3
Diversification effects	- 19.6	- 26.1
Basic SCR	67.8	92.6
Operational risk	1.3	1.7
Loss-absorbing capacity of Deferred Taxes	-	-24.2
Solvency Capital requirement	69.1	70.1

Table 4: Solvency Capital Requirement YE20 and YE21

Octium assesses the risks to its capital and profits through its Own Risk and Solvency Assessment (ORSA).

C.1 Underwriting risk

Underwriting risk is the risk of loss or adverse change in the values of insurance and reinsurance liabilities, resulting from inadequate pricing and provisioning assumptions.

C.1.1 Risk exposure

Octium's underwriting risk profile is derived from the Standard Formula allowing for the impact of diversification. As at YE21 the SCR for this module is CHF 49.3m – gross of tax (YE20 CHF 38.0m – net of tax) with intra-module diversification of 15% (YE20 14%) i.e. allowance for diversification between underwriting risks. The key sub-underwriting risks to which Octium is exposed are set out below:

Lapse risk

The primary risk which Octium is exposed to is the risk of lapse rates being higher than expected leading to a loss of future income and potential increase in per policy expenses.

Expense risk

Expense risk is the risk that future maintenance expenses are higher than levels assumed in the Solvency II balance sheet. Expense risk can arise through mis-estimation, higher than expected inflation, lower volumes of business than expected, expense overruns, regulatory change and changes in the business mix.

Expenses are managed in line with the agreed business plan and significant deviations to budget are monitored on a monthly basis by Finance. The Board reviews management accounts quarterly including an assessment of the level of expenses.

Mortality risk

Mortality risk is the risk of loss due to an increase in mortality rates. Octium's exposure to mortality risk may result in an increase in death cover payments and a reduction in expected future revenues.

C.1.2 Changes in underwriting risk

The change in the significant intra-module components of the market risk capital requirement is provided in the Figure 3 below.

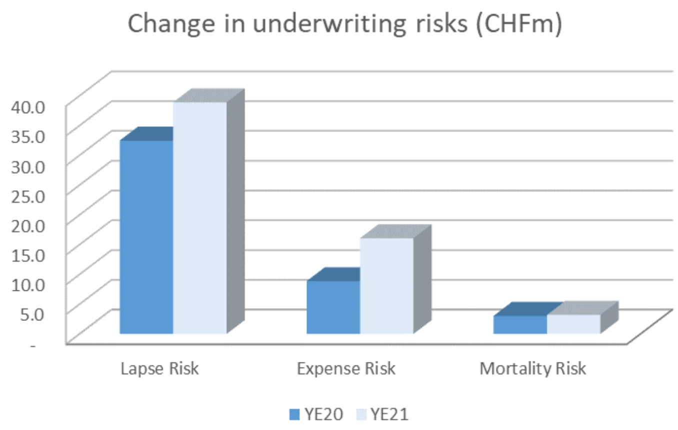


Figure 3: Components of Underwriting risk YE20 ("gross" of tax) and YE21 ("net" of tax)

Please note that due to a model change in 2021 the SCR Submodules are now calculated and reported gross of tax (whereas YE20 were calculated and reported net of tax) such that the figures cannot be compared directly.

C.1.3 Mitigating actions and controls

Octium assesses, monitors and controls underwriting risk through a number of methods:

- Product design minimises mortality risk;
- Extensive use of reinsurance to limit the Company's mortality exposure;
- Lapse risk is mitigated by high quality customer care at commencement and throughout the term of the policy;

- Expenses are tightly controlled and managed in line with the business plan;
- Quarterly monitoring of experience against stated risk tolerances;
- The Own Risk and Solvency Assessment assesses risks under stressed conditions through a range of stress and scenario testing.

C.1.4 Sensitivity and stress testing

Stress and scenario testing conducted as part of the ORSA demonstrate Octium's resilience to a range of adverse underwriting stresses. The estimated impact of these sensitivities is shown in the Table 5 below:

Sensitivity	Impact on SCR	Impact on Own Funds	% Change in SCR coverage ratio
80% mass lapse Italy	- 43%	- 29%	+ 47%
80% mass lapse Germany	- 24%	- 3%	+ 57%
Reinsurer's default and mass mortality	- 22%	- 21%	+ 3%

Table 5: ORSA 2021: Examples of UW-risk sensitivities and impact on SCR and Own Funds

C.1.5 Risk concentration

There are no material underwriting risk concentrations.

C.2 Market risk

Market risk is the risk of lower returns or losses arising from adverse movements in market prices.

C.2.1 Risk exposure

Octium's market risk profile is derived from the standard formula allowing for the impact of diversification. As of YE21 the SCR for this module is CHF 65.5m – gross of tax (YE20 CHF 46.1m – net of tax) with intra-module diversification of 23% (YE20 22%) i.e., allowance for diversification between market risks.

Octium has minimal direct exposure to market risk but retains significant indirect exposure as adverse movements in the value of policyholder assets reduces future policy administration fees. Octium accepts this risk as an inherent element of its business model. The key market risks to which Octium is exposed are set out below:

Equity risk

Equity risk relating to unit-linked assets is borne by the policyholder as any change in the value of the assets underlying the policies are offset by corresponding changes in the value of technical provisions. Octium remains exposed to the change in policy administration fee income which is charged as a percentage of asset values.

Spread risk

Spread risk relating to unit-linked assets is borne by the policyholder as any change in the value of the assets underlying the policies are offset by corresponding changes in the value of technical provisions. Similar to Equity Risk, Octium's exposure is limited to the extent that policy administration fees which are charged as a percentage of unit linked asset values, are reduced.

Currency risk

Currency risk is the risk of loss resulting from adverse movements in currency exchange rates. Octium's capital requirement for currency risk reflect the sensitivity of the values of assets, liabilities and in particular future revenues to changes in the level or in the volatility of currency exchange rates.

- Octium's exposure with regard to CHF/EUR is driven by the balance of the Italian advance tax payments denominated in EUR.
- Octium has an indirect exposure to currency risk to the extent that unit linked assets are denominated in currencies other than CHF. Approximately 94% of assets backing policyholder liabilities are denominated in non-CHF currencies.
- The Company has also direct exposure as a result of policy administration fees or expenses being denominated in currencies other than CHF.
- Some expenses are incurred in non-CHF currencies, in particular expenses in EUR from Octium Assurance AG (Italian Branch).

In alignment with Octium's Investment and Capital Management Policy, Octium's shareholder assets are invested in a very conservative way. Similar to last year shareholder assets have been solely invested in cash with the FX allocation being displayed in the Figure 4 below.

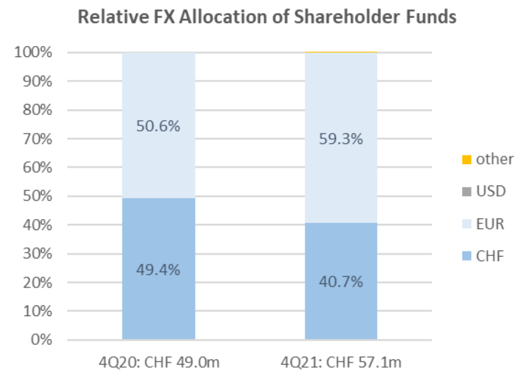


Figure 4: FX Allocation of SH Funds 4Q20 and 4Q21

Interest rate risk

Octium's on-demand cash deposits are valued at par and are therefore unaffected by movements in interest rates. A change in interest rates however does change the interest income generated from these deposits.

C.2.2 Changes in market risk

The change in the significant intra-module components of the market risk capital requirement is provided in the Figure 5 below.

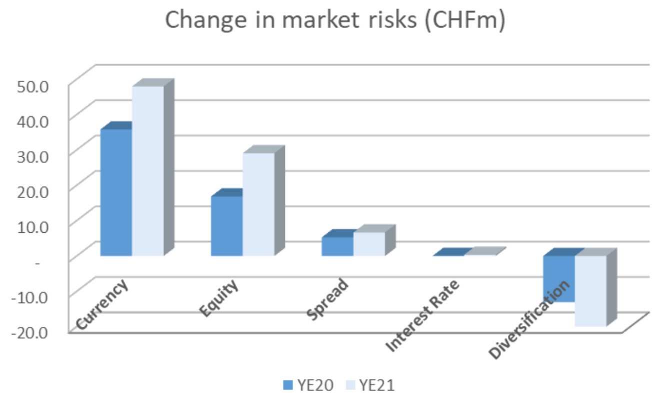


Figure 5: Components of Market Risk YE20 ("gross" of tax) and YE21 ("net" of tax)

Please note that due to a model change in 2021 the SCR Submodules are now calculated and reported gross of tax (whereas YE20 calculated and reported net of tax) such that the figures cannot be compared directly.

C.2.3 Mitigating actions and controls

Octium assesses, monitors, and controls market risk through a number of methods:

- Investment Oversight Committee oversees the investment of unit linked funds to ensure they are invested prudently and, in a manner, to ensure their security, quality and liquidity;
- Investment policy imposes close matching of assets to insurance liabilities;
- The Own Risk and Solvency Assessment aims to assess risks under stressed conditions through a range of stress and scenario testing.

C.2.4 Sensitivities and stress testing

Stress and scenario testing conducted as part of the ORSA demonstrate Octium's resilience to a significant market stress. The estimated impact on the of the sensitivity explored is detailed in the Table 6 below:

Sensitivity	Impact on SCR	Impact on Own Funds	% Change in SCR coverage ratio
EUR weakening	+ 6%	- 16%	- 41%
Equity Crash	- 22%	- 24%	- 5%
Spread widening	- 2%	- 5%	- 8%

Table 6: ORSA 2021: Examples of market risk sensitivities and impact on SCR and Own Funds

C.2.5 Investment of assets in accordance with the prudent person principle

The 'prudent person principle' requires that companies only invest in assets and instruments whose risks they can properly identify, measure, monitor, manage, control and report, and appropriately take into account in the assessment of its overall solvency needs. Octium considers these requirements before any investment in new assets or instruments.

The majority of the assets on Octium's balance sheet are held in respect of unit linked contracts where the policyholder bears the market risks of the investments included in their policy. In fact, assets are selected:

- directly by the policyholder (in policies where this option is available and the policyholder chooses to do so); or
- by the Asset Manager of the mandate(s) underlying the policy (mandate(s) underlying Octium policies are also chosen by the policyholder at the moment of subscription of a policy contract).

In order to mitigate as much as possible risks associated with investments, Octium implements investment monitoring processes in accordance with Solvency II prudent person principle and prudently selects asset managers and external funds suitable for policyholders.

Asset Managers are also subject to rigorous due diligence prior to business being placed with them. Asset Managers are issued with a fully documented set of rules and parameters specifying how assets are to be invested within each mandate and what assets are allowed in Octium's portfolios in order to support the policyholder benefits.

External funds and Assets Managers are monitored. Any investment mandates or limit breaches are escalated for resolution to ensure investments always lie within the parameters set. Additional controls are in place to monitor assets liquidity and quality of their valuation processes.

The Finance team must be comfortable that well defined and appropriate valuation methods have been developed for those instruments where external pricing information is not readily available.

C.2.6 Risk concentrations

There are no material market risk concentrations.

C.3 Credit risk

Credit risk is the risk of lower returns or loss if another party fails to perform its financial obligations.

C.3.1 Risk exposure

Octium's credit risk profile is derived from the Standard Formula allowing for the impact of diversification. As for YE21 the SCR for this module is CHF 3.8m – gross of tax (YE20 CHF 3.3m – net of tax).

Similar to market risk, credit risk on unit linked assets is borne by the policyholder. In addition, the Company has an exposure to credit risk in relation to its deposits with credit institutions, the Italian Tax Authorities and amounts receivable under reinsurance arrangements.

C.3.2 Changes in credit risk

There has been no material change in credit risk exposures during 2021.

C.3.3 Mitigating actions and controls

The Company monitors and controls credit risk using the following methods:

- Credit risk policy imposing principles and requirements for credit risk management and Investment Policy imposing credit ratings limits for investment counterparties and concentration limits to avoid overexposure to any investment counterparty;
- Regular monitoring of exposures relative to credit risk limits;
- Quarterly settlement of outstanding reinsurance balances.

C.3.4 Sensitivities and stress testing

No credit risk sensitivity or stress testing was completed during 2021.

C.3.5 Risk concentrations

The Company transfers its mortality risk to a single reinsurance company. In certain extreme circumstances this may result in a significant exposure.

C.4 Liquidity risk

Liquidity risk is the risk that Octium does not have sufficient liquidity to meet its obligations when they fall due or would have to incur excessive costs or trading losses to do so.

C.4.1 Risk exposure

The liquidity risk associated with unit linked assets is borne by the policyholder as policy contracts are linked to the liquidity of the underlying assets as well as the value.

The requirements of the Italian substitute tax have been one of the most significant strains on the business liquidity. However, given a reducing cap and the 5-year roll-over relief which became effective in 2016, there is a significant reduction in the annual requirements going forward and consequently liquidity is projected to improve over the next number of years.

However, if the level of funds under management from Italian tax residents were to increase by a certain percentage, e.g. through higher new business volumes or investment returns, then the cap would also increase by the same percentage leading to additional liquidity requirements.

C.4.2 Changes in liquidity risk exposure

There has been no material change in liquidity risk exposures during 2021.

C.4.3 Mitigating actions and controls

Octium's objective is to ensure that it has sufficient liquidity to meet the short- and medium-term requirements of the business. Octium maintains a prudent liquidity position to meet these requirements. Octium held CHF 42.1m in on-demand cash deposits at YE21 (YE20: CHF 28.0m).

Liquidity risk is principally managed in the following ways:

- Assets of a suitable marketability are held to meet liabilities as they fall due.
- Forecasts are prepared regularly to predict required liquidity levels over both the short and medium term.
- A liquidity buffer is maintained to cover unforeseen events.
- Ongoing monitoring allows mitigating actions to be taken at an early stage if required.

C.4.4 Sensitivities and stress testing

Octium's projected cash position before dividends is expected to improve significantly over the next five years. As part of the ORSA the cashflow of the business was subjected to a range of adverse but plausible scenarios and in all cases the Company had sufficient cash inflows to meet its liquidity at all times.

C.4.5 Expected profit included in future premiums

As of YE21, Octium's expected profit in future premiums was Nil (2020: Nil).

C.4.6 Risk concentrations

There are no material liquidity risk concentrations.

C.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external causes (deliberate, accidental or natural).

C.5.1 Risk exposure

Octium's operational risk profile is derived from the standard formula allowing for the impact of diversification. As of YE21 the SCR for this module is CHF 1.7m (YE20 CHF 1.3m).

The primary operational risks exposures identified within the business include: Key person risk, system failure including business continuity risk, fraud risk, IT and cyber security, legal and compliance risk, governance failure, outsourcing and adequacy of resourcing.

C.5.2 Changes in operational risk

There has been no material change in operational risk exposures during 2021.

C.5.3 Mitigating actions and controls

The Company monitors and reports operational risks using the following methods:

- A robust framework for the oversight and management of operational processes and material outsourcing arrangements;
- Regular Risk and Control Self-Assessment process;
- Incident management process, root cause analysis and learning from adverse experience;
- Oversight exercised by Internal Audit, Compliance and Risk functions.

C.5.4 Sensitivity and stress testing

The financial impact of an operational loss event was anticipated as a respective significant one-off statutory loss and its sensitivity on the solvency capital situation was assessed. In this stress the Company had sufficient eligible capital to withstand the stress and remained well in the comfort zone of the risk appetite.

C.5.5 Risk concentration

There are no material operational risk concentrations.

C.6 Other material risk

C.6.1 Strategic risk

The risk of loss or other adverse impact on the Company arising from failing to identify and react appropriately to opportunities and/or threats arising from changes in the market, some of which may emerge over a number of years.

Octium prepares and approves an annual plan and budget and performance is monitored against this plan throughout the year. Octium is significantly dependent on approaching clients of CSG for distribution of its products, bringing concentration risk. Octium accepts these risks as part of the strategy but is actively seeking new partners to reduce this reliance on CSG. The financial impact of these risks materialising is lower profit and reduced solvency. Octium monitors key metrics such as lapses, claims and new business.

C.6.2 Emerging risks

Octium holds workshops with business units as and when new risks arise to analyse these risks and their potential impact on the business.

C.7 Any other information

All material information regarding Octium's risk profile has been set out above.

D. Valuation for Solvency Purposes

D.1 Assets

Solvency II regulation requires the valuation of assets for solvency purposes to be on a market consistent fair value basis. In general, this is determined in accordance with the financial statements. Octium's financial statements have been prepared in accordance with the principles of the Liechtenstein, Persons and Companies Act (PGR), the Law of 6 December 1995 on the supervision of insurance companies (Insurance Supervision Act; VersAG) and the associated ordinance (Insurance Supervision Ordinance; VersAV) in the currently valid versions. The financial statements of the Company are prepared in CHF which is the presentational and functional currency.

Octium's business focus on unit-linked life insurance business only where the investment risk is borne by the policyholder. The valuation of unit-linked assets can be summarized as follows:

- Octium's client relationships are based on segregated accounts, i.e. Octium maintains dedicated and separate accounts per policy. This ensures that underlying assets can consistently be attributed to the corresponding policy.
- Octium has defined internal investment guidelines (especially in relation to its collaboration with External Asset Managers (EAMs)) clearly outlining allowed investments. Such guidelines are part of the outsourcing agreements and are monitored by Insurance Management Operations and the CFO.
- Octium minimizes the risk of illiquid assets by only accepting bankable assets which exhibit a value, i.e. allow liquidation within short-term horizon explicitly excluding real estate and arts, for example.

Valuation of policyholder assets is at market value in line with respective commonly accepted standards. Residual risk induced by unforeseeable shortfalls in values, as e.g. in Madoff-related assets or actually fraud, is difficult to quantify. However, due to the limited range of products and markets and the business per se, residual risk is restricted.

Total assets are obviously dominated by assets held for unit-linked funds making up more than 98.3% at YE21, similar to previous YE20 with some 98.2 %. More details on positions exhibiting materiality (data point references are made to the quantitative reporting template S.02.01.02 in the Appendix) are provided below for the business year YE21 (and for the previous business year YE20):

- R0200 – Deposits other than cash equivalents, CHF 15.0m (CHF 21.0m): in 2021 shareholder assets were partly shifted from short term time deposits to cash.
- R0220 – Assets held for index-linked and unit-linked contracts, CHF 5'258.8m (CHF 5'358.5m): aggregated total amount of assets for which policyholders bear the investment risk valued at market value. For the business year the decrease in value during the business year can largely be explained by surrender and death claims exceeding new premiums and the volatile development of the capital markets.
- R0340 – Reinsurance recoverables from Life index-linked and unit-linked, CHF -16.4m (CHF -19.1m): is the sum of the reinsurer's share of the statutory reserve for unsettled death claims (including IBNR) and present value of projected recoverables from the reinsurance contract. The letter represents the reinsurers' share of technical provisions net of reinsurance premiums and are valued using the Solvency II criteria which take into account the expected cash flows from recoveries net of reinsurance premiums, discounted according to the risk-

free rate curve (please note the negative sign, i.e. under best estimate conditions reinsurance is expected to reduce value). The difference of last year's value compared to this year's value can be mostly explained by a refinement in modelling of Octium's products.

- R0360 – Insurance and intermediaries receivables, CHF 4.4m (CHF 4.4m): representing income fees accrued which will be received from clients shortly.
- R0370 – Reinsurance receivables, CHF 0.1m (CHF 0.0m): representing the balance of outstanding amounts of death claims reinsured.
- R0380 – Receivables (trade, not insurance), CHF 41.6m (CHF 62.8m): The advance tax payments made by Octium Assurance AG (Italian Branch) to the Italian tax authorities are recognised as a tax prepayment asset. The amount shown under R0380 Receivable (trade, not insurance) represents the balance of the advance tax payments made and the off-setting of entitled recoveries and corresponds to the respective amount in the statutory balance sheet. The decrease compared to last year stems mainly from offsetting policyholder exit tax on chargeable gains. Further details on the advance tax payments are provided in Section E.6.
- R0410 – Cash and cash equivalents, CHF 42.1m (CHF 28.0m): SH assets invested in cash. Please note that the increase compared to the previous year stems to large extent from the shift from the short term time deposit (R0200) to cash.
- R0420 – Any other assets, not elsewhere shown, CHF 4.2m (CHF 1.2m): relates to accruals and deferrals.
- R0500 – Total Assets, CHF 5'349.8m (CHF 5'483.9m).

By applying the Solvency II valuation principles for assets the key differences between statutory and solvency closing relate to the

- valuation of equipment held for own use
    - for simplicity reasons for Solvency II we assumed a market value of CHF 0;
    - whereas the statutory value of CHF 0.01m relates to the book value, i.e. purchase price reduced by the statutory depreciation;
- valuation of reinsurance recoverables:
    - for Solvency II this is the present value of the respective projected cash flows (CHF -16.4m at YE21 and CHF -19.1m at YE20, i.e. under best estimate the reinsurance cover is expected to reduce value);
    - Please note that for the reinsurer's share of the statutory reserve for unsettled death claims (including IBNR) – for YE21 CHF 0.1m and for YE20 CHF 0.1m - there is no valuation difference.

D.2 Technical Provisions

Octium's business model is seen as only having one material line of business (Index-linked and unit-linked insurance) and without contracts exhibiting options and guarantees. The respective numbers are displayed in Table 7 for YE21 and Table 8 for YE20.

in CHF		Insurance with profit participation	Index-linked and unit-linked insurance			Total (Life other thanhealth insurance, incl. Unit-Linked)
				Contracts without options and guarantees	Contracts with options or guarantees	
		C0020	C0030	C0040	C0050	C0150
Technical provisions calculated as a whole	R0010		276'497			276'497
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		136'776			136'776
Technical provisions calculated as a sum of BE and RM						
Best Estimate						
Gross Best Estimate	R0030			5'051'701'490	-	5'051'701'490
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080			-16'502'496		-16'502'496
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090			5'068'203'986		5'068'203'986
Risk Margin	R0100		28'794'897			28'794'897
Technical Provisions calculated as a whole	R0110					
Best estimate	R0120					
Risk margin	R0130					
Technical provisions - total	R0200		5'080'772'884			5'080'772'884

Table 7: S.12.01.02: Life and Health SLT Technical Provisions for YE21.

in CHF		Insurance with profit participation	Index-linked and unit-linked insurance			Total (Life other thanhealth insurance, incl. Unit-Linked)
				Contracts without options and guarantees	Contracts with options or guarantees	
		C0020	C0030	C0040	C0050	C0150
Technical provisions calculated as a whole	R0010		196'025			196'025
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		78'060			78'060
Technical provisions calculated as a sum of BE and RM						
Best Estimate						
Gross Best Estimate	R0030			5'242'384'349	-	5'242'384'349
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080			-19'160'650		-19'160'650
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090			5'261'544'999		5'261'544'999
Risk Margin	R0100		22'450'566			22'450'566
Technical Provisions calculated as a whole	R0110					
Best estimate	R0120					
Risk margin	R0130					
Technical provisions - total	R0200		5'265'030'940			5'265'030'940

Table 8: S.12.01.02: Life and Health SLT Technical Provisions for YE20.

The Best Estimate Liabilities (BEL) represents statutory unit linked liabilities less the projected future surplus arising from fees from the existing policies. Octium matches all liabilities under unit linked policies in force with the underlying assets and the policies are valued by reference to the market value of those assets.

Octium's Solvency II technical provisions for the unit linked policies is the sum of its respective BEL and the risk margin (RM), whereby:

- The BEL has been derived from a cash flow projection model for the liabilities under the in-force business using commonly accepted actuarial methods and aligned with the Solvency II regulations and guidelines. The only simplification in the cash flow model is the Risk Margin treatment level 3 in line with Solvency II regulation. Neither volatility adjustment, nor matching adjustment or transitional measures have been applied to the yield curves or other assumptions used.

  Changes in underlying assumptions other than those prescribed by the Standard Formula or by markets, e.g., FX rates, during the reporting period solely relate to operational assumptions on expenses, mortality and surrender rates representing the main drivers where a reportable change is recorded.

- The Risk Margin is an addition to the BEL to ensure that the technical provisions are equivalent to the amount that an insurance undertaking would be expected to be paid in order to take over the insurance liabilities and administer the payment of these obligations as they fall due. The risk margin is calculated as the amount of capital needed to support the SCR over the lifetime of the business.

Besides the BEL and RM Octium holds a further technical provision, the so-called "Technical provisions calculated as a whole". The gross amount of the statutory reserve for unsettled death claims (including IBNR) is displayed in the Solvency II Balance sheet in row "R0700 Technical provisions calculated as a whole" and the Statutory accounts value in row "R0730 Other technical provisions" to better reflect its technical character. The respective reinsurer's share is part of the number displayed in row "R0340 Reinsurance recoverables from Life index-linked and unit-linked". With regard to Figure 5a above the gross amount is displayed in R0010, C0030 and the reinsurers' share in R0020, C0030. This technical provision only holds the death cover of unsettled death claims and it is assumed that the death cover will be paid out completely and with nil earnings impact to policyholders immediately after projection start. For this reason there is no particular projection applied for Solvency II, i.e. the statutory value and the Solvency II value are the same. Because of the short-term lump sum nature of the claims this approach is reasonable and proportionate.

Total liabilities are obviously dominated by Technical Provisions making up more than 97.6 % at YE20 (98.9 % at YE20). More details on technical provision positions exhibiting materiality (data point references are made to the quantitative reporting template S.02.01.02 in the Appendix) are provided below for the business year YE21 (and for the previous business year YE20):

- R0690 – Technical Provisions on index-linked and unit-linked, CHF 5'080.8m (CHF 5'265.0m): thereof R0700 Technical provisions calculated as a whole of some CHF 0.28m (CHF 0.20m), R0710 Best Estimate Liability on modelled business of CHF 5'051.7m (CHF 5'242.4m) and R0720 Risk Margin CHF 28.8m (CHF 22.5m). The decrease in value during the business year is in line with the decrease in policyholder assets (see R0220) whereas the increase in Risk Margin is due to a model change in calculating the SCR gross of tax for evaluating the Risk Margin.
- R0700 – Technical Provision calculated as a whole, CHF 0.28m (CHF 0.20m): relates to the gross amount of the statutory reserve for unsettled death claims (including IBNR) and only holds the death cover of unsettled death claims.

By applying the Solvency II valuation principles the key differences for technical provisions between statutory and solvency closing relate to the

- technical provisions
  - for Solvency II see Section D.2 R0690, the technical provisions are CHF 5’080.8m at YE21 and CHF 5’265.0m at YE20 and are the total of the Technical provisions calculated as a whole (CHF 0.28m at YE21 and CHF 0.20m at YE20), Best Estimate Liability (CHF 5’051.7m at YE21 and CHF 5’242.4m at YE20) and the Risk Margin (CHF 28.8m at YE21 and CHF 22.5m at YE20);
  - whereas for the statutory accounts for the statutory reporting and in line with respective valuation rules and common actuarial practice the unit linked reserve represents the value of the assets associated with the policies in force, CHF 5’155.3m at YE21 and CHF 5’367.4m at YE20.

D.3 Other Liabilities

Total liabilities are obviously dominated by Technical Provisions making up more than 97.6 % at YE21 (98.9 % at YE20). More details on other liability positions exhibiting materiality (data point references are made to the quantitative reporting template S.02.01.02 in the Appendix) are provided below for the business year YE21 (and for the previous business year YE20):

- R0750 - Provisions other than technical provisions, CHF 0.6m (CHF 1.9m): relates to litigation provisions and tax provisions.
- R0780 - Deferred tax liabilities, CHF 17.9m (CHF 30.7m): relates to deferred taxes arising from valuation differences between Solvency II and statutory accounts. Please note that most of the valuation differences stems from the Italian Branch where the applicable corporate tax rate is 30.82 % (compared to only 12.5 % for Liechtenstein). The decrease in value is due to a model change that takes the deferred tax liability on the Risk Margin into account.
- R0800 – Debts owed to credit institutions, CHF 0.0m (CHF 1.2m): relates to short-term intercompany current account overdrafts and not to long term intercompany loans.
- R0820 - Insurance & intermediaries payables, CHF 103.7m (CHF 21.1m): relates to liabilities against intermediaries and policyholders.
- R0840 - Payables (trade, not insurance), CHF 1.9m (CHF 1.2m): relates to various other liabilities such as social security or taxes.
- R0880 – Any other liabilities, not elsewhere shown, CHF 0.3m (CHF 0.3m): relates to various other liabilities not shown elsewhere.
- R0900 – Total Liabilities, CHF 5’205.4m (CHF 5’321.7m).
- R1000 - Excess of assets over liabilities, CHF 144.4m (CHF 162.2m): originating from paid- in share capital, retained earnings, paid dividends and profit for the year as well as present value of expected future profits after corporate tax; less risk margin.

By applying the Solvency II valuation principles the key differences for liability positions between statutory and solvency closing relate to the

- deferred tax liabilities (DTL, resulting from valuation differences)
  - for Solvency II we have determined the DTL by taking the valuation differences from the technical provisions, i.e. gross present value of future profits and Risk Margin and applying the respective corporate tax rates. Please note that the above valuation differences largely stems from the business of the Italian Branch (for which a corporate tax rate of 30.82 % applies, whereas for Liechtenstein the

corporate tax rate is 12.5 %). The DTL was CHF 17.9m as of YE21 and CHF 30.7m as of YE20;

- whereas for the statutory accounts there was no DTL at the respective year end.

D.3.1 Other Liabilities

Other liabilities are loans and temporary accounts which are reported as notional.

D.3.2 Contingent Liabilities

For the valuation for solvency purposes, material contingent liabilities must be recognised as liabilities, unlike accounting principles under which they are only recognised if the payment of a liability is probable (more likely than not) and can be estimated reliably. Under Solvency II valuation principles, contingent liabilities are valued on the expected present value of future cash flows required to settle the liabilities over their lifetimes. Octium had no material contingent liabilities at 31 December 2021 or 31 December 2020.

D.4 Alternative Methods for Valuation

Octium does not use any alternative methods for valuation other than those discussed above where the accounting basis differs from those prescribed under Solvency II.

D.5 Any Other Information

All material information regarding valuation for solvency purposes is set out above.

E. Capital Management

E.1 Own Funds

Following respective analysis and discussions the treatment of the balance of the tax prepayments is characterized as follows: the advance tax payments are considered as “receivable (trade, not insurance)” in the Solvency II balance sheet, become part of the reconciliation reserve in the own funds and, thus, are classified as Tier 1 capital which is fully eligible to cover SCR and MCR. This treatment has been applied since the resubmission for YE17 and ever since.

Table 9 shows the composition of the reconciliation reserve and of own funds for YE20 and YE21. As in the previous year all Own Funds are unrestricted Tier 1 capital and, thus, fully eligible to cover SCR and MCR. Compared to YE20 the excess of assets over liabilities decreased to a large extent due to a dividend payout in 2021, changes in the modelling of expenses and lapses, and the change to the “goss” of tax calculation (see Section C) which increases the Risk Margin and, thus, reduces excess of assets over liabilities accordingly. Please note that for 2021 a foreseeable dividend of CHF 1.9m, i.e. the amount of the statutory profit for business year 2021, is already considered in the reconciliation reserve.

The SCR increased only slightly compared to the previous year due to various offsetting effects. The following effects are viewed on a “gross” of tax calculation view. First the changes in modelling expenses and lapse, as mentioned above, led to a decrease mainly in lapse and mortality risk whereas expense risk increased such that, as a net effect, the life sub SCR decreased. Second the overall market risk increased slightly mainly due to increased equity risk (driven by the increased Solvency II symmetric adjustment of the equity capital charge over the reporting period) and decreased spread and currency risks. Combining all sub risks this led to a slightly lower BSCR compared to YE20. Due to the changes in modelling expenses the loss absorbing capacity of deferred taxes decreased comparably such that this explains the slight increase in overall SCR. The SCR-coverage ratio therefore decreased from 235% at YE20 to 203 % at YE21 and the MCR-coverage ratio decreased accordingly from 522 % at YE20 to 452 % at YE21.

S.23.01.01.02 Reconciliation reserve		Submission annual ART YE 2020	Submission annual ART YE 2021
Reconciliation reserve		C0060	C0060
Excess of assets over liabilities	R0700	162'191'778	144'394'969
Foreseeable dividends, distributions and charges	R0720	-	1'900'000
Other basic own fund items	R0730	15'000'000	15'000'000
Reconciliation reserve	R0760	147'191'778	127'494'969
Expected profit			
Expected profits included in future premiums (EPIFP) - Life business	R0770	-	-
Total Expected profits included in future premiums (EPIFP)	R0790	-	-

S.23.01.01.01 Own funds		Submission annual ART YE 2020					Submission annual ART YE 2021				
		Total	Tier 1 - unrestricted	Tier 1 - restricte d	Tier 2	Tier 3	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050	C0010	C0020	C0030	C0040	C0050
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	15'000'000	15'000'000				15'000'000	15'000'000			
Reconciliation reserve	R0130	147'191'778	147'191'778				127'494'969	127'494'969			
An amount equal to the value of net deferred tax assets	R0160	-					-				
Total basic own funds after deductions	R0290	162'191'778	162'191'778				142'494'969	142'494'969			
Ancillary own funds											
Total ancillary own funds	R0400	-					-				
Available and eligible own funds											
Total available own funds to meet the SCR	R0500	162'191'778	162'191'778				142'494'969	142'494'969			
Total available own funds to meet the MCR	R0510	162'191'778	162'191'778				142'494'969	142'494'969			
Total eligible own funds to meet the SCR	R0540	162'191'778	162'191'778				142'494'969	142'494'969			
Total eligible own funds to meet the MCR	R0550	162'191'778	162'191'778				142'494'969	142'494'969			
SCR	R0580	69'078'323					70'104'787				
MCR	R0600	31'085'246					31'547'154				
Ratio of Eligible own funds to SCR	R0620	235%					203%				
Ratio of Eligible own funds to MCR	R0640	522%					452%				

Table 9: Extract Reconciliation Reserve and Own Funds YE2020 and YE2021.

Table 10 shows the Eligible Capital SCR from a Solvency II perspective for YE20 and YE21 as well as statutory shareholder equity. Statutory shareholder equity (SH EQ) decreased as a net of dividend payout of CHFm 7.5 in Dec 2021, retained earnings, and the statutory profit for business year 2021. The decrease of eligible capital SCR is driven by the dividend payout in 2021, changes in the modelling of expenses and lapses, and the change to the "goss" of tax calculation (see Section C) which increases the Risk Margin and, thus, reduces excess of assets over liabilities accordingly.

In CHFm	2020	2021
Eligible Capital SCR)	**162.2**	**142.5**
Statutory SH EQ	**109.5**	**104.0**
Thereof: Ordinary share capital	15.0	15.0

Table 10: Eligible Capital SCR and Statutory SH Equity of Octium YE20-YE21

How Eligible Capital SCR is expected to develop over time is regularly analysed by Octium through forward-looking projections as part of the quarterly Solvency II calculations and in alignment with Octium's annual Business Plan. The results are discussed in the quarterly Risk Committee meetings and include an assessment as to whether its usual business activities require to raise capital or allow for redeeming capital. In addition, the composition and development of eligible capital to cover SCR is also dealt with in the respective ORSA reports.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

Every quarter a risk type-based decomposition of SCR with the aggregated diversification effect, i.e. accounting for pre-scribed correlation and applying Variance-Covariance aggregation (reversely), is performed. It highlights that Octium is mainly exposed towards currency, lapse and equity risk.

Figure 6 shows the SCR contribution for the current business year as per YE21 and Figure 7 for the previous business year as per YE20. Due to a model change in 2021 the SCR Submodules are now calculated and reported gross of tax (YE20 net of tax) such that the figures cannot be compared directly. Because of the gross tax calculation the loss absorbing capacity of deferred taxes (LACDT) was introduced in 2021 and is applied on the BSCR for the evaluation of the Solvency Capital Requirement.

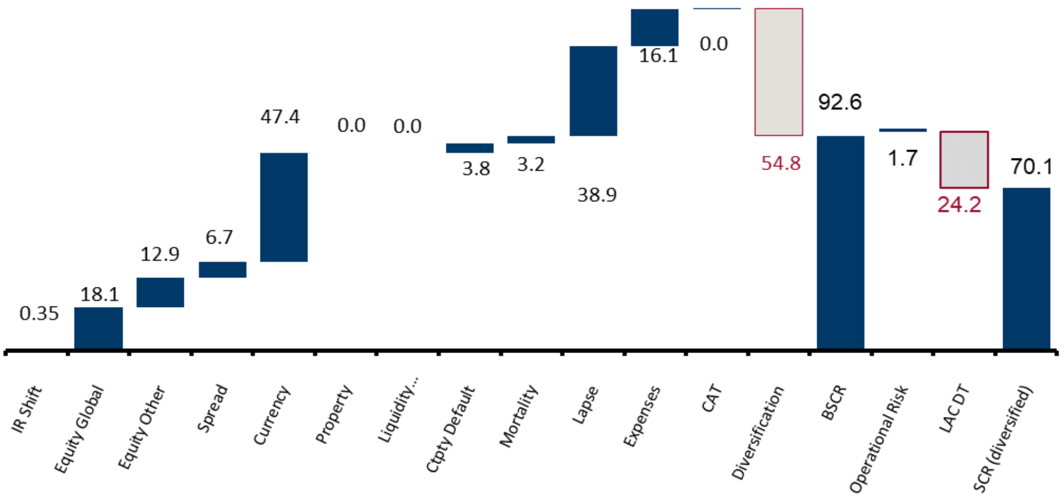


Figure 6: Octium's Decomposition of SCR as per YE21

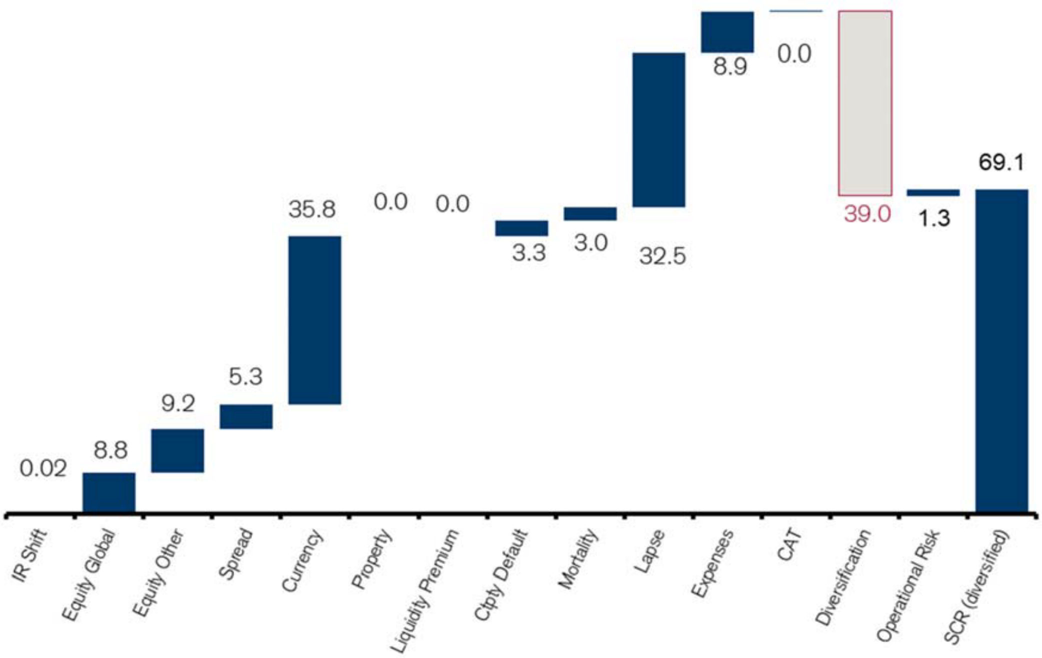


Figure 7: Decomposition of SCR as per YE20

As with eligible capital SCR above, the composition of the SCR and associated changes are also investigated in detail. Every change (or offsetting effect) is analysed and discussed in the quarterly Risk Dashboards and summarized in the ORSA.

The SCR as per YE21 equals CHF 70.4m while the SCR as per YE20 equals CHF 69.1m. Please note that with regards to MCR, the upper limit of the linear constraint applies and sets MCR at 45% of Octium's SCR. For more details see S.25.01.01 in Section F – Appendix – Quantitative Reporting Templates.

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

Octium has not opted to use the duration-based equity risk sub-module, of the Solvency II regulations.

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

Octium does not use an internal model.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

There was no breach of the Solvency Capital Requirement (and hence the Minimum Capital Requirement) over the reporting period.

E.6 Any Other Information

Octium's Italy Branch according to Art. 1(2) of Decree Law 209 (from 24-September-2002 and as amended from time to time) is required to yearly pay Tax on technical Reserves (TotR) up to a cap with a current rate of 45 bps. This 'tax credit' can be (partially) offset by:

i. Ordinary recovery: As TotR basically is an advance payment by Octium, it can be offset with any payment of Tax on Policy Income Octium does on behalf of the policyholders (PH) following full or partial redemption of any life insurance policy. Process-wise, Octium withholds such amounts from the (taxable) sum paid to the PH in order to offset it in the subsequent month with the TotR previously paid. TotR is based on previous year-end's statutory technical reserves, due end of June the following year.

ii. Further recovery: In case the aggregated amount of TotR exceeds that aggregate amount of Tax on Policy Income paid in the 5th year following that year, this amount, the "Qualified Surplus", is eligible to further recovery, i.e. can be offset either with income taxes, social security charges and other taxes paid by Octium Assurance AG (Italian Branch) (including TotR, Ruling 146/E of 16 April 2008), or, transferred to a controlled company.

As outlined in section E.1 these tax prepayments are receivables (trade, not insurance) and, thus, part of the excess of assets over liabilities. They become part of the reconciliation reserve in the own funds and, thus, are classified as tier 1 capital which is fully eligible to cover SCR and MCR.

F. Appendix – Annual Quantitative Reporting Templates

This Annex contains the quantitative reporting templates (QRT) according to the Commission Implementing Regulation (EU) 2015/2452 for the reporting date 31.12.1020. The following QRTs are disclosed: S.02.01.02, S.05.01.02, S.05.02.01, S.12.01.02, S.23.01.01, S.25.01.21 and S.28.01.01.

S.02.01.02 - Balance Sheet – Assets

Assets in CHF		Solvency II value [C0010]
Intangible assets	R0030	-
Deferred tax assets	R0040	-
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	-
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	15'000'000
Property (other than for own use)	R0080	-
Holdings in related undertakings, including participations	R0090	-
Equities	R0100	-
Equities - listed	R0110	-
Equities - unlisted	R0120	-
Bonds	R0130	-
Government Bonds	R0140	-
Corporate Bonds	R0150	-
Structured notes	R0160	-
Collateralised securities	R0170	-
Collective Investments Undertakings	R0180	-
Derivatives	R0190	-
Deposits other than cash equivalents	R0200	15'000'000
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	5'258'812'118
Loans and mortgages	R0230	-
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	-
Reinsurance recoverables from:	R0270	-16'365'720
Non-life and health similar to non-life	R0280	-
Non-life excluding health	R0290	-
Health similar to non-life	R0300	-
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	-
Health similar to life	R0320	-
Life excluding health and index-linked and unit-linked	R0330	-
Life index-linked and unit-linked	R0340	-16'365'720
Deposits to cedants	R0350	-
Insurance and intermediaries receivables	R0360	4'401'296
Reinsurance receivables	R0370	60'490
Receivables (trade, not insurance)	R0380	41'608'276
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	42'086'407
Any other assets, not elsewhere shown	R0420	4'192'266
Total assets	R0500	5'349'795'133

S.02.01.02 - Balance Sheet – Liabilities

Liabilities in CHF		Solvency II value [C0010]
Technical provisions - non-life	R0510	-
Technical provisions - non-life (excluding health)	R0520	-
Technical provisions calculated as a whole	R0530	-
Best Estimate	R0540	-
Risk margin	R0550	-
Technical provisions - health (similar to non-life)	R0560	-
Technical provisions calculated as a whole	R0570	-
Best Estimate	R0580	-
Risk margin	R0590	-
Technical provisions - life (excluding index-linked and unit-linked)	R0600	-
Technical provisions - health (similar to life)	R0610	-
Technical provisions calculated as a whole	R0620	-
Best Estimate	R0630	-
Risk margin	R0640	-
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	-
Technical provisions calculated as a whole	R0660	-
Best Estimate	R0670	-
Risk margin	R0680	-
Technical provisions - index-linked and unit-linked	R0690	5'080'772'884
Technical provisions calculated as a whole	R0700	276'497
Best Estimate	R0710	5'051'701'490
Risk margin	R0720	28'794'897
Other technical provisions	R0730	-
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	633'890
Pension benefit obligations	R0760	-
Deposits from reinsurers	R0770	-
Deferred tax liabilities	R0780	17'874'706
Derivatives	R0790	-
Debts owed to credit institutions	R0800	-
Financial liabilities other than debts owed to credit institutions	R0810	-
Insurance & intermediaries payables	R0820	103'710'032
Reinsurance payables	R0830	201'332
Payables (trade, not insurance)	R0840	1'941'407
Subordinated liabilities	R0850	-
Subordinated liabilities | Subordinated liabilities not in Basic Own Funds	R0860	-
Subordinated liabilities | Subordinated liabilities in Basic Own Funds	R0870	-
Any other liabilities, not elsewhere shown	R0880	265'913
Total liabilities	R0900	5'205'400'164
Excess of assets over liabilities	R1000	144'394'969

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

In CHF		Index-linked and unit linked insurance C0230	Total C0300
Premiums written			
Gross	R1410	362'984'999	362'984'999
Reinsurers' share	R1420	916'126	916'126
Net	R1500	362'068'873	362'068'873
Premiums earned			
Gross	R1510	362'984'999	362'984'999
Reinsurers' share	R1520	916'126	916'126
Net	R1600	362'068'873	362'068'873
Claims incurred			
Gross	R1610	557'209'087	557'209'087
Reinsurers' share	R1620	497'863	497'863
Net	R1700	556'711'224	556'711'224
Changes in other technical provisions			
Gross	R1710	-	-
Reinsurers' share	R1720	-	-
Net	R1800	-	-
Expenses incurred	R1900	51'988'217	51'988'217
Other expenses	R2500		
Total expenses	R2600		51'988'217

S.05.02.01 - Premiums, claims and expenses by country

In CHF		Home Country C0220	Belgium C0230	Germany C0230	Italy C0230	Total Top 5 and home country C0280
Premiums written						
Gross	R1410	-	-	8'699'481	354'285'518	362'984'999
Reinsurers' share	R1420	-	-	721'269	194'857	916'126
Net	R1500	-	-	7'978'211	354'090'661	362'068'872
Premiums earned						
Gross	R1510	-	-	8'699'481	354'285'518	362'984'999
Reinsurers' share	R1520	-	-	721'269	194'857	916'126
Net	R1600	-	-	7'978'211	354'090'661	362'068'872
Claims incurred						
Gross	R1610	-	1'578'200	45'771'731	509'859'156	557'209'087
Reinsurers' share	R1620	-	-	412'860	85'003	497'863
Net	R1700	-	1'578'200	45'358'871	509'774'153	556'711'224
Changes in other technical provisions						
Gross	R1710	-	-	-	-	-
Reinsurers' share	R1720	-	-	-	-	-
Net	R1800	-	-	-	-	-
Expenses incurred	R1900	-	-	1'245'976	50'742'241	51'988'217
Other expenses	R2500	-	-	-	-	-
Total expenses	R2600	-	-	-	-	51'988'217

S.12.01.02 - Life and Health SLT Technical Provisions

in CHF		Insurance with profit participation	Index-linked and unit-linked insurance			Total (Life other than health insurance, incl. Unit-Linked)
				Contracts without options and guarantees	Contracts with options or guarantees	
		C0020	C0030	C0040	C0050	C0150
Technical provisions calculated as a whole	R0010	–	276'497		–	276'497
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty defaultassociated to TP calculated as a whole	R0020	–	136'776		–	136'776
Technical provisions calculated as a sum of BE and RM		–				
Best Estimate		–		5'051'701'490	–	5'051'701'490
Gross Best Estimate	R0030	–		-16'502'496	–	-16'502'496
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	–		5'068'203'986	–	5'068'203'986
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090	–	28'794'897		–	28'794'897
Risk Margin	R0100	–	–		–	–
Technical Provisions calculated as a whole	R0110	–	–		–	–
Best estimate	R0120	–			–	–
Risk margin	R0130	–	–		–	–
Technical provisions - total	R0200	–	5'080'772'884		–	5'080'772'884

S.23.01.01 - Own funds

In CHF		Total C0010	Tier 1 – unrestricted C0020	Tier 1 - Restricted C0030	Tier 2 C0040	Tier 3 C0050
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	15'000'000	15'000'000		-	
Share premium account related to ordinary share capital	R0030	-	-		-	
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	-	-			
Preference shares	R0090	-		-	-	-
Share premium account related to preference shares	R0110	-		-	-	-
Reconciliation reserve	R0130	127'494'969	127'494'969			
Subordinated liabilities	R0140	-		-	-	-
An amount equal to the value of net deferred tax assets	R0160	-				-
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	R0220	-				
Deductions for participations in financial and credit institutions	R0230	-	-	-	-	
Total basic own funds after deductions	R0290	142'494'969	142'494'969	-	-	-
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	-			-	-
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	142'494'969	142'494'969	-	-	-
Total available own funds to meet the MCR	R0510	142'494'969	142'494'969	-	-	
Total eligible own funds to meet the SCR	R0540	142'494'969	142'494'969	-	-	-
Total eligible own funds to meet the MCR	R0550	142'494'969	142'494'969	-	-	
SCR	R0580	70'104'787				
MCR	R0600	31'547'154				
Ratio of Eligible own funds to SCR	R0620	203.3%				
Ratio of Eligible own funds to MCR	R0640	451.7%				

		C0060
Excess of assets over liabilities	R0700	142'494'969
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	1'900'000
Other basic own fund items	R0730	15'000'000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	-
Reconciliation reserve	R0760	127'494'969

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

in CHF		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	65'518'948		
Counterparty default risk	R0020	3'832'186		
Life underwriting risk	R0030	49'303'796		
Health underwriting risk	R0040	-		
Non-life underwriting risk	R0050	-		
Diversification	R0060	-26'061'950		
Intangible asset risk	R0070	-		
Basic Solvency Capital Requirement	R0100	92'592'980		

		Value
Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	1'689'175
Loss-absorbing capacity of technical provisions	R0140	-
Loss-absorbing capacity of deferred taxes	R0150	-24'177'368
Capital requirement for business operated in accordance with Art. 4 of Directiv	R0160	-
Solvency Capital Requirement excluding capital add-on	R0200	70'104'787
Capital add-on already set	R0210	-
Solvency capital requirement	R0220	70'104'787
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements 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 adjust	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

		Yes/No
		C0109
Approach based on average tax rate	R0590	No

S.28.01.01 - Minimum Capital Requirement

Linear formula componet for life insurance and reinsurance obligations in CHF

		C0040
MCRL Result	R0200	35'549'596

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	-	-
Obligations with profit participation - future discretionary benefits	R0220	-	-
Index-linked and unit-linked insurance obligations	R0230	5'068'343'707	-
Other life (re)insurance and health (re)insurance obligations	R0240	-	-
Total capital at risk for all life (re)insurance obligations	R0250	-	101'700'107

Overall MCR calculation

		C0070
Linear MCR	R0300	35'549'596
SCR	R0310	70'104'787
MCR cap	R0320	31'547'154
MCR floor	R0330	17'526'197
Combined MCR	R0340	31'547'154
Absolute floor of the MCR	R0350	3'825'323
Minimum Capital Requirement	R0400	31'547'154