Woningborg N.V.

SOLVENCY AND FINANCIAL CONDITION REPORT 2023

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Introduction

Gouda, 31 March 2024

This report is the Solvency and Financial Condition Report (SFCR) for the financial year 2023 as prepared by the Management Board of Woningborg N.V., Gouda. The Solvency and Financial Condition Report has been prepared on the basis of the provisions set out in Chapter XII in the Solvency II Delegated Regulation, Annex XX of the Solvency II Delegated Regulation and Guideline BoS-15/109.

The SFCR successively describes the 2023 activities and business performance, system of governance, risk profile, valuation for solvency purpose and capital management.

Woningborg N.V.

Wytzejan de Jong	Martine Ammerlaan
Chief Executive Officer	Chief Financial Risk Officer

Summary

Activities
Woningborg is the expert and market leader with over 40 years of experience in the surety business, offering constructing companies and buyers of new build houses in the Netherlands, assurance in realising quality houses where people want to live in.

The year 2023 was a difficult year for Woningborg due to declining market as a result of the decreasing construction market. Gross premium income decreased by EUR 5.0 million to EUR 24.9 million (2022: EUR 29.9 million) due to the decrease in the number of certificates (2023: 13,949 2022: 22,314). The decrease in premium income, due to a decrease of certificates, was offset by a 11% increase on premium per certificate as new build home contract prices increased to EUR 296,000 (2022: EUR 288,000) and the average premium percentage increased by 8%.

The reinsurance premium decreased by EUR 1.8 million to EUR 10.3 million (2022: EUR 12.1 million) due to a combination of lower premium income of Woningborg and a higher deductible of the reinsurance coverage. Nine bankruptcies occurred in 2023 (2022: 6). In five cases the involved participants had already been deregistered. Only one of these bankruptcies led to a relatively small loss for Woningborg.
An one off positive claim result of EUR 3.7 million was realised on an old reserved claim dated 2017 which was disputed and in 2023 the legal objection period expired.

In 2023, the investment result was positive EUR 0.3 million due to better interest markets (2022: EUR 0.8 million negative).

Operating expenses increased by EUR 0.9 million to EUR 15.9 million (2022: EUR 15.0 million). The increase is partly due to one-off items in particular:
- Expenses due to the recapitalisation process.
- Expenses as a result of the reorganization.
- Additional impairment on the IT system, as the management decided to buy andimplement a new IT system.

Woningborg N.V. closed the year 2023 with a result of EUR 1.1 million positive
(2022: EUR 1.7 million negative) after tax. After assessing the deferred tax asset and the future profitability, it was decided to impair EUR 1.7 million of the deferred tax asset.
The solvency ratio at the end of 2023 was 268% (2022: 209%), which is well above the standard solvency of 180%. The combined ratio for 2023 was: 73% (2022: 89%).

In order to strengthen its capital position for the coming years and to be able to facilitate marked growth if needed, the company started a process of recapitalization in 2022. This process resulted in capital contribution of EUR 30 million provided by Société Mutuelle d’Assurance des chambres syndicales du Bâtiment et des Travaux Publics (‘SMABTP’ a strong French insurance group, specialist in the construction and property industry) to acquire a 50% non-controlling share in Woningborg Holding B.V. through the issuance of new shares.

A letter of intent was signed on 14 December 2022 by Woningborg Holding B.V., Stichting Woningborg and MABTP. This transaction was subject to regulatory approval, DNB gave its consent on 12 December 2023. The outstanding subordinated debt of EUR 23.7 million was repaid on 22 December 2023. This transaction has further strengthened Woningborg's solvency ratio.

For Woningborg, in addition to improving its capital position, the cooperation with SMABTP offers new opportunities, as SMABPT's has extensive knowledge of both the construction market and the insurance market. Woningborg and SMABTP will explore possibilities to further optimise its business operations, product range and improve service to its participating construction companies.

Table below shows the summary income statement:

In € x1.000

	2023	2022
Premium income	24,917	29,944
Movement in technical provisions	2,666	9,618
Reinsurance premium	-10,328	-12,129
Claims own account	1,969	-13,790
Technical result	**19,225**	**13,643**
Operating expenses	-15,922	-15,063
Investment income (-expense)	349	-824
Result before taxation	**3,652**	**-2,244**

* There were no changes in Woningborg's activities in 2023.

System of Governance

Woningborg's is a fully regulated entity within the Woningborg Group. The corporate governance structure is in place to ensure the safe and efficient management of the Company, its operations and to protect the interests of its customers. Woningborg 's governance structure consists of an Management Board and a Supervisory Board. Woningborg's Management Board is responsible for the overall management of the Company. The Woningborg Supervisory Board oversees the Management Board and the general course of affairs of Woningborg in relation to the Company's business and corporate strategy. The key functions within Woningborg are functionally separated from each other, with the Actuarial Function, The Risk Management Function and the Internal Audit Function outsourced. The policy drawn up by the Woningborg's Management Board is monitored by means of reports which are discussed in the periodic Management Board and Supervisory Board meetings. Woningborg uses the Three Lines of Defence framework as its internal control system. The systems of governance did not see material changes other than the appointment of a new Management Board member replacing the outgoing members of the Management Board

Risk profile

Woningborg conducts one product line, the surety insurance on (new) construction projects in the housing sector. Woningborg is classified as a non-life insurer in the Credit and surety bonds branch. Within underwriting risks, the most important risks for Woningborg are the premium and reserve risk and the catastrophe risk. In 2021, the underwriting risk profile was adjusted by reducing the coverage to 60% from 1 July 2021. This reduction mainly affects catastrophe risk. In practice, the reduction in coverage does not affect home buyers because actual claims rates are lower than 60%.

Valuation for solvency purposes

Woningborg's Statutory accounts are prepared on the basis of Dutch GAAP. The balance sheet used for solvency purposes is prepared on the basis of market value. The main differences between the Statutory accounts and the market value balance sheet are the different valuation of intangible fixed assets, bonds and technical provisions.

A key internal process control is to reconcile from the audited Statutory Accounts to the valuation of assets and technical provisions for Solvency II reporting. For the differences in valuation, a reconciliation reserve (revaluation reserve) is recognised in Own Funds in the market value balance sheet, net of deferred tax.

Capital management

Subject to specifications of the SII rules and regulations, the Own Funds are the assets of the Company less the liabilities. Under Solvency II, firms must hold regulatory capital, called the Solvency Capital Requirement ('SCR') in addition to those liabilities in order to ensure that they will still be in a position, with a probability of at least 99.5 %, to meet their obligations to policyholders and beneficiaries over the following 12 months. The minimum level and composition of an insurer's Own Funds is determined by reference to its SCR. Woningborg complies with the minimum solvency requirements. The table below shows the available Own Funds and the required capital.

In € x1.000

	2023	2022
Eligible capital for the purpose of the SCR	95,674	78,839
Eligible capital for the purpose of the MCR	95,674	61,880
Solvency Capital Requirement (SCR)	35,650	37,688
Minimum Captail Requirement (MCR)	8,912	9,422
SCR ratio in percent	268.4%	209.2%
MCR ratio in percent	1073.5%	656.8%
Internal standard solvency	180.0%	180.0%

To calculate the Solvency Capital Requirement, the standard formula in accordance with the Solvency II regulations is used. No simplifications and transitional arrangements are used.

Woningborg has set the internal standard solvency ratio as a percentage of the statutory solvency requirement (SCR) at 180% in 2020. The internal standard solvency ratio applies as a safety margin above the regulatory solvency standard to prevent the company from breaching the regulatory solvency requirement (SCR). In 2023, the internal norm solvency was reassessed as part of the ORSA process and it was concluded that the internal standard solvency of 180% is adequate. Woningborg also determined in the ORSA that the standard formula is appropriate for Woningborg's solvency calculation.

A Activities and achievements

A.1 Activities

Woningborg N.V. (‘Woningborg’), incorporated and domiciled in the Netherlands, is a public limited liability company organized under Dutch law and registered in the Trade Register of the Chamber of Commerce in Gouda under its registered address at Tielweg 24, 2803 PK Gouda with registration number KvK24350159.

Woningborg N.V. is supervised by De Nederlandsche Bank (’DNB’). Woningborg’s client number at DNB is W1940.

Woningborg is part of the Woningborg Group. The head of the Woningborg Group is Woningborg Holding B.V. in Gouda. Woningborg Holding B.V. is registered with DNB under reference number C0105. Woningborg is the only entity that carries out insurance activities. For a further description of the structure, please refer to section B.1.1 Legal structure.

Woningborg’s external auditor is KPMG Accountants N.V. of Amstelveen. KPMG Accountants N.V. has issued an unqualified opinion on the statutory accounts and the financial statements 2023 of Woningborg N.V..

Woningborg is managed by a two-tiered board, a Management Board and a Supervisory Board. The Management Board has two members and operates on a collegiate basis. The insurance business is managed by the insurance director. She reports to the CEO.

The average number of FTEs in the 2023 financial year was 71.2 (2022: 78.0). All employees are employed in the Netherlands of which 42 are male and 29 female (2022: 45 male and 33 female). No women yet participate in the Supervisory Board. In new appointments, this is a matter of attention.

Product range

Woningborg is the market leader in issuing certificates for construction projects with over 40 years of expertise and having a product range that is in line with new developments in the construction industry. We aim to exceed the expectations of our participating construction companies. We want to be a trusted advisor and sparring partner. Through strategic, long-term partnerships and the expertise of our employees, we are and will continue to be the leading surety insurer for construction companies in the Netherlands.

Woningborg provides surety to the buyer of new build houses. In the event of a bankruptcy of the construction company Woningborg finalizes the houses or provides partial compensation, in the form of repayment of instalments. A Woningborg member company must meet the qualitative and quantitative requirements of Woningborg, before becoming a member and before Woningborg is offering the surety to a building project.

In Woningborg’s acceptance process the risks of new building plans are assessed and these are taken into account for the issuance of a certificate. Woningborg tests the financial, legal, technical and qualitative aspects of a building plan and the construction company in-house.

Woningborg offers two forms of surety: 1) process quality (Section I), and 2) product quality (Section II).

Woningborg helps construction companies to assess and reduce the risks of their project and business and provides quality services with knowledge, analysis and advice. Woningborg also offers security to construction companies, as the certificate enables a buyer to obtain a mortgage loan.

Woningborg wants to connect and make sure that constructors and buyers are not facing each other but work closely together. Woningborg works together with sector organisations to support builders and buyers in all market conditions.

A.2 Underwriting performance

Introduction

The amounts stated in this section reflects the Woningborg's 2023 financial statements. The statutory accounts have been prepared in accordance with the statutory provisions of Title 9 Book 2 of the Dutch Civil Code and the definite statements of the Guidelines for Annual Reporting (RJ 605), issued by the Dutch Accounting Standards Board.

Solvency position

During 2023, solvency improved to 268% (2022 209%). The main reasons are:

- Increase of Tier 1 capital due to SMA's capital contribution of € 30 million and repayment of the subordinated loan of € 23.7 million.
- Good claim performance of the portfolio, as 2023 has a limited amount of claims, and an old claim reserve was released.
- Reduction of the portfolio, due to a lower volume of the construction market in 2023.

For 2024, and subsequent years, Tier 3 capital, the deferred tax asset is not considered out of prudence.

The reinsurance program has essentially the same structure for 2024 and consists of:

- Proportional ("quota share") coverage of 50%. Coverage for houses certified after Jan. 1, 2022 (by the end of 2024, almost the entire portfolio will be covered). The loss cap changes from 250% to 350% starting in 2024.
- The excess of loss aggregate reinsurance (AXL) with a coverage of €15 million XS€12.5 million will change from 2024 onwards to an average coverage of €18 million XS €12.5 million.

Operating result

In 2023 Woningborg has a positive result before tax of €3.7 million (2022: €2.2 million negative). Due to the impairment of the loss compensation of € 1.7 million and usage of loss compensation of € 0.6 million, the total net result is € 1.1 million positive (2022 €1.7 million negative).

Gross Premiums

The year 2023 was a turbulent year for Woningborg due to declining market as a result of the decreasing construction market. Gross premium income decreased by EUR 5.0 million to EUR 24.9 million (2022: EUR 29.9 million) due to the 37% decrease in the number of certificates (2023: 13,949 2022: 22,314). The decrease in premium income, due to a decrease of certificates, was offset by a 11% increase on premium per certificate. As new build home contract prices increased to EUR 296,000 (2022: EUR 288,000) and the average premium percentage increased by 8%.

The reinsurance premium decreased by EUR 1.8 million to EUR 10.3 million (2022: EUR 12.1 million) due to a combination of lower premium income of Woningborg and a higher deductible of the reinsurance coverage.

Claims and benefits

Nine insolvencies occurred in 2023 (2022: 6). In five cases the involved participants had already been deregistered. Only one of these bankruptcies led to a relatively small loss for Woningborg.

Operating expenses

Operating expenses increased by € 0.9 million to €15.9 million in 2023 (2022: €15.0 million). The increase is mainly due to one-off items in particular:

- Expenses due to the recapitalisation process.
- Extra expenses as a result of the reorganization.
- Additional impairment on the IT system.

Combined ratio

The combined ratio for 2023 amounted to 72.8% (2022: 89.2%)

A.3 Investment performance

The amounts mentioned in this section reflects the financial statements 2023. Returns on investments are recognised in full in the income statement. This is shown in the table below.

In € x1.000

Asset class	Investment income	Investment costs
Own Land and buildings	-	-
Bonds	1,852	-54
Liquid assets	-	-
Management costs and other interest	-	-1,448
Total	**1,852**	**-1,502**

The results are shown by asset category in the table below.

In € x1.000

Asset class	Investment income	Unrealized value changes	Realized value changes	Total revenue
Own Land and buildings	-	-	-	-
Bonds	771	-	1,081	1,852
Liquid assets	-	-	-	-
Total	**771**	**-**	**1,081**	**1,852**

Woningborg has no investments in securitisations.

A.4 Performance in other areas

As a result of the declining construction market the number of certificates issued by Woningborg declined significantly. To bring the expenses in line with this lower income level, Woningborg has undertaken adequate cost cutting measures, including a reduction in the number of employees. Next to that a more risk-oriented way of working, is introduced, to become more effective and efficient.

A.5 Other information

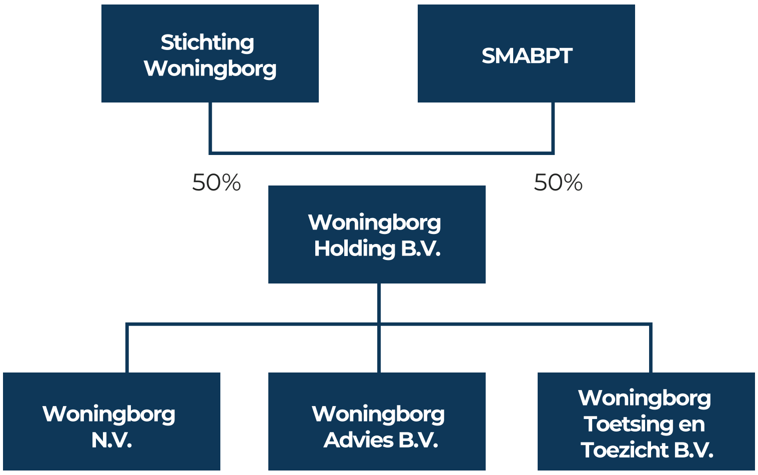
All relevant information regarding activities and achievements of Woningborg have been described throughout this section.

B Governance

B.1 General information on the governance system

B.1.1 Juridical structure

Woningborg Group's legal structure is as follows:



Within this structure, insurance activities are carried out by Woningborg N.V.

The consultancy activities are carried out by Woningborg Advies B.V. In 2015, the company Woningborg Toetsing en Toezicht B.V. was set up in view of the future Private Quality Assurance for Construction system.

B.1.2 Governmental structure

Woningborg N.V. is a public limited liability company incorporated and based in the Netherlands. As a company established in the Netherlands, Woningborg must comply with Dutch law and subscribes voluntarily to suitable parts of the Dutch Corporate Governance Code. The company is governed by three main corporate bodies: the Management Board, the Supervisory Board and the general Meeting of Shareholders.

The composition and division of duties of both the Management Board and Supervisory Board are discussed in the following sections.

Mangement board composition and division of tasks

Woningborg's Management Board is responsible for the overall management of the Company and is therefore responsible for achieving Woningborg's business objectives, developing the strategy and its associated risk profile, taking into account the interests of all Woningborg's stakeholders and the development of the Company's earnings. Each member has duties related to his or her specific area of expertise and for the management of the company as a whole. Woningborg's Articles of Association determine that for certain decisions the Management Board must seek prior approval from the General

Meeting of Shareholders. In addition, the approval policy of Woningborg determines that the Management Board must seek prior approval for certain decisions from the Supervisory Board. During 2023 the Management Board consisted of the following persons:

- WytzeJan de Jong, Statutory director and chair;
- Gerlof Muntinga, Statutory director and CFRO.

As per December 31, 2023 Gerlof Muntinga stepped down from the Management Board and per Januari 1 2024, Martine Ammerlaan was appointed as Statutory Director and CFRO.

The Management Board and operates on a collegiate basis. In the Management Board, chaired by WytzeJan de Jong, the areas of responsibility are assigned as follows:

Wytzejan de Jong, responsible for:
- General business
- Communications
- Strategy
- Internal Audit
- Human Resources
- Compliance
- IT

Martine Ammerlaan, responsible for:
- Accounting, Control and Reporting
- Risk management
- Balance sheet management (ALM)
- Capital and Solvency Management
- Reassurance
- Actuarial matters
- Tax matters, and
- Legal Affairs Group.

B.1.3 Supervisory Board

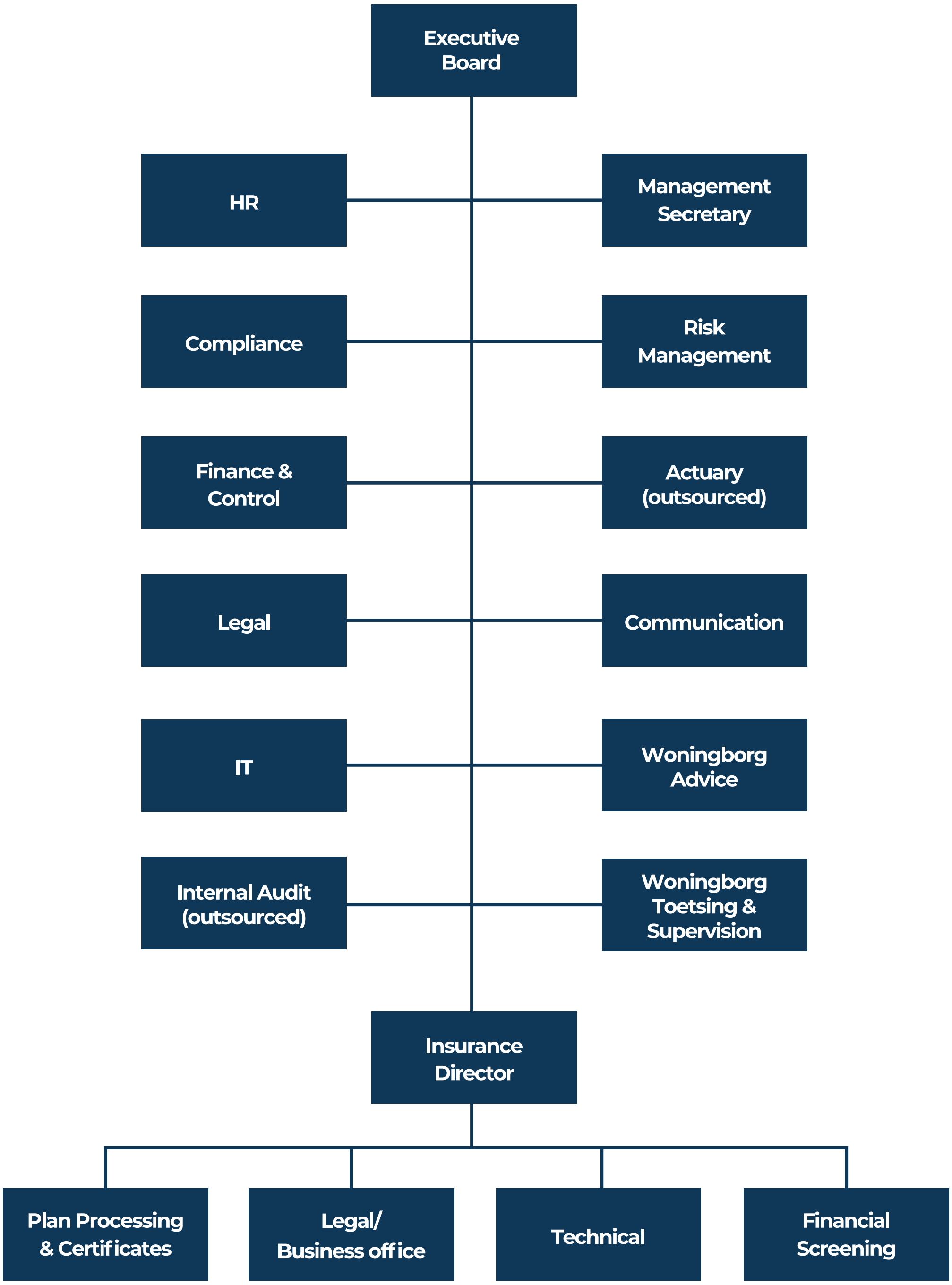
The Supervisory Board (SB) consists of:

- Kees Brouwer - chairman
- Peter de Groot - member
- Pim Koelemij - member
- Pierre Esparbes - member

Woningborg’s SB has two committees. These are:
- Audit & Risk Committee (ARC)
- Remuneration Committee.

B.1.4 Organisational structure

The organisation chart of Woningborg N.V. is, with the exception of the WTT section, identical to the organisation chart for the Group.



B.1.5 Key functions

Woningborg has the following four key control functions:

- Risk Management Function
- Actuarial Function
- Compliance Function
- Internal Audit Function.

Given Woningborg's size, the Internal Audit Function, the Risk Management Function and Actuarial Function have been outsourced.

B.1.5.1 Risk Management Function

The Risk Management Function promotes risk awareness and informed decisions based on sound risk assessment. In addition, this function also provides insight into the risks faced by Woningborg and communicates these to Woningborg management. The Risk Management Function also aims to minimise the risks that could threaten the objectives and continuity of Woningborg. This increases the predictability of Woningborg ability to achieve its objectives. Due to the size of Woningborg, the Risk Management Function has been outsourced to the Projective Group.

Within the Management Board of Woningborg, the CFRO has final responsibility for the Risk Management Function. The Management Board of Woningborg guarantees the independence of the Risk Management Function at all times.

For the Risk Management Function:

- the position is independent and has direct access to management;
- the function can escalate issues independently and directly to the Audit & Risk Committee if deemed necessary by the Risk Management Function holder;
- the function has full and unrestricted access to all data, information and property of Woningborg;
- the function has the authority to share relevant information with competent supervisors if and to the extent justified by legal requirements and the interests involved;
- the position formally reports to the CFRO and the Audit & Risk Committee.

B.1.5.2 Actuarial Function

Given the size of Woningborg N.V., Woningborg has outsourced the Actuarial Function to Triple A - Risk Finance Certifications B.V. Within the management of Woningborg, the CFRO is ultimately responsible for the Actuarial Function. The management of Woningborg assures the independence of the Actuarial Function at all times.

For the Actuarial Function:

- the position is independent and has direct access to management;
- the function can escalate issues independently and directly to the Audit & Risk Committee if deemed necessary by the Actuarial Function;
- the function has full and unrestricted access to all data, information and property of Woningborg;
- the function has the authority to share relevant information with competent supervisors if and to the extent justified by legal requirements and the interests involved;
- the position formally reports to the CFRO and the Audit & Risk Committee.

The Actuarial Function is explained in more detail in section B.6.

B.1.5.3 Compliance Function

The mission of the Compliance Function, and thus of the Compliance Officer, is to ensure that the integrity of Woningborg and its employees is beyond doubt.

The Compliance Officer actively participates in the establishment of measures to protect Woningborg from compliance risks. In order to achieve this, she identifies and analyses the compliance risks (and relates control measures) and advises and reports on Management Board and Supervisory Board. The Compliance Function has been filled internally in Woningborg.

The Compliance Officer has the following powers:
- the Compliance Officer is independent and has direct access to management;
- the Compliance Officer can escalate issues independently and directly to the Supervisory Board if deemed necessary by the Compliance Officer;
- the Compliance Officer has full and unrestricted access to all data, information and property of Woningborg;
- the Compliance Officer may request the cooperation of the Management Board, Supervisory Board and employees of Woningborg in an investigation into compliance with relevant laws and regulations and internal rules of conduct;
- the Compliance Officer may independently initiate an investigation if there is a suspicion that internal or external regulations have been or are being violated;
- the Compliance Officer is authorized to share relevant information with competent supervisors if and to the extent justified by the legal requirements and the interests involved.

The Compliance Officer reports to the CEO and the Audit & Risk Committee/Supervisory Board of Woningborg .

B.1.5.4 Internal Audit Function

The mission of the Internal Audit Function is to conduct investigations, into the proper and reliable functioning of Woningborg's internal organisation and to issue reports thereon.

Given the size of Woningborg, the Internal Audit Function has been outsourced to BDO Accountants N.V. Within the Management Board of Woningborg, the CEO has final responsibility for the Internal Audit Function. The Management Board of Woningborg guarantees the independence of the Internal Audit Function at all times.

For the Internal Audit Function:
- the position is independent and has direct access to management;
- the function can escalate issues independently and directly to the Audit & Risk Committee if deemed necessary by the Internal Audit Function;
- the function has full and unrestricted access to all data, information and property of Woningborg;
- the function has the power to share relevant information with competent supervisors if and to the extent justified by the legal requirements and the interests involved.
- the position reports to the CEO and the Audit & Risk Committee.

The Internal Audit Function is explained in more detail in section B.5.

B.1.6 Internal reporting system

Woningborg produces a monthly management report. These reports include:
- Monthly result and cumulative results for the year.
- An analysis of the (technical) result and costs compared to the budget.
- An analysis of notified and certified homes in relation to the budget.
- The development of solvency in relation to the standard solvency.
- The forecast annual result.
- The development of the claim burden compared to the expected loss.
- Outstanding exposure of construction projects classified into risk categories based on creditworthiness and age.

In addition to monthly reporting, periodic reports are prepared by risk management and compliance.

B.1.7 Consultation and decision-making structure

Woningborg has a governance structure in place for consultation and decision-making structures:
- Supervisory Board meetings at least 4x per year and Audit & Risk Committee at least 2x per year;
- Periodic Management Board meetings, at least 12x a year;
- Periodic departmental meetings, at least 24x a year;
- Periodic consultation between management and works council, at least twice a year.

B.1.8 Policy house

The policy and budget for Woningborg is drawn up by the Management Board and approved by the Supervisory Board, after which the policy is implemented. The operation of the policy is evaluated at least every two years. If necessary, the policy will be adjusted as a result of this evaluation.
In the formulation of its policies, Woningborg ensures that all applicable laws and regulations are complied with.

Key policies known to Woningborg include:

Risk management policy
This policy document outlines and formalises issues such as the risk framework, risk appetite and underwriting policy.

Capital policy
In its capital policy, Woningborg has described its internal (minimum) target solvency as a desired solvency in addition to the statutory solvency. The capital policy also describes an intervention ladder which sets out the management actions required or possible at a certain solvency level.

Investment policy
Woningborg has described the investment strategy and approach in the investment policy. This includes investment pools, concentration limits, investment restrictions, investment decisions and the investment mandate.

Reinsurance policy
The reinsurance policy is designed to ensure that:
- insurance risks are appropriately mitigated in compliance within limits,
- limits are defined in the risk appetite statement and underwriting policy,
- the transfer of risk is appropriate and that does not create counterparty risk.

The reinsurance policy describes the reinsurance process from strategy definition and the reinsurance purchase programme and the monitoring of the coverage. Counterparty risk is part of the reinsurance policy.

Acceptance policy
The acceptance policy describes how, in a structured and risk-based manner, construction companies and construction plans can be accepted that fit Woningborg's long-term solvency and profitability risk profile.

ALM Policy
The ALM policy describes guidelines for managing the value of assets and liabilities on the balance sheet to create shareholder value, healthy growth and profitability and to prevent Woningborg from suffering catastrophic financial consequences as a result of- changes in the financial markets.

Internal control policy
The internal control policy focuses on the risk of Woningborg being affected by non-integrity or unethical behaviour. Woningborg is committed to controlling integrity and fraud risk. The Compliance Officer monitors compliance.

Policy on outsourcing
The policy for outsourcing is to ensure that activities to be performed by third parties on behalf of Woningborg are carried out in continuity and in a qualitatively adequate manner and in accordance with the integrity guidelines of Woningborg.

Compliance policy
The compliance policy includes guidelines for compliance with relevant laws and regulations and of all Woningborg employees to act with integrity .

Information security policy
The aim of the information security policy at Woningborg N.V. is to safeguard the continuity of the business process, addressing threats to the integrity and confidentiality of data, to minimise damage by preventing and/or reducing the likelihood of security incidents and to minimise the impact of these incidents.

The information security policy directly supports Woningborg's overall mission and processes.

Premium policy
Underwriting insurance contracts is the process of selling products and accepting policyholders at the right price in accordance with Woningborg's strategy and risk limits.

The insurance policy defines the principles to ensure proper selection of risks (segments, products and reinsurance) as well as appropriate pricing of accepted risks to avoid concentration of underwriting risks.

Claims management policy
The Claims Management policy describes the claims handling process and aims to ensure that:
- high standards of claims management are in place to maintain or improve customer satisfaction;
- the process is designed to be as efficient as possible to minimise claims handling costs;
- operational risks are minimised through appropriate control mechanisms.

The quantitative claims assessment process is part of the reservation policy.

Reserve policy
Adequate reserves are important for the insurance operations and should ensure that Woningborg has sufficient technical provisions to meet its obligations to its policyholders.

The reserve policy describes the principles and guidelines that Woningborg has to follow with regards to the establishment up of appropriate reserves. These principles apply both to reserving for the preparation of the annual accounts and to Solvency II. Woningborg's claim activities include the completion of newly built houses in the event of the construction company's insolvency and the settlement of claims. This means that the amount of a claim is not known until the final settlement of a claim. In this context, a specific section has been developed to provide specific guidelines for claims and premium reserve, including the reserving process.

Remuneration policy
A job evaluation and staff appraisal system is in place. All positions are in place and job descriptions are written for each position. There are mid-year performance reviews and end-of-year performance appraisals. Employee salaries are set out in salary scales, divided into groups and levels. Primary and secondary benefits are reviewed in line with market conditions.

Code insurers
Woningborg Code of Conduct is based on the code of conduct developed by the Insurers' Association. This code of conduct set out the core values and behavioural rules regarding simplicity and clarity, reliability, quality and soundness. .

B.2 Expertise and reliability requirements

B.2.1 General

Woningborg ensures the competence and reliability of key functions through a competence and reliability monitoring process. In this context, minimum requirements for key functions have been defined. The following paragraphs describe the elements that ensure competence and reliability.

B.2.2 The process of monitoring competence and reliability for key functions

Solvency II governance system requires the establishment of four key functions:

- Risk management
- Compliance
- Actuary
- Internal Audit.

A charter has been developed for each key function, setting out the duties and responsibilities of the key function holder. Charters are reviewed at least bi-annually. Each key function holder also prepares an annual plan each year, listing the planned activities for the coming year. The annual plans are approved by the Management Board and submitted to the ARC/Supervisory Board for information.

Key officers should be 'Fit and Proper', or in other words they should have:

- Professional qualifications, knowledge and experience, and a
- Good reputation and integrity.

Key personnel are tested for management and professional skills. Assessment is done by the Management Board. New key officers are introduced to the Supervisory Board.

Woningborg has decided to outsource the Actuarial, Risk Management and Internal Audit Functions given its limited size, as mentioned earlier.

The Insurers' Code states that responsibilities should be divided within the Management Board and the functional areas of Internal Audit, Risk Management, Compliance and Actuarial services should be allocated among the board members. It states that the board member responsible for Internal Audit should not have any other focus areas, and that the member responsible for the Risk Policy should not have any commercial focus areas.

Woningborg has decided to divide the responsibilities as follows:

Function	Performed by	Responsible Board Member (reporting line)
Risk management Function	Projective Group (external)	CFRO
Actuarial Function	Triple A (external)	CFRO
Compliance Function	Internal compliance officer	CEO
Internal Audit Function	BDO (external)	CEO

The Woningborg management evaluates the performance of key officers annually.

B.2.3 Minimum skills, knowledge and expertise requirements for key positions

As a minimum, the key officers should collectively possess the following competences:

- Knowledge of insurance and financial markets;
- Knowledge of business strategies and business models;
- Knowledge of Governance systems;
- Knowledge of financial and actuarial analysis;
- Knowledge of regulatory framework and requirements.

B.2.4 Policy on competence and reliability

Improvement in the quality of people and systems has been a priority. This has led to a greater awareness -that the quality of people, coupled with the right attitude and mindset, is of great value for any company that takes a proactive approach to the market and promotes a long-term vision.
Reliability risk refers to the risk that the integrity of Woningborg is affected as a result of non-integrity or unethical behaviour. Woningborg pays great attention to the management of risks relating to integrity and fraud. Screening of all new employees, segregation of duties, four-eye principle and codes of conduct are control measures in place.

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

B.3.1 Risk strategy and risk policy vs. risk appetite

Woningborg's risk framework is based on the 'Three Lines of Defence' model. This ensures a clear division of roles, authority and responsibility for risk management.

The principles of the risk management framework are:
- directors and key officers are knowledgeable, competent and reliable;
- the risk management framework is in line with the risks arising from Woningborg's services;
- Woningborg has policies for:
  - risk management
  - compliance
  - actuarial services
  - internal audit.
- policies are reviewed at least once every two years, and
- the risk management framework is reviewed periodically.

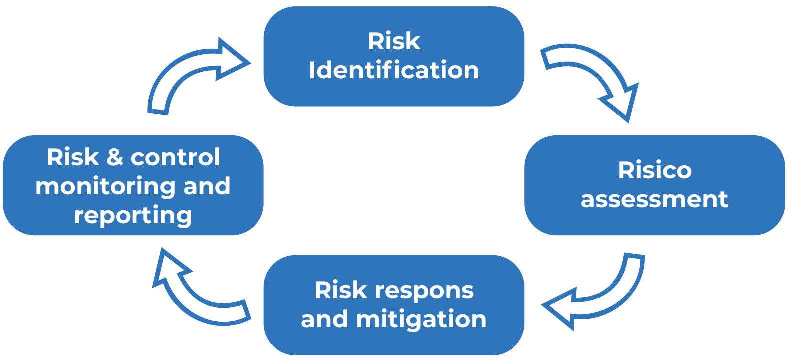
B.3.1.1 Risk policy and risk appetite

The management of Woningborg has defined its strategy and the associated risk appetite. Woningborg's risk appetite is low. Woningborg is strongly committed to being a solid insurer. The risk appetite is set out in the risk appetite statement.

Every year Woningborg's strategy and policy for the coming year is discussed in the business plan. The business plan is discussed in detail with the SB.

The Management Board, the ARC and Supervisory Board are regularly informed about the (development of the) risks in quarterly reports.

Woningborg's risk management process is as follows:



B.3.1.2 Risk appetite

Woningborg is committed to enable companies to offer surety products to their customers at an acceptable price. As the surety product has a volatile claims pattern, both in terms of claims made and losses incurred, it is important to manage the risks well. The following measures have been taken manage these risks appropriately:

- loss limits in our products;
- underwriting guidelines for customers, whether financial, technical or legal;
- acceptance guidelines for the construction plans to be secured (both technical, financial and legal);
- risk mitigation collateral and reinsurance programme;
- investment guidelines;
- internal control measures.

Woningborg's risk appetite is the net risk remaining after implementing these control measures.

Woningborg defines risk appetite as the amount of financial and non-financial risk Woningborg is willing to take. Risk appetite is the willingness to sacrifice capital value in extreme circumstances to achieve business objectives.

The definition emphasises the relationship between capital value and Woningborg's strategic objectives. The strategic objectives depend on the wishes and needs of the stakeholders.

Woningborg has issued its risk appetite statement in several dimensions. These include capital, profitability, liquidity risk, insurance risk and operational risk.

The Risk Appetite Statement further specifies the principles of Woningborg's mission, strategy and strategic objectives.

B.3.2 The design and organisation of the risk management system

Strategy
As a surety company, Woningborg specialises in reducing solvency and quality risks by carefully screening registered construction companies and building plans to minimise the likelihood of calamities.

Process
Within Woningborg, the Supervisory Board oversees the risk policy pursued by the Management Board. The Supervisory Board discusses Woningborg's risk profile and assesses at strategic level whether the capital allocation and liquidity requirements are in line with the approved risk appetite. The Supervisory Board is advised by the ARC for risk related matters. Capital allocation and results are reported quarterly by the Management Board to the ARC and the Supervisory Board.

The Management Board ensures that the risk management system is set up so that material risks to Woningborg can be reported in a timely manner so that these risks can be mitigated and controlled. Monthly monitoring is based on reports. Decisions of material importance to the risk profile, capital allocation or liquidity requirements are taken by the Management Board.

Report
The reporting process focuses on the continuous monitoring and control of risks.

B.3.3 Asset-liability management

Asset-Liability Management (ALM) defines guidelines for value management and optimisation within a set of constraints determined by Woningborg's risk tolerance, multi-year budget, market environment and external regulatory constraints. Value assessment and management should not only be considered in terms of the regulatory framework but also combined with a real and economic assessment of the business.

The following components are essential in determining ALM policy:

1. Enterprise value and value sensitivity
2. Cash flows / Maturity / Convexity (curvature of the yield curve)
3. Financial market sensitivity
4. Strategic asset allocation (SAA)
5. Value change analysis
6. Stable investment margins.

The core principles for managing cash flows, maturity and convexity of the business are:

- Woningborg needs to cover both short-term and long-term insurance obligations in the profile of its investment portfolio.

- Woningborg should not only look at the overall portfolio for maturity mismatch, but also at smaller but manageable maturity buckets or assess the convexity of the yield curve at the overall cash flow level.

- Among other methods and valuation systems that can be applied to assess the interest rate sensitivity of the business, Woningborg should focus on an economic approach based on the best estimate of asset and liability cash flows for maturity analyses.

Woningborg's ALM positions must be monitored and reported by the ALM department (together with Finance) on a monthly basis, based on defined minimum standards and a fixed reporting format. Deviations from the described ALM principles should be reported.

Policy

The Asset-liability matching policy ensures that Woningborg can meet its obligations under the various guarantee schemes over time. The commitments have a maximum term of 10 years and 3 months after completion of the property Woningborg's surety portfolio is mature in terms of duration and size, as Woningborg has operated in this specific market for over 30 years.
The policy pursued by Woningborg is risk-averse. This is also reflected in the asset allocation. To manage credit risk, fixed-income securities are held with at least an A rating .

Procedures

Asset-liability policy and the investment policy are approved by the Supervisory Board.

B.3.4 Other risks

Strategic risk

Strategic risk refers to the risks associated with the strategy-setting process. It is also affected by external environmental factors. Risks relating to the economics, politics, technical developments in construction methods and competition are included in the strategy-setting process. Where necessary and possible, appropriate action will be taken.

Reputational risk
Reputational risk is the risk of damage to the Group's reputation through negative publicity. The management of this risk is very closely linked to the management of all the other risks.

B.3.5 Scope, frequency and requirements of risk reporting provided to Management Board and Supervisory Board

1. Monthly quantitative and financial reports are provided to the management. This reporting includes: numbers of registered companies, plans, houses and prices of the houses. Financial reporting consists of P&L reporting against set budget, investments, a forecast, balance sheet and solvency position.
2. On a quarterly basis, the Supervisory Board will be provided with this information.
3. A quarterly Solvency II report is provided showing the market value balance sheet, (minimum) solvency capital requirements and capital the requirement by risk category.

B.3.6 ORSA (Own Risk and Solvency Assessment)

General
Woningborg periodically assesses its own risk and solvency by means of an ORSA study. Woningborg prepares this assessment at least once a year, and additionally with every significant change in the risk profile. The ORSA analyses risk scenarios and projects their impact on the current budget. The solvency capital requirement (SCR) of the last completed financial year is used to determine the baseline position.

This own risk assessment is in line with Woningborg's strategy and multi-year planning. A time horizon of 5 years is used. The function of the ORSA is to show the extent to which solvency is adequate under stress scenarios and the measures that the Management Board should take in relation to the capital policy in order to restore solvency in the event of a fall below the solvency standard.

Besides assessing solvency under stress scenarios, an assessment is also made of the appropriateness of the standard model.

Policy
The ORSA helps to ensure that Woningborg's objectives are also translated into risk components in terms of capital requirements and timing.

Process
The process of the ORSA study is defined in the risk policy. The process consists of the following process steps:

1. Preparation of risk scenarios by the management.
2. Align the risk scenarios with the ARC.
3. Calculation of solvency by risk scenario.
4. Assess the appropriateness of the standard model.
5. Discuss and calculate management actions in response to the results of the ORSA scenarios.
6. Preparation of the draft report (ORSA Supervisory Report).
7. Review ORSA Supervision Report and underlying calculations by the Actuarial Function.
8. Discuss the ORSA Monitoring Report in the board meeting.
9. Discuss and approval of the ORSA Monitoring Report in the ARC and Supervisory Board.

Report
Woningborg prepares a report on the results of this assessment (the ORSA Supervision Report) and sends it to the regulator De Nederlandsche Bank within 2 weeks after the Supervisory Board has approved this report.

B.4 Internal control systems

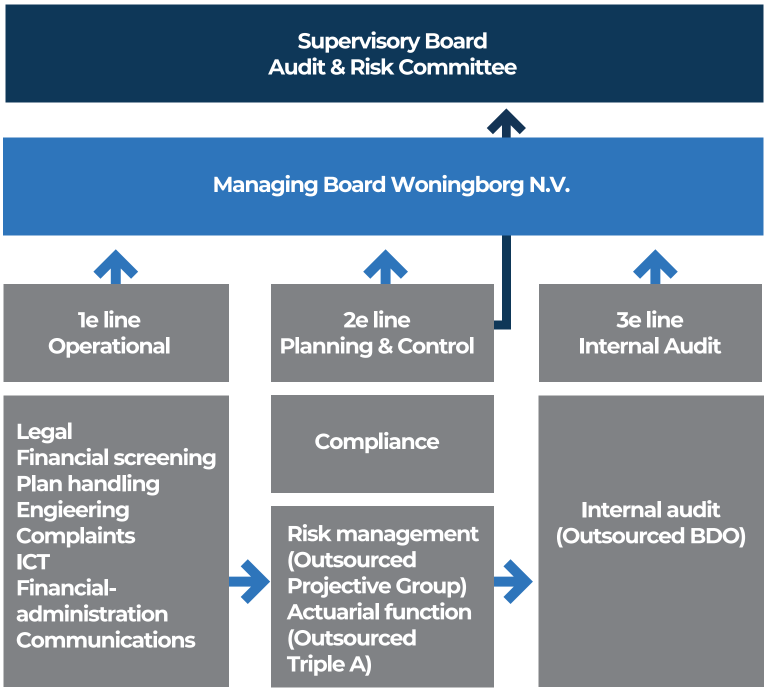
B.4.1 Policy

The risk of Woningborg being affected by non-integrity or unethical behaviour is addressed in the internal control policy. Within Woningborg, there is explicit attention to the management of risks relating to integrity and fraud. Screening of all new hires, segregation of duties and codes of conduct are management measures in place. The Compliance Officer monitors compliance with the measures.

B.4.2 Design of internal control system

The risk framework within Woningborg has been set up along the 'Three lines of defence' model. This ensures a clear and balanced allocation of roles, authorities and responsibilities with regard to risk management.

In graphic form, the risk management framework looks as follows:



First line (de 1e lijn)
The first line is formed by the management of Woningborg. The directors/management own the processes and risks and are responsible for maintaining and optimising the control measures. This ensures that risks are controlled and objectives are achieved within the defined frameworks.

Second line (the 2nd line)
In implementing and maintaining effective risk management, the first line is supported by second-line specialists for risk management, actuarial and compliance. The second line can provide advice and support the first line (e.g. in determining the risk response). The second line reports directly to the Management Board. In addition, the second line has the possibility to escalate to the Supervisory Board.

Third line
The Internal Audit Function forms the 'third line' and independently assesses the way in which Woningborg achieves its objectives, including the functioning of the risk management designed for this purpose. The Internal Audit Function has been placed with BDO accountants and reports to the CEO of Woningborg.

Woningborg's management evaluates the performance of key personnel on an annual basis. The four (key) functions work closely together to avoid duplication of work and disagreements about the scope of work and responsibilities.

As part of the design of the risk management framework, policy frameworks have been drawn up for each risk area. The starting point is Woningborg's strategy and the associated risk appetite. Policy documents and governance have also been established for the various risk areas.
The Actuarial Function is detailed in chapter B.6. The Internal Audit Function is detailed in chapter B.5.

B.5 Internal Audit Function

The Internal Audit Function assists the Management Board and the Supervisory Board in protecting Woningborg's assets, reputation, and sustainability by independently and objectively evaluating the effectiveness of internal controls, risk management and governance processes. The Internal Audit Function is the third line of defense.

The Internal Audit Function has been outsourced by Woningborg to BDO accountants N.V. reporting to the CEO.

B.5.1 Purpose, mission, tasks, powers and responsibilities

The purpose of the Internal Audit Function is compliance with legal and regulatory provisions of the directive including assessment of possible consequences of changes in legal framework, operations of the companies involved and compliance risks.
The mission of the Internal Audit Function within Woningborg is to conduct research into the proper and reliable functioning of Woningborg's internal organisation.

The details of the Internal Audit annual plan are partly formed on the basis of the multi-year plan that forms part of the 2023 audit plan. After coordination with the Management Board and key functions of Woningborg, Internal Audit draws up the final Internal Audit plan. This final plan is submitted to the ARC/Supervisory Board for approval.

The Internal Audit Function performs its function on the basis of an annual audit plan approved by the Management Board and by the Supervisory Board. The duties of the Internal Audit Function are:

- audit at the financial level (financial audit);
- audit at the operational level (operational audit) ;
- audit at the level of data processing and data security (EDP audit).

The Internal Audit Function, reports directly to the ARC and findings of the tasks performed are reported to the management. As part of its responsibility, the Internal Audit Function has access to any information, documents, systems or persons of the Woningborg, including board minutes.

B.5.2 Scope of work

The scope of work of the Internal Audit Function is as follows:

- examining and evaluating effectiveness;
- the implementation and application of internal procedures and related internal controls;
- protecting the company from significant losses and fraud;
- Provide an assessment of the accuracy and credibility of accounting information;
- provide an assessment of the effectiveness and adequacy of asset protection measures;
- Providing practical recommendations;
- Follow up on applicable recommendations.

The findings from Internal Audit are reported. The reporting lines and frequency are set out in section B.5.3 Reporting lines.

The internal audit framework used is the COSO model.

B.5.3 Reporting lines

The reporting lines within the Internal Audit Function are as follows:
- Periodic consultations with the ARC and management, at least twice a year;
- Periodic board meetings, at least twice a year;
- reporting to DNB, in principle once a year.

B.5.4 Formal escalation procedure

The Internal Audit Function has the option of contacting the ARC directly if deemed necessary.

B.5.5 Policies

The Internal Audit Function evaluates adequacy and effectiveness of:
- The internal control system;
- Other components of the governance system.

Internal Audit Function:
- Is free to express her opinions and present her findings to the Management Board and ARC/ Supervisory Board;
- Has the unrestricted right to access information anywhere in the organisation;
- Has the task of evaluating whether the internal control and governance system are adequate and effective;
- Will establish an audit schedule, and sets priorities based on risk;
- Will make a report on its findings at least once a year, which will be submitted to the Management Board and the ARC/Supervisory Board;
- Must be objective and independent of operational functions as well and other key functions;
- Has no other duties.

B.5.6 Outsourcing

Given the size of Woningborg, the Internal Audit Function has been outsourced to BDO accountants N.V. The responsibility of the Internal Audit Function lies with the CEO of Woningborg.

B.6 Actuarial Function

B.6.1 Purpose, mission, tasks, powers and responsibilities

The purpose of the Actuarial Function is to ensure the accuracy of the models, methodologies and assumptions used in Woningborg's business process in accordance with applicable regulations (including for Solvency II).

The mission of Woningborg's Actuarial Function is to ensure the complete and accurate determination and calculation of the impact of identified risks and their translation into premiums, provisions and capital requirements.

The Actuarial Function reports quarterly to the CFRO and in writing to the ARC / Supervisory Board at least once a year. The annual Actuarial Function Report describes all material tasks performed by the Actuarial Function, such as the assessment of technical provisions, data quality, adequacy of reinsurance, related results, clearly identifying any deficiencies and making recommendations on how to correct those deficiencies.

The Actuarial Function reports to the CFRO.

B.6.2 Scope of work

The scope of activities of the Actuarial Function is as follows:

1. Review of the determined market value of technical provisions at year-end and reconciliation regarding methods and parameters underlying them.
2. Review of the market value balance sheet on Solvency II principles at year-end and reconciliation regarding methods and parameters underlying this.
3. Review of solvency on Solvency II bases at year-end and reconciliation regarding methods and parameters underlying this.
4. Prepare and explain Actuarial Function Report for the past financial year.
5. Briefly assess solvency on Solvency II bases quarterly (Q1, Q2 and Q3).
6. Drafting an opinion and advice on premium pricing.
7. Drafting an opinion and advice on reinsurance.
8. Review and support on the ORSA.
9. Risk management advice: this may include a variety of activities to support the operation of an effective risk management system.

B.6.3 Reporting lines

The reporting lines for the Actuarial Function are as follows:
- Report at least quarterly to the CFRO;
- report to the ARC at least 1* per year.

B.6.4 Formal escalation procedure

If there are such circumstances that the "internal" consultation between the Actuarial Function and the CFRO/Management does not lead to a proper solution then the Actuarial Function has the option to escalate to the ARC.

B.6.5 Outsourcing

Given the size of Woningborg, the Actuarial Function is outsourced to Triple A - Risk Finance B.V. Certification (Triple A) under the responsibility of the CFRO. An order confirmation for this is drawn up annually.

B.7 Outsourcing

The policy for outsourcing describes the risk of harming the continuity, integrity and/or quality of activities outsourced to third parties that are essential to Woningborg.

In order to manage the risks of outsourcing, a policy on outsourcing has been drawn up, which assesses new forms of outsourcing. In addition, contractual arrangements have been made with organisations to which major activities have been outsourced to manage this risk.

B.8 Other information

Woningborg is not aware of any other material information regarding the system of governance.

C Risk profile

The Company is exposed to a range of underwriting, market, credit, liquidity and operational risks. Since its founding, Woningborg has been focused on underwriting surety business for the buyers of newly built houses. This is reflected in the fact that the majority risk exposure is underwriting. Woningborg operates within its risk management and control systems, which are designed to ensure that these risks are managed effectively and efficiently in a way that is aligned with the Company's strategy.

C.1 Insurance risk

Woningborg accepts insurance risks by accepting risks relating to the completion of houses and the repair of defects in houses after completion. Woningborg has defined principles in its underwriting policy to ensure proper selection of risks (segments, products and reinsurance), but also to achieve adequate pricing for the risks accepted and to avoid a concentration of underwriting risks.
Insurance risk, sometimes referred to as "underwriting risk", arises from deviations in product pricing assumptions. These are typically actuarial assumptions that cover policyholder behaviour and claims. Underwriting risk is the result of both the inaccuracies in projecting liability cash flows over several future time periods, as well as fluctuations in the incidence of claims.

The main components of the underwriting risk policy are:

- underwriting policy
- reinsurance policy
- claims management policy, and
- reserving policy.

Within Woningborg's underwriting risk, premium and reserve risk and catastrophe risk are the main risk components and the material component of the SCR.

Premium and reserve risk
Premium and reserve risk is the risk that the premium and claims reserves formed are insufficient to cover future claims of the surety given to the buyers of newly built houses.

Catastrophe risk
Catastrophe risk refers to the risk of Woningborg being confronted with extreme or exceptional events leading to high levels of claims.

C.2 Market risk

Investments are an important part of Woningborg's operations. Woningborg pursues a conservative policy with regard to investments. In 2020, almost the entire equity portfolio was sold. Since this sale, investments are (in principle) only made in bonds with a high-quality credit rating.
Woningborg does have exposure to changes in financial markets (e.g. bond markets, interest rate and credit rate risks, as described below.

It is of vital importance to Woningborg that investments are managed in such a way that optimisation of risks, returns and required capital is achieved. In monitoring market risk, Woningborg distinguishes the following sub-risks:

- interest rate risk;
- equity risk;
- property risk;
- spread risk;
- currency risk;
- concentration risk.

Interest rate risk
Interest rate risk refers to the sensitivity of interest-bearing assets (bonds) minus interest-bearing liabilities (provisions) to changes in the interest rate term structure or volatility of interest rates. The company is exposed to interest rate risk through the mismatch in the sensitivity of its assets and liabilities to movements in long- and short-term interest rates.

Equity risk
Equity risk concerns the sensitivity of equity investments to changes in the market value of shares. This risk is very limited, as Woningborg has a very small portfolio.

Real estate risk
Property risk relates to the risk of changes in market prices of the property held for own use and the property held as part of the settlement of a bankruptcy.

Spread risk
Spread risk refers to the sensitivity of corporate bond investments to the level and volatility of credit spreads above the interest rate term structure. For government bonds, no spread risk is assumed.

Currency risk
Currency risk is the risk of changes in the foreign currency held in investments and cash. This risk is considered to be zero for Woningborg.

Concentration risk
Concentration risk refers to Woningborg's risk of defaulting on an item within the investment portfolio that is disproportionately large compared to the overall portfolio.

C.3 Credit risk

Counterparty risk is considered credit risk within the Solvency II framework. Counterparty risk is equal to the sum of the loss on default of a counterparty. Woningborg calculates counterparty risk over cash and cash equivalents, receivables from group companies, the receivable from reinsurers and the reinsurers' share of technical provisions, the theoretical receivable from reinsurers from the catastrophe risk calculation and the receivable from debtors and other receivables.

C.4 Liquidity risk

Liquidity risk is the risk that Woningborg cannot meet its insurance obligations. This risk is mitigated by setting sufficient levels of highly liquid assets in conjunction with investment guidelines, which prescribe maintaining a minimum level of liquid assets, and by mitigating the surety risk through reinsurance. Liquidity risk is not an independent risk within the SCR calculation.

C.5 Operational risk

Operational risk is the probability of direct or indirect damages resulting from inadequate or failing internal processes, people, systems or external events. In other words, when performing operational activities, things can go wrong and damage can occur. The Operational Risk Management Framework defines how Woningborg ensures that operational risks are adequately controlled.

C.6 Other material risk

In addition to the risks mentioned above, the following risks have been identified by Woningborg:

Legal risk
The possibility that transactions cannot be carried out due to legislation or regulations and the possibility that changes in legislation or regulations have an adverse effect. Woningborg manages legal risks by means of a number of controls, ensuring among other things that transactions are correctly analysed and approved. In addition, external legal advisors are used if necessary. The Compliance Officer monitors compliance with relevant laws and regulations.

Outsourcing risk
Outsourcing risk means the risk of harming the continuity, integrity and/or quality of activities outsourced to third parties, which are essential to Woningborg. This concerns the outsourcing of activities of the important processes of the company. In order to manage the risks of outsourcing, a policy on outsourcing has been developed to asses new outsourced activities. In addition, contractual agreements are in place with organizations to which key activities are outsourced to manage this risk.

ICT risk
The risk of losses due to inadequate or failed business continuity planning, back-up and recovery, fall back arrangements, information security, IT maintenance and change management, identification of relevant technological developments and other technical causes for systems related failures and errors.

It covers the topics:
- access to ICT systems;
- change management, where we have an elaborated change & release process;
- (damage or loss of) software & digital data, which risk is managed with backup routines and fallback procedures;
- (damage or loss of) hardware; including fallback;
- SLA management; managing and controlling (contractual) agreements with suppliers;
- configuration management, the control of all components and versions of the IT infrastructure.

Integrity risk
Integrity risk relates to the risk of Woningborg's integrity being affected as a result of conduct that lacks integrity or is unethical. There is considerable attention within Woningborg for the management of risks relating to integrity and fraud. Screening of all new hires, segregation of duties, the four-eye principle and codes of conduct are management measures in place. The Compliance Officer monitors compliance with the measures.

Strategic risk

Strategic risk refers to the risks associated with the strategy-setting process. It is also affected by external environmental factors. Risks relating to the economics, politics, technical developments in construction methods and competition are included in the strategy-setting process. Where necessary and possible, appropriate action will be taken.

Reputational risk

Reputational risk is the risk of damage to the Group's reputation through negative publicity. The management of this risk is very closely linked to the management of all the other risks.

D Measurement for solvency purposes

In this chapter the Statutory balance sheet is reconciled to the Solvency II balance sheet. First a reconciliation overview of the Statutory balance sheet to the Solvency II balance sheet is provided. This is followed by an explanation by balance sheet item regarding the difference between Statutory balance sheet item and Solvency II, including an explanation of the differences in measurement and presentation between IFRS and Solvency II.

D.1 Assets

D.1.1 Overview of assets

In € x1.000

Assets	Annual accounts	Market value balance	Reclassification	Revaluation
Intangible assets	344	-	-	-344
Deferred tax assets	3,068	3,258	-	190
Land and buildings for own use	5,300	5,300	-	-
Land and buildings other than for own use	-	-	-	-
Shares	80	80	-	-
Government bonds	47,275	44,635	220	-2,860
Corporate bonds	39,769	38,013	263	-2,018
Share of reinsurance in technical provision	-	10,345	10,345	0
Receivables from insures	12,147	11,948	-	-199
Claims	5,356	5,268	-	-88
Liquid assets	19,504	19,504	-	-
Other assets	4,404	3,921	-483	-
Total	**137,247**	**142,272**	**10,345**	**-5,320**

The amounts in the financial statement column are corresponding to Woningborg's 2023 financial statements. The format of the market value balance differs from the format in the financial statements. In the column financial statements, the amounts from the financial statements are presented in a manner consistent with the classification in the market value balance sheet.
The receivables item corresponds to the debtors item in the financial statements and the items property, plant and equipment, other receivables and prepayments and accrued income are included in Other assets in the market value balance sheet.

The financial statements have been prepared on the basis of Dutch GAAP. The market value balance sheet has been prepared on the basis of Solvency II guidelines. Any reclassifications between balance sheet items, other than as described above, have been included in the reclassification column.

D.1.2 Immaterial fixed assets

In the financial statements, intangible assets are valued at acquisition cost less straight-line amortisation based on estimated useful life and residual value.

Intangible fixed assets not yet in use are not amortised. Software acquisition costs are recognised under intangible assets. Impairments losses expected at the balance sheet date are taken into account.

The market-consistent valuation of intangible assets under Solvency II principles is set at nil. The capitalised software mainly concerns custom software which has no market value. The impairment is included in the revaluation column. Deferred taxes are taken into account in the revaluation.

D.1.3 Deferred tax asset

A tax asset is recognized for tax losses carried forward, to the extent that it is probable at the reporting date that future taxable profits will be available against which the unused tax losses can be utilized. Current tax liabilities or assets for the current and prior periods shall be measured at the amount expected to be paid to, or recovered from, the taxation authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period. The deferred tax asset is valued at the tax rate of 25.8%. In the 2023 financial statements the deferred tax position has been impaired for € 1.6 million and used for € 0.6 million

The market value balance sheet also recognize the tax credit of the amortisation of intangible assets. The balance sheet item has been assessed for the possibility of sufficient tax offsets (Carry-forward).
The Solvency II position of the deferred tax assets is netted against the deferred tax liabilities (€ 3.3 million), meaning that the deferred tax position has no impact on the eligible capital position.

D.1.4 Property, plant and equipment for own use

In the financial statements, land and buildings for own use are measured at fair value on the balance sheet date. Land and buildings are not depreciated. The valuation is based on available market data based on recent market information. At least once every 3 years, the value is determined by independent external experts. At balance sheet date, it is assessed whether there is any indication that of impairment. If such indications are present, the recoverable amount of the asset is determined. The market-consistent valuation of land and buildings for own use in the market value balance sheet is the same as the valuation in the financial statements.

D.1.5 Equities and investment funds

In the financial statements, equities are initially valued at acquisition price. Subsequently, shares are valued at market value. If the market value of a fund is higher than the acquisition price, the difference less deferred corporation tax payable is credited directly to the revaluation reserve in equity. If the market value of a fund is lower than the acquisition price, the difference between the acquisition price and the lower market value is charged to the result. All shares in the portfolio have a market quotation. The market consistent valuation of the equities in the market value balance sheet corresponds to the valuation in the financial statements.

D.1.6 Government and corporate bonds)

In the financial statements, bonds are initially valued at acquisition cost. Subsequently, the bonds are valued at amortised cost. Differences between the amortised cost price and the acquisition price at purchase are recognised in the balance sheet and spread over the remaining term in the result based on the effective interest method. The market-consistent valuation of the bonds is based on the current market value. All bonds in the portfolio have a market quotation. The higher value of the bonds is included in the revaluation column. In the market value balance sheet, the bonds are valued at market value including accrued interest. In the financial statements, accrued interest is included in accrued assets. Accrued interest is reclassified to government and corporate bonds in the market value balance sheet.

D.1.7 Share of reinsurance in Technical provisions

In the financial statements, the share of reinsurance in Technical provisions is deducted from liabilities. In the market value balance sheet, this item is included under assets and transferred from liabilities to assets by reclassification. The item is recognised in the market value balance sheet at the discounted value taking into account the probability of default by the counterparty.

D.1.8 Claims

In the financial statements, receivables, after initial recognition, are measured at amortised cost. Provisions for doubtful debts are assessed item by item and deducted from the carrying amount of the receivable. The market-consistent valuation of receivables in the market value balance is equal to the present value of the expected cash flow. A revaluation is recognised for the difference between the value from the financial statements and the market value balance. The valuation of receivables is based on the assumption that the receivables will be received within the year. The standard Solvency II interest rate curve was used to discount the receivables.

D.1.9 Liquid assets

In the financial statements, cash and cash equivalents consist of bank balances with a maturity of less than 12 months. Cash and cash equivalents are valued at nominal value. The market consistent valuation of cash in the market value balance sheet is identical to the present value of cash in the financial statements.

D.1.10 Other assets

Tangible fixed assets included under other assets are recognised in the financial statements at their acquisition price less straight-line depreciation based on their estimated useful life and residual value. Non-operating assets are valued at fair value. Impairments expected on the balance sheet date are taken into account. Other receivables and accruals are recognised at amortised cost less provisions for doubtful debts. The market-consistent valuation of property, plant and equipment, other receivables and prepayments and accrued income in the market value balance sheet are consistent with the valuation in the statutory balance sheet. The coupon interest recognised under accruals has been reclassified to government and corporate bonds in the market value balance sheet.

D.2 Technical provisions

D.2.1 Overview of technical provisions

In € x1.000

Technical provision	Annual accounts	Market value balance	Reclassification	Revaluation
Technical provisions calculated as a whole	38,067	-	10,345	-12,538
Best estimate	-	30,944	-	-
Risk margin	-	4,930	-	-
Total technical provisions	**38,067**	**35,874**	**10,345**	**-12,538**

The reclassification of €10.3 million relates to the reclassification of the reinsurers' share of the Technical provisions which is included in receivables in the market value balance sheet.

D.2.2 Best Estimate

Woningborg conducts one product, namely a security guarantee on (new-build) houses. This product is included in the branch credit and surety bonds. The surety on (new-build) homes product covers two risks:

1. the completion of the construction risk (Section I), and
2. coverage on technical defects (Section II).

Best Estimate calculations are prepared for both risks.

Valuation in the financial statements

In the financial statements, the insolvency risk (Section I risk) of registered construction companies existing during the construction period of the newly built houses and to cover the risk of technical defects (Section II risk) of completed houses for a period of 10 years, the fund system is used. This involves recording the balance of written premiums less anticipated claims for all policy years up to and including the reporting year. Claims claimed, but not yet paid out, are included in the claims provision.

In a nutshell, the premium is charged to the construction company upon acceptance and issuance of certificate and the insurance premiums are added to the technical provisions upon issuance of certificate and upon completion of the house.

Valuation Market value balance sheet

The market-consistent valuation of technical provisions is determined by calculating a Best Estimate. The Best Estimate consists of a premium reserve and claims reserve. A risk margin is added to the Best Estimate.

The Best Estimate can be specified as follows:

In € x1.000

Provisions	Annual accounts	Market value balance
Premium provisioning	49,760	28,144
Share of reinsurance in premium provision	-13,312	-
Claim provision	2,934	2,800
Share of reinsurance in claims provision	-1,315	-
Total	**38,067**	**30,944**

The share of reinsurance in the market value balance sheet has been reclassified to receivables from reinsurance.

D.2.3 Calculation Best Estimate

The Best Estimate is calculated as follows.

Premium provision

The premium provision is calculated for both Section I and Section II as follows:
- Proportional claim triangles and average claims calculation per policy year .
- Completion of claim triangles numbers of claims based on Bornhueter-Ferguson method.
- Multiplying the projected numbers by the average claim amounts (Average Claim Method).
- The best-estimate for the future Section II premium is determined by multiplying the number of undelivered homes by the claim frequency, based on the 10-year claim frequency as calculated within the Expected Loss Method. The numbers resulting from this calculation are then multiplied by the inflated average loss amount. Based on inflation expectations for future years, inflation is taken into account for each run-out year.
- Allocation of claim settlement costs. Claim settlement costs are considered to be the cost necessary to settle the claim.
- Determine both gross as discounted outgoing cash flows. The standard Solvency II yield curve is used as the discount rate, without a surcharge for volatility adjustment and matching adjustment.

The following assumptions are used to prepare the Best Estimate:
- The average claims development from the past are representative of the future. The average accumulated historical damage for both Section I and Section II is representative of future damage. The applied loss ratio for both Section I and the applied loss ratio for Section II is representative of future loss development.
- For future Section II premiums, the assumption is made that 60% of the houses not yet completed as at the balance sheet date will be completed within 1 year and the remaining 40% within 2 years. For the purpose of this assumption, a quantitative underpinning has been prepared. This underpinning has shown that the proportion of houses completed in the year of certification and the year after has decreased significantly. The 60% - 40% outflow pattern is therefore based on the most recent year of development.
- Any outgoing cash flows after the surety period will take place within 2 years from the end of the surety period.

Woningborg has no financial guarantees and no discretionary payments.

Claim provision

The claims provision in the market value balance sheet consists of the present value of the outgoing cash flows per policy year of the claims files recognised in the statutory balance sheet. In calculating the present value of the expected cash flows, the standard Solvency II yield curve without a surcharge for volatility and matching adjustment is used.
The following briefly explains how claims provisions are determined.

Section I

In the event of the insolvency of a registered construction company, which has certified houses under construction that have not yet been finalized, Woningborg will carry out an inventory and negotiations with the receiver and the parties who wish to complete the houses For the completion costs, which exceed the remaining instalments to the buyers, a claim provision is formed per policy year from the premium provision. The policy year at the Section I completion risk is the year the property is certified.

Section II

If a technical defect in the house occurs within the guarantee period and the construction company can no longer perform or otherwise, a buyer can submit an Appeal to Woningborg about the Guarantee. After receipt of the Appeal on the Guarantee, the complaint is assessed and an estimate of the claim is made, which is included in the provisions for outstanding claims. This reservation is included per policy year. The policy year for the Section II quality guarantee is the year in which the home is delivered.

D.2.4 Risk margin

A risk margin is calculated over the required capital requirement. Method 2 is used as the calculation method. The bases for calculating the risk margin are the capital requirement for claims risk, counterparty risk (reinsurance part) and operational risk.

The risk margin is such that the value of the technical provisions in the market value balance equals the amount that would be expected to be received in the event of a buyout and settlement of the insurance obligations. Woningborg considers the use of method 2 to be sufficiently advanced.

D.3 Other liabilities

D.3.1 Overview of other payables

In € x1.000

Debt	Annual accounts	Market value balance	Reclassification	Revaluation
Other provisions	1,554	1,463	-	-91
Provision for deferred taxes	-	3,258	-	3,258
Subordinated loans	-	-	-	-
Remaining debts	6,003	6,003	-	-
Total debts	**7,557**	**10,724**	**-**	**3,167**

D.3.2 Other provisions

In the financial statements, Other provisions are formed for legally enforceable or constructive obligations existing at the balance sheet date where it is probable that an outflow of resources will be required and for which the amount can be reliably estimated. Provisions are measured at the best estimate of the amounts necessary to settle the obligations at the balance sheet date. Provisions are valued at nominal value. The market-consistent valuation of Other provisions is equal to the present value of the liabilities.

D.3.3 Provision for deferred tax liabilities

Deferred tax liabilities are recognised in the financial statements for temporary differences between the value of assets and liabilities in accordance with tax regulations and business principles. The deferred income tax liability is recognised at the nominal rate of 25.8% and is netted with the deferred tax assets. The tax effect of asset and liability revaluations is included in this item. The balance sheet item is assessed for the possibility of sufficient tax offsets (Carry-back and Carry-forward).

D.3.4 Other debts

In the financial statements, liabilities are measured at fair value on initial recognition. Transaction costs directly attributable to the acquisition of the liabilities are included in the valuation at initial recognition. Payables are recognised at amortised cost after initial recognition. The market-consistent valuation of payables is equal to the present value of payables at amortised cost. Premiums received in advance are reclassified to technical provisions in the market value balance sheet.

D.4 Alternative valuation methods

Woningborg does not apply alternative valuation methods for solvency purposes.

D.5 Other information

The Company has nothing additional to disclose other than the information already described throughout this chapter.

E Capital Management

E.1 Own Funds

The Own funds section is divided into the capital management (capital policy) and the structure of eligible equity as at the balance sheet date.

E.1.1 Management of equity

E.1.1.1 Introduction to capital policy

The Capital Management policy aims to enhance transparency and accountability around capital management in the company. Capital is a scarce and strategic resource that requires a clearly defined, structured and disciplined management approach to ensure efficient and effective deployment.

This approach should cover the needs and requirements of stakeholders, including shareholders, regulators, employees and customers.

The main objective of the capital management process is to optimise the capital structure, composition and allocation of capital within Woningborg, ensure profitable growth, protect viability and profitability and finance dividends.

The Capital Management Policy covers the roles and responsibilities and reporting requirements needed to support the aforementioned objectives.

E.1.1.2 Capital policy

The primary objective of the Woningborg Capital Policy is to ensure that Woningborg acts in accordance with externally imposed capital requirements and that Woningborg has a capital ratio that protects the viability of the company and maximises shareholder value.

To achieve this objective, a process has been put in place that:
1. Is guided by clearly defined policies and procedures to ensure the use of capital management is understood, documented and monitored (taking corrective action when necessary).
2. Linking the risk profile directly to capital requirements.
3. Its objective is to create value.

The objectives of the Capital Management Policy are to set rules and enforce discipline in relation to:

- Capital planning: the level of capital Woningborg would like to have, which is a function of:
    - legal requirements and expected changes therein;
    - regulatory requirements and expected changes therein;
    - growth ambitions and future capital commitments;
    - safety buffers to ensure that Woningborg can meet its obligations in accordance with the Risk Appetite Statement.

- Capital allocation: the use of capital provided by Woningborg , which is a function of:
  - optimisation of risk reward, and
  - the measured performance

- Dividend policy (and future capital acquisition).

- Capital structuring: maintaining an effective asset balance sheet.

- Governance: establish clear roles and responsibilities for staff and decision-making committees.

E.1.1.3 Governance

The Governance principles as prescribed by the Insurers' Association are followed.

The capital policy is reviewed annually. The procedure used to update the capital policy is as follows:

1. Updating of capital policy by the CFRO;
2. approval of the capital policy by the Woningborg Management Board;
3. adoption of the capital policy by the Supervisory Board.

E.1.1.4 Regulatory solvency and internal standard solvency

The eligible own funds, Solvency Capital Requirement and Minimum Capital Requirement are detailed in paragraphs E.1.2, E.2.1 and E.2.2.

Woningborg has set the internal standard solvency as a percentage of the statutory solvency requirement (SCR) at 180% in 2020. The internal standard solvency applies as a safety margin above the regulatory solvency standard to prevent undershooting of the regulatory solvency requirement (SCR). In 2022, the target solvency was reassessed as part of the ORSA process and concluded that the internal standard solvency ratio of 180% was appropriate.

E.1.1.5 Monitoring of solvency

Woningborg calculates its solvency on the basis of the Solvency II standard formula. The solvency is calculated and reported to the management on a monthly basis. This the end of the previous quarter.

Woningborg carries out a detailed solvency calculation at the end of each quarter (i.e. four times a year). A report is prepared on this calculation, analysing the market value balance, solvency capital requirement and minimum capital requirement and describing any deviations from previous periods. This report is discussed with the Management Board together with the solvency report. After management approval, the solvency report is submitted to DNB.

In addition to the periodic solvency calculations, Woningborg also carries out scenario analyses in order to have an adequate understanding of the effect of any changes in operations to the results on capital and solvency.

Besides the quarterly solvency assessment, an ORSA study is also performed at least once a year. The ORSA policy, process and reporting system is described in section B.3.6 of this document.

E.1.1.6 Intervention measures and ensuring solvency

To refine the capital policy, Woningborg has defined an intervention ladder based on the internal standard solvency of 180%. This is based on intervention levels around the internal standard solvency of 180% and the use of available recovery measures, when a certain intervention level is reached.

Based on the risk profile and available measures, the following intervention levels are assumed to be appropriate1 for Woningborg for further solvency assurance and (timely) intervention through management actions.

Intervention levels have been set at levels that provide sufficient scope both to take early remedial action and also to properly prepare more drastic measures.

An operationally necessary solvency of 120% applies as a lower limit, because from that level onwards there is a significant probability of undershooting the statutory required solvency standard. To be able to guarantee the continuity and social role of Woningborg permanently, undershooting of the statutory requirement must be avoided and severe recovery measures are justified.

The final measures, in case the statutory solvency standard of 100%, is not met, have been explained and elaborated in Woningborg's Preparatory Crisis Plan (VCP).

Finally, a target solvency is defined as the limit at which strongly disappointing results can be absorbed without falling below the internal target solvency and a capital distribution limit is defined above which excess capital can be deployed or distributed in accordance with internal policy.

This target solvency provides sufficient room to absorb Woningborg's atypical risk profile without breaking limits from the intervention ladder and requiring intervention. Ideally, Woningborg's solvency should be at or above the target solvency of 210%.

* 1 Assuming the current solvency structure and underlying methodology (with a LAC DT of nil).

E.1.2 Tiering of Own Funds

Own Funds are defined as the difference between total assets less technical provisions and other liabilities. Woningborg's own funds can be presented on the basis of the statutory balance sheet and the market value balance sheet as follows:

In € x1.000

	Annual accounts	Market value balance	Reclassification	Revaluation
Assets	132,247	142,272	10,345	-5,320
Technical provisions	38,067	35,874	10,345	-12,538
Debts	7,557	10,724	-	3,167
Equity	**91,622**	**95,674**	**-**	**4,051**

Own Funds consists of the following components:

In € x1.000

	Annual accounts as at 31-12-2023	Market value balance as at 31-12-2023
Issued and paid-up capital	50,000	50,000
Share premium reserve	32,550	32,550
Revaluation reserve (reconciliation reserve)	-	4,051
Other reserves (reconciliation reserve)	8,015	8,015
Undistributed profit (reconciliation reserve)	1,057	1,057
Balance as at 31 December	**91,622**	**95,674**

The issued and paid-up share capital consists of 50,000 ordinary shares of €1,000 nominal value. 50% of all shares are held by Stichting Woningborg (Gouda) and 50% are held by SMABPT.

The difference in own funds between the financial statements and the market value balance sheet can be specified as follows:

In € x1.000

	Revaluation as at 31-12-2023	Equity as at 31-12-2023
Equity from the annual accounts		91,622
Write-down of intagible fixed assets	-344	-344
Revaluation of government bonds	-2,860	-2,860
Corporate bond revaluation	-2,018	-2,018
Revaluation receivables	-287	-287
Revaluation of technical provisions	12,538	12,538
Revaluation of other provisions	91	91
Deferred tax on revaluations		-1,837
Balance as at 31 December		**96,905**
Write-off part of DTA		-1,231
Maximum eligible capital SCR		**95,674**

Woningborg's available own funds can be classified by Tier as follows:

In € x1.000

	Available capital	Minus: restrictions Tier 2 and Tier 3 capital	Eligible capital
Tier 1	95,674	-	95,974
Tier 2	-	-	-
Tier 3	-	-	-
Balance as at 31 december	**95,674**	**-**	**95,674**

Woningborg has only Tier 1 capital at year-end 2023, as the Tier 2, subordinated loan was repaid in December 2023 and the Tier 3 capital was reduced to zero as the deferred tax assets position and the deferred tax liabilities position are netted.

E.1.3 Eligible own funds

The table below shows for each Tier the amount of own funds included to cover the Solvency Capital Requirement:

In € x1.000

	31-12-2023	31-12-2022
Tier 1	95,674	59,995
Tier 2	-	23,661
Tier 3	-	4,128
Balance as at 31 december	**95,674**	**87,784**

E.2 Solvency capital requirement and minimum capital requirement

The solvency capital requirement and the minimum capital requirement are as follows:

In € x1.000

	31-12-2023
Eligible capital for the purpose of the SCR	95,674
Eligible capital for the purpose of the MCR	95,674
Solvency Capital Requirement (SCR)	35,650
Minium Capital Requirement (MCR)	8,912
SCR ratio in percent	264.4%
MCR ratio in percent	1073.5%
Internal standard solvency	180%

E.2.1 Solvency capital requirement

The structure of the SCR is as follows:

In € x1.000

	31-12-2023
Market risk	4,107
Counterparty risk	3,046
Insurance risk of Underwriting risk	31,796
Total	**38,949**
Diversification	-4,228
Basic Solvency Capital Requirement (BSCR)	**34,721**
Operational risk	928
Adjustments	-
Solvency Capital Requirement (SCR)	**35,650**

Woningborg uses the standard formula and standard parameters to calculate its Solvency Capital Requirement and the associated (sub-)modules. The use of the underlying risk modules is explained in Section C. Risk profile of this document.

E.2.2 Minimum capital requirement

In addition to the SCR, Woningborg must also calculate a Minimum Capital Requirement (MCR). The MCR is equal to the higher of the combined minimum capital requirement and the absolute floor .
The combined minimum capital requirement equals the lower of the linear MCR or 25% of the SCR, whichever is higher, and 45% of the SCR. The linear SCR consists of the required capital requirement for non-life insurers ('Best Estimate' times factor plus premium income times factor). The absolute lower limit for a non-life insurer classified in the credit and surety classes is €4,000,000 (Article 129 of Directive 2009/139).

In € x1.000

	31-12-2023
MCR absolute lower bound	4,000
MCR linear	5,054
MCR lower limit	8,912
MCR upper limit	16,959
MCR combined	8,912
Minimum Capital Requirement (MCR)	**8,912**

E.3 Use of the duration-based equity risk sum-module

Woningborg does not use the duration-based equity risk sub-module referred to in Article 170 of the Delegated Regulation.

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

Woningborg makes full use of the standard formulas and standard parameters to calculate its Solvency Capital Requirement and the associated (sub)modules. The use of an internal model is therefore not applicable.

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

There has not been any instance during 2023 that Woningborg's Solvency II ratio was below the SCR, nor the MCR level. Woningborg fully complies with the minimum capital and solvency capital requirements.

E.6 Any other information

All relevant information regarding the capital management of Woningborg have been described throughout this section.

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