Octium Holding S.A.

Group Solvency and Financial Condition Report ("Group SFCR")

For the financial year ended 31 December 2022

Summary

Octium Holding S.A. (“Octium Holding”), a mixed activity insurance holding company incorporated and resident in Luxembourg, is the ultimate parent entity of the insurance group to which Octium Life DAC (“Octium Life”), Octium Assurance AG (“Octium Assurance”), Octium International Insurance Agent AG (“OIIA” or the “Agency”), Octium Services (Switzerland) AG and KLP S.à.r.l (a non-regulated dormant company) belong (collectively referred to as the “Group”).

The 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 €8.4 billion and operates in global markets with a unique offering of unit-linked insurance products for wealth and succession planning.

Octium Holding is subject to group supervision under Solvency II Regulations and is required to make publicly available an annual report on the solvency and financial condition at the level of the Group (the “Group SFCR”).

Below is a summary of the Group’s business and risk profile, key changes and events in 2022.

Business and performance

The principal activity of the Group is the insurance activity undertaken by Octium Life and Octium Assurance. The Group made an operating profit before tax for the year ended 31 December 2022 of €1.1m (2021: €1.3m).

The assets under management by the Group decreased to €8.4bn (2021: €9.7bn).

System of governance

Octium Holding’s Board of Directors (the “Group Board”) has responsibility for compliance with both the regulatory requirements and governance arrangements applicable at the level of the Group. The Group Board has established effective governance and control systems to manage business activities and risks.

There have been no material changes in the system of governance during the year.

Risk profile

The Group is exposed to risks outlined in section C below. The most significant risks are market and lapse risk. The Group has established a robust risk management and internal control system to monitor and manage these risks. Although these risks may impact on future profitability, they do not have a significant impact on the Group’s ability to meet payments to clients.

Policyholder investments are managed on a unit-linked basis, with each insurance carrier within the Group ensuring it is always able to meet policyholder withdrawal requests. The low-risk nature of the business means that the Group’s Solvency Ratio remains resilient to changes in the business.

There have been no material changes to the risk profile during the year.

Solvency and capital management

The Group manages its balance sheet prudently to ensure 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 Octium Board ensures that Octium’s capital is adequate to cover the expected requirements in the short to medium term.

The Group has eligible own funds in excess of the Group’s solvency capital requirement (the “Group SCR”). As of 31 December 2022, the Group SCR ratio is 191% (2021: 152%).

Each subsidiary company holds capital which is sufficient to cover any regulatory requirements together with an additional margin which can absorb adverse future changes. Octium's Life's solvency ratio on 31 December 2022 was 229% (2021: 158%) and Octium Assurance's solvency ratio on 31 December 2022 was 230%. The solvency ratio indicates the amount of excess capital relative to regulatory requirements.

The Group does not plan to make a dividend payment to the shareholder during 2023.

Other information

This report has been prepared in accordance with the requirements of the Solvency II Directive as of 31 December 2022.

The Group's financial year runs to 31 December each year and report their results in Euro. Octium Life's financial statements are prepared on the basis of Financial Reporting Standard 102 applicable in the UK and Republic of Ireland (FRS 102) while Octium Assurance are prepared on the basis of Liechtenstein Generally Accepted Accounting Principles. The Group's consolidated financial statements are prepared in accordance with Luxembourg Generally Accepted Accounting Principles.

A. Business and Performance

A.1. Business

A.1.1. Company information

Octium Holding, a mixed activity insurance holding company incorporated and resident in Luxembourg, is the ultimate parent entity of Octium Life, Octium Assurance and OIIA for the purposes of group supervision in accordance with Regulation 216(3)(b) of S.I. 485 of 2015 (the "Solvency II Regulations"). Octium Holding and its subsidiaries form a specialist life assurance group (collectively the "Group" or "Octium Holding"

The Group is an independent international insurance group specialising in the design, structuring and distribution of unit-linked life insurance products. Octium Group has policyholder assets worth approximately €8.4 billion and operates in global markets with a unique offering of unit-linked insurance products for wealth and succession planning.

The Group operates the insurance companies Octium Life DAC, Dublin, and Octium Assurance AG, Vaduz, inclusive of its branch Octium Assurance AG (Italian Branch), in Milan, as well as the service company Octium Services (Switzerland) AG and the insurance intermediary Octium International Insurance Agent AG, Vaduz, and its Zurich Branch.

Octium Life is an Irish domiciled and authorised insurance company whose principal activity is the transaction of cross-border life insurance business. Octium Life was established in 2003 originally as UBS International Life Ltd but its name changed following its acquisition by the Octium Group in May 2017.

Octium Assurance (formerly Credit Suisse Life and Pensions AG) is a Lichtenstein based insurance company, regulated by the Liechtenstein Financial Market Authority ("FIMA"). Octium Assurance offers unit linked insurance products to EU policyholders on a cross border basis under the freedom of services legislation and through its Italian Branch under the freedom of establishment legislation.

OIIA, a Liechtenstein domiciled company, was incorporated in early 2020 to provide insurance intermediation on behalf of Octium. In September 2020, OIIA was granted a life insurance agent licence by the FIMA for insurance distribution purposes.

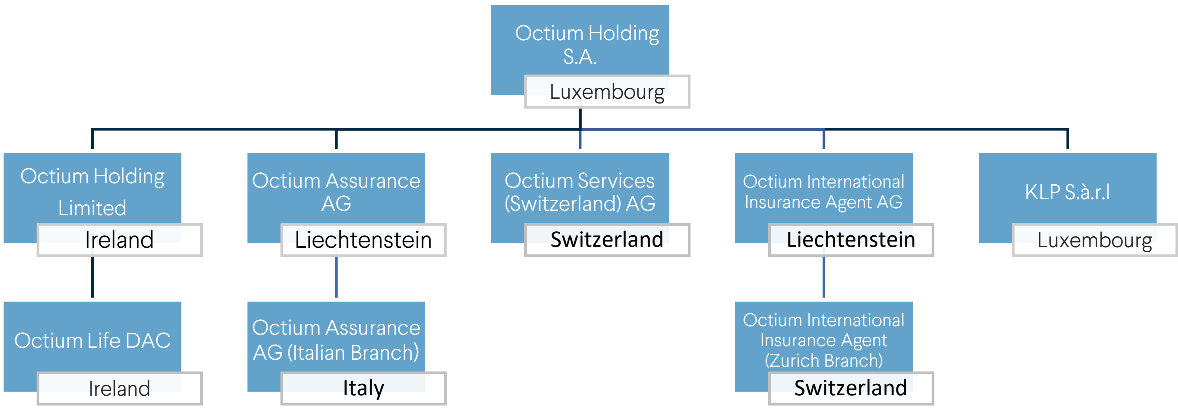
Octium Services Switzerland AG was formed in November 2021 with the primary purpose to provide assistance and services to Octium Assurance AG.

KLP S.à.r.l. is a 100% subsidiary of Octium Holding S.A. It is a company incorporated in Luxembourg and is a former life insurance company of Kaupthing Life & Pension S.A., with corresponding license returned in 2015 and is now a non-regulated dormant company.

Name of Company	Octium Holding S.A.	Registered Address: 35 Avenue J. F. Kennedy L-1855 Luxembourg Luxembourg
Group Auditors	Deloitte Ireland LLP	Deloitte & Touche House, 29 Earlsfort Terrace Dublin 2 Ireland, D02 AY28
Regulatory Supervisor of the Group & Octium	Central Bank of Ireland ("CBI")	New Wapping Street, North Wall Quay, Dublin 1, Ireland.

A.1.2. Shareholdings

The group structure below shows the entities within the scope of group supervision up to the 31 December 2022 (100% ownership at each level).



The holding companies above are all based in the EU. They have no assets, other than investments in Group companies and small cash deposits to pay administrative expenses and have no other risk exposures other than a non-subordinated liability (senior debt) used to fund the acquisition of Octium Life and Octium Assurance.

A.1.3. Products

The Group offers unit linked life assurance products with an open architecture on a freedom of services basis in Germany, Greece, Italy and Spain. The Group also accepts applications from the UK and Turkey provided the application is intermediated on a compliant basis by a regulated distributor.

The main product offering is a portfolio bond, which allows policyholders to link to a fund which is managed by their chosen asset manager or investment advisor. The Group does not offer products with guaranteed investment returns.

A.1.4. Significant events

In November 2022 the Group agreed to acquire Insurevolution's PPLI portfolio in Ireland and Liechtenstein which consists of approximately CHF2.5bn of unit-linked business with mostly EU policyholders. The transaction is subject to regulatory approval by the Liechtenstein Regulatory Authority (FMA).

The Group completed the purchase the life insurance business of Credit Suisse Life and Pensions AG in January 2022.

There were no other significant events in the holding companies within the Group.

A.2. Underwriting performance

Octium Holding's financial statements are prepared in accordance with the Luxembourg Insurance Accounting Law of 8 December 1994, which became effective for the year commencing 1 January 1995. Under this accounting standard, the majority of Octium Life's and Octium Assurance's unit linked policies are classified as investment contracts whereby premiums and claims are shown as deposits to and payments from investment contracts.

Accounting profits are largely driven by policy administration fees received, net of commissions and other expenses as well as risk fees net of reinsurance and risk claims. Changes in the value of investments underlying unit linked policies are offset by corresponding changes in the value of technical provisions. The Group has defined accounting profits as an appropriate measure of its underwriting performance.

A.2.1. Overview of Octium Group's accounting profits

Overview of accounting profits	2022 €,000	2021 €,000	Change %
Gross accounting profits	2,914	2,004	45%
Tax charge	(1,866)	(690)	170%
Profit attributable to the shareholder	1,048	1,320	(21%)

The reduction in profitability is driven primarily by negative asset performance impacting fee income.

A.2.2. Octium Group's risk fees net of reinsurance

Risk fees are the element of policy charges that relate to mortality risk and the payment of death risk benefits. The table below details the risk fees earned net of reinsurance.

Risk fees	2022 €,000	2021 €,000	Change %
Risk fees earned	2,634	1,160	127%
Reinsurer's share net of profit share	(1,419)	(602)	136%
Net Risk fees	1,215	558	118%

A.2.3. Premiums written by Octium Group

The table below details the premiums written during the year as reported in QRT S.05.01.

Index-linked and unit-linked insurance	2022 €,000	2021 €,000	Change %
Gross	430,286	317,834	35%
Reinsurer's share	(1,026)	(32)	3,067%
Net Premiums	429,260	317,802	35%

A.2.4. Octium Group's death risk benefits net of reinsurance

The table below details the death risk benefits incurred.

Death benefits	2022 €,000	2021 €,000	Change %
Death risk benefits	668	419	59%
Reinsurer's share	(489)	(359)	36%
Net Death benefits	179	60	198%

A.2.5. Octium Group's claims incurred

The table below details total claims incurred as reported in QRT S.05.01.

Index-linked and unit-linked insurance	2022 €,000	2021 €'000	Change %
Gross claims	681,108	251,969	170%
Reinsurer's share	(359)	(0)	100%
Net claims	680,749	251,969	170%

A.3. Investment Performance

Other than some small cash deposits held by the Agency, Octium Services and holding companies to cover administration expenses the Group's assets consist of Octium Life's and Octium Assurance's assets.

Octium Life's and Octium Assurance's main source of income is from administration fees charged on the value of unit linked insurance contracts and therefore the impact on profit of investment performance is second order.

All client investments are selected by the policyholder from a pre-approved list of funds or investment managers who are appointed in accordance with a specific investment mandate. Excess assets above those required to match policyholder unit liabilities are held as cash or high-quality liquid assets.

Octium is exposed to market risk on unit linked investments to the extent that adverse movements in the value of these assets would reduce the future profitability of the Company through a decline in policy administration fees.

A.3.1. Description of Octium Group's assets

The following investments are held in respect of policyholder linked assets.

Asset Type	2022		2021	
	%	€'000	%	€'000
Cash and deposits	7%	546,258	9%	861,741
Collective Investment Schemes	67%	5,582,489	69%	6,677,127
Equities	7%	543,282	6%	585,754
Fixed Income Securities	16%	1,387,295	13%	1,303,816
Other	3%	295,576	3%	268,274
Total Assets	100%	8,354,900	100.0%	9,696,712

A.3.2. Octium Group's investment return

Investment return comprises interest, dividends and other income receivable, realised and unrealised gains and losses on investments and is net of related investment management fees and other account-keeping charges.

Investment Return	2022 €'000	2021 €'000
Interest income/expense - shareholders cash	(246)	(21)
Other investment income, gains and losses	(107,386)	362,482
Investment return	(107,632)	362,461

Asset performance during 2022 followed global market trends, which saw negative performance throughout the year.

A.4. Performance of Other Activities

The Group's primary activity is manufacture of unit linked insurance products. Income is primarily derived from the fees charged to the policyholders for policy administration. Fees are charged as a percentage of the policy value and are thus affected by the performance of the underlying assets as well as premium and claim levels. The performance of the policies therefore depends on the performance of the assets selected and the expense relating to asset management, custody of assets and policy administration fees. The income for the current and previous years is shown below:

A.4.1. Octium Group's other technical income net of reinsurance

Other Technical Income	2022 €'000	2021 €'000
Administration fees	31,090	17,119
Reinsurance premiums, profit share and claims	(37)	(243)
Other technical income	31,053	16,875

The increase in administration fee income relative to 2021 is as a result of the inclusion of Octium Assurance AG in the Octium Group for 2022.Octium Group's operating expenses

Operating Expenses	2022 €'000	2021 €'000
Acquisition and administration	21,608	8,599
Commission paid	3,013	2,817
Change in deferred acquisition cost	19	15
Death claims	308	419
Operating expenses	24,948	11,810

Operating expenses increased during the year as a result of the inclusion of Octium Assurance AG in the Octium Group for 2022 and in support of business development.

Group expenses mostly consist of Octium Life's and Octium Assurance's expenses along with the expenses of the Agency and Octium Services and administation expenses of the holding companies within the Group and interest on the senior debt.

A.4.2. Change in value of the Italian substitute tax asset

Octium Life and Octium Assurance AG (Italian Branch) act as withholding tax agents for the Italian tax authorities, making advance payments in respect of Italian policyholder exit tax. Recovery is made when exit taxes are levied on chargeable gains.

A.5. Any other information

All material information regarding the business and performance of Octium has been set out above.

B. System of Governance

B.1. General Information on the system of governance

The Group Board is the supervisory body at the level of the Insurance Group Parent Company with responsibility for the overall direction, management and for ensuring the Group complies with applicable laws rules and regulations. It decides on the strategic aims and the necessary financial and human resource requirements based on recommendations of the Group Executive Committee and Group Executive Chairman. The Group Board is responsible for ensuring:

- adequate mechanisms to monitor, manage and report significant intra-group transactions as well as significant risk concentrations within the Group;
- eligible own funds are available which are always at least equal to the Group SCR;
- that adequate systems and procedures are in place to identify and measure risks at the level of the Group;
- to ensure that an own risk and solvency assessment is carried out at the level of the Group;
- and to comply with other group supervision requirements, including regular reporting to the Group supervisor.

B.1.1. Group Executive Committee

The Group Board has established a Group Executive Committee (“Group ExCo”) to whom it has delegated the management of the Octium Group under the leadership of the Group Executive Chairman.

The Group ExCo consists of at least five persons (each an “ExCo Member”), having collective empowerment for the purpose of governing the Octium Group in a compliant way according to their duties. The Group ExCo is composed of any CEO of the Insurance Carrier(s) forming part of the Group along with any individual appointed by the Group Board of Directors to take up group executive responsibilities, further covering the following group executive functions:

- Group Executive Chairman (“Group Chairman”)
- Group Chief Executive Officer (“Group CEO”)
- Group Chief Financial Officer (“Group CFO”)
- Group Chief of Sales and Business Development (“Group CBDO”)
- Group Chief Legal & Compliance (“Group CLC”)

The Group ExCo oversees the management of the Group and its affiliates, including business strategy, risk appetite and financial objectives, where relevant upon recommendation of the respective affiliates’ CEOs. In particular, the Group ExCo is responsible for the following:

- Development of long-range plans and the Group business model.
- Review and evaluate the Group’s consolidated budget and forecasts.

- Implementation of the Group Risk Management Framework including risk strategy, risk tolerance, risk identification, risk measurement, risk monitoring, risk reporting and the way the principal risks are managed, controlled and mitigated.
- Review and assess the effectiveness of Group's practices with respect to its insurance business purpose.
- Oversee compliance with group supervision regulatory and legal obligations.
- Monitoring of the group SCR and solvency ratio.
- Identifying, monitoring, managing and reporting intra-group transactions, including significant and very significant intra-group transactions.
- Establish, evaluate and approve the principles of an adequate organisation and resource allocation.

B.1.2. Organisational Structure

Octium Life and Octium Assurance have their own separate Boards recognising their obligation to take decisions independently in the interest of their clients, as well as to meet relevant legal and governance responsibilities.

The respective Board of each insurance carrier is the supervisory body with responsibility for the overall direction, management and for ensuring each insurance entity complies with applicable laws, rules and regulations. It decides on the strategic aims and the necessary financial and human resource requirements based on recommendations of the Management Committee and Chief Executive Officer.

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

B.1.3. Boards of Directors:

As of 31 December 2022, the Group Board comprised of two Executive Directors, one Non-Executive Director and one Independent Non-Executive Director.

B.1.3.1. Octium Life

As of 31 December 2022, the Octium Life Board comprised of one Executive Director, two Non-Executive Directors and two Independent Non-Executive Directors.

Board Member	Type
Jean- Francois Willems (Chairman)	Non-Executive Director
Joan Collins (Risk Committee Chair)	Independent Non-Executive Director
Seamus Hughes (Audit Committee Chair)	Independent Non-Executive Director
Massimoluca Mattioli	Non-Executive Director
Dara Hurley (CEO)	Executive Director

B.1.3.2. Octium Assurance

As of 31st December 2022 the Octium Assurance Board comprised three Group Non-Executive Directors and two Independent Non-Executive Directors:

BoD Member	Type
Harley Rowland (Chairman)	Non-Executive Director
Jean-François Willems	Non-Executive Director
Dara Hurley (Risk Committee Chair)	Non-Executive Director
Alexander Ospelt	Independent Non-Executive Director
Rainer Marxer (Audit Committee Chair)	Independent Non-Executive Director

B.1.4. Board Committees

Each insurance carrier Board has established separate risk and audit committees to assist in discharging its obligations. Both committees operate under defined terms of reference and report at each Board meeting.

B.1.4.1. Audit Committee

The Audit Committee oversees the integrity of the insurance entity'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 three non-executive directors.

B.4.1.2. Risk Committee

The Risk Committee oversees insurance entity's 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 three non-executive directors.

The terms of reference for each, of the insurance entity's board committees are approved by the respective board and updated as necessary. In addition, each committee Chair provides regular reports to the boards on the matters covered at each committee meeting.

B.1.5. Independent control functions

Each insurance entity 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 Board on matters relating to the risk management framework and system of internal controls.

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

B.1.5.1. Risk management

The Risk Management function, which is under the direct responsibility of the Chief Risk Officer, 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 Risk Appetites by the Board.
- To develop and maintain appropriate risk policies and procedures that are consistent with the Company's Risk Appetite Statement.
- To develop and maintain a risk register.
- To monitor the impact of emerging issues and how they are managed within the business.
- To ensure a comprehensive understanding of how risks affecting the Company are being managed and monitored and to communicate this appropriately.
- To liaise with Head of Actuarial Function to review the outputs from the risk management framework and to ensure the universe of risks is adequately reflected within capital models.
- To promptly inform the Board and CEO of any material risk limit breach.
- 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 reports to the Chief Executive Officer and has direct access to the Chair of the Board and Risk Committee as required.

B.1.5.2. Compliance

The Compliance function, which is under the direct responsibility of the Head of Compliance, is charged with oversight and implementation of the Compliance Policy which aims to ensure the Company 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 Board, Audit or Management Committee as appropriate.
- Assisting in identifying the legal regulatory and code requirements which the Company 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 the Company's Anti Money-Laundering Policies and Procedures ("AML Procedures").
- Guaranteeing data protection framework of the Company is compliant and effective.
- Reviewing staff training processes to ensure appropriate compliance competencies; and
- Promoting a culture of compliance across the company.

The Head of Compliance reports to the Chief Risk Officer and has direct access to the Chair of the Audit Committee as required.

B.1.5.3. Actuarial

Please refer to section B.6

B.1.5.4. Internal audit

Please refer to section B.5

B.1.6. Changes to the system of governance

There were no changes to the Group's system of governance during 2022.

B.1.7. Remuneration, Employee Benefits and Practices

The Board of each insurance entity has approved a Remuneration Policy to ensure employee remuneration is aligned with the insurance carrier's long-term business strategy, business objectives, risk appetite and values. The remuneration structure is designed to promote sound and effective risk management and does not encourage risk-taking beyond risk tolerance limits set out in the Board approved Risk Appetite Statement.

B.1.8. Material transactions (with connected persons)

There have been no material transactions with the shareholder, persons who exercise a significant influence on the undertaking or with members of the Board, other than:

- Albany Capital Limited, a connected undertaking, has issued both non-subordinated and subordinated loans to fund Group acquisitions. The total balances on the non-subordinated loan and the subordinated loans on 31 December 2022 were €30.9m and €67.5m respectively.
- Octium Assurance received professional services from Octium Services Switzerland, a related party, and incurred expenses of €2,836k.
- There is a loan facility provided by Octium Holding S.A. to the Agency, of which €2.5m was drawn down in 2022 (2021: €1.4m).
- Octium Life received professional services from Octium International Insurance Agent, a related party, and incurred expenses of €500k.
- Octium Assurance received professional services from Octium International Insurance Agent, a related party, and incurred expenses of €200k.
- Octium Life incurred commission expenses to Octium International Insurance Agent AG, a related party, of €178k for distribution services.
- Octium Assurance received financial and IT support services from Octium Life, a related party and incurred expenses €151k.
- Octium Life received professional services from Octium Holding S.A, a related party, and incurred expenses of €120k.

B.2. Fit and proper requirements

The Group is committed to ensuring that all members of its Boards, key function holders and other senior individuals within the Group, behave with integrity, honesty and skill. This commitment is documented in the Fit and Proper policies of Octium Life and Octium Assurance. The Group has processes in place to ensure appropriate fit and proper standards are met and maintained, both prior to appointment and on an ongoing basis thereafter.

The key elements within fit and proper framework, which apply to individuals undertaking prescribed control functions as well as those subject to pre-approval are:

- A pre-appointment assessment, including an appraisal of the individual's knowledge; professional experience and qualifications; technical capability; prior business conduct and financial judgement; character, honesty and integrity.
- A job description, detailing the significant requirements of the role.

- A probationary period and an appropriate induction program.
- An annual attestation confirming their continued ability to meet fitness and probity requirements.

Where a regulated function is outsourced, the responsible officer with responsible for managing the arrangement ensures the outsourcing firm carries out and maintains appropriate fit and proper assessments. Records are maintained, and notifications are made to the regulators, as and when required.

B.3. Risk management system including the own risk solvency assessment

The Group Risk Management Framework has been developed to enable the Board and management of the insurance carriers to understand, appropriately manage and mitigate the risks associated with business objectives over the short, medium and longer term.

Risk Committees receives regular reporting from CROs in relation to the outcome of the periodic risk assessments undertaken by Management.

B.3.1. Risk management framework

The Group Risk Management Framework seeks to identify, assess, manage, and report on the risks arising from the pursuit of business objectives. It comprises the entirety of systems, controls, processes and reports used to manage risk and is based on the classic "three lines of defence model". Risk management seeks not to eliminate risk but to manage it to acceptable levels.

B.3.2. Three lines of defence

Within each insurance entity, the first line is responsible for day-to-day operations and identifying and managing the risks that arise from those operations. The second line acts as a "critical friend" overseeing risk management activities and providing advice on the management of risk. The third line provides independent assurance that the risks are being managed appropriately.

The model's strength is the clear segregation between "doing", "overseeing" and "independent review". This ensures the appropriate level of perspective and challenge is brought to the management and control of risk. It also facilitates consistency in risk assessments and formalises independent review and assessment of risk and control matters.

Where a function is outsourced, first line risk management is carried out by the outsourced provider, with the responsible officer with responsible for managing the arrangement providing oversight.

B.3.3. Risk appetite statement

By its nature the business of the Group involves taking risk. Risk Appetite Statement (RAS) of each insurance entity articulates the level of risk the subsidiary Board is prepared to tolerate in pursuit of business objectives and provides the context for all risk management activities.

The RAS is owned by the insurance entity Board and reviewed annually or more frequently if there is a significant change to the business strategy or external business environment.

B.3.4. Risk strategy and policies

A suite of risk policies exists within each insurance entity that set out the approach to risk management and how particular risks are identified, assessed, managed, and monitored. The policies clearly state the controls, procedures, limits, tolerances, and escalation procedures to ensure risks are managed within risk appetite. Risk policies are reviewed at least annually by the Risk Committee and approved by the Board.

B.3.5. Monitoring and reporting risks

Individuals who own or are responsible for managing processes, controls, projects or relationships have a responsibility for risk monitoring and reporting, using a variety of tools such as analysis of management information, communication and relationship management meetings to do so.

B.3.6. Key Risk Indicators

A suite of Key Risk Indicators (KRIs) covering the key risks faced by each insurance entity is maintained, with triggers based upon the risk appetite set by the subsidiary Board to monitor actual risk exposures against stated risk appetite.

The KRIs are reported quarterly to the insurance entity's Management Committee, Risk Committee and the Board with a narrative providing detail in relation to any changing risks particularly those nearing risk appetite or which have breached appetite.

B.3.7. Loss event reporting

Data relating to loss events and near misses (events where no loss actually occurred but there was the potential for a loss) is recorded in the risk event log. The nature and root cause of each event is determined, and appropriate action is taken.

B.3.8. Internal audit reviews

The respective Internal Audit functions of Octium Life and Octium Assurance perform reviews on areas of key risk within the business, providing reports on the design adequacy and operational effectiveness of controls and compliance with internal policies and external regulation/legislation. The Internal Audit function for Octium Life and Octium Assurance is outsourced to KPMG and is independent of business operations and decisions. Internal Audit reviews are planned on a prioritised basis, ensuring that all key areas of risk are covered on a rolling basis.

B.3.9. Implementation of the risk function

The Group Risk Management Policy sets out the roles, responsibilities, tasks and reporting requirements in respect of all risk matters. The principles underlying the Group's approach to risk management are:

- Business risks and the controls used to manage them are owned by the business
- Risk management is responsible for risk strategy, oversight and the governance of risk
- Risks are managed in a proportionate manner
- A "risk aware" culture is fostered at all levels of the Company

B.3.10. Independent assurance

The Risk, Compliance and Internal Audit functions, at entity level provide independent assessment of the risk management system and report directly to the insurance entities' Board through relevant committees.

B.3.11. Own Risk Solvency Assessment

The Own Risk Solvency Assessment ("ORSA") process is a core part of the Group's Risk Management Framework, as it combines the key processes of risk management, business planning and capital management.

Individual ORSA reports are produced, at least annually, by the Group and its insurance entities. These reports summarise the processes that make up the ORSA, including descriptions of key risks, how they are managed, and how those risks might change in the context of the business plan. They include both qualitative and quantitative assessments of risk profiles and solvency needs on a forward-looking basis. Results arising from stress and scenario testing undertaken on a range of reasonably foreseeable scenarios and other risk assessment activities are documented within the reports along with potential management actions.

The respective Boards direct the ORSA and challenge its outcomes at various stages of the process. The production of the ORSA report is co-ordinated by the Chief Risk Officer, with significant input from the Head of Actuarial Function and approved by the relevant Board prior to submission to regulators.

B.4. Internal control system

The internal control system encompasses the policies, processes and activities that contribute to integrity of financial reporting, the effectiveness of operations and compliance with laws and regulations. The Internal Control Framework for each insurance entity has the following attributes:

- The Board directs and controls the company, through policies it approves and monitors performance against those policies. The CEO and executive management team have clear accountability for the implementation of these policies.
- Management of the company is in accordance with the authority delegated by the Board
- Business functions have documented procedures as to how relevant policies are implemented, managed and reported. Control activities are listed which may be preventative or detective in nature and encompass a range of manual and automated activities such as authorisations and approvals.
- There is adequate segregation of duties between functions and within each function to mitigate the risk of loss due to mistakes and inappropriate actions to an acceptable level.
- There are different levels of supervision and review throughout the company:
- Transactions are appropriately recorded to permit the preparation of reliable financial statements.
- Outsourced activities are managed to the same standard as internal activities.

A nominated individual is responsible for oversight of all compliance matters including compliance with laws and regulations. They are responsible for reporting on compliance matters to the Board and/or Audit Committee and for indicating whether appropriate remedial measures have been taken in the event of any deficiencies.

B.5. Internal audit function

The Internal Audit function and Head of Internal Audit have been outsourced to KPMG who operate in accordance with the International Standards for the Professional Practice of Internal Auditing and other relevant codes of conduct. The function provides independent and objective assurance services, in respect of processes, whether carried out by its service providers or by employees, with due regard to the adequacy of the governance, risk management and internal control framework.

For each insurance entity, audits are conducted within a Board approved Internal Audit Policy framework. The Head of Internal Audit reports to the Chair of the Audit Committee. The Audit Committee oversees the 'risk based' Audit Plan and reports and monitors implementation of recommendations.

Internal Audit reports highlight any significant control failings or weaknesses identified and the impact they have had or may have and the actions and timings which Management have agreed to take to rectify them.

The effectiveness of the Internal Audit Function as an assurance service depends upon its independence from the day-to-day operations of the business. The Head of Internal Audit provides an annual confirmation of the organisational independence of the Internal Audit function. This confirmation is undertaken through reporting to the Audit Committee.

B.6. Actuarial function

The Group Actuarial Function and Head of Actuarial Function ("HoAF") are outsourced to KPMG (Ireland). The requirements of the HoAF are in line with guidance from the Central Bank of Ireland and the Society of Actuaries, and include, but are not limited to, the following matters:

- Coordinating the work of the actuarial function and advising the Board accordingly.
- Coordinating the calculation of the firm's technical provisions.
- Providing an opinion on the Underwriting Policy and reinsurance arrangements.
- The provision of advice and support to Octium on its solvency requirements.
- Contributing to the effective implementation of the risk management process
- Modelling of the SCR and Minimum Capital requirement (MCR); and
- Contributing to the ORSA process.

B.7. Outsourcing / Key third party agreements

Octium Holding S.A. outsources some of its activities. Service Level Agreements which set out the roles and responsibilities, policies, and procedures along with relevant KPIs, performance review procedures etc. are generally in place in respect of outsourced arrangements. Activities relating to financial and regulatory reporting for the holding companies are undertaken with the support of the finance function in Octium Life.

B.8. Any other information

All material information regarding the System of Governance of the Group has been disclosed above.

C. Risk Profile

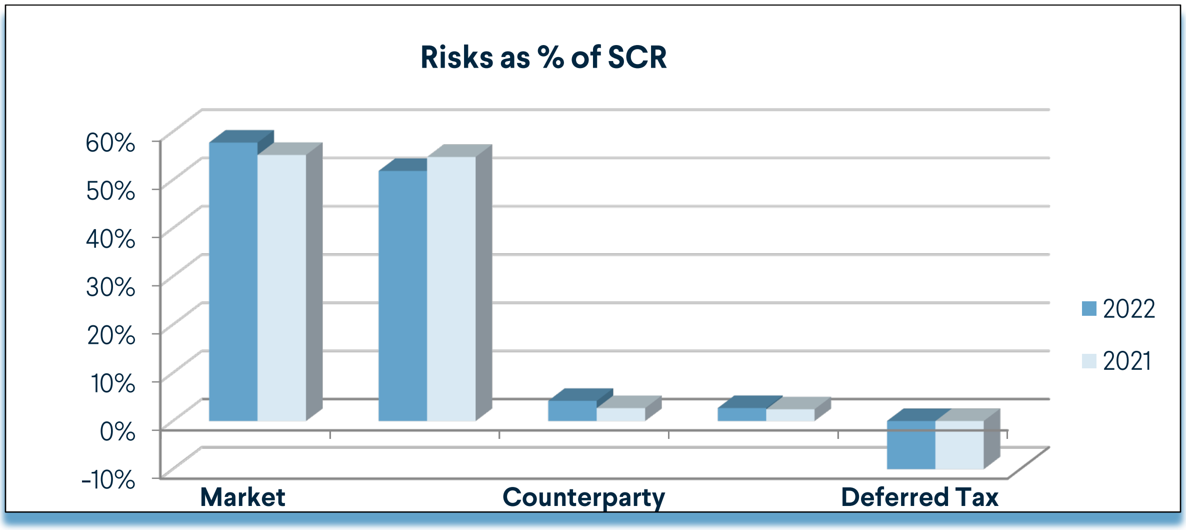
This section sets out the key risks to which the Group is exposed, how they are measured, the risk mitigation techniques employed and any material changes over the reporting period.

The Group's risk exposures relate primarily to uncertainty over the future revenues and expenses of Octium Life and Octium Assurance. Both insurance companies manufacture unit linked insurance products with no investment guarantees. Distribution is provided by the Agency, banks and other suitable intermediaries seeking wealth planning solutions for their clients.

The Group Board of Directors has adopted the Standard Formula, as specified in the Solvency II regulation to assess the risks the Group is exposed to and determine the level of Solvency Capital Requirement ("SCR"). The table below provides a breakdown of the key components of the Group's Standard Formula calculation. Risks to capital and profits are assessed through the Group Own Risk and Solvency Assessment (ORSA).

Solvency Capital Requirement	2022 €'000	2021 €'000
Market risk	75,425	91,516
Counterparty risk	5,461	4,444
Underwriting risk	67,759	90,822
Diversification effects	(33,509)	(41,165)
Basic SCR	115,137	145,618
Operational risk	3,519	4,041
Loss-absorbing capacity of Deferred Taxes	(21,534)	(24,974)
Solvency Capital requirement	97,122	124,686

The table below compares the main risks having adjusted for the diversification effect on a proportional basis.



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

The Group's underwriting risk profile is derived from the Standard Formula allowing for the impact of diversification. As of 31 December 2022, the SCR for this module is €67.8m (2021: €90.8m) with intra-module diversification of 16.2% (2021: 14.9%). The key underwriting risks to which the Group is exposed are set out below:

C.1.1.1. Lapse risk

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

C.1.1.2. Expense risk

Expense risk is the risk that future maintenance expenses are higher than levels assumed in 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.

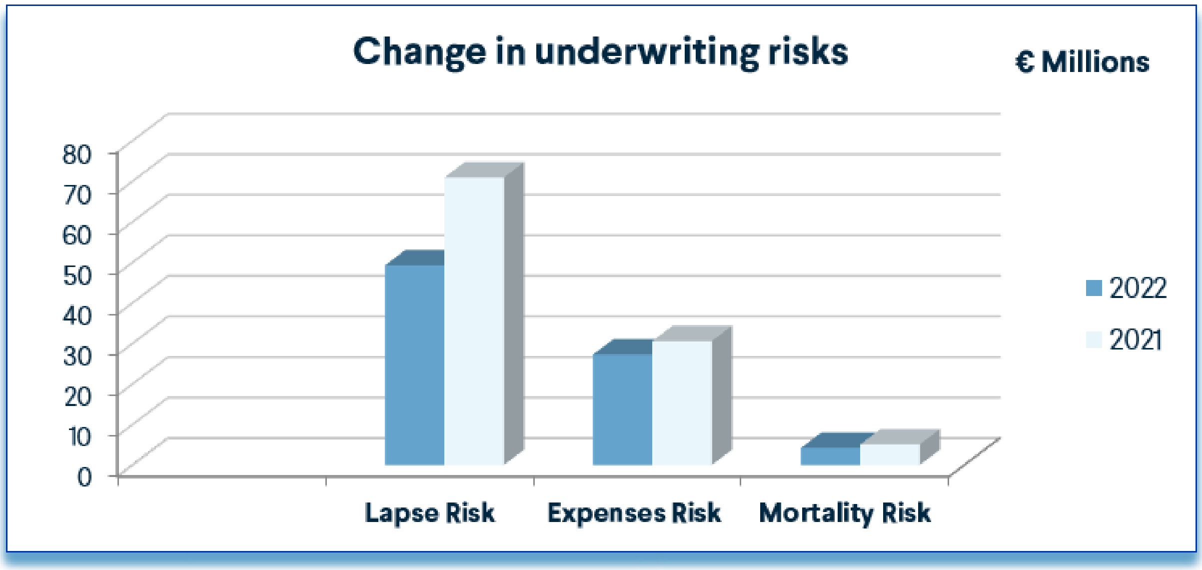
Expenses are managed in line with agreed business plans and significant deviations to budget are monitored monthly. The Boards of Octium Life and Octium Assurance review management accounts quarterly including an assessment of the level of expenses.

C.1.1.3. Mortality risk

Mortality risk is the risk of loss due to an increase in mortality rates. The Group'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 during 2022

The change in the significant intra-module components of the Group underwriting risk capital requirement is provided in the table below:



C.1.3. Mitigating actions and controls

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

- Product design minimises mortality risk
- Extensive use of reinsurance
- 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 business plans
- 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 Group ORSA demonstrate the Group's resilience to a range of adverse underwriting stresses. The estimated impact of these sensitivities is shown in the table below:

Sensitivity[1]	Impact on SCR	Impact on Own Funds	Change in SCR Ratio
50% Mass Lapse shock	(38.9%)	(57.9%)	(52.4%)
Expense shock +20%	3.7%	(10.8%)	(23.5%)
50% permanent increase in mortality	(9.6%)	(2.4%)	13.5%

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

The Group's market risk profile is derived from the standard formula allowing for the impact of diversification. As of 31 December 2022, the SCR for this module is €75.4m (2021: €91.5m) with intra-module diversification of 24.9% (2021: 27.6%) i.e. allowance for diversification between market risks.

The Group 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. The Group accepts this risk as an inherent element of its business model. The key market risks to which the Group is exposed are set out below:

C.2.1.1. 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. The Group remains exposed to the change in policy administration fee income which is charged as a percentage of asset values.

C.2.1.2. 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. Like Equity Risk, the Group's exposure is limited to the extent that policy administration fees which are charged as a percentage of unit linked asset values, are reduced.

C.2.1.3. Currency risk

Currency risk is the risk of loss resulting from adverse movements in currency exchange rates. The Group's capital requirement for currency risk reflects 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.

[1] Sensitivities applied to Group Balance Sheet as of 30 June 2022

- The Group has an indirect exposure to currency risk to the extent that unit linked assets are denominated in currencies other than EUR - Approximately 39% of Octium Life's and 44% of Octium Assurance's assets backing policyholder liabilities are denominated in non-EUR currencies of this an immaterial amount of assets are denominated in currencies pegged to the EUR.
- The Group has some direct exposure as a result of policy administration fees or expenses being denominated in currencies other than EUR.
- Some expenses are incurred in non-EUR currencies, in particular CHF.

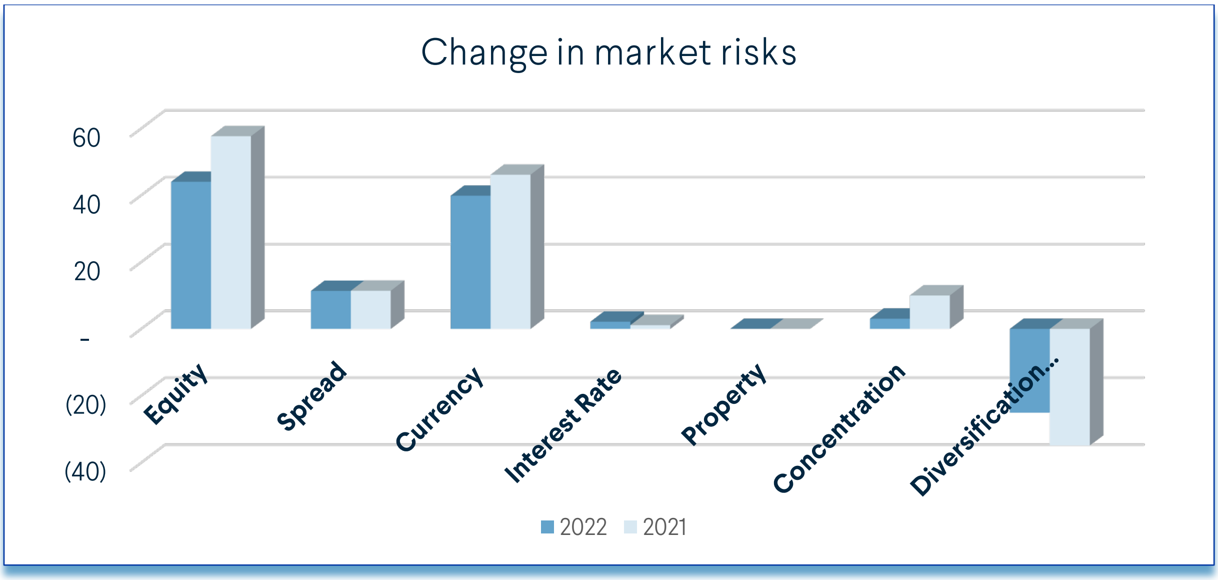
C.2.1.4. Interest rate risk

The Group's senior and sub debt is valued on an accruals basis and therefore their values are unaffected by changes in interest rates. The senior loan is on demand subject to 90 days' notice and the lender may increase interest rates which would increase the future cost of the debt. The sub debt, which is undated, is referenced to the EUR 5Y swap rate.

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. Similarly, cash deposits held in unit linked assets are held at par value.

C.2.2. Changes in market risk during 2022

The change in the significant intra-module components of the market risk capital requirement is provided in the table below:



C.2.3. Mitigating actions and controls

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

- Insurance subsidiaries comply with S II requirements relating to Prudent Person Principle.
- Investment Oversight Committees 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 Group ORSA demonstrate the Group's resilience to a significant market stress. The estimated impact on the of the sensitivity explored is detailed in the table below:

Sensitivity[2]	Impact on SCR	Impact on Own Funds	% Change in SCR Ratio
Equity price shock -30%	(10.8%)	(14.2%)	(6.4%)

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

The 'prudent person principle' requires insurance companies to 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. The Group considers these requirements before any investment in new assets or instruments.

The majority of the assets on the Group SII balance sheet are held in respect of unit linked contracts where the policyholder bears the market risks of the investments associated with 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 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 Life and Octium Assurance implement investment monitoring processes in accordance with Solvency II prudent person principle and prudently selects asset managers and external funds suitable for policyholders.

Each external fund, before on-boarding is analysed to verify its compliance with investment rules. 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.

Oversight of external funds and Assets Managers is provided by the respective Investment Oversight Committee of Octium Life and/or Octium Assurance. 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 respective finance team of Octium Life and Octium Assurance 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.

[2] Sensitivities applied to Group Balance Sheet as of 30 June 2022

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

The Group's credit risk profile is derived from the Standard Formula allowing for the impact of diversification. As of 31 December 2022, the SCR for this module is €5.5m (2021: €4.4m).

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 during 2022

There has been no material change in the nature of the credit risk exposures during 2022.

C.3.3. Mitigating actions and controls

The Group, 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 2022.

C.3.5. Risk concentrations

The Group 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 the Group does not have sufficient liquidity to meet their 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 most significant liquidity risk for the Group is a demand for the immediate repayment of its senior debt, which was €31m on 31 December 2022 (2021: €35.6m). However, the holder of the senior debt is a connected undertaking and whose strategy is the long-term support of the Group. The Group is also required to service annual interest payments of c. €2.5m on its debt arrangements.

Historically the requirements of the Italian substitute tax have been one of the most significant strains on Octium's 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 over the last number of years. Liquidity is projected to remain strong and support the reduction of senior debt over the business planning period.

However, if the level of funds under management from Italian tax residents were to increase by 10% say (through higher new business volumes or investment returns) then the ITWA cap would also increase by the same percentage leading to additional liquidity requirements.

C.4.2. Changes in liquidity risk exposure during 2022

There has been no material change in liquidity risk exposures during 2022.

C.4.3. Mitigating actions and controls

The Group's objective is to ensure that it has sufficient liquidity to meet the short- and medium-term requirements of the business. As such:

- Octium Life held €24.1m in on-demand cash deposits (2021: €14m) and €15m on 90-day notice (2021: €14.5m) on 31 December 2022.
- Octium Assurance held €30.7m in on-demand cash deposits on 31 December 2022 and €14.1m on 90-day notice (2021: €14.5m).
- Other group entities held a total of €1.4m of on demand cash deposits on 31 December 2022 (2021: €3.2m).

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

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

C.4.5. Expected profit included in future premiums

As of 31 December 2022,, the Group's expected profit in future premiums was Nil (2021: 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

The Group's operational risk profile is derived from the standard formula allowing for the impact of diversification. As of 31 December 2022, the SCR for this module is €3.5m (2021: €4m).

The primary operational risk 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 during 2022

There has been no material change in the nature of the operational risks to which the Group is exposed during 2022.

C.5.3. Mitigating actions and controls

The Group, 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.
- Emerging risk workshops are held as required.

C.5.4. Sensitivity and stress testing

The impact of a custodian failure was considered as part of the annual stress and scenario testing program. In this scenario event drivers and likely responses were documented, and an assessment of the adequacy of actions and plans was completed.

C.5.5. Risk concentration

There are no material operational risk concentrations.

C.6. Other material risks

C.6.1. Strategic risk

The risk of loss or other adverse impact on the Group 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 UBS and Credit Suisse for distribution of its products, bringing concentration risk. The Group accepts these risks as part of the strategy but is actively seeking new distributors to reduce this reliance. 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 the Group’s risk profile has been set out above.

D. Valuation for Solvency Purposes

D.1. Assets

The valuation of assets for solvency purposes is required to be on a market consistent fair value basis. In general, this is determined in accordance with the financial statements. The Group’s consolidated financial statements have been prepared in accordance with Luxembourg Generally Accepted Accounting Principles.

Certain assets are measured and presented to comply with Solvency II principles and differ from the measurement and presentation in the financial statements.

Reconciliation of assets in F/S to Solvency II	2022 €'000	2021 €'000	Valuation Approach	Notes
POLICYHOLDER ASSETS				
Assets held to cover linked liabilities	8,354,900	9,696,712	Fair Value	D1.1
SHAREHOLDER ASSETS				
Cash at bank and in hand	85,616	96,587	Cost	
Italian substitute tax asset	80,005	78,038	Fair Value	
Other debtors and receivables	14,718	12,514	Fair Value	
Tangible assets	1,008	348	Amortised Cost	
Deferred acquisition cost	51	71	Amortised Cost	
Other financial investments	2	2		
Total assets per F/S	8,536,300	9,884,273		
Adjustments for Solvency II:				
Reinsurance recoverables	(13,656)	(17,295)	Fair Value	D1.2
Deferred acquisition cost	(51)	(71)		
Holdings in related undertakings, including participations adjustment	(340)	(267)		
Tangible asset	(537)	(14)		
Total assets per Solvency II	8,521,716	9,866,626		

D.1.1. Assets held for index-linked and unit-linked contracts

Unit linked assets are measured at fair value for Solvency II purposes as well as in Octium's financial statements.

A large portion of Octium's assets are valued based on quoted prices obtained from an active market (recognised and active exchange). There are some assets which are priced based on inputs other than quoted prices that are market observable. There are also some assets which are priced based on inputs which are unobservable in the marketplace.

The objective of the valuation techniques applied is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

D.1.2. Reinsurance recoverables

This amount represents the reinsurers' share of technical provisions net of reinsurance premiums. Recoverables 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. The result is a negative asset representing the present value of reinsurance.

No provision is required in the Group's consolidated financial statements for benefits paid above the value of unit linked assets in the case of death as the amounts, net of reinsurance, are immaterial and there are sufficient profits arising from the policies to cover any costs.

D.1.3. Withholding Tax Asset

Octium, as an Italian Withholding Tax Agent is required to make an annual tax prepayment to the Italian Tax Authorities of 0.45% of the Italian assets under administration on 31 December, subject to relief in the form of a cap on the overall level of the asset and an offset mechanism which compares payments five years prior to current year recoveries. Contributions to the Italian Revenue are recognised as a tax prepayment asset. Recovery of the asset is through future policyholder exit tax on chargeable gains, the amount and timing of which is dependent on the level of unrealised gains or losses that exist at policy level. This asset has been valued at cost less any provision for impairment in the statutory financial statements. In the Solvency II balance sheet, the asset is held at face value and the discounting is applied using the Solvency II criteria within Best Estimate Liabilities element of technical provisions.

D.2. Technical Provisions

The technical provisions have been calculated as the sum of a best estimate plus a risk margin in accordance with Articles 75 to 86 of the Solvency II Directive. They represent a realistic estimate of the company's future obligations with an allowance for some deviation for plausible changes in estimation in the form of the risk margin.

The table below sets out the components of Octium's technical provisions as of 31 December.

Technical Provisions	2022 €'000	2021 €'000
BEL	8,149,704	9,384,361
Risk Margin	38,998	48,660
Technical provisions	8,188,702	9,433,022

The key sources of uncertainty for Octium are investment performance and policyholder behaviour assumptions. The non-unit BEL (negative liability) has decreased during 2022 primarily due to negative investment performance decreasing funds under management, as well as increasing provisioning on the Italian tax asset due to reduced gains in the Italian book and an increased yield curve. This was somewhat offset by a reduced expenses BEL due to the increased yield curve.

D.2.1. Best Estimate Liabilities (BEL)

The BEL represents unit linked liabilities less the projected future surplus arising from fees from the existing policies. The BEL is calculated as the discounted value of projected monthly cashflows involved in fulfilling the liabilities under the in-force business. Octium matches all liabilities under unit linked policies with the underlying assets and the policies are valued by reference to the market value of those assets.

The main assumption in calculating the future surplus from the unit linked policies is regarding the level and duration of future expenses and policy lapse rates.

The calculations have been performed on a best estimate basis in accordance with the Solvency II Directive. The underlying policyholder behaviour assumptions are based on policyholder behaviour experience (e.g. surrenders/lapses, fund choices). Economic assumptions have been set consistent with economic conditions prevailing on 31 December 2022. The calculations do not make any allowance for transitional measures or assumed management actions.

D.2.2. Risk Margin

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.

In calculating the technical provisions Octium does not apply the following:

1. Matching adjustment referred to in Article 77b of Directive 2009/138/EC.
2. Volatility adjustment referred to in Article 77d of Directive 2009/138/EC.
3. Transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC.
4. Transitional deduction referred to in Article 308d of Directive 2009/138/EC.

The difference between financial statements and the Solvency II valuation of technical provisions is set out in the table below.

Reconciliation of Technical Provisions	2022 €'000	2021 €'000
Technical provisions per F/S	8,354,900	9,696,712
Solvency II adjustments		
Provisions other than Technical Provisions	(80,837)	(166,730)
BEL	(124,359)	(145,620)
Risk Margin	38,998	48,660
Solvency II Technical Provisions	8,188,702	9,433,022

D.3. Other Liabilities

D.3.1. Other Liabilities

These comprise of payments due to Octium's policyholders and intermediaries, the senior and subordinated debt issued by Octium Holding S.A., other creditors such as tax and social insurance and accruals for expenses incurred prior to year-end. No adjustment is required to these valuations for solvency purposes as the amounts held under accounting principles are deemed to be approximations of fair value.

Other Liabilities	2022 €'000	2021 €'000
Creditors arising from insurance	80,631	168,090
Senior Loan	31,044	35,587
Subordinated loan	67,500	67,500
Other creditors	432	496
Accruals	19,603	20,943

Other Liabilities	2022 €'000	2021 €'000
Deferred tax	15,674	19,351
Other Liabilities	214,884	311,968

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.

The Group had no contingent liabilities on 31 December 2022 or 31 December 2021.

D.4. Alternative Methods for Valuation

Neither the Group nor Octium 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

E.1.1. Policies and Processes

Octium Holding S.A. is a single shareholder entity whose shares are fully paid up. The Group's own fund items (other than the value arising from the existing policies and the Italian tax assets) are invested in bank deposits.

The Group is at all times required to have own funds available at group level equal to at least 100% of the Group SCR. The Group sets internal target capital levels above the level of the Group SCR to ensure timely action can be taken to address a deteriorating capital position.

E.1.2. Analysis of Own Funds

Group own funds are comprised of paid-in ordinary share capital, a paid-up subordinated loan and the reconciliation reserve, as detailed in the table below.

Octium Holding S.A. issued a non-subordinated loan to a connected undertaking in May 2017. In December 2017, part of the non-subordinated debt was converted into Tier 1 subordinated debt. However, due to Solvency II limits, not all of available Tier 1 sub-debt is eligible to cover the Group SCR and Minimum Consolidated Group SCR. The subordinated debt issued in December 2022 is treated as Tier 1 subordinated debt.

Analysis of Own Funds	2022 €'000			2021 €'000		
	Tier 1	Tier 2	Total	Tier 1	Tier 2	Total
Share Capital	31		31	31		31
Subordinated Liabilities	67,500		67,500	67,500		67,500
Subordinated Liabilities – SCR tiering restrictions	(37,833)	37,833	(-)	(37,082)	37,088	(-)
Reconciliation Reserve	118,099		118,099	121,615		121,615
Own Funds Available to meet SCR	**147,797**	**37,833**	**185,630**	**152,058**	**37,088**	**189,146**
Subordinated Liabilities – MCR tiering restrictions		(29,226)			(25,866)	(25,866)
Own Funds Available to meet MCR	**147,797**	**8,741**	**156,404**	**152,058**	**11,222**	**163,280**

The reconciliation reserve is made up of retained earnings as per the consolidated balance sheet and the projected future surplus arising from fees from the existing policies (i.e. technical provisions excluding unit reserves) net of deferred tax liabilities. A reconciliation between equity as shown in the financial statements and the Solvency II excess of assets over liabilities is shown below.

There are no restrictions to the fungibility and transferability of the related undertaking's own funds within the Group.

The decrease in Group own funds available to meet SCR from 31 December 2021 to 31 December 2022 is mainly as a result of negative investment performance of unit-linked assets impacting the present value of future profits. This was partially offset by an increase due to the increasing EIOPA yield curve and its impact on the expenses BEL.

E.1.3. Reconciliation of equity in the Financial Statements and Own Funds (excluding tiering restrictions)

Reconciliation of Equity to Own Funds	2022 €'000	2021 €'000
Total Equity per F/S	61,934	61,307
Solvency II BEL	124,575	145,620
Solvency II Risk Margin	(38,998)	(48,660)
Deferred Tax Liability	(15,674)	(19,342)
Reinsurance Recoverables	(13,656)	(17,295)
Tangible asset	0	(14)
Deferred acquisition cost	(51)	(71)
Excess of Assets over Liabilities	**118,130**	**121,545**
Subordinated Liabilities	67,500	67,500
Own Funds (excluding tiering restrictions)	**185,630**	**189,045**

The Group's own funds bear the following features:

1. They are not subject to transitional arrangements.
2. No deductions have been applied to own funds.
3. There are no ancillary own funds.

E.2. Solvency Capital Requirement and Minimum Capital Requirement

The Group calculates its solvency capital requirement using the consolidation-based method (Method 1). The amount of Group's SCR and MCR on 31 December 2022 are €97.1m and €43.7m respectively (2021: €124.7m and €56.1m).

The table below shows the components of the SCR (using the Standard Formula) on 31 December:

Solvency Capital Requirement	2022 €'000	2021 €'000
Market Risk	75,425	91,516
Counterparty Risk	5,460	4,444
Underwriting Risk	67,759	90,822
Diversification Effects	(33,508)	(41,165)
Basic SCR	**115,137**	**145,618**
Operational Risk	3,519	4,041
Loss-absorbing capacity of Deferred Taxes	(21,534)	(24,973)
Solvency Capital Requirement	**97,122**	**124,686**

The SCR decreased during 2022 due to a decrease in funds under management and an increasing yield curve, decreasing capital requirements. Use of the duration-based equity risk sub-module in the calculation of the SCR

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

E.3. Differences between the standard formula and any internal model used

The Group does not use an internal model.

E.4. Non-compliance with the MCR and non-compliance with the SCR

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

E.5. Any Other Information

The Group uses EIOPA's Solvency II Standard Formula. It does not use specific parameters and does not use simplified calculations in its computation of capital requirements.

F. Appendix: Group Quantitative Reporting Templates

F.1. QRT – S.02.01.02 – Balance Sheet

	Solvency II value
Assets	C0010
Property, plant & equipment held for own use	429
Investments (other than assets held for index-linked and unit-linked contracts)	14,029
Property (other than for own use)	0
Holdings in related undertakings, including participations	37
Equities	0
Bonds	0
Government Bonds	0
Corporate Bonds	0
Structured notes	0
Collateralised securities	0
Collective Investments Undertakings	2
Derivatives	0
Deposits other than cash equivalents	14,028
Other investments	0
Assets held for index-linked and unit-linked contracts	8,354,900
Loans and mortgages	0
Loans on policies	0
Loans and mortgages to individuals	0
Other loans and mortgages	0
Reinsurance recoverables from:	-13,656
Non-life and health similar to non-life	0
Non-life excluding health	0
Health similar to non-life	0
Life and health similar to life, excluding health and index-linked and unit-linked	0
Health similar to life	0
Life excluding health and index-linked and unit-linked	0
Life index-linked and unit-linked	-13,656
Deposits to cedants	0
Insurance and intermediaries receivables	3,062
Reinsurance receivables	100
Receivables (trade, not insurance)	2,570
Own shares (held directly)	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
Cash and cash equivalents	76,695
Any other assets, not elsewhere shown	83,587
Total assets	8,521,716

F.2. QRT – S.02.01.02 – Balance Sheet (continued)

Liabilities	C0010
Technical provisions – non-life	0
Technical provisions – non-life (excluding health)	0
TP calculated as a whole	0
Best Estimate	0
Risk margin	0
Technical provisions - health (similar to non-life)	0
TP calculated as a whole	0
Best Estimate	0
Risk margin	0
Technical provisions - life (excluding index-linked and unit-linked)	0
Technical provisions - health (similar to life)	0
TP calculated as a whole	0
Best Estimate	0
Risk margin	0
Technical provisions – life (excluding health and index-linked and unit-linked)	0
TP calculated as a whole	0
Best Estimate	0
Risk margin	0
Technical provisions – index-linked and unit-linked	8,188,702
TP calculated as a whole	0
Best Estimate	8,149,704
Risk margin	38,998
Contingent liabilities	0
Provisions other than technical provisions	80,837
Pension benefit obligations	0
Deposits from reinsurers	0
Deferred tax liabilities	15,674
Derivatives	0
Debts owed to credit institutions	0
Financial liabilities other than debts owed to credit institutions	31,044
Insurance & intermediaries payables	0
Reinsurance payables	226
Payables (trade, not insurance)	19,603
Subordinated liabilities	67,500
Subordinated liabilities not in Basic Own Funds	0
Subordinated liabilities in Basic Own Funds	67,500
Any other liabilities, not elsewhere shown	0
Total liabilities	8,403,586
Excess of assets over liabilities	118,130

F.3. QRT – S.05.01.02 – Premiums, claims and expenses by line of business

		Line of Business for: **life insurance obligations** — Index-linked and unit-linked insurance	**Total**
		C0230	C0300
	Premiums written		
R1410	Gross	430,286	430,286
R1420	Reinsurers' share	1,026	1,026
R1500	Net	429,260	429,260
	Premiums earned		
R1510	Gross	430,286	430,286
R1520	Reinsurers' share	1,026	1,026
R1600	Net	429,260	429,260
	Claims incurred		
R1610	Gross	681,108	681,108
R1620	Reinsurers' share	359,332	359,332
R1700	Net	680,749	680,749
	Changes in other technical provisions		
R1710	Gross	0	0
R1720	Reinsurers' share	0	0
R1800	Net	0	0
R1900	**Expenses incurred**	22,591	22,591
R2500	**Other expenses**		2,357
R2600	**Total expenses**		24,948

F.4. QRT –S.05.02.01 – Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations	Top 5 countries (by amount of gross premiums written) - life obligations	Top 5 countries (by amount of gross premiums written) - life obligations	Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0210
R1400			IT	DE	BE	
		C0220	C0230	C0230	C0230	C0280
	Premiums written					
R1410	Gross	184,880	232,710	12,696	0	430,286
R1420	Reinsurers' share	99	159	768	0	1,026
R1500	Net	184,781	232,551	11,927	0	429,260
	Premiums earned					
R1510	Gross	0	60,947	8,714	0	69,661
R1520	Reinsurers' share	0	159	768	0	927
R1600	Net	0	60,789	7,946	0	68,734
	Claims incurred					
R1610	Gross	137,595	386,187	154,169	3,156	681,108
R1620	Reinsurers' share	0	73	286	0	359
R1700	Net	137,595	386,114	153,883	3,156	680,749
	Changes in other technical provisions					
R1710	Gross	0	0	0	0	0
R1720	Reinsurers' share	0	0	0	0	0
R1800	Net	0	0	0	0	0
R1900	**Expenses incurred**	4,600	13,891	1,520		20,011
R2500	**Other expenses**					1,861
R2600	**Total expenses**					21,872

F.5. QRT – S.23.01.22 – Own Funds

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2
Ordinary share capital (gross of own shares)	31	31		0
Reconciliation reserve	118,130	118,130		
Subordinated liabilities	67,500		67,500	0
Deductions				
Total deductions	0	0	0	0
Total basic own funds after deductions	185,630	118,130	67,500	0
Ancillary own funds				
Total ancillary own funds	0			0
Own funds of other financial sectors				
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	185,630	118,130	67,500	0
Total available own funds to meet the minimum consolidated group SCR	185,630	118,130	67,500	0
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	185,630	118,130	29,533	37,967
Total eligible own funds to meet the minimum consolidated group SCR	156,404	118,130	29,533	8,741
Consolidated Group SCR				
Minimum consolidated Group SCR	43,705			
Ratio of Eligible own funds to Minimum Consolidated Group SCR	3.5786			
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	185,630	118,130	29,533	37,967
Group SCR	97,122			
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	1.9113			
Reconciliation reserve	C0060			
Excess of assets over liabilities	118,130			
Other basic own fund items	31			
Reconciliation reserve before deduction for participations	118,099			
Total Expected profits included in future premiums (EPIFP)	0	-		

F.6. QRT – S.25.01.22 – Solvency Capital Requirement – for groups on standard formula

	Gross solvency capital requirement
	C0110
Market risk	75,425
Counterparty default risk	5,461
Life underwriting risk	67,759
Health underwriting risk	0
Non-life underwriting risk	0
Diversification	-33,509
Intangible asset risk	0
Basic Solvency Capital Requirement	115,137

Calculation of Solvency Capital Requirement	C0100
Operational risk	3,519
Loss-absorbing capacity of technical provisions	0
Loss-absorbing capacity of deferred taxes	-21,534
Solvency capital requirement excluding capital add-on	97,122
Capital add-on already set	0
Solvency capital requirement	97,122
Other information on SCR	-
Minimum consolidated group solvency capital requirement	43,705
Information on other entities	-
Capital requirement for other financial sectors (Non-insurance capital requirements)	0
Overall SCR	-
SCR for undertakings included via D and A	0
Solvency capital requirement	97,122

F.7. QRT – S.32.01.22 – Undertakings in the scope of the group

C0010 C0020 C0030 C0040 C0050

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking
C0010	**C0020**	**C0030**	**C0040**	**C0050**
LU	549300X6ZVC40AF52Q63	LEI	Octium Holding S.A.	5
IE	549300B5M7Z8CX8LRX97IE00002	SC	Octium Holding Limited	5
IE	52990020O5TKOTGS9Z42	LEI	Octium Life DAC	1
LU	549300B5M7Z8CX8LRX97LU00001LU00001	SC	KLP S.a.r.l.	99
LI	549300OHH5P7XWOLBL80	LEI	Octium_International_Insurance_Services_AG	99

C0060 C0070 C0080

Legal form	Category (mutual/non mutual)	Supervisory Authority
C0060	**C0070**	**C0080**
Société à responsabilité limitée	2	
Company limited by shares	2	FMA Liechenstein
Company limited by shares	2	FMA Liechenstein
Company limited by shares	2	
Société anonyme	2	

C0180 C0190 C0200 C0210 C0220 C0230

Criteria of influence					
% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation
C0180	**C0190**	**C0200**	**C0210**	**C0220**	**C0230**
1.0000	0.5100	1.0000		1	1.0000
1.0000	0.5100	1.0000		1	1.0000
1.0000	0.5100	1.0000		1	1.0000
1.0000	0.5100	1.0000		1	1.0000

C0240 C0250 C0260

Inclusion in the scope of Group supervision		Group solvency calculation
YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0240	**C0250**	**C0260**
1		1
1		1
1		1
1		1
1		1