Allianz Global Life dac

Solvency and Financial Condition Report

31 December 2021

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Scope of the Report

Solvency II ('SII'), an EU-wide regulatory regime for insurance companies, came into force in January 2016. Under Solvency II, the Solvency and Financial Condition Report ('SFCR') is an annual regulatory public disclosure requirement. This report is the SFCR for the year-ended 31 December 2021 for Allianz Global Life dac (the 'Company' or 'AGL').

It informs AGL's stakeholders about the Company's:

A. Business and Performance;
B. System of Governance;
C. Risk Profile;
D. Valuation for Solvency Purposes; and
E. Capital Management

It is prepared to satisfy the public disclosure requirements under the Commission Delegated Regulation (EU) 2015/35 of the European Parliament supplementing Directive 2009/138/EC ('SII Directive'), which was issued by the European Insurance and Occupational Pensions Authority ('EIOPA') and came into effect from 1 January 2016.

Approval

This report and supporting Qualitative Reporting Templates ('QRTs') have been approved by Allianz Global Life's Board of Directors on 31st March 2022, prior to submission to the Central Bank of Ireland ('Central Bank') and publication on the AGL public website.

Executive Summary

During 2021, the ongoing COVID-19 pandemic continued to impact the business in a number of ways, although to a lesser extent than that observed during 2020. The business continuity measures continued to ensure that the Company had the ability to service its customers. The balance sheet, solvency and liquidity positions of the Company all remain strong and well within Risk Appetite levels.

In February 2022, Russia invaded the Ukraine. The Company do not have any direct exposure in these jurisdictions, and has not been materially impacted by any related financial market volatility to date.

Management continue to monitor these evolving situations and respond as necessary.

Business and Performance

AGL is authorised in Ireland to transact life assurance business in the European Union. The Company is regulated by the Central Bank and underwrites insurance risks through its head office and local branches along three lines of business (variable annuity[1], unit-linked and protection). The Company is a wholly owned subsidiary of Allianz SE.

Key aspects of the business performance over the year include:

- Operating profit (or underwriting performance, including investment income) was €22.3m in 2021, representing an overall increase of €12.9m compared to the 2020 result (€9.4m), net of tax. This was mainly due to positive performance from the hedging programme and strong equity market performance.
- Investment performance for shareholder assets decreased over the reporting period. The majority of the shareholder investment income relates to interest rate swaps and futures. Swaps decreased in value over 2021, driven by an increase in interest rates. Whilst overall positive equity performance resulted in the futures instruments recording realised losses.
- Investment performance for policyholder assets increased over the reporting period. This was mainly driven by the significant increase in equity levels over the year.

[1] Variable annuities are unit-linked policies with guarantees in relation to one or more of a minimum withdrawal, death or accumulation benefit.

- In general, sales were strong during the year, with variable annuity, unit-linked and protection portfolios all exceeding internal sales targets.
- The Company increased its distribution via third party distributors for the retail unit-linked product in Italy. In this product segment, the Company continues to seek opportunities to grow its business into other EU markets and new distribution partnerships through both leveraging its existing product range and new product developments.

System of Governance

The governance structure of the Company has not changed during 2021 and AGL continues to operate an effective System of Governance which provides for prudent and sound management of the business.

The ultimate responsibility for the Company's business rests with its Board of Directors (the 'Board'). The Board delegates certain responsibilities to its committees and senior management, while retaining responsibility for overall control of the Company and strategic decisions. The Company places a high value on appointing fit and proper individuals and seeks to ensure that each individual is suitably qualified to perform their role and is honest and trustworthy.

AGL has implemented a comprehensive risk management system, consistent with Allianz Group standards and industry best practices, referred to as its Risk Management Framework. The Chief Risk Officer and the Risk Management function are responsible for setting an auditable framework for all risk-related activities in the Company. This includes the development, maintenance and monitoring of risk policies, limits and guidelines, as well as the supporting measurement, methodology and tools. It is constructed to be consistent with the Group Risk Framework and compliant with all applicable regulatory requirements.

The Own Risk and Solvency Assessment ('ORSA') is one of the key elements of the System of Governance, and is directed by the Board. The ORSA is the collection of interlinked processes implemented by AGL to identify, assess, monitor, manage and report on the short, medium and long-term risks that the Company faces, and to determine the amount of capital ('Own Funds') necessary to ensure that overall solvency needs are met at all times.

AGL has put a comprehensive suite of internal controls in place, based on a three lines of defence model with graduated control responsibilities. The Company's Compliance function monitors compliance with applicable laws, regulations and administrative provisions, as well as advising senior management and supervisory bodies on compliance with these.

The Company is satisfied that the System of Governance remains fit for purpose and appropriate for the nature, scale and complexity of the risks inherent in its business.

Risk Profile

The Company faces both risks that are external in nature (e.g. market risks and underwriting risks) and internal (e.g. risks to systems and processes). There were no significant changes to the risk profile of AGL during 2021.

Market risk remains the most material risk for AGL. The primary source of the Company's market risk is in relation to guarantee obligations to policyholders and the future profits of the Company, both of which can change as a result of market movements. The Company employs a dynamic hedging programme to mitigate the risk in relation to policyholder guarantees. The hedging programme invests in financial derivatives which increase in value to offset increases in expected guaranteed pay-outs and vice versa, thus reducing the volatility of Company profits. Overall there has been an increase in AGL's market risk exposure during 2021. Exposures on the European business increased mainly due to new business written. This was partially offset by the continued run-off of the closed Asian variable annuity reinsurance business.

The Company's main underwriting risk is increasing life expectancy whereby, if policyholders receiving guaranteed lifetime incomes live longer than expected, the Company would suffer financial loss. The main business risks are surrender and expense risk. The Company's largest operational risk exposures are related to the operation of the hedging programme. The Company continuously monitors both existing and emerging risks.

Risk is controlled and managed with reference to the regulatory SII principles. The Company uses an Internal Model to calculate its SII Solvency Capital Requirement ('SCR'). The SCR is set at a level to ensure that the Company can meet obligations to policyholders and beneficiaries over the following 12 months with a 99.5% probability, which limits the chance of falling into financial ruin to less than once in 200 years.

AGL's Internal Model reflects the risk profile and risk mitigation actions of the Company. In particular, it allows for the ongoing operation of the hedging programme and the target volatility mechanisms within policyholder funds. The Internal Model is part of the Allianz Group Internal Model and was approved by the Central Bank as part of the wider Allianz Group approval by their supervisor, the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – 'BaFin').

Valuation for Solvency Purposes

AGL has valued its assets and liabilities on a market consistent basis i.e. using information which is market observable where possible. The Company's assets are primarily those held to back the policyholder unit-linked liabilities, with the surplus held as bonds, cash, cash equivalents or derivatives. During the reporting period AGL did not make any material changes to the recognition, valuation bases or estimation techniques used for its asset or liability valuations.

The Technical Provisions comprise the Best Estimate Liability and the Risk Margin. A number of assumptions feed into the calculation of the Technical Provisions. Over 2021, as part of the annual experience investigations the assumptions for future mortality, surrenders and expenses were updated. There were no material changes to the calculation method of the Technical Provisions.

For certain assets and liabilities, the valuation principles and methods used as part of the SII regulatory regime differ from the corresponding principles and methods in the International Financial Reporting Standards as adopted by the European Union ('IFRS'). Table 1 below shows the impact of these differences on the Company's balance sheet. The main differences are related to the valuation of Technical Provisions (as described in Section D.2) and the removal of deferred tax assets and liabilities (as described in Section D.1).

Table 1: Comparison of balance sheets as at 31 December 2021 (€m)

	Solvency II	IFRS**	Difference
Total assets	6,933.3	6,995.4	(62.1)
Total liabilities, including technical provisions	6,625.5	6,842.8	(217.3)
Excess assets over liabilities / net asset value*	**307.8**	**152.6**	**155.3**

** Net asset value is excess of assets over liabilities under IFRS as shown in the Company's financial statements.*
*** IFRS data has been reclassified to align with the SII balance sheet presentation, highlighting differences in valuation only. This presentation is different to that under QRT S.02.01.02, however, the excess of assets over liabilities under IFRS in both presentations agree.*

Capital Management

AGL operates within a defined Capital Management Framework. The primary objective of this framework is to ensure adequate capital is available to fulfil regulatory requirements and specifically to cover the SCR. The Capital Management Policy defines a target level of capitalisation known as the 'management ratio'. This ratio is set at a level which ensures compliance with regulatory requirements over a three-year planning horizon even after financial stresses or losses from the insurance portfolio. The Company aims to keep the capitalisation close to this ratio. Secondary objectives include adding economic value over the cost of capital and having shareholders participate in the economic development through, for example, dividend payments.

There were no significant changes to AGL's Capital Management Framework during 2021.

The solvency ratio at 31 December 2021 was 230%, an increase from 205% at 31 December 2020, with the components shown in the table below.

Table 2: Solvency Ratio (€m)

	2021	2020
Own Funds	307.8	288.6
Required Capital	134.1	140.9
Solvency Ratio	230%	205%

All of the Company's Own Funds fall under Tier 1 capital, made up of high-quality and unrestricted Own Funds. The Company's available Own Funds as at 31 December 2021 amount to €307.8m. There was an increase of

€19.2m in Own Funds during 2021, primarily driven by the positive impact of new business sales and strong policyholder fund performance.

Overall, the SCR has decreased by €6.8m over 2021. The decrease in SCR was mainly driven by a change in the market environment over the year, particularly the increase in interest rates which decreases the value of the guarantees to the customer. This was partially offset by an increase in SCR due to new business sales.

A. Business and Performance

A.1. Business

A.1.1. Business operations

AGL, part of the Allianz Group, is authorised in Ireland to transact life assurance business in the European Union under the Third Life Directive as introduced into domestic Irish legislation by the European Union (Insurance and Reinsurance) Regulations 2015. It was incorporated on 11 June 2008 and received approval from the Central Bank on 14 August 2008 to carry out Class I and III Life Assurance business. The Company's registered office is Maple House, Temple Road, Blackrock, Co. Dublin, Ireland.

A.1.1.1. Supervisor

The Company is regulated by the Central Bank of Ireland. The registered office of the Central Bank is North Wall Quay, Dublin 1, Ireland.

The parent holding company, Allianz SE, is regulated by the German Federal Financial Supervisory Authority, Bundesanstalt für Finanzdienstleistungsaufsicht ('BaFin'), Dreizehnmorgenweg 13-15, 53175 Bonn, Germany.

A.1.1.2. Auditor

The external auditors are PricewaterhouseCoopers ('PWC'), Chartered Accountants. The registered office of PWC is One Spencer Dock, North Wall Quay, Dublin 1, Ireland.

A.1.1.3. Insurance operations

The Company focused initially on the sale of a variable annuity product with a guaranteed minimum withdrawal benefit, which is enhanced by a guaranteed minimum death benefit for some product generations (Invest4Life). This product, also referred to as classic variable annuity business, is sold via proprietary sales channels through the Company's French branch office since its set up in 2008, and its Italian branch office since its set up in 2009. The German branch, set up in 2009, ceased selling this product in 2012. Currently the customer base of the Company is predominantly based in France and Italy.

Subsequently, the variable annuity business expanded through two distinct developments. Firstly, the Company started accepting reinsurance at the beginning of 2016, taking over treaties from Allianz Re Dublin dac for variable annuity policies that were underwritten by Allianz Japan and Allianz Taiwan. These reinsurance activities were extended during 2019 by a new reinsurance treaty with Allianz Philippines, through which the Company accepted market and biometric risks in relation to a fixed index annuity product. Secondly, in late 2016 the Company leveraged its expertise in managing hedged products to successfully launch a new variable annuity product with guaranteed minimum accumulation and death benefits (Active4Life). This product is sold via the Italian and French branch offices, availing of the proprietary sales channels of Allianz Group. Subsequently, the Company commenced to distribute business outside of these structures and in 2020 established its first sales partnership with an external bank in Italy. In 2021 the Company continued to expand with increased distribution via third party distribution channels. For both its direct and reinsured variable annuity business, the Company continues to seek opportunities to further broaden its sales capacity through both new third-party distributors and geographical expansion.

Group Life business, offering death and disability benefits for employees of corporate clients, was introduced to the Company's product range in 2010. This business is underwritten via brokers through the Company's head office and is currently offered in German and Lithuanian markets. Efforts continue to develop these two markets through innovative product features and extension of external distribution capacity.

Protection business for retail clients was started through the Company's Italian branch office in late 2015, offering a term life product with various rider options via the internet (GenialLife). At the start of 2020, an iteration of this product was launched in Lithuania through the Company's head office. Work continues to increase sales of this product category through improved customer service and experience, with the intention to leverage on its digital platform to continue to expand geographically. In parallel, the Company continues to successfully develop its payment protection insurance business in Italy (Cessione del Quinto della Pensione).

In 2014, the Company entered into unit-linked business activity through its Italian branch office. The Company started off with a product for private clients (Private Solution) which has been highly successful, and then subsequently also launched a product for retail clients (Target4Life), all of which offer death benefits and are sold by Allianz Group distributors. The Company launched a new unit-linked private pension plan product during

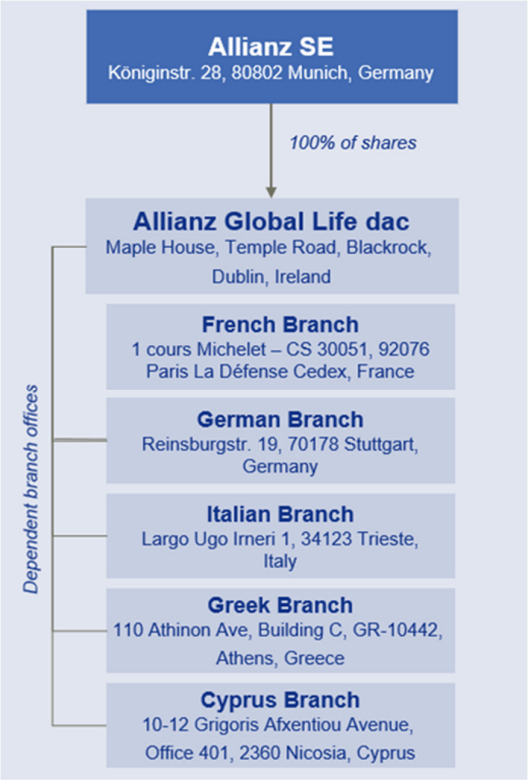
the first half of 2020 (Piano Pensione Moneyfarm), which is sold via a specialised digital advisory firm. A further retail product (BigCityLife) is closed to new business.

In late 2017, the Company obtained regulatory approval to launch its Greek branch, selling a product with a similar design to one of the Italian retail unit-linked products on a freedom of establishment basis, and sales commenced in 2020. Since 2016, the Company has the authority to operate in Cyprus on a branch basis, however to date no business has been underwritten in this jurisdiction. The Company also operates in Iceland and Belgium on a freedom of service basis, although the latter is closed to new business.

In 2021, the Company increased its distribution via third party distributors for the retail unit-linked product in Italy. In this product segment, the Company continues to seek opportunities to grow its business into other EU markets and new distribution partnerships through both leveraging its existing product range and new product developments.

A.1.2. Company structure

The Company is a wholly owned subsidiary of Allianz SE, a company incorporated in Germany. Allianz SE is also the ultimate holding company of AGL, holding 100% of the share capital and voting rights. A simplified Company structure is shown below:



A summary of the material geographical locations and material lines of business of the Company are outlined in the following table.

Table 3: Material Line of Business and Jurisdiction

Material Branch*	Material lines of business
AGL Head Office	Reinsurance - Asian variable annuity reinsurance (closed to new business) - Philippines Fixed Index Annuity (closed to new business) Protection - Group Life Protection Germany and Lithuania - GenialLife Lithuania Unit-linked - Target4Life Belgium (closed to new business) - Target4Life Iceland
AGL French Branch	Variable annuity - Invest4Life - Active4Life
AGL Italian Branch	Variable annuity - Invest4Life - Active4Life Unit-linked - Target4Life - BigCityLife (closed to new business) - Private Solution - Piano Pensione Moneyfarm Protection - GenialLife - Cessione del Quinto della Pensione
AGL German Branch	Variable annuity - Invest4Life (closed to new business)

**The Greek and Cypriot Branches are not currently considered material for the Company.*

A.1.3. Significant business and other events

Other than the continued COVID-19 pandemic, no further business or other events had a significant impact on the business during the reporting period.

There were no significant acquisitions or divestments occurred, and as a result, there were no significant changes in the Company structure.

A.2. Underwriting Performance

A.2.1. Underwriting performance by material line of business

As highlighted by the tables below, AGL's net of tax underwriting performance (including investment income) was €22.3m in 2021, representing an overall increase of €12.9m compared to the 2020 result (€9.4m).

This increase was largely driven by positive variable annuity and unit-linked insurance performance of €38.2m in 2021, an increase of €16.1m compared to 2020 (€22.1m). The main reason for the increase compared to prior year is the positive hedge result in 2021 compared to hedge losses in 2020. Fee earnings also increased on the back of strong market performance.

The other life insurance result, comprised of the Company's protection business, reported a negative result of €2.8m in 2021, a fall of €4.9m compared to positive results in 2020 (€2.1m). This decrease was primarily due to an update of the IFRS accounting treatment, resulting in a Deferred Profit Liability.

The life reinsurance result of -€3.3m (-€6.5m in 2020) was driven by hedge losses related to the Asian variable annuity reinsurance business.

In general, sales were strong during the year, with variable annuity, unit-linked and protection portfolios all exceeding targets. The variable annuity and unit-linked sales were driven by the Active4Life and Moneyfarm products respectively.

Table 4: Life underwriting performance by material line of business (€m)

	2021	2020
Variable annuity and unit-linked insurance	38.2	22.1
Other life insurance	(2.8)	2.1
Life reinsurance	(3.3)	(6.5)
Total Operating Profit	**32.1**	**17.7**
Taxation	(9.8)	(8.3)
Total Net Income	**22.3**	**9.4**

A.2.2. Income and expenses by material geographical area

The Company's performance is driven by the business written in France, which delivered a positive performance compared to the prior year, and was accompanied by positive hedge results. The Italy underperformance compared to prior year is driven by the introduction of the new Deferred Profit Liability in 2021. The Asian variable annuities portfolio delivered a loss due to the hedge result.

Table 5: Life underwriting performance by material geographical area (€m)

	2021	2020
France	29.3	10.2
Italy	6.3	13.6
Asia	(3.3)	(6.4)
Other	(0.2)	0.3
Total Operating Profit	**32.1**	**17.7**
Taxation	(9.8)	(8.3)
Total Net Income	**22.3**	**9.4**

A.3. Investment Performance

A.3.1. Investment result and its components

The financial assets of the Company include both shareholder and policyholder financial assets comprised primarily of collective investment schemes, fixed interest securities, government and covered bonds, equities and derivatives.

The financial assets held by the Company fall into the following categories:

Table 6: Financial assets at 31 December 2021 (€m)

	2021	2020
Shareholder financial assets		
Fixed income securities	200.9	200.3
Government bonds	49.0	58.6
Government agency bonds	34.0	39.3
Supranational bonds	9.1	6.2
Covered bonds	32.9	27.4
Corporate bonds	71.3	63.0
Collateralised securities	4.5	5.9
Cash and cash equivalents	53.6	85.3
Derivative assets	-	-
Total Shareholder financial assets	**254.5**	**285.6**
Policyholder financial assets		
Equities	25.7	30.6
Fixed income securities	57.2	89.2
Collective investment schemes	6,039.4	5,052.9
Cash and cash equivalents	34.9	37.0
Total Policyholder financial assets	**6,157.2**	**5,209.7**

A.3.2. Overall investment performance

Income from investment assets consists of interest and dividend income, net gains/losses on financial assets classified as fair value through profit or loss and realised gains/losses on financial assets. A break-down of these by asset class are outlined below for both 2021 and 2020:

Table 7: Performance by asset class in 2021 (€m)

	Shareholder Investments*	Investments on behalf of policyholders	Total
Equities	-	1.2	**1.2**
Fixed income securities	0.1	0.4	**0.5**
Collective investment undertakings	-	0.2	**0.2**
Futures	(0.1)	-	**(0.1)**
Swaps	16.5	-	**16.5**
Loans & Mortgages	(0.5)	-	**(0.5)**
Total Investment income	**15.9**	**1.8**	**17.8**
Equities	-	3.9	**3.9**
Fixed income securities	0.1	(0.3)	**(0.2)**
Collective investment undertakings	-	25.7	**25.7**
Futures	(119.2)	-	**(119.2)**
Forwards	(0.7)	-	**(0.7)**
Swaps	1.8	-	**1.8**
Options	(0.1)	-	**(0.1)**
Net realised gains/(losses) on financial assets	**(118.1)**	**29.3**	**(88.8)**

	Shareholder Investments*	Investments on behalf of policyholders	Total
Equities	-	3.1	3.1
Fixed income securities	(1.3)	-	(1.3)
Collective investment undertakings	-	550.5	550.5
Forwards	-	-	-
Swaps	(100.2)	-	(100.2)
Options	-	-	-
Unrealised gains/(losses) on financial assets	**(101.5)**	**553.6**	**452.4**
Investment Expenses	(0.2)	**(4.1)**	**(4.3)**

Table 8: Performance by asset class in 2020 (€m)

	Shareholder Investments*	Investments on behalf of policyholders	Total
Equities	-	1.0	**1.0**
Fixed income securities	0.1	0.7	**0.8**
Collective investment undertakings	-	0.2	**0.2**
Futures	(0.1)	-	**(0.1)**
Swaps	(30.6)	-	**(30.6)**
Loans & Mortgages	0.6	-	**0.6**
Total Investment income	**(30.0)**	**1.8**	**(28.2)**
Equities	-	(5.7)	**(5.7)**
Fixed income securities	1.1	(0.2)	**0.8**
Collective investment undertakings	-	(22.6)	**(22.6)**
Futures	(31.1)	-	**(31.1)**
Forwards	(3.2)	-	**(3.2)**
Swaps	65.5	-	**65.5**
Options	0.3	-	**0.3**
Net realised gains/(losses) on financial assets	**32.7**	**(28.6)**	**4.1**
Equities	-	2.0	2.0
Fixed income securities	(0.1)	0.7	0.5
Collective investment undertakings	-	55.9	55.9
Forwards	0.1	-	0.1
Swaps	71.3	-	71.3
Options	-	-	-
Unrealised gains/(losses) on financial assets	**71.3**	**58.6**	**129.8**
Investment Expenses	**(0.2)**	**(4.1)**	**(4.3)**

**Shareholder's investments include gains/losses that are recognised through shareholder equity. These are presented separately under Section A.3.3.*

Shareholder's Investments

Investment performance from shareholder's assets relates predominantly to fixed income securities, cash and derivative instruments underlying the hedging programme.

The majority of the Company's investment income result relates to interest rate swaps and futures. Swaps decreased in value over 2021 driven by an increase in interest rates. The majority of the futures portfolio is linked to equity movements which recorded an overall positive performance in 2021. As a result, the Company's short position in futures instruments recorded realised losses.

Other shareholder assets including fixed income securities and cash returned a small negative performance during 2021 due to the short duration of the bonds and negative interest rates on cash holdings.

Investments on behalf of policyholders

Over the course of 2021 equities rose considerably (MSCI World rose c. 22% in 2021). Bonds fell to a lesser extent (JPM EMU Investment Grade fell -3.5% in 2021). The market related factors, combined with new business inflows, led to a largely positive performance with funds with higher equity exposure performing better than funds with higher fixed income exposure.

A.3.3. Gains/losses recognised directly in shareholder equity

Table 9 sets out the composition of AGL's other comprehensive income in relation to shareholder bonds of €200.9m as at 31 December 2021 (2020: €200.3m), which are recognised directly in shareholder equity.

Table 9: Gains/Losses recognised in shareholder equity (€m)

	2021	2020
Movements in financial assets:		
Fair value movement	(1.3)	(0.1)
Deferred tax effect of fair value movement	0.2	-
Net income recognised in equity	**(1.1)**	**(0.1)**

A.3.4. Information about investments in securitisation

At the end of the reporting period, the value of the Company's investments in collateralised securities was €4.5m.

A.4. Performance of Other Activities

AGL does not have any other material income or expenses arising from asset management or other corporate sources, other than those already outlined.

AGL does also not have any material operating or finance lease arrangement in place at this time.

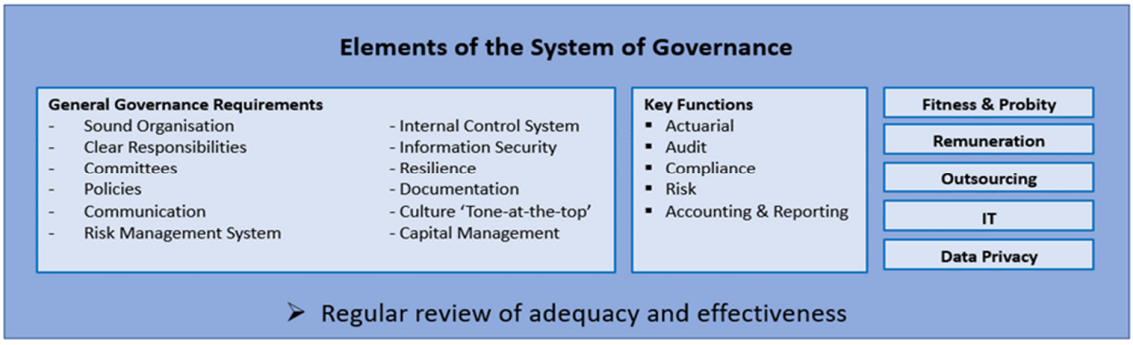
A.5. Any Other Information

All material information regarding the business and performance of the Company as at year-end has been set out above.

B. System of Governance

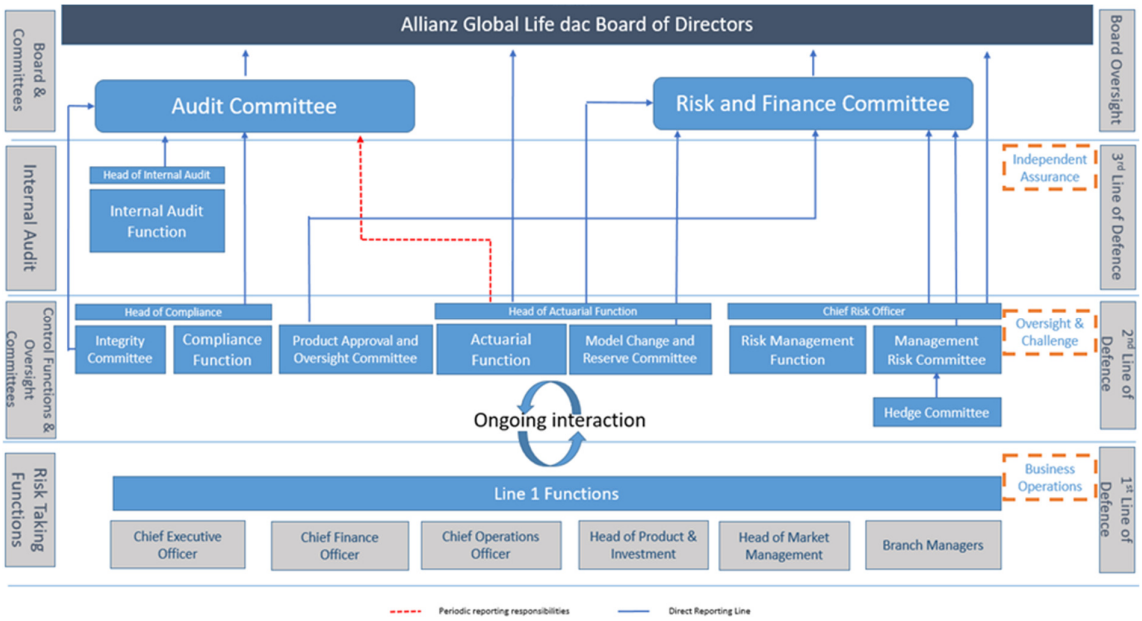
B.1. General Information on the System of Governance

AGL's Board believe that an effective System of Governance is essential for prudent and sound management of the business. The key elements of the System of Governance are outlined below.



B.1.1. Overview

Good corporate governance is essential for sustainable business performance. Therefore, the Board and senior management of AGL attach great importance to complying with the obligations of the European Union (Insurance and Reinsurance) Regulations 2015 and the Corporate Governance Requirements for Insurance Undertakings 2015 issued by the Central Bank. The following diagram sets out a summary of the governance structures in place within AGL, which is explained further in the following sections.



The Board takes collective responsibility for establishing the Company's vision, values and standards, setting the appropriate strategy and structure, and exercising accountability to its shareholder and its regulator. The Board delegates certain responsibilities to its Committees and senior management, while retaining responsibility for overall control of the Company and strategic decisions.

The Board may delegate its authority to senior management and Committees, with exception of the following items:

- Proposals of matters requiring the approval of the General Meeting of shareholders;
- Appointment and dismissal of directors, the Company Secretary, the Chief Executive Officer and senior management, and the appointment or removal from office of the head of a control function;

- Installation of a Board Committee and the appointment or dismissal of its members;
- The approval of dividend payments and capital contributions;
- The approval of the annual report, accounts and annual regulatory returns;
- Other matters as determined by the Company's Memorandum and Articles of Association; and
- Other matters as stipulated in law.

The Board meets on a regular basis, at least once each quarter. As at 31 December 2021, the AGL Board is comprised of five members:

- Two Independent Non-Executive Directors ('INEDs');
- Two Group Non-Executive Directors ('NEDs');
- One Executive Director ('ED').

The Chairperson of the Board is a Group NED. The Board and Board Committees regularly review the efficiency and effectiveness of their activities. The INEDs assess the performance of the Chairman on an annual basis. The Chairman completes a review of the performance of the other Directors as appropriate. The results of these assessments are discussed by the Board. Where areas for improvement are identified from these reviews and discussions, the appropriate measures are implemented to rectify these.

B.1.2. Committee framework

Certain matters may be delegated to a dedicated decision-making body (Committee). The Committees aim to facilitate business steering and to safeguard the Company's oversight function (hereby also supporting the internal control system). AGL Committees have clearly defined mandates, authority and appropriate independence. The composition of the Committees reflects their different functions.

AGL utilises a system of two types of Committees:

- Board Committees; and
- Management/Functional Committees.

B.1.2.1. Board Committees

Board Committees include the Audit Committee and the Risk and Finance Committee. Terms of Reference (including composition, objectives and responsibilities) of these Committees are clearly defined and approved by the Board. The Committee's Terms of Reference are reviewed periodically, at least annually. These Committees represent the Board sitting as sub-committees of the full Board. The Board receives regular reports on the activities of its Committees.

Table 10: Summary of Board Committee responsibilities

Board Risk & Finance Committee	Board Audit Committee
The Committee provides support to the Board in the following areas: - Risk management Framework, including Risk Strategy, Risk Policy and Risk Appetite Statement - Investment strategy (e.g. strategic asset allocation) and investment operations policies - Reinsurance Strategy - Capital & liquidity position, requirements and outlook – including both working and solvency capital - Company's financial performance	The Committee provides support to the Board in following areas: - The review and assessment of the Company's systems of internal control adequacy and effectiveness - The preparation, review and approval of the Company's annual statutory and regulatory accounts - Matters regarding external and internal audit operation and control - Other governance matters, including approval of specified transactions and review of the Company's internal instructions The Committee provides oversight of the Internal Audit and Compliance functions.

Board Risk & Finance Committee	Board Audit Committee
The Committee provides oversight of the Risk Management, Actuarial and Accounting and Financial Reporting functions.	
Members: two INEDs, one NED Committee is chaired by an INED	Members: two INEDs, one NED Committee is chaired by an INED

B.1.2.2. Management Committees

Management/Functional Committees include the Risk Committee, the Hedge Committee, the Model Change and Reserve Committee, Product Approval and Oversight Committee and Integrity Committee. The composition, objectives and responsibilities of these Committees are clearly defined and documented. Terms of Reference are subject to approval by the relevant Board or Management Committee.

B.1.3. Remuneration policy and practices

B.1.3.1. Policy and principles

The Board has approved a Remuneration Policy which aims to ensure that risk-taking incentives provided by the Company's remuneration practices are consistent with its Risk Appetite and do not encourage unauthorised or unwanted risk-taking, whilst also ensuring that the Company is able to attract, develop and retain skilled individuals.

Employees' total annual remuneration comprises an annual fixed component and an annual variable component. The fixed component represents a sufficiently high proportion of the total remuneration.

The variable component, including bonus, of an employee's remuneration is based on a combination of the individual performance in relation to established goals and targets, and the overall results of the parent company. The measurement of the employee's performance in relation to established goals and targets considers factors such as acquired skills, personal development, compliance with the Company's internal rules and procedures, compliance with the standards governing the relationship with policyholders and contribution to the performance of the Company as a whole. The Company operates a fully flexible bonus policy, which means that the Company is not obliged to pay bonuses when it would be inappropriate to do so.

B.1.3.2. Remuneration factors

The following table summarises additional factors that are considered when determining whether the following categories of employees are entitled to receive the bonus payment:

Table 11: Remuneration factors

Risk takers[2]	Other Key Function Holders and Staff
The measurement of performance as a basis for variable remuneration shall include an adjustment for current and future risks and the potential impact of these risks on the Company.	The basis for bonus payable to employees who work in a review capacity, such as employees in Compliance, Risk Management, Actuarial and Accounting and Financial Reporting functions, shall be independent from the performance of the business areas they review and oversee. Employees shall not be remunerated according to assumptions that incentivise excessive risk-taking or an underestimation of the existing risks.

B.1.3.3. Director's fees

To avoid conflict of interests, Non-Executive Directors shall only receive a fixed remuneration for their services plus the reimbursement of reasonable expenses. Mandates carried out by Executive Directors or any Directors

[2] As defined in the Company's Remuneration Policy in line with Solvency II requirements.

who are employed by Group entities (i.e. Group Directors) are not compensated at all. There have been no material changes regarding Directors' remuneration from previous period.

B.1.3.4. Pension arrangements

AGL operates a defined contribution pension scheme for all eligible employees. There were no supplementary pension payments made during the reporting period. There were no early retirement schemes in operation in respect of any member of staff of AGL during the reporting period.

B.1.3.5. Material transactions with shareholders, directors and persons who exercise significant influence

During 2021, there were no material transactions with the shareholder (Allianz SE), members of the Board or persons who exercise a significant influence on the Company.

B.2. Fit and Proper Requirements

B.2.1. Policy and processes

The Company places a high value on appointing fit and proper individuals and seeks to ensure that each individual is suitably qualified to perform the role for which he/she is being recruited and that he/she is honest and trustworthy.

The Company has a Fitness and Probity Policy ('FPP') in place. This sets out principles, criteria and processes to ensure that all persons who effectively run or occupy key roles within the Company:

- continue to remain fit and proper to provide sound and prudent management, through their professional qualifications, knowledge and experience; and
- are of good repute and integrity.

The FPP contains a definition of fitness and probity and the corresponding requirements for the various relevant positions. It also describes the processes necessary to ensure the fitness and probity of the persons holding, or proposed for, these positions. The FPP provides guidance on how fitness and probity are assessed depending on the findings and information gathered during recruitment, regular and ad-hoc reviews and on the consequences of a negative assessment. The FPP is compliant with the Fitness and Probity Standards of the Central Bank and is reviewed annually.

B.2.2. Fit and proper requirements

The specific standard of fitness required for each position in scope is set out in AGL's FPP in order to ensure that individuals occupying or proposed for such roles are competent and capable. For each position a minimum level of previous experience, technical knowledge and qualifications in particular areas is set out. It is expected that all individuals proposed or holding such positions have a clear and comprehensive understanding of the applicable regulatory and legal environment.

Each person holding a position in scope of FPP must be financially sound, honest, ethical and act with integrity.

B.2.3. Fit and proper assessment and monitoring process

B.2.3.1. Initial due diligence

The assessment of the individual's fitness for a Pre-Approval Controlled Function ('PCF') or Controlled Function ('CF') role includes a review of previous experience, knowledge and professional qualifications, as well as demonstration of due skill, care, diligence and compliance with the relevant standards of the sector the person has worked in. The assessment is based on the review of the individual's curriculum vitae, interview process, obtaining references and carrying out due diligence checks.

The assessment of probity of an individual is based on their reputation reflecting past conduct, criminal record, financial record and supervisory authority record. The assessment is based on due diligence checks verified by Human Resources, senior management and oversight by the Compliance function.

Each proposed individual is required to certify that they are aware of the Fitness and Probity Standards (Code and Guidelines issued by the Central Bank under Section 50 of the Central Bank Reform Act, 2010) and agree to abide by those standards. They are also required to certify that they are not aware of any issues that may put their fitness or probity in doubt.

All reasonable steps are undertaken to ensure that sufficient information is obtained to enable the Company to properly make informed decisions as to the fitness and probity of its employees.

For PCF positions approval from the Central Bank is required prior to appointing the individual to the position.

B.2.3.2. Regular reviews

The fitness and probity of each individual holding PCF or CF role(s) is assessed as part of the annual performance review process. The Company investigates any concerns noted from the review and re-assesses the fitness and probity of the person concerned, where applicable.

As part of this annual ongoing performance monitoring, individuals holding PCF or CF positions are required to re-certify that they are aware of the Fitness and Probity Standards, confirm there is no change in circumstances that would result in non-compliance with the standards and agree to continue to abide by those standards.

B.3. Risk Management System, including the Own Risk and Solvency Assessment ('ORSA')

B.3.1. Risk management system

AGL has implemented a comprehensive risk management system, consistent with Allianz Group standards and industry best practices, referred to as its Risk Management Framework. Components of this framework include:

i) Risk Appetite – AGL's Risk Appetite Statement sets out the aggregate level and types of risk the Company is willing to accept within its risk capacity to achieve its strategic objectives and business plan.

ii) Risk policies and standards – AGL's risk policies and standards define the Company's approach to risk management and establish the controls, processes, limits and escalation procedures to ensure that risks are managed in line with the Company's Risk Appetite. New policies and standards are developed in response to changes in the Company's risk profile and changes in regulations over time.

iii) Risk identification and assessment – The Risk Management Framework sets out processes for the identification of existing and emerging risks at the business operation level and company level (through the Top Risk Assessment and Integrated Risk and Control System processes).

iv) Risk oversight – Risk control procedures and systems are established and designed to manage, rather than eliminate, the risk of failure to meet business objectives. They can only provide reasonable and not absolute assurance against material misstatement or loss. The Risk Management Framework and related procedures focus on aligning the levels of risk-taking with the achievement of business objectives.

v) Risk reporting and monitoring – AGL has implemented a comprehensive qualitative and quantitative Risk Reporting Framework. This framework provides senior management and the Directors with transparent risk indicators to help them to understand the Company's risk profile and where it stands in relation to its stated Risk Appetite. Examples include key risk indicator dashboards, ORSA reports and Top Risk Assessment outputs. Each of these documents are reviewed and discussed at the Risk Committee and/or Board Risk & Finance Committee, where action plans are agreed to address such risks identified.

B.3.2. Risk governance structure

Ultimate responsibility for the Company's risk management rests with the Board. The Board is supported by the Risk Management function and the operation of a number of Committees that meet on a regular basis to review and monitor the Company's risk exposures.

The responsibilities of the Board and Board committees are set out in Section B.1. The various roles and responsibilities as related to the risk management system are discussed below.

B.3.2.1. AGL Board of Directors

The AGL Board is responsible for the setting and approving of the Company's business strategies and main policies, including the Risk Policy and the Risk Appetite which are oriented towards balancing risk and return. It ensures that an appropriate, adequate and effective system of risk management and internal control is established and maintained and ensures that the Company's executive management monitors the effectiveness of the risk management and control system. The coordination of risk management throughout the Company, which meets internal and external requirements, is delegated to the Risk Management function.

B.3.2.2. AGL Board Committees

AGL Board Risk & Finance Committee

The AGL Board Risk & Finance Committee contributes to the effectiveness of the Company's risk management system. The Committee's risk-related responsibilities include the following:

- Advising the Board on Risk Appetite and tolerance for future strategy. In doing this, the Committee considers the overall Risk Appetite of the Company, the current financial position of the Company and the capacity of the Company to manage and control risks within the agreed appetites. It also considers the work of the Audit Committee and external auditors;
- Oversight of the Risk Management function of the Company;
- Ensuring that risks are fully monitored, managed and reported on in accordance with Allianz Group and AGL risk management standards and procedures and regulatory requirements; and
- Ensuring implementation of the risk management processes including solvency assessment.

AGL Board Audit Committee

The AGL Board Audit Committee contributes to the effectiveness of the Company's Risk Management and Monitoring Framework. It reports to the AGL Board with regard to required enhancements to the Risk Management Framework, e.g. due to regulatory changes, as well as changes in the market and business environment. It reviews the Company's audit plan for each year and ensures that adequate arrangements have been made for effective performance of the internal audits, which includes a review of adherence to the AGL Risk Management Framework, as well as the external audits.

AGL Chief Risk Officer ('CRO') and the Risk Management function

The CRO leads the Risk Management function within the Company and is responsible for setting an auditable framework for all risk-related activities. This includes the development, maintenance and monitoring of risk policies, limits and guidelines, as well as the supporting measurement, methodology and tools. It is constructed to be consistent with the Group Risk Framework and compliant with any applicable regulatory requirements.

In particular, the CRO together with the Risk Management function:

- Propose the Risk Appetite to the Board;
- Oversee the execution of the risk management processes;
- Monitor and report the Company's risk profile including the calculation and reporting of the risk capital;
- Support the Company's Board and senior management through the analysis and communication of risk management related information and by facilitating the communication and implementation of its decisions;
- Escalate to the Board in cases of material and unexpected increases of risk exposure;
- Report the ORSA as well as any further material risk management related information to relevant stakeholders including Group Risk;
- Maintaining the Company's Board-approved Recovery Plan, and the ongoing monitoring of related recovery indicators;
- Develop and implement the Internal Model, in particular local components, in cooperation with Group Risk and the local Actuarial function, including ongoing validation of the model; and
- Develop and maintain the Company's risk policies and standards.

The CRO has authority to veto or halt with immediate effect any transaction or activity.

The CRO is the Chair of the Risk Committee, a member of the Product Approval and Oversight Committee, the Model Change and Reserve Committee and the Hedge Committee and uses these bodies as a means to exercise risk oversight.

B.3.2.3. Management Committees

Risk Committee

The Risk Committee is a management committee reporting to the Board Risk & Finance Committee and responsible for the oversight of the risk management process of the Company, ensuring its operations are in line with the Board-approved Risk Policy and Risk Appetite Statement. It provides an early warning function and monitors the Company's risk profile and availability of capital in order to maintain an adequate relationship between return and risk. It is responsible for monitoring of the Integrated Risk and Control System. Furthermore, it is responsible for recommending and coordinating measures to mitigate material risks.

Model Change and Reserve Committee

The Model Change and Reserve Committee ('MCRC') is the Company's governing body for models, reserves, assumptions and parameters and covers all models developed by the Company as defined in its Terms of Reference. The MCRC also fulfils the role of an Independent Validation Unit for the validation of the Internal Model, as well as overseeing relevant reserving and regulatory reporting matters.

Hedge Committee

The Hedge Committee has oversight responsibility for the hedging programme, which is a key risk mitigation activity. Its responsibilities include defining and proposing changes in the hedging strategy/trading limits to the Risk Committee, defining the framework and infrastructure for hedging systems, and determining the related project priorities.

Product Approval and Oversight Committee

It is the responsibility of the Product Approval and Oversight Committee to provide formal approval of new products and product amendments such as re-pricings. It aims to ensure that approved products are consistent with Allianz Group and AGL targets and strategic objectives, monitors product performance and regularly reviews products to ensure they continue to meet their original goals.

B.3.3. Risk exposures and Solvency Capital Requirements

B.3.3.1. Risk exposures

The following table lays out the primary risk categories to which AGL is exposed.

Table 12: Risk category definitions

Risk Category	Definition
Market Risk	Unexpected losses due to changes in market prices, including changes in stock or bond markets, interest rates or exchange rates.
Credit Risk	Unexpected losses due to counterparty failure to meet payment obligations or due to overdue payments.
Underwriting Risk	Unexpected losses due to policyholders dying sooner, living longer or experiencing illness more frequently than expected.
Business Risk	Unexpected losses due to differences between actual experience and business assumptions, including higher expenses or different levels of surrenders than expected.
Operational Risk	Unexpected losses resulting from inadequate or failed internal processes and systems, from human errors or external events.
Liquidity Risk	This is the risk that the Company does not have sufficient liquid assets to continue normal business. It includes the risk that refinancing is only possible at higher interest rates or that assets may have to be liquidated at a discount.

Risk Category	Definition
Strategic Risk	Strategic risk refers to unexpected negative changes in the Company value arising from the adverse effect of management decisions regarding business strategies and their implementation.
Reputational Risk	Unexpected drop in the value of the in-force business or the value of future business caused by a decline in the reputation of the Company or the Group from the perspective of its stakeholders e.g. shareholders, customers, staff, business partners or the general public.

In addition, AGL is exposed to a number of transversal risks, these risks do not represent standalone risk categories, but rather result in impacts that may be realised in one or more of the eight risk categories described above. The following tables describes key transversal risks to which AGL is exposed:

Table 13: Transversal risks

Risk Category	Definition
Concentration Risks	An unbalanced risk profile resulting from a disproportionately large accumulation of one or more risks. May occur as either an accumulation within one risk category relative to other risk categories, or an accumulation within one risk type relative to other risk types belonging to the same risk category.
Emerging Risks	Expected or possible changes to the current risk profile due to future events whose impacts are either unknown or subject to great uncertainty.
ESG Risks	Environmental, Social or Governance ('ESG') events or conditions which, if they occur, may potentially have significant negative impacts on the assets, profitability or reputation of AGL or Allianz Group. ESG risks include climate change risks.

B.3.3.2. Solvency Capital Requirements

Insurance companies such as AGL are required to hold capital to ensure that they have sufficient financial resources available to honour obligations to policyholders even in stressed situations. The quantum of capital required is dependent on the nature of risks incurred and the loss that may occur in the event the Company misestimates its exposures to those risks. Under the SII regulatory regime, companies have two options to calculate the amount of capital required, the EIOPA prescribed Standard Formula or, subject to regulatory approval, a company specific 'Internal Model' approach. The Standard Formula approach uses a set of prescribed risk shocks to determine the capital the Company needs to hold. The Internal Model must be tailored to the specifics of the Company. The required capital is calculated as the amount needed to ensure that the Company can meet obligations to policyholders and beneficiaries over the following 12 months with a 99.5% probability, which limits the chance of falling into financial ruin to less than once in 200 years.

AGL uses the Internal Model approach as this better reflects the risk profile and risk mitigation actions of the Company, in particular the hedging programme employed to offset movements in variable annuity reserves which are reflective of the guarantee promised to policyholders. The Company's Internal Model is part of the Allianz Group Internal Model and was approved by the Central Bank of Ireland as part of the wider Allianz Group approval by their supervisor, BaFin.

Section C includes greater detail on the risks to which the Company is exposed, while information on how these risks are captured in the Internal Model is covered in Section E.4.

B.3.3.3. Internal Model governance

The key purpose of the Internal Model governance structure and process is to ensure the ongoing appropriateness of the design and operation of the Internal Model and that it continues to reflect the risk profile of the Company.

AGL Board of Directors

The use of the Internal Model is subject to internal approval by the Board. The Board applied to the supervisory authorities for regulatory approval of the model and are responsible for approval of all subsequent major model changes, as well as the annual revalidation. The Board also has responsibility for putting in place systems which ensure the ongoing appropriateness of the design and operation of the Internal Model.

Allianz Group Standards

The Company has adopted the relevant Allianz Group standards around control of the Internal Model; in particular the Allianz Standard for Model Governance ('ASMG') and Allianz Standard for Model Change ('ASMC').

The ASMG sets the rules and principles for ensuring the appropriateness of the Internal Model:

- All elements of the Internal Model must go through a structured validation and approval process before they may be used;
- A validation takes all relevant qualitative and quantitative aspects into account and demonstrates that the Internal Model adequately reflects the risk profile of the business and can be reliably used as input for risk decisions;
- Controls must be in place to prevent or detect errors during operative use of the Internal Model; and
- All documentation relating to quantitative and qualitative components of the Internal Model necessary for evidencing model appropriateness shall be maintained.

The ASMC sets the rules and principles for ensuring the appropriateness of Internal Model changes:

- The Internal Model may need to be changed after the initial validation and approval to ensure that it remains appropriate after events that may require a model change (e.g. changes in the risk profile, business model or operating environment);
- All model changes must go through a structured model change and approval process before they can be implemented;
- The depth of the respective model governance (i.e. approval body) depends on the materiality and proportionality of the model component; and
- The quantitative impact of individual changes, as well as the combined impact of multiple changes, are analysed as an integral part of the model change process.

The roles assigned through these standards are outlined in Table 14.

Table 14: Internal Model Governance Responsibilities

	ASMG	ASMC
Board	- Implementation of ASMG - Approval of the application to use the Internal Model - Confirmation of the ongoing appropriateness of the Internal Model (at least annually)	- Implementation of ASMC - Approval of any major local model change as well as the respective application to the Allianz Group supervisor (BaFin) for external approval
Board Risk & Finance Committee	- Recommendation for approval of initial application - Recommendation for confirmation of ongoing appropriateness	- Decision on the classification of model changes based on recommendation of CRO - Recommendation for approval of major central and local model changes - Approval of minor model changes
CRO	- Ensuring compliance with ASMG including: o Ensuring model validation is performed and documented o Ensuring that the persons providing expert judgment have adequate skills and experience o Ensuring that all relevant documentation in the model inventory and the model documentation repository is kept complete and up-to-date	- Proposal for the classification of model changes - Ensuring compliance with ASMC - Approval of immaterial model changes (in case of stochastic cash flow model joint approval with the Head of Actuarial Function)

	ASMG	ASMC
Model Change & Reserve Committee	- Initial approval of the model (component) - Deciding on a remediation plan if necessary	- Initial approval of any model change - Fulfils the role of the Independent Validation Unit
Model Owner	- Ensuring the existence of adequate documentation - Model development - Overseeing the implementation of controls - Assessing data quality and sign-off of expert judgment - Assess the appropriateness of the results produced by the model	- Identification of the need for a model change - Implementation or oversight of the implementation of model changes - Evaluating the impact of model changes - Ensuring independent validation

There has been no change to AGL's Internal Model governance process during 2021.

Internal Model validation

The ASMG sets out the rules and principles for ensuring the initial and ongoing appropriateness of the Internal Model. The performance and ongoing appropriateness of the Internal Model is monitored through a validation process, which follows this approach:

- Assessing whether the results produced by the model are appropriate and the existing documentation is sufficient;
- Performance of independent validations of the models by external consultants;
- Assessments as to whether the Allianz Group model components are appropriate taking into account AGL-specific concerns; and
- Global model validation is employed to validate the entire model taking into consideration results across all validation areas and the interrelation between them.

The Internal Model annual validation report documents the results of ongoing validation assessments, provides a list of any recommendations and action plans and sets out the rationale for the assessment of ongoing appropriateness of the overall Internal Model. The report records the sign-off of the Internal Model by the Board and is a key source of information for regulatory oversight.

B.3.4. Own Risk and Solvency Assessment

In addition to the risk management processes already described, the Company performs a regular, at least annual, assessment of its own risks and solvency needs (the 'ORSA').

B.3.4.1. ORSA Process

The ORSA is the collection of interlinked processes implemented by AGL to identify, assess, monitor, manage and report on the short and long-term risks that the Company faces and to determine the Own Funds necessary to ensure that overall solvency needs are met at all times. The ORSA is not a single report prepared once each year. Instead, it is the culmination of a continuous risk management process carried out throughout the year and is summarised in the ORSA report.

Compilation of the ORSA report comprises three stages:

- *Current state*: AGL determines its risk profile at the time of the ORSA. The assessment of current solvency needs determines whether the Company is adequately capitalised based on the identification and assessment of all material risks it is currently exposed to. This assessment takes risk capital, available capital and stress scenario impacts to the solvency position, as well as the effectiveness of the internal control system into consideration.

- *Future state*: AGL determines its future solvency needs based on stress and scenario testing. As part of the ORSA, AGL's solvency position and liquidity needs are assessed under both the central scenario, which aligns with the Company's business planning forecasts and under a range of forward-looking stress tests or stressed scenarios. Projections are consistent with AGL's regular planning horizon.

- *Reporting*: The Board assesses the results of the ORSA process, whether actions should be taken and adjudicates on the sufficiency of the Company's available capital. The results of the ORSA process are formally approved by the Board, published in the ORSA report along with the Board's assessments and provided to the Central Bank.

The Company's ORSA process is governed by the Allianz Standard for Own Risk and Solvency Assessment which details the process as outlined above.

B.3.4.2. Integration into organisational structure and decision-making process

The ORSA is an integral part of AGL's business strategy and takes into consideration the nature, scale and complexity of the risks inherent in the business. The ORSA process is coordinated by the Company's Risk Management function and incorporates the input from different areas of AGL including the key control functions.

The ORSA draws upon the entire risk management system to determine AGL's capital adequacy and ensure that consideration of risks and capital needs form an integral part of the business decision making processes of the Company. This incorporates the day-to-day execution of the Risk Management Framework, as well as standard and ad-hoc reporting to Board, Board Committees and Management Committees. Decisions related to capital management, investment strategy and risk mitigation are made only after considering ORSA results.

B.3.4.3. Interaction of capital management and risk management system

The ORSA process includes SII balance sheet projections on a number of alternative scenarios to investigate AGL's ability to withstand a variety of possible conditions in the future.

All material risks are translated into a risk capital amount which is compared to the available capital as part of a solvency analysis. The Solvency Capital Requirement ('SCR') is calculated using AGL's Internal Model.

A key output of the ORSA process is the assessment of the sufficiency of available capital given the risks the Company faces. The Company sets a target level of capitalisation, which incorporates a buffer, in order to ensure that the Company would remain solvent, even after the occurrence of financial stresses or losses. The ORSA process examines the impact of various stresses and scenarios and the Board use this information together with the targets set out in the Capital Management Policy to adjudicate on the capital adequacy.

B.3.4.4. Board review and approval

The AGL Board takes an active part in directing the ORSA. This entails not only understanding and approving the outcome of the ORSA, but also steering how the assessment is to be performed (for example defining the stress scenarios required for the report), challenging the results and instructing on management actions to be taken if significant risks materialise. Each ORSA report is subject to review by the Board Risk & Finance Committee, before being reviewed and approved by the Board. Once approved by the Board, the ORSA is distributed to the Central Bank and all staff with a key role in the decision-making processes related to business strategy, risk strategy and risk and capital management.

B.4. Internal Control System

AGL's internal control system objectives include:

- Safeguarding the Company's existence and business continuity;
- Creating a strong control environment, ensuring that all employees are aware of the importance of internal controls and their role in the internal control system;
- Effectiveness and efficiency of the Company's operations in view of its risks and objectives;
- Availability and reliability of financial and non-financial information; and,
- Compliance with applicable laws, regulations and administrative provisions.

B.4.1. General control elements

B.4.1.1. Principles

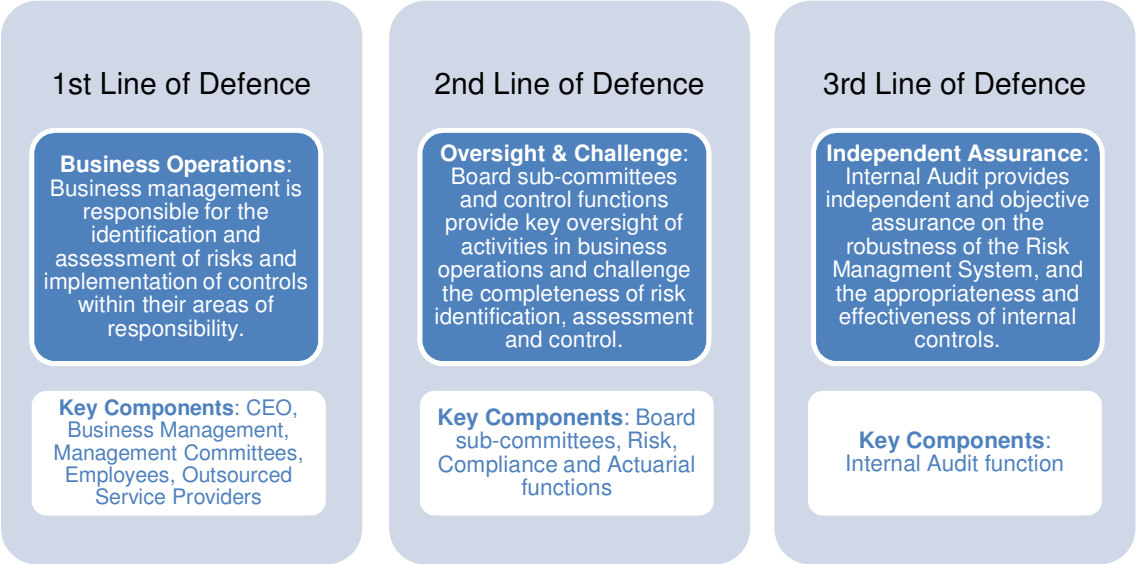
In order to achieve these objectives, AGL has put a comprehensive suite of internal controls in place, based on the following principles:

- Clear assignment of responsibilities and allocation of accountabilities for key leadership positions;

- Safeguarding and segregation of duties to avoid excessive risk taking and potential conflict of interests;
- Material decisions are taken by at least two representatives of the Company ('four-eyes-principle') subject to authority limits. Decision-making processes at all management levels incorporate relevant unbiased information that facilitates sound business judgement;
- For the financial reporting process, AGL applies a control framework that aligns with Allianz Group;
- Roles and responsibilities for the operation of internal controls are clearly defined and communicated. Responsible individuals are trained in the operation of the processes and controls; and
- Processes are well structured and documented, and key controls are implemented that are appropriately designed and operate effectively.

B.4.1.2. 'Three lines of defence' model

AGL's risk governance framework is based on a three lines of defence model with graduated control responsibilities. The distinction between the different lines of defence is principles based and determined by activities.



B.4.1.3. Policy framework

Steering and controlling the Company is further achieved by a set of internal policy documents. AGL policy documents are reviewed regularly, at least annually, to ensure their continuous appropriateness. Internal policies are AGL-specific rule and/or principle setting documents, issued by an authorised owner with the intention to establish binding rules or guidelines for relevant topics. Each owner ensures that:

- The policy is implemented and adhered to;
- The policy is kept up to date; and
- The policy is distributed to the relevant audience (including AGL branches and other parties).

B.4.1.4. Integrated Risk and Control System

AGL applies an Integrated Risk and Control System ('IRCS') to support effective management of operational risks, including reporting risks, compliance risks and other operational risks (e.g. information security, business continuity, outsourcing and legal). The IRCS harmonises the principles, processes, methodologies (e.g. risk assessment, issue classification) and reporting formats employed by key control functions as part of their responsibility to oversee operational risk management by the business.

The IRCS provides a control effectiveness assessment covering the most important controls ('key controls') relied upon to mitigate significant operational risks.

B.4.2. Compliance Function

The Head of Compliance is the key function holder who leads the independent Compliance function, which is part of the second line of defence. The Compliance function is responsible for oversight, detection, prevention and advice with respect to the compliance risk areas of the Company and contributes to the effective implementation of the internal control system and Risk Management Framework. The Compliance function is designed to supplement the responsibility of the Board and of senior management to ensure compliance with legislation and applicable guidelines.

The main objectives of the Compliance function are:

- Support and monitor compliance with applicable laws, regulations and administrative provisions to protect the Company against compliance risks. This includes the identification, assessment and mitigation of these risks.
- Advise senior management, the Board and its Committees on compliance risks, including compliance with laws, regulations and administrative provisions and assess the possible impact of any changes in the legal environment on the Company's operations.

B.4.2.1. Compliance general activities and processes

As part of the internal control system, the Compliance function establishes and maintains an adequate and effective compliance management system. This compliance management system comprises of the following elements:

- Promotion of a culture of integrity and compliance;
- Provision of compliance training and communication;
- Provision of compliance advice;
- Creation and maintenance of compliance principles and procedures;
- Compliance investigations, incident handling and facilitating employee reporting, including anonymous reporting ("whistle blowing") of possible illegal or improper conduct;
- Interaction with regulatory authorities; and
- Monitoring, control assessment and reporting.

B.4.2.2. Compliance risk assessment

On a regular basis, the Compliance function identifies, assesses and documents the compliance risk associated with AGL's business activities. This helps to ensure that the overall compliance framework reflects the risk exposure.

The Compliance function and the Risk Management function cooperate closely to manage these risks. Compliance supports and contributes to data collections and risk assessments performed by Risk Management. Each compliance risk assessment is aligned with the Risk Management function in terms of methodology, timing and procedure.

B.5. Internal Audit Function

B.5.1. Implementation of the Internal Audit function

The Internal Audit function independently:

- Reviews risk governance implementation, performs quality reviews of risk processes and tests adherence to business standards including the internal control framework;
- Evaluates and makes recommendations for improvements in the effectiveness of the system of internal controls and governance through the application of a systematic, disciplined auditing approach;
- Develops an audit universe covering the complete System of Governance, including risks arising from outsourced and co-sourced functions, which is defined and revised annually using a risk-based approach (driven by structured risk-ratings). This is subsequently used to steer and prioritise internal audit activities in the context of an overall objective to obtain adequate coverage of the entire universe within a 5-year audit plan;

- Issues an audit report including recommendations based on facts and professional judgement and a summary of the most important results, including an overall assessment for each audit performed;
- Performs follow-up monitoring to ensure the deficiencies are resolved and implements escalation steps where deficiencies are not remediated in a timely or appropriate manner; and
- Reviews the Internal Audit Policy on an annual basis to ensure that the roles, responsibilities, tasks and reporting requirements in respect of the Internal Audit function are appropriate. The policy is supplemented by the local Standard Audit Manual, which is derived from the Allianz Group Standard Audit Manual.

B.5.2. Maintenance of independence of the Internal Audit function

Internal Audit's standing within AGL's organisational structure ensures that independence is maintained at all times. Maintaining independence means that no undue influence is exercised over the Internal Audit function, for instance in terms of reporting, objectives, target setting, compensation or by any other means.

The Internal Audit function has the authority to express its own assessment and recommendations but cannot give orders (except in cases of suspicion of illegal activities/fraud).

Independence is achieved by ensuring that audit is positioned outside of functional roles and responsibilities, that there are no obvious conflicts of interests in assignments and that auditors have not been engaged in drafting procedures, designing, installing or operating systems, or implementing recommendations. They may not carry out operational roles.

The Head of Internal Audit reports directly to the Chairman of the Audit Committee and has access to the Board, as required. The Head of Internal Audit confirms to the CEO and Audit Committee, at least annually, the independence of the Internal Audit activity. The Internal Audit function has a functional reporting line to the Group Audit function and is subject to oversight by same. Steps are in place to ensure that the Internal Audit function remains independent of all other functions at all times.

The Internal Audit function has the right to communicate with any employee and obtain access to any information, records or data necessary to carry out its responsibilities, to the extent legally permitted. It has the responsibility and the right to review activities, procedures and processes in all areas of the Company without limitation. Internal Audit has the unlimited right to obtain information and management must inform Internal Audit of serious deficiencies and major changes in internal control systems. This information must be handled with discretion and confidentiality.

In addition to auditing activities, management may seek the advice of Internal Audit on internal control related topics. Internal Audit may provide such advice, according to and consistent with the Institute of Internal Audit (IIA) Standards. However, Internal Audit cannot compromise its independence and cannot implement working procedures. The advisory function of Internal Audit may not jeopardise its core audit activities and the fulfilment of its audit plan. The Actuarial, Compliance and Risk Management functions are separate from the Internal Audit function, with no instruction or reporting of one function into the other.

B.6. Actuarial Function

The Head of Actuarial Function is the key function holder and part of the second line of defence in relation to reporting, oversight and controlling activities.

The AGL Actuarial Policy sets out the roles, responsibilities, tasks and reporting requirements in respect of the Actuarial function. The Actuarial function performs tasks that are based on regulatory and business requirements and consist of coordination and calculation of technical reserves for accounting and regulatory purposes and other controlling and reporting figures. The core tasks to be performed by the Actuarial function are defined by the 'Domestic Actuarial Regime and Related Governance Requirements under Solvency II' and the 'Guidance for (Re) Insurance Undertakings on the Head of Actuarial Function Role', issued by the CBI in 2018 and 2016 respectively. During 2021, this included but is not limited to the following activities:

- The coordination and calculation of Technical Provisions for accounting and regulatory reporting purposes;

- Ensuring the appropriateness of the assumptions and valuation methodologies used in the calculation of the Technical Provisions;
- Expressing an opinion on the Technical Provisions;
- Providing an actuarial report on the Technical Provisions;
- Expressing an opinion on the overall Underwriting Policy and on the adequacy of the reinsurance arrangements;
- Expressing an opinion on the ORSA; and
- Contributing to the effective implementation of the risk management system.

The Head of Actuarial Function for the Company produces all of the above on an annual basis. In relation to Technical Provisions requirements, the Head of Actuarial Function provides an Actuarial Opinion on Technical Provisions ('AOTP') for the CBI and an Actuarial Report on Technical Provisions ('ARTP') supporting the AOTP for the Board. The regime also requires an independent peer review of the Technical Provisions and the associated AOTP and ARTP, thereby providing an "independent view of the Company's reserving" every three years. The Company's most recent peer review was carried out at year-end 2021.

The Actuarial function cooperates closely with the Risk Management function by:

- Expressing opinions on key aspects of the business and its operation as outlined above;
- Contributing to methodologies, models and assumptions used for the assessment of risk; and
- Contributing to the overall risk management process.

The Head of Actuarial Function supports the Risk Management Framework by acting as Chair of the Model Change and Reserve Committee, and by being a member of the Risk Committee, Product Approval and Oversight Committee and Hedge Committee.

B.7. Outsourcing

B.7.1. Outsourcing Policy

AGL has a formal Outsourcing Policy in place, as approved by the Board, which in line with all of AGL's other policies is subject to review on at least an annual basis.

In summary, AGL's Outsourcing Policy sets out:

- The roles and responsibilities of all key stakeholders involved in the outsourcing of functions and activities;
- Processes and procedures for the completion of due diligence to be carried out prior to electing to place business with a particular outsourced service provider;
- The processes and procedures for obtaining appropriate approval for new or amended outsourcing relationships;
- The processes and procedures for the ongoing monitoring of the activities and performance of outsourced service providers;
- The requirement to develop and maintain contingency plans and exit strategies in respect of all important and critical outsourcing relationships; and
- The reporting requirements, including escalation protocols, both within AGL, Allianz Group and externally to the Central Bank of Ireland.

AGL currently outsources a number of key services to third parties, both within and outside of the Allianz Group, which are subject to the Outsourcing Policy. All important and critical outsourcing relationships are to be approved by the Board prior to being implemented.

B.7.2. Outsourcing of critical or important operational functions

The table below outlines the critical outsourcers used by AGL.

Table 15: Outsourcing details

Provider	Description of the outsourced function or service	Provider's Jurisdiction
Allianz Deutschland AG	Business applications and sub-ledger accounting.	Germany
Allianz Hellas Insurance Co. SA	Policy and branch administration for the Greek business.	Greece
Allianz Investment Management SE	Cash management and settlement services.	Germany
Allianz Investment Management LLC	Hedging and related reporting services.	USA
Allianz Lebensversicherungs-AG	Distribution, policy and branch administration for the German business.	Germany
Allianz Ireland Plc	Provision of the Internal Audit services.	Ireland
Allianz S.p.A.	Distribution, policy and branch administration for the Italian business.	Italy
Allianz Technology SE	Infrastructure services for workplace, direct operations and business services.	Germany
Allianz Vie S.A.	Distribution, policy and branch administration for the French business.	France
AWP Health & Life Services Ltd	Policy and claims administration for the corporate life business.	Ireland
Darta Saving Life Assurance dac	Provision of a limited scope of routine Compliance tasks and activities. Policy and claims administration for Freedom-of-Services business and IT infrastructure services.	Ireland
Irish Progressive Services International Limited	Policy and claims administration.	Ireland
Francis O'Hara	Company Secretarial Services.	Ireland

B.8. Any Other Information

B.8.1. Assessment of the Adequacy of the System of Governance

AGL continuously aims to improve its compliance and governance systems by ensuring that they are regularly reviewed and evaluated, with recommendations made to the Board regarding their enhancement. This includes the outcomes from controls monitoring, root cause analysis of complaints, breaches and risk events. The AGL Governance and Control Policy requires an annual review of the System of Governance. This exercise was undertaken in 2021 by the Compliance, Human Resources, Internal Audit, Risk, Financial Reporting and Actuarial functions. This review covered both the design effectiveness and operating effectiveness of the internal control framework. The review did not identify any material deficiencies and all areas that require improvement have been addressed with a remediation action. Based on this input, the Board concluded that the System of Governance is adequate given the nature, scale and complexity of the risks inherent in the business.

B.8.2. Other material information

All material information has been provided in the previous sections.

C. Risk Profile

C.0. Introduction

The implementation of the risk management system and its integration into the Company processes has been outlined earlier in Section B.3.

The purpose of this section is to discuss the key risks to which the Company is exposed, explain the risk mitigation and monitoring measures that are in place and demonstrate that the Internal Model captures the sensitivities to these risks in deriving the standalone SCRs.

As outlined in Section A, the primary business of the Company consists of variable annuity products sold directly into Europe and reinsurance of variable annuities sold by Allianz Japan and Allianz Taiwan. These products offer one or more financial guarantees in the form of guaranteed income for life (guaranteed minimum withdrawal benefit), guaranteed minimum fund performance (guaranteed minimum accumulation benefit) and guaranteed pay-outs on death (guaranteed minimum death benefits). In providing these guarantees the Company is exposed to significant risks, whereby the ultimate pay-out to policyholders may be greater than the funds available in the underlying policy investments, resulting in lower profits or indeed losses to the Company.

The Company's unit-linked products (excluding variable annuities) do not include market related guarantees and thus the exposure of the Company to market movements is significantly lower on these products. The future profits from these products are however dependent on the performance of the policyholder funds, expenses incurred, how long the policyholder keeps the policy and the level of claims incurred under protection riders.

The key risk under the Company's protection products is the level of protection claims incurred and, to a lesser extent, the level of expenses and how long the policyholder keeps the policy.

The Company also incurs risks through the general conduct of insurance operations, including liquidity, operational and credit risk. The Company does not have any additional off-balance sheet risk exposures and does not transfer any risk to special purpose vehicles.

As outlined in Section B.3.3.2, the Company uses an approved Internal Model to calculate its SCR. The SCR is set at a level to ensure that the Company can meet obligations to policyholders and beneficiaries over the following 12 months with a 99.5% probability, which limits the chance of falling into financial ruin to less than once in 200 years. The formula takes a modular approach, meaning that individual exposure to an extreme loss from each risk category and sub-category is assessed and then aggregated together. The final SCR is less than the sum of the individual risk capital requirements because it is not expected that all such extreme losses will occur simultaneously within the next 12 months, this reduction is referred to as diversification benefit.

Table 16 shows a break-down of the SCR by individual risk categories and their sub-categories. These are explained further in this section. The standalone risk SCRs are shown before allowing for the diversification benefit, with this reduction applying after the individual SCRs are aggregated.

Table 16: AGL Internal Model SCR at 31 December 2021 by risk category (€m)

Risk Category	Sub-category	Standalone	Intra-category diversification	Total
Underwriting risk	Longevity	82.3		
	Mortality & Morbidity	8.1		
	Total	**90.4**	(10.2)	**80.2**
Business risk	Surrender	80.4		
	Expense	38.4		
	Total	**118.8**	(35.6)	**83.2**
Market risk	Guarantees and future profits	123.2		
	Shareholder assets	15.3		
	Total	**138.5**	(12.8)	**125.7**
Credit risk[3]	Derivatives	3.8		
	Cash & receivables	3.7		
	Bonds, loans & reinsurers	3.2		
	Total	**10.5**	(0.0)	**10.5**
Operational risk	Execution delivery & process mgmt.	15.1		
	Clients products & business practices	10.9		
	Fraud	6.4		
	Business Disruption and System Failures	1.6		
	Total	**34.0**	(10.1)	**23.9**
Sum of risk categories				**323.7**
Diversification between risk categories				(145.6)
Cross-effects capital buffer				2.1
Total diversified SCR before tax				**180.2**
Loss-absorbing capacity of deferred taxes				(46.0)
Total diversified SCR after tax				**134.1**

Section C gives more details on the risk exposures, including how these give rise to the capital requirements above.

C.1. Underwriting Risk

C.1.1. Exposure

The Company's main underwriting risk is increasing life expectancy (longevity), whereby if policyholders receiving guaranteed lifetime incomes live longer than expected the Company would suffer financial loss.

AGL also has exposure to mortality and morbidity risk in relation to its protection products. Mortality and morbidity refer to the risk of greater numbers of policyholders dying or becoming ill than expected, respectively. There has been a decrease in AGL's underwriting risk exposure during 2021 due to a rise in interest rates, partially offset by new business sales. A rise in interest rates decreases the value of the guarantees to the customer, thereby decreasing the Company's exposure. AGL closely monitor claims experience on an ongoing basis, however at the time of writing no material change has been observed as a result of the COVID-19 pandemic.

C.1.2. Assessment and mitigation

Exposures to underwriting risks are monitored via reviews of actuarial assumptions against actual experience on a regular basis. Industry standard tables are used in pricing and reserving and, where relevant, reinsurer rates are also used.

There has been no change in how AGL assesses underwriting risk exposure during 2021.

[3] Due to the methodology used in the credit risk model, the individual categories are shown after diversification.

The strategy for managing longevity exposures includes:

- Regular review of pricing assumptions;
- Diversification of the product range towards shorter term variable annuity business with no longevity risk and non-guaranteed investment type products; and
- Offering offsetting mortality and morbidity protection risks.

Diversifying the portfolio in this way means that if in general policyholders live longer, losses that would occur on longevity business would be somewhat offset by increased profits from protection business and a longer duration of profits from investment products without protection benefits.

During 2021, the Company further increased its sales of the shorter-term variable annuity business with no longevity risk, alongside sales of the existing unit-linked (excluding variable annuities) and protection products in a manner consistent with the desire to mitigate longevity risks.

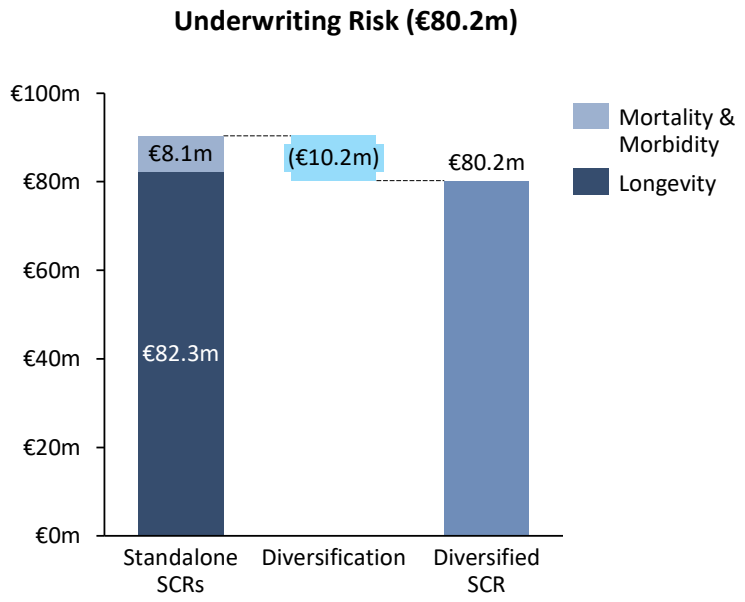
The strategy for managing mortality/morbidity exposures includes:

- Reinsurance arrangements to limit mortality and morbidity exposures to individual policyholders and to concentrations of policyholders where groups are insured; and
- Obtaining reinsurer advice on underwriting and pricing due to their larger pool of past experience.

C.1.3. Sensitivity

AGL's sensitivity to underwriting risk is captured in the results of the Internal Model, further information on the methodology and assumptions employed can be found in Section E.4. The Company's standalone underwriting risk SCR indicates the loss that would occur in the event of an extreme shock (i.e. 1-in-200 year event) to the relevant risk, as discussed in Section B.3.3.2. The results of the underwriting risk shocks are increasing longevity (€82.3m) and increasing mortality and morbidity (€8.1m). However, as noted in Section C.1.2, longevity and mortality/morbidity are offsetting risks and not likely to occur at the same time.

The graphic below illustrates the components of this SCR, in particular highlighting the material exposure in relation to longevity.



C.2. Business Risk

C.2.1. Exposure

The Company's main business risks are surrender and expense risk.

The surrender risk from the variable annuity book is material for the Company. Surrender risk refers to the risk that more policyholders than expected exercise their surrender option when future cash-flows are expected to

be positive for the Company or that fewer policyholders exercise the option when future cash-flows are expected to be negative for the Company. Misestimating the surrender assumption is particularly crucial when considered in conjunction with the hedging programme. The hedging programme is based on the current surrender assumptions and will not cover any change in expected pay-outs due to a deviation from these assumptions.

The Company is also exposed to expense risks, i.e. expenses incurred being greater than expected. This can arise due to an increase in expense levels or due to an increase in expense inflation.

There has been an overall decrease in AGL's business risk exposure during 2021. Surrender risk decreased mainly due to rising interest rates which decrease the value of long-term guarantees, meaning that if less policyholders than expected surrender, then lower losses will be incurred. This was partially offset by an increase in expense risk, mainly due to new business sales.

C.2.2. Assessment and mitigation

Exposures to surrender and expense risks are monitored via reviews of assumptions against actual surrender rates and expenses on a regular basis. Expense and surrender experience studies form an important component of this exercise.

The key aim is that assumptions used in pricing and reserving are close to the ultimate experience for both surrender and expense risks, so that the Company can pay out benefits and also realise profits as expected.

The surrender assumptions used in the Company's models are 'dynamic' in that they vary to reflect the perceived value of the benefits to the policyholder, for example depending on market performance.

The risk of a material increase in internal expenses is not perceived to be significant given the Company's increasing assets under management. The Company currently operates within an optimal staffing structure, leases premises and operates within an IT infrastructure provided by Allianz Group. A number of services (e.g. hedging operations) are outsourced to other Allianz entities with appropriate cancellation clauses. The Company performs a full expense-budget annually and monitors the cost development regularly.

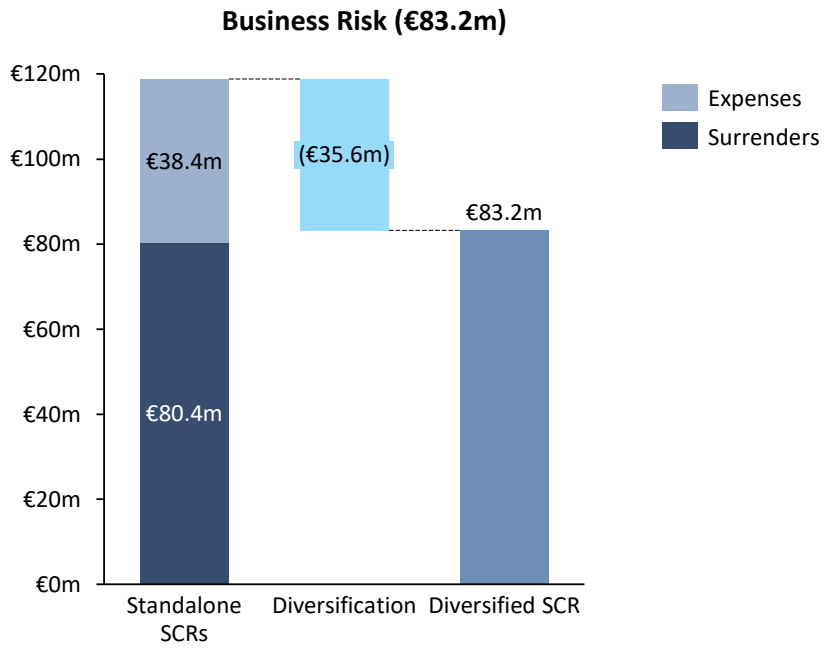
Results of experience studies are continuously fed back into the management and design process, for example assumptions used in pricing products and hedging guarantees are regularly reviewed and updated as required.

C.2.3. Sensitivity

AGL's sensitivity to a change in surrender rates and expenses is captured in the results of the Internal Model, further information on the methodology and assumptions employed can be found in Section E.4. The Company's standalone business risk SCR indicates the loss that would occur in the event of an extreme shock (i.e. 1-in-200 year event) to the relevant risk, as discussed in Section B.3.3.2.

Surrender risk is a significant exposure at €80.4m, the key exposure being fewer surrenders than expected combined with poor market performance resulting in the Company paying out significantly higher guaranteed pay-outs than expected. Expense risk of €38.4m reflects the loss that would occur if the future expenses of the Company were to increase significantly.

The graphic below illustrates the components of this SCR, in particular the significance of surrender risk.



C.3. Market Risk

C.3.1. Exposure

The primary source of AGL's market risk is in relation to contractual obligations to policyholders and profits expected to be generated from future fee income. The value of guarantees written and future profits expected from the Company's products can change significantly in different market environments.

Shareholder assets, primarily invested in bonds, are also exposed to market movements, specifically changes in interest rates and credit spreads. An increase in interest rates or credit spreads would result in a decrease in the value of these bonds.

Overall there has been an increase in AGL's market risk exposure during 2021. Exposures increased mainly due to new business written. This was partially offset by the continued run-off of the closed Asian variable annuity reinsurance business.

C.3.2. Assessment and mitigation

The key risk mitigations employed in relation to guarantee related market risk exposures are a daily dynamic hedging programme and a target volatility mechanism within the policyholder funds.

The hedging programme mitigates risks from financial guarantees by hedging market movements which influence the value of those guarantees. Examples of market factors which can influence the value of guarantees include equity (shares), bond and general interest rates levels. In general, a fall in any of the aforementioned increases the value of guarantee pay-outs the Company can expect to make. The effects of currency exchange rates are also managed depending on the directional exposure. The hedging programme invests in financial derivatives which increase in value to offset increases in expected guaranteed pay-outs and vice-versa, thus reducing the volatility of Company profits.

Hedging is unlikely to perfectly offset market movements. This is due to the complexity of the liability, its non-linear behaviour and the need to balance the cost of the approach taken and the ultimate benefits derived. Taking all factors into account, the Company has chosen to hedge key market factors covering the majority of its exposures and to monitor any residual unhedged risks on a regular basis. The hedging is updated on a daily basis to reflect changes in markets and also changes in the Company's inforce business, for example, due to new business sold.

AGL's Hedge Committee and Risk Committee both monitor the performance of the hedging programme on a quarterly basis and a separate Hedge Working Group, which meets more regularly (and at least monthly) is used

as a forum to discuss ongoing hedge performance. Daily results are provided to AGL from the hedge programme and these are monitored by the Head of Hedging Strategy and Derivatives Management and escalated to the CFO and CRO as required. The Company aims to maintain cumulative hedged profit/loss over a calendar year within predefined limits.

The target volatility mechanism mitigates market risk by reducing exposures to risky assets in times of high market volatility, instead moving investments into cash.

As well as managing the market risk exposures of business which has already been written, the Company also actively reprices its new product offerings in order to keep pace with the latest market environment, offer value to customers and protect the future financial position of the Company.

Shareholder assets are invested within limits in terms of market exposures. These limits are monitored on an ongoing basis.

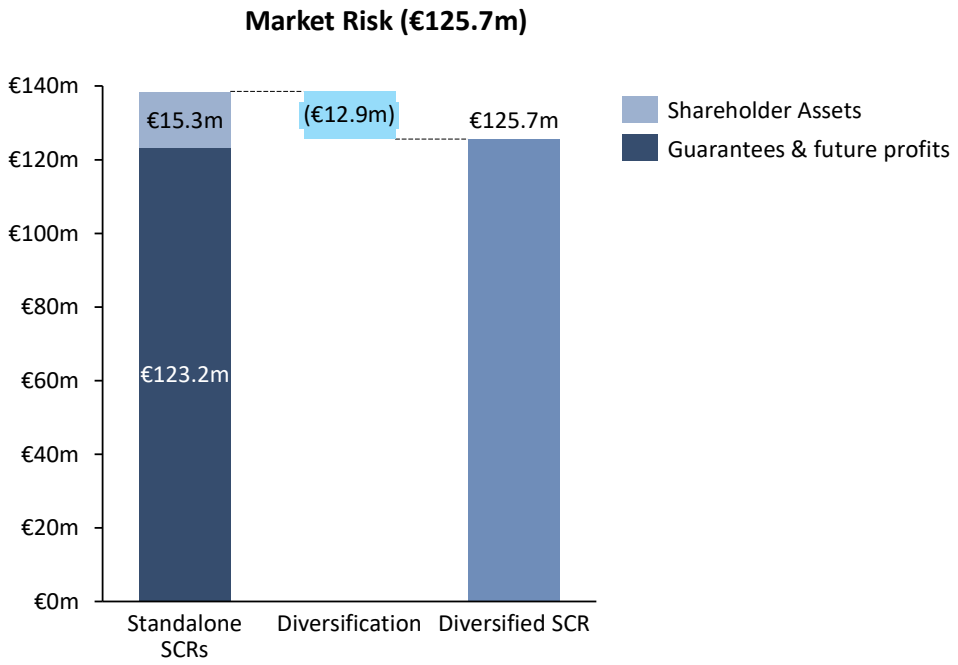
There has been no change in how the Company assesses market risk exposure during 2021.

C.3.3. Sensitivity

The Internal Model captures the market risk exposures of the Company including the risk mitigation effect of the hedging programme, see Section E.4 for more detail on the methodology and assumptions used.

The Company's standalone market risk SCR indicates the loss that would occur in the event of an extreme shock (i.e. 1-in-200 year event) to the relevant risk, as discussed in Section B.3.3.2. The results of the market risk shocks are increases of capital in relation to guarantees and future profits (€123.2m) and in relation to shareholder investments (€15.3m).

The graphic below illustrates the components of this SCR, in particular highlighting the dominance of the risk related to guarantees and future profits.



C.3.4. Application of the Prudent Person Principle

AGL applies the Prudent Person Principle to its entire investment portfolio. In line with this principle:

- All assets are invested to ensure the quality, security, liquidity, profitability and availability of the entire investment portfolio. This includes structuring the portfolio such that it is appropriate to the nature and duration of insurance liabilities covered by these assets;

- Assets are admissible only if the Company can properly identify, measure, monitor, manage, control, report and appropriately integrate their risks as part of the ORSA;
- Fund managers are subject to rigorous due diligence procedures prior to placing business with them and continuous oversight throughout the lifetime of the business; and
- Investment managers of policyholder funds and shareholder assets are provided with clear investment mandates and guidelines setting limits on volatility, geographical exposure and risk concentrations. Compliance with investment mandates is regularly monitored.

Derivatives are not seen as a separate asset class, but always considered in combination with the underlying basis instrument or risk. The following principles apply to the Company's use of derivatives in the hedging programme:

- The investment contributes to a reduction in investment risk or facilitates efficient portfolio management;
- The use of derivatives must not create additional risks that have not been assessed previously;
- The Company shall not invest in derivatives for speculative purposes; and
- The Company must document the rationale for investing in derivatives and demonstrate the effective risk transfer obtained.

C.4. Credit Risk

C.4.1. Exposure

The key areas where the Company may be exposed to credit risk are in respect of:

- Amounts due from bond issuers on bonds held in the shareholder assets;
- Collateral balances and margin accounts from derivative positions held as part of the hedging programme;
- Cash balances and deposits held with credit institutions;
- Receivables due from debtors;
- Policyholder financial assets;
- Amounts due from reinsurers; and
- Italian Withholding Tax, as outlined in Section D.1.

Substantially all of the assets of the Company are held by counterparties. Bankruptcy or insolvency of these counterparties may cause the Company's rights with respect to these investments to be delayed or limited.

AGL's credit risk decreased over 2021 in line with the decrease to the underlying exposures, in particular due to those within the hedging programme.

C.4.2. Assessment and mitigation

There has been no material change in how AGL assesses credit risk exposure during 2021.

The Company operates a credit risk monitoring system covering the credit quality of each counterparty. Exposure limits and minimum credit ratings for counterparties are defined. Breach alerts are triggered in the event of deviation from the desired exposure levels.

The key aim of this monitoring system is to control individual counterparty exposures to mitigate the risk of individual credit events. This also ensures diversification across the portfolio (in terms of industrial sectors, geography, asset classes and credit quality) in order to mitigate concentration risks.

Bond issuer risk is reduced by investing in bonds of investment-grade rating or that are backed by an EU government. Where corporate bonds are held, these are limited to a specified exposure e.g. limits of proportions held and are restricted to those of short-term duration.

Credit risk associated with collateral balances arises from derivative positions with investment banks for directly traded (i.e. over-the-counter) instruments. The credit risk exposure is effectively reduced by trading relationships with several investment banks, daily collateral management and the use of central clearing in accordance with the requirements of European Market Infrastructure Regulation ('EMIR').

Amounts receivable from debtors are analysed for overdue balances on a quarterly basis and investigated where required. Payment may be sought directly from debtors if late settlement is identified as part of the credit control process.

With regards to policyholder financial assets, the Company has an exposure to credit risks related to the underlying investments through the guarantees written. This is managed through the hedging programme as described under the Market Risk Section (C.3.). The exposure to reduced profits on future fee income from credit risks is less material to the Company.

There are no material credit risk concentrations to which the Company is exposed.

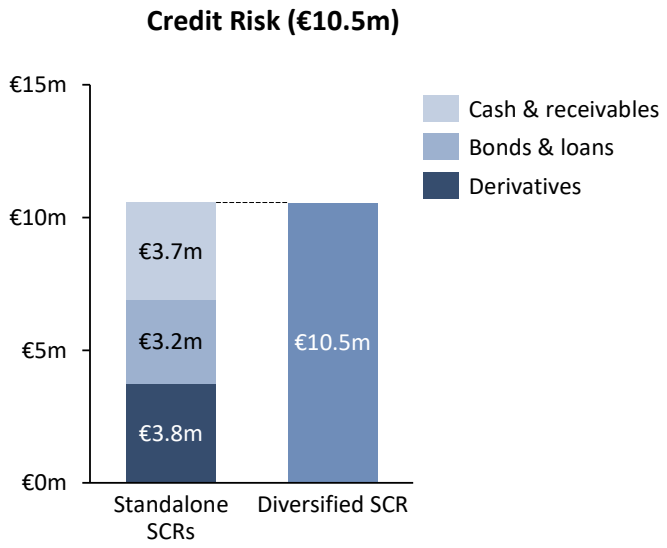
With regard to reinsurance, AGL may only enter into contracts with counterparties vetted by Allianz Group. Allianz Group companies have two primary criteria in selecting reinsurers. These are security and strategic partnership. Reinsurance counterparties are pre-selected by Allianz Group. Reinsurers that meet the Allianz Group selection criteria and with which Allianz Group has expressed an interest in doing business are contained in the Group's Mandatory Security List. AGL only uses reinsurers which are on this list.

C.4.3. Sensitivity

The Internal Model captures the credit risk exposures of the Company including the risk mitigation effect of the central clearing and collateralisation arrangements, see Section E.4 for more detail on the methodology and assumptions used.

The Company's standalone credit risk SCR indicates the loss that would occur in the event of an extreme shock (i.e. 1-in-200-year event), as discussed in Section B.3.3.2. The results of the credit risk shocks are increases of capital due to the credit quality of the counterparties on derivative positions (€3.8m), cash and receivables (€3.7m) and bonds (€3.2m).

The graphic below illustrates the components of this SCR[4], in particular highlighting the key exposure in relation to derivatives.



C.4.4. Application of the Prudent Person Principle

In line with the Prudent Person Principle, the Company has implemented an investment policy which sets limits over the extent of credit exposure and criteria on exposures by type of issuer to keep a sustainable concentration of risks and also mitigate credit risk. AGL has also set limits on the maximum amount of cash balances that can be deposited with individual financial institutions. As an overarching principle, the Company can only place investments, including cash balances, with counterparties vetted by Allianz Group. All holdings are subject to Group defined limits.

[4] Due to the methodology used in the credit risk model, the individual categories are shown after diversification.

C.5. Operational Risk

C.5.1. Exposure

The Company's largest operational risk exposures are related to the operation of the hedging programme. Losses can arise due to operational failures within the implementation of the daily hedging or as a result of operational failures in the provision of data to the hedging programme from policyholder databases, fund managers or market sources. The magnitude of profits or losses can depend on the nature of the issue, how long it lasts and how markets move during the exposure period.

In addition to the hedging programme, the Company is exposed to a range of other operational risks for example conduct risk, IT security risk, outsourcing risk, product design failures etc.

In order to gain efficiency and to access expertise that would otherwise not be available to the Company, several activities within the business processes of the Company are outsourced, mostly to other entities of the Allianz Group. AGL also has exposure to operational risk within these entities and remains ultimately responsible for the proper execution of the outsourced services.

The outbreak of COVID-19 caused a significant change in the way the Company and its outsourced service providers operate, with a shift to home working for most staff that has remained the case throughout 2021. Such a significant change in the operating environment could lead to a significant increase in operational risk. However, the Company and its outsourced service providers have continued to cope well, with little impact to service provision. The Company continues to monitor the operational risk impacts of COVID-19 and the evolving global situation.

Operational risk increased marginally over 2021, with minor offsetting updates for the capital held for several of the underlying sub-risks.

C.5.2. Assessment and mitigation

The Company's operational risk framework requires all teams across the business to carry out assessments which highlight any material operational risks that need to be considered when assessing the risk profile of the business.

As detailed in Section B.4, the Company has an internal control system in place across all departments. This framework requires all teams to have in place a set of controls to manage the risks to which they are exposed.

Operational risks are identified, assessed and monitored using centralised Allianz Group risk governance and control systems. Key risk indicators for the most significant operational risks are monitored at management level as part of the ongoing risk reporting process. Where any material risk exposure is deemed to exceed the Company's tolerance level, an action plan is prepared, detailing the mitigation steps to be taken.

In order to manage operational risk at outsourcers, outsourcing arrangements are governed by Service Level Agreements which are regularly monitored. Each outsourcing arrangement is assigned to a business owner who is responsible for monitoring of the outsourced activity. Relevant key performance indicators are monitored via regular reporting from outsourcers. The Board-approved Outsourcing Policy governs the management of outsourced activities.

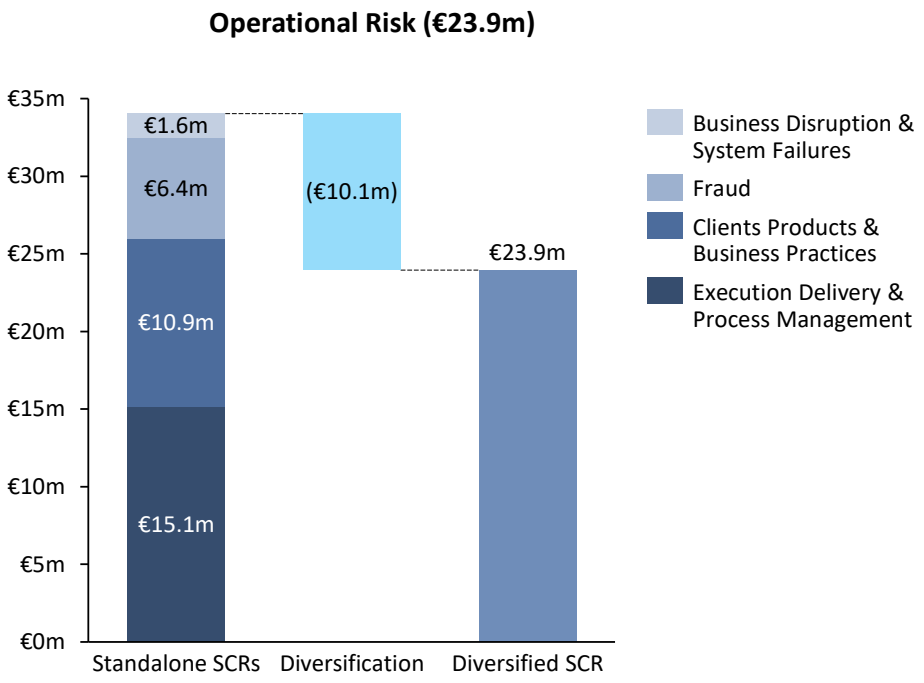
C.5.3. Sensitivity

The Internal Model uses the Allianz Group developed operational risk model with local calibration to capture the operational risk exposures and controls discussed above, see Section E.4 for more detail. Operational risk capital is determined with reference to actual exposures.

Due to the absence of a representative and sufficiently long loss history, the identification and parameterisation of operational risk significantly depends on input from experienced staff members in all relevant business areas.

The standalone operational risk SCR at 31 December 2021 is €23.9m. This is calculated using a set of risk categories as they are defined in the Basel II regulations.

The graphic below illustrates the components of the SCR, in particular highlighting the key exposure of 'Execution Delivery and Process Management' (€15.1m) under which operational risks in relation to the hedging programme are captured.



C.6. Liquidity Risk

C.6.1. Exposure

In managing its assets and liabilities, the Company seeks to ensure that cash is available at all times to settle liabilities as they fall due. Available funds are, as per the Company's current investment policy, only invested in short/medium government, covered, corporate and asset-backed bonds. The majority of assets held are Euro-denominated. The Company's treasury position is reviewed on a regular basis and cash balances are maintained to meet due liabilities.

For investment contract redemptions, cash paid out is mainly funded by the redemption of the linked assets supporting the contract liability.

The main liquidity risk exposure is to daily collateral flows caused by changes in the value of the instruments used in the hedging programme. Due to market changes (movements in interest rates, bonds, equities and currency exchange rates), the Company may be required to make collateral payments to its counterparties. Although these changes should be offset by a corresponding change in the value of guarantee pay-outs and thus not change the Company's solvency position, the collateral payments are required immediately while the guarantee pay-outs will be experienced at some future date. AGL's main liquidity exposure is to rising markets, where collateral payments would be required due to increases in interest rates or equity markets.

Due to collateral outflows mainly caused by increasing interest rates, the Company's liquid assets have decreased over the year, falling from €484m at year-end 2020 to €333m at year-end 2021. Given the current level of liquidity, significant increases in market values would be required to cause a large drop in liquid assets, as such AGL does not have any significant concentration of liquidity risk.

C.6.2. Assessment and mitigation

The liquidity position of AGL is monitored on an ongoing basis. There is a Liquidity Risk Management Standard in place with Board-approved risk-based thresholds.

The Company's liquid assets consist of cash at bank and bonds of various types. Maintaining adequate liquidity at all times is a key element of AGL's Risk Appetite Framework. Regular liquidity reports are presented to the Risk Committee and Board Risk & Finance Committee.

The Company considers its liquidity needs in all business process and planning exercises. In particular, investment decisions are made with due allowance for current liquidity needs and the potential changes in those needs.

Liquidity stress testing is a useful risk management tool that assists the Company in identifying potential vulnerabilities in its liquidity position under stressed conditions. In this regard, on a quarterly basis, the Company's liquidity position is subjected to stress tests and scenario analysis.

Adequate stresses and scenarios are set by the Risk Committee based upon recommendations from the Company's CRO in close collaboration with the Head of Accounting and Financial Reporting, taking the Company's current and expected exposure to liquidity risk into account.

In addition to the above, as part of the Company's regular planning exercises, liquidity projections are produced based on expected and stressed sales, surrenders, investment growth rates and operating expenses. These liquidity projections, incorporating base and stressed conditions, constitute AGL's primary planning tool to assess the Company's liquidity position over the medium to long term. The Company targets a liquidity position such that no liquidity shortfalls are anticipated in these projections.

If the assessments above reveal a potential liquidity shortfall or a potential breach of the Company's Risk Appetite, the Company initiates actions to restore sufficient liquidity availability.

There have been no changes to how AGL assesses liquidity risk during 2021.

C.6.3. Sensitivity

The Company does not hold solvency risk capital for liquidity risk, as capital is not considered an appropriate mitigation method for this risk.

The Company had liquid assets of €333m available to cover liquidity requirements at 31 December 2021. Collateral flows due to market movements can materially change this amount. Allowing for expected cash inflows over 2021, the impact on the liquidity position of a set of market stresses over 2021 is estimated as follows:

- A 100bps upward movement in interest rates would result in a decrease in liquid assets of €101m, i.e. a decrease in liquid assets from €333m to €232m.
- A 30% upward movement in equity prices would result in a decrease in liquid assets of €11m, i.e. a decrease in liquid assets from €333m to €322m.

Whilst the effective impact on the liquidity position is driven by a combination of market factors, the above scenarios demonstrate the resilience of the Company's liquidity position.

C.6.4. Application of the Prudent Person Principle

Cash resources are held across a number of banks throughout Europe and are subject to upper limits on the amount of cash that may be held within any one institution at any one time. The banks used by AGL are approved counterparties as prescribed by Allianz Group.

C.6.5. Further information

The expected profit included in future premiums ('EPIFP') is the expected present value of cash flows arising due to future premiums included in the Technical Provisions. The total amount of EPIFP at 31 December 2021 is €2.4m.

EPIFP is relatively immaterial for the Company due to the small amount of regular premium business sold.

C.7. Any Other Information

C.7.1. Cross-effects capital buffer

Additional capital is held to reflect the additional impact of multiple risks occurring simultaneously, as opposed to individually, if not already allowed for through the correlation factors. The combined impact of risks occurring together can be greater than the sum of the individual impacts depending on the nature of the risks. The market risk model captures the cross-effects between different market components (e.g. interest and equity). Other cross-effects such as longevity risk versus market risk, or surrender risk versus market risk, are also allowed for in the SCR calculation, either through a reduction in diversification or the holding of a "cross-effects capital buffer".

C.7.2. Environmental, Social and Governance Risks

Economic Social and Governance ('ESG') factors relate to risks stemming from changes in the environment, social responsibility and internal and external governance. Risks stemming from ESG factors may be reputational in

nature e.g. damage to the Allianz brand due to poor perceived level of social participation, or they could impact the operational, market or business risk profile of the business.

A key emerging risk within the ESG sphere is climate change. While discussions of the risks associated with climate change have been ongoing for decades, it is only in recent years that significant actions have been taken, with potential impacts on companies such as AGL. In the last number of years, governments around the world have begun to implement new measures to tackle climate change.

There are three key areas of risk which may arise from climate change. The first risk relates to the impact of transitional measures used to combat climate change. Such measures could impact the Company's market risk profile, for example if the Company was required to offer guarantees on potentially less hedge efficient-funds based on sustainability criteria.

The second is the physical risks due to an increase in severe weather events. Such events may cause practical challenges for AGL in running its business, impact the prices of assets held by AGL or impact AGL's underwriting risks by affecting mortality and morbidity levels.

Thirdly, the Company may face new regulatory costs as a result of government actions in relation to climate change.

AGL is currently implementing the EU Sustainable Finance Disclosure Regulation in conjunction with the Allianz Group. AGL continues to monitor these risks and implement actions where necessary in order to meet regulatory requirements.

C.7.3. Emerging Risks

Emerging risk refers to expected or possible changes to the current risk profile due to future events whose impacts are either unknown or subject to great uncertainty. Emerging risks may occur in any of the risk categories discussed above.

Key emerging risks, which the Company is actively monitoring, include but are not limited to:

- Longer term impacts of COVID 19;
- Potential impacts of the Russian invasion of Ukraine;
- ESG risks; and
- Regulatory/legislative changes.

AGL continuously monitors the emerging risk landscape as part of its standard risk identification processes e.g. Top Risk Assessment. Where emerging risks are identified these are assessed and appropriate mitigation actions implemented.

D. Valuation for Solvency Purposes

AGL prepares its financial statements in accordance with IFRS. This section describes the accounting policies and valuation techniques used by AGL for the SII valuation of the assets and liabilities, including the differences between these SII valuation principles and those applied in the financial statements.

The table below summarises the impact of these differences on SII compared to the Company's IFRS balance sheet.

Table 17: Comparison of balance sheets as at 31 December 2021 (€m)***

	Solvency II	IFRS**	Difference
Total assets	6,933.3	6,995.4	(62.1)
Total liabilities, including technical provisions	6,625.5	6,842.8	(217.3)
Excess assets over liabilities / Net asset value*	**307.8**	**152.6**	**155.3**

**Net asset value is excess of assets over liabilities under IFRS as shown in the Company's financial statements.*
*** IFRS data has been reclassified to align with the Solvency II balance sheet presentation, highlighting differences in valuation only. This presentation is different to that under QRT S.02.01.02, however, the excess of assets over liabilities under IFRS in both presentations agree.*
****Note that as the table is shown in millions rounding errors may cause some differences.*

D.1. Assets

The table below shows assets held on the Solvency II balance sheet and the comparative IFRS values as at year-end 2021.

Table 18: Solvency II-IFRS differences at 31 December 2021 (€m)*

	Solvency II	IFRS	Difference
Deferred acquisition costs	-	59.1	(59.1)
Deferred tax assets	-	2.3	(2.3)
Investments (other than assets held for unit-linked funds)	469.1	469.1	-
Assets held for unit-linked funds	6,157.2	6,157.2	-
Loans and mortgages	136.2	136.2	-
Reinsurance recoverables	11.9	12.6	(0.7)
Insurance and intermediaries receivables	34.5	34.5	-
Cash and cash equivalents	34.8	34.8	-
Reinsurance receivables	0.3	0.3	-
Receivables (trade, not insurance)	88.5	88.5	-
Any other assets, not elsewhere shown	0.8	0.8	-
Total Assets	**6,933.3**	**6,995.4**	**(62.1)**

**Note that as the table is shown in millions rounding errors may cause some differences.*

Under SII, AGL's assets are valued in line with the following overarching valuation principles:

- Assets shall be valued at their market value; and
- Assets and liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction.

The following paragraphs describe the specific valuation principles and methods used by AGL for SII purposes, and how these compare with the corresponding IFRS approach. During the reporting period, AGL did not make any material changes to the recognition and valuation bases used for assets, or to estimation techniques employed under SII.

Deferred acquisition costs

Under IFRS deferred acquisition costs on investment contracts include sales commissions. Acquisition costs are deferred as an explicit deferred acquisition cost asset, gross of tax, to the extent that they are recoverable out of future revenue to which they relate. Such costs are amortised through the Income Statement in the IFRS

financial statements over the period in which the revenues on the related contracts are expected to be earned. The rate of amortisation is based on an assessment of the expected pattern of receipt of future revenue margins, taking account of persistency, from the related contracts.

Under SII, acquisition costs are not recognised as an asset on the balance sheet, rather they are incurred upfront.

Deferred tax assets

Deferred taxes are calculated based on the difference between the values ascribed to assets and liabilities under SII and the values ascribed to the same assets and liabilities for tax purposes as defined in International Accounting Standard ('IAS') 12. Except where otherwise required by accounting standards, full provision without discounting is made for all temporary differences which have arisen but not reversed at the balance sheet date. A deferred tax asset is recognised where it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. Projected future taxable profits are assessed over a three-year period in line with the approved business plan. The timing of any outflows relating to these valuation differences is expected to be more than twelve months after the financial position date.

Under SII the deferred tax asset is offset against deferred tax liabilities arising from SII/taxation differences resulting in a net deferred tax liability position.

Investments (other than assets held for index-linked and unit-linked funds)

The Company holds other financial assets that are not attributable to unit-linked contracts as backing for its general solvency requirements and to maintain an effective working capital level whilst complying with company law and regulations. These investments are valued the same under both the SII and the IFRS balance sheet. An investment policy is adopted with regard to these assets and this is set out in policy statements which have been approved by the Board and are monitored by the Risk and Finance Committee.

For instruments in active markets with a quoted market price, the fair values of the financial instruments are based on quoted market prices or dealer prices quotations on the last exchange trading day prior to and at the reporting date. The quoted market price used for a financial asset held by the Company is the close price. Where there is no active market, fair value is determined by using valuation techniques. The valuation techniques are based on market observable inputs when available. Such market inputs include references to formerly quoted prices for identical or similar instruments from an active market and quoted prices for identical or similar instruments from an inactive market. Market observable inputs also include interest rate yield curves, option volatilities and foreign currency exchange rate. Where observable market inputs are not available, fair value is based on appropriate valuation techniques using non-market observable inputs. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which observable market prices exist and other valuation models. In the process, appropriate adjustments are made for credit risks. In particular when observable market inputs are not available, the use of estimates and assumptions may have a high impact on the valuation outcome. The fair value of collective investment schemes is based on the quoted price, where available and where unquoted the fair value is estimated prudently and in good faith by the Directors on the advice of investment advisors.

In AGL, the financial assets held under this category of investments at 31 December 2021 are fixed income securities (bonds) and derivative assets.

AGL's fixed income securities held include government bonds, corporate bonds, covered bonds and collateralised securities. Government bonds are bonds issued by public authorities, e.g. central governments, supranational government institutions, regional governments or municipal governments. Corporate bonds are bonds issued by corporations. Each instrument in this class is individually valued through the application of quoted prices (unadjusted) obtained from an active market (recognised and active exchange) for identical assets.

As detailed in Section C.3, AGL runs a hedging programme that invests in financial derivatives to mitigate the Company's market risk exposures. The Company employs equity index, bond and FX futures, interest rate swaps, total return swaps, options and foreign exchange forwards to manage the risk factors identified. Derivatives are measured at market value under both IFRS and SII.

Assets held for unit-linked funds

Under IFRS, financial assets held to back unit-linked liabilities are designated upon initial recognition as at fair value through profit or loss and are measured at fair value. The basis of this designation is that the financial

assets and liabilities are managed and evaluated together on a fair value basis. Under SII, the valuation is the same as IFRS.

Fair values of financial assets that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using valuation techniques.

Assumptions and inputs used in valuation techniques include:

- Risk-free and benchmark interest rates;
- Credit spreads and other premiums used in estimating discount rates;
- Bond and equity prices;
- Foreign currency exchange rates;
- Equity and equity index prices; and
- Expected price volatilities and correlations.

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

Observable prices and model inputs are usually available in the market for listed Equity and Fixed income securities, Collective Investment Schemes ('CIS') and exchange traded derivatives. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values.

Loans and mortgages

Loans and receivables include collateral deposits with derivative counterparties and cash deposits held in a cashpool facility established by the parent company, Allianz SE. These are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market and which are not classified as available-for-sale investments or held-to-maturity investments, financial assets held for trading, or financial assets designated at fair value through profit or loss. This amount is initially recognised at fair value.

As both bases are valued exclusive of accrued interest due to daily settlements, there are no valuation differences between IFRS and SII.

Reinsurance recoverables

Reinsurance recoverables valued at €11.9m exist in relation to mortality and morbidity benefits on some products. Different valuation methodology between IFRS and SII is the key driver of a minor difference of €0.7m.

Insurance and intermediaries receivables

Amounts due to and from policyholders, agents and others in respect of insurance and investment contracts are included in insurance and intermediaries receivable and payable. Receivables from insurance and intermediaries are generally measured at their nominal amount with an adjustment for probability of default of counterparty.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and deposits with a maturity of less than 90 days. These assets are measured at amortised cost. Net bank overdrafts are included as a component of cash and cash equivalents. There are no differences in the valuation under SII.

Receivables (trade, not insurance)

The most material component included in the Receivables (trade, not insurance) is the Italian tax asset of €50.8m. Payments to the Italian authorities as a result of the Company being a withholding tax agent are recognised as assets. The asset arising from the advance payment of Italian policyholder tax obligations is expected to be recoverable either by deduction from tax withheld on behalf of policyholders or by offset against taxes payable to Italian revenue or by surrender to group companies. This asset is carried at its full future recoverable value under IFRS and SII within Receivables (trade, not insurance). Any discounting in respect of this asset is adjusted within the Best Estimate Liability in the Technical Provisions.

Any other assets, not elsewhere shown
There are no other material assets noted.

D.2. Technical Provisions

D.2.1. Technical Provisions

The value of the SII Technical Provisions is the sum of the Best Estimate Liability ('BEL') plus a Risk Margin. At 31 December 2021 the Technical Provisions were:

Table 19: Solvency II Technical Provisions at 31 December 2021 (€m)

Technical Provisions	
Best Estimate Liability	6,107.3
Risk Margin	101.8
Total	**6,209.1**

The Technical Provision calculations were performed in accordance with Article 75 to 86 of the SII Directive.

The BEL corresponds to the probability weighted average of future cash flows, taking account of the time value of money (expected present value of future cash-flows) using the relevant risk-free interest rate term structure. The unit liability is included in the BEL. The calculation of the BEL is based on up-to-date and credible information and realistic assumptions. It is calculated gross, without deduction of amounts recoverable from reinsurance contracts and special purpose vehicles.

The Risk Margin is an addition to the BEL to ensure that the Technical Provisions as a whole are equivalent to the amount that insurance undertakings would be expected to require in order to take over and meet the insurance obligations. It reflects the cost of setting aside the shareholder funds needed to cover the unhedgeable part of the SCR over the lifetime of the business at the prescribed cost of capital rate of 6% per annum.

D.2.2. Valuation differences between IFRS and Solvency II

Table 20: Reconciliation of Technical Provisions from IFRS to Solvency II at 31 December 2021 (€m)*

Reconciliation	Protection	Unit-linked	Variable annuity	Reinsurance Accepted	Total
IFRS Technical Provisions	**47.0**	**679.7**	**5,679.6**	**11.9**	**6,418.2**
Use Solvency II curve	0.2	-	(32.6)	0.9	(31.5)
Surplus cash flows on unit-linked funds	-	(6.8)	(276.6)	-	(283.5)
Apply Risk Margin	1.0	1.1	96.7	3.0	101.8
Include unallocated premiums	-	0.2	9.2	-	9.4
Protection methodology differences	(5.4)	-	-	-	(5.4)
Other	0.2	-	-	(0.0)	0.1
Solvency II Technical Provisions	**42.9**	**674.2**	**5,476.3**	**15.7**	**6,209.1**
Difference	**(4.0)**	**(5.5)**	**(203.4)**	**3.8**	**(209.1)**

**Note that as the table is shown in millions rounding errors may cause some differences.*

The table above reconciles the Technical Provisions reported in the financial statements to those reported for SII. The key differences in valuation methodology and assumptions are as follows:

- IFRS uses an unadjusted interest rate market curve in the valuation, whereas under SII a number of prescribed adjustments are applied to the interest rate curve. These adjustments reduce the Technical Provisions in respect of unit-linked business with long-term investment guarantees;
- SII includes the present value of future fee income net of expense outgo on the underlying unit-linked funds reducing the level of Technical Provisions required. These projected surplus cash flows are excluded under IFRS;

- The SII Technical Provisions include a Risk Margin to allow for the cost of capital in respect of risks that cannot be hedged away. IFRS has no such Risk Margin; and
- The IFRS Technical Provisions exclude unallocated premiums, which are instead included in alternative liability balances. These unallocated premiums are included in the SII Technical Provisions due to contract initial recognition rules being different between SII and IFRS.
- The methodology used to calculate the IFRS Technical Provisions for protection business includes additional pads in respect of the mortality assumptions and the level of premiums, whereas the SII Technical Provisions are based on best estimate assumptions.

D.2.3. Technical Provisions per Line of Business

The SII Technical Provisions by line of business are outlined in the table below:

Table 21: Technical Provisions per line of business at 31 December 2021 (€m))

	Best Estimate Liability	Risk Margin	Total
Protection	41.9	1.0	**42.9**
Unit-linked	673.1	1.1	**674.2**
Variable annuity	5,379.6	96.7	**5,476.3**
Reinsurance accepted	12.7	3.0	**15.7**
Total	**6,107.3**	**101.8**	**6,209.1**

** Note that as the table is shown in millions rounding errors may cause some differences.*

D.2.4. Actuarial methodologies and key assumptions

Methodology

Stochastic valuation techniques are used to calculate the Technical Provisions for products with investment guarantees. This involves generating thousands of economic scenarios with monthly returns over a projection period of up to 60 years. The generation of the economic scenarios is calibrated to be consistent with market conditions as at the valuation date. The Best Estimate Liability is the average across all the economic scenarios of the present value of net projected cash flows.

Deterministic cash flow projection methods are used to calculate the Technical Provisions for products that do not provide investment guarantees.

Surrenders

Surrender assumptions are based on AGL experience data where appropriate. Where the AGL surrender experience data for a given product is deemed statistically unreliable, the experience data on similar products within the Allianz Group is considered in the assumption setting exercise. Surrender rates cannot be predicted with certainty and actual future surrender experience will deviate from that assumed.

A review of surrender experience was conducted during 2021. The surrender assumptions were updated accordingly leading to a small increase in Technical Provisions at year-end 2021.

Mortality

Mortality assumptions are set primarily by reference to industry mortality tables. These are adjusted as appropriate where the experience of the AGL portfolio is expected to be different. Mortality rates cannot be predicted with certainty and actual future mortality experience will deviate from that assumed.

Mortality improvement rate assumptions are applied for products that provide a guaranteed income for the lifetime of the policyholder. The extent to which the assumed mortality improvement rates will materialise in future is uncertain.

A review of mortality experience was conducted during 2021. The mortality assumptions were updated accordingly leading to a negligible change in Technical Provisions at year-end 2021.

Expenses

The expense assumptions are based on AGL's 2021 corporate plan which includes a detailed bottom-up assessment of the expenses over the next three years. This takes into account past experience, expected portfolio development based on actuarial projections, expected future sales, new product initiatives, projects and staffing needs. The expense assumption setting exercise takes the expenses from the corporate plan into account, together with the terms and conditions of contractual arrangements relating to outsourced services, distribution channels and asset managers. There is uncertainty relating to future expenses.

The expense assumptions were updated in accordance with the 2021 corporate plan leading to a small increase in Technical Provisions at year-end 2021.

Economic Assumptions

Projected investment returns, interest rates and discount rates are based on the prescribed risk-free curve issued by EIOPA.

Policyholder behaviour and management actions

Policyholder surrender behaviour is modelled dynamically for draw-down products with investment guarantees. In particular, it is assumed that surrender rates will reduce when the ratio of the guarantee level to the surrender value increases and vice versa. The extent to which policyholders will make their surrender decisions in this way is uncertain.

No management actions are assumed in the calculation of the Technical Provisions.

Other

AGL do not currently apply any of the following measures:

- The matching adjustment as referred to in Article 77b of the SII Directive;
- The volatility adjustment as referred to in Article 77d of the SII Directive;
- The transitional measure on the risk-free interest rates as referred to in Article 208c of the SII Directive; and
- The transitional deduction as referred to in Article 208d of the SII Directive.

D.3. Other Liabilities

The following table sets out the values of each material class of other liabilities under SII and IFRS:

Table 22: Value of other liabilities at 31 December 2021 (€m)***

	Solvency II	IFRS*	Difference
Other technical provisions	-	56.4	(56.4)
Unallocated premiums	-	7.5	(7.5)
Provisions, other than technical provisions	13.9	13.9	-
Deferred tax liability	59.5	1.9	57.5
Derivative liabilities	20.1	20.1	-
Debts owed to credit institutions	248.0	248.0	-
Insurance and intermediaries payables	25.5	25.5	-
Reinsurance payables	2.9	2.9	-
Payables (trade, not insurance)	19.4	19.4	-
Any other liabilities, not elsewhere shown	27.3	27.3	-
Total**	**416.4**	**422.8**	**(6.4)**

** IFRS data has been reclassified to align with the Solvency II balance sheet presentation, highlighting differences in valuation only. This presentation is different to that under QRT S.02.01.02, however, the excess of assets over liabilities under IFRS in both presentations agree.*

*** Technical Provisions have been addressed in Section D.2. Please refer to this section for further information.*

**** Note that as the table is shown in millions rounding errors may cause some differences.*

For each category of other liabilities shown above, the following sections describe the specific valuation principles and methods used by AGL for SII purposes and how these compare with the corresponding IFRS approach. The expected timing of any outflows of economic benefits is expected within the financial year unless otherwise disclosed below. During the reporting period, AGL did not make any material changes to the recognition and valuation bases used for other liabilities, or to estimation techniques employed under SII.

Other Technical Provisions

Other Technical Provisions are predominantly deferred income arising from up-front premium charges and loadings on the commencement of a policy. This income is not recognised immediately on the Income Statement in the IFRS financial statements, but instead is amortised over the expected life of the policy, while any unamortised amount is recognised when the policy terminates.

While it is permissible to defer premium charges as a provision under IFRS, under SII there is no equivalent concept of deferring income over the life of the contract. Therefore, in contrast to IFRS, SII does not contain such a provision.

Unallocated premiums

Unallocated premiums are included in alternative liability balances under IFRS and in Technical Provisions under SII, as stated in Section D.2.2.

Provisions, other than technical provisions

Provisions, other than technical provisions comprise mainly of accruals relating to general operating expenses. The recognition and valuation basis for this category is consistent between SII and IFRS.

Deferred tax liabilities

Deferred tax liabilities are the amounts of taxes payable in future periods in respect of taxable temporary differences. Deferred taxes are calculated based on the difference between the values ascribed to assets and liabilities under SII, and the values ascribed to the same assets and liabilities for tax purposes as defined in IAS 12. As a result of the differences between the SII and IFRS balance sheets, there is a net deferred tax liability under SII. The timing of any outflows relating to these valuation differences is expected to be more than twelve months after the financial position date.

Derivative liabilities

Derivative liabilities valuation approach has been addressed as part of Section D.1. Please refer to this section for further details.

Debts owed to credit institutions

Debts owed to credit institutions includes debts, such as loans, bank overdrafts and collateral owed to credit institutions (banks, etc.). For IFRS purposes, these debts owed to credit institutions are recorded at fair value under IFRS. There is no difference in valuation for SII purposes.

Insurance and intermediaries payables

Insurance and intermediaries payables are predominantly policyholder and agents related payables. The recognition and valuation basis for this category is consistent between SII and IFRS.

Reinsurance payables

Reinsurance payables are payables in respect of reinsurance contracts. The recognition and valuation basis for this category is consistent between SII and IFRS.

Payables (trade, not insurance)

Payables (trade, not insurance) comprise mainly of tax payables. The recognition and valuation basis for this category is consistent between SII and IFRS.

Any other liabilities, not elsewhere shown

Any other liabilities, not elsewhere shown comprise mainly of policyholder fund related payables and derivative related payables. Such expenses are recognised on an accruals basis. The recognition and valuation basis for this category is consistent between SII and IFRS.

D.4. Alternative Methods for Valuation

The Company does not use any alternative valuation methods for any asset class.

D.5. Any Other Information

D.5.1. Going concern

The financial statements and the SFCR have been prepared on a going concern basis. In assessing the going concern basis of the Company, the Board of Directors have considered the significant demographic, economic, regulatory and political risks and uncertainties that currently impact the Company. In making this assessment the Directors have considered the following:

- the Company's capital position and the surplus over its required SCR and Minimum Capital Ratio ('MCR');
- the Company's balance sheet strength and liquidity position;
- the Company's past financial performance including profit generation;
- the current and projected financial performance based on the annual corporate plan;
- the credit rating of the Company's reinsurance counterparties;
- the quality of the Systems of Governance and Risk Management Framework;
- the Company's operational resilience; and
- the potential impact of the Russian invasion of Ukraine in February 2022.

There is no other material information to disclose regarding the valuation of assets and liabilities for solvency purposes.

E. Capital Management

E.1. Own Funds

E.1.1. Objectives, policies and processes

AGL has a formal Capital Management Policy in place, which is approved by the Board and subject to review on at least an annual basis.

The main objective of this policy is to provide the Company with adequate capital to fulfil regulatory requirements in an efficient manner, specifically to cover the SCR detailed above. Secondary objectives include adding economic value over the cost of capital and having shareholders participate in the economic development through, for example, dividend payments.

The Capital Management Policy defines a target level of capitalisation known as the 'management ratio'. This ratio is set at a level which ensures compliance with regulatory requirements over a three-year planning horizon even after financial stresses or losses from the insurance portfolio. The Company aims to keep the capitalisation close to this ratio.

By way of its derivation, the management ratio represents a risk-based assessment of the desired level of capitalisation of the Company. In addition, it is set so as to maintain a coverage buffer over the SCR, thus allowing capacity for uncertainty and unquantifiable risks.

If the level of capital falls below the management ratio, alert and action barriers exist in order to initiate actions before regulatory capital requirements are endangered. If the alert barrier is breached, contingency plans are drawn up and considered by the Board. If the action barrier is breached, the actions from the contingency plans shall be implemented to improve the capital position.

The capital position of the Company is monitored on an ongoing basis by management and Board committees, as described in Section B.1.2.

No material changes have been introduced in respect of AGL's Capital Management Policy or accompanying processes during 2021.

E.1.2. Analysis of Own Funds

The Company's available Own Funds as at 31 December 2021 amount to €307.8m, this is equivalent to the excess assets over liabilities. There was an increase in Own Funds during 2021, primarily driven by the positive impact of new business and positive fund performance. The Company has no ancillary Own Funds.

SII requires insurers to categorise Own Funds into the three tiers. As per the previous reporting period, all of the Company's Own Funds fall under Tier 1 capital, reflecting high-quality and unrestricted Own Funds. The Own Funds consist of ordinary share capital as per the Company's statutory accounts, the reconciliation reserve and capital contributions. The reconciliation reserve is equivalent to the portion of the excess of assets over liabilities which does not relate to other own fund items.

SII rules impose limits on the amount of each tier that can be held to cover capital requirements with the aim of ensuring that the items will be available if needed to absorb any losses that might arise. For AGL, as all Own Funds are Tier 1, they are fully eligible to meet both the Solvency and Minimum Capital Requirements.

The tables below show the Company's Own Funds position as at 31 December 2021 and 31 December 2020.

Table 23: Own Funds at 31 December (€m)*

	2021 Tier 1 (unrestricted)	2020 Tier 1 (unrestricted)	Movement
Ordinary share capital (gross of own shares)	45.1	45.1	-
Reconciliation reserve	179.6	160.4	19.2
Other own fund items approved by the supervisory authority as basic Own Funds not specified above	83.1	83.1	-
Available and eligible Own Funds	**307.8**	**288.6**	**19.2**

** Note that as the table is shown in millions rounding may cause some differences.*

The structure and quality of the Company's Own Funds has not changed during the year, and the value of ordinary share capital and other approved Basic Own Fund items have remained constant. The reconciliation reserve is the only category which has changed in value, increasing by €19.2m from the end of 2020 to the end of 2021.

The table below provides a breakdown of the reconciliation reserve, including explanations of the key components of the reserve.

Table 24: Reconciliation Reserve breakdown at 31 December (€m)*

Components	2021	2020	Comments
Excess of assets over liabilities	307.8	288.6	A full split of assets and liabilities has been included in Section D.1 and D.3 respectively.
Own shares (held directly and indirectly)	-	-	
Foreseeable dividend payments, distributions and charges	-	-	
Other basic own fund items	(128.2)	(128.2)	Represented by ordinary share capital and other own fund items approved by the supervisory authority as basic Own Funds not specified above.
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	-	-	
Total reconciliation reserve	**179.6**	**160.4**	

**Note that as the table is shown in millions rounding may cause some differences.*

E.1.3. Reconciliation between IFRS and Solvency II

Table 25 shows a high-level reconciliation between the Company's Own Funds under SII and its shareholder equity as reported in the financial statements.

A quantitative and qualitative explanation of any material differences between the bases, methods and main assumptions used by AGL for the valuation for solvency purposes and those used for its valuation in the financial statements is outlined in Section D.1 'Valuation of assets', D.2 'Technical Provisions' and D.3 'Other liabilities'. A summary of the differences between IFRS shareholder's equity and SII Own Funds is outlined below:

Table 25: Reconciliation of IFRS Shareholder Equity to Solvency II Own Funds at 31 December (€m)

Reconciliation	2021	2020
IFRS shareholder's equity*	**152.6**	**153.4**
Technical Provisions (net of reinsurance)	215.1	186.9
Deferred Tax	(59.8)	(51.7)
SII Excess assets over liabilities	**307.8**	**288.6**

** IFRS total equity as published in the financial statements for year-ended 31 December 2021.*

E.2. Solvency Capital Requirement and Minimum Capital Requirement

Table 26 shows the Company's SCR split by risk category and the MCR as at 31 December 2021, with a comparison back to the previous year.

Table 26: AGL SCR by risk category and MCR at 31 December (€m)

Risk category	2021	2020
Underwriting Risk	80.2	86.8
Business Risk	83.2	88.6
Market Risk	125.7	116.7
Credit Risk	10.5	20.4
Operational Risk	23.9	23.1
Sum over risk categories	**323.7**	**335.7**
Diversification	(145.6)	(150.4)
Cross-effects capital buffer	2.1	4.2
Total diversified SCR before tax	**180.2**	**189.5**
Loss absorbing capacity of deferred tax	(46.0)	(48.6)
SCR after tax	**134.1**	**140.9**
MCR	**44.5**	**38.4**

Underwriting and Business risks decreased due to market and portfolio development, in particular, the increase in interest rates over the period. A rise in interest rates decreases the value of the guarantees to the customer, thereby decreasing the Company's exposure.

Market risk increased over 2021 broadly in line with exposures, which increased mainly due to new business written.

Operational risk increased in line with hedging exposures, while credit risk decreased mainly due to a change in the mix of hedging instruments held.

The reduction in the cross-effects capital buffer is driven by the change in market conditions since the previous calculation, particularly the increase in interest rates, which reduced the risk exposure of both business and underwriting risks.

The loss absorbing capacity of deferred taxes decreased slightly due to the decrease in the SCR before tax, which reduced the implied tax relief. The combined effect of these changes is a reduction in the SCR of €6.8m over 2021.

E.2.1. Available Own Funds and solvency requirements

Table 27 Solvency Ratio (€m)

	2021	2020
Own Funds	307.8	288.6
Required Capital	134.1	140.9
Solvency Ratio	230%	205%

As shown in the table above, the solvency ratio at 31 December 2021 was 230%, an increase from 205% at 31 December 2020.

The resultant increase in available Own Funds (as noted in Section E.1.2) is in line with the business growth and market impacts, whereas the SCR decreased despite the increase in business growth. The combined effects resulted in an overall increase in solvency ratio.

The entirety of AGL's available capital is classified as 'Tier 1 Own Funds' in the SII balance sheet. Therefore, the Company is satisfied that the capital is of a high quality and can be fully relied upon. The Company monitors the solvency position on an ongoing basis, with formal reporting to the Central Bank at required quarterly and annual submission dates.

E.2.2. Inputs used for the MCR calculation

The calculation of the MCR is formula based as dictated by EIOPA SII requirements. The inputs used to calculate the MCR are shown in the table below:

- The Linear MCR is a calculation based on the value of Technical Provisions and capital at risk.
- The Linear MCR is subject to a floor of 25% and a cap of 45% of the SCR.
- An absolute floor of €3.7m is prescribed by EIOPA.

Table 28: MCR at 31 December (€m)

Component	2021	2020
Index-linked and unit-linked insurance obligations	6,065.2	5,296.2
Other life (re)insurance and health (re)insurance obligations	30.1	14.3
Total capital at risk for all life (re)insurance obligations	2,031.1	1,494.8
Linear MCR	**44.5**	**38.4**
SCR	134.1	140.9
MCR cap (45% of SCR)	60.3	63.4
MCR floor (25% of SCR)	33.5	35.2
Combined MCR	**44.5**	**38.4**
Absolute floor of the MCR	3.7	3.7
Minimum Capital Requirement	**44.5**	**38.4**

E.3. Use of the Duration-based Equity Risk Sub-module

As outlined in Section B.3.3.2, AGL does not take the Standard Formula approach to calculating the SCR and so does not make use of the duration-based equity risk sub-module.

E.4. Internal Model Information

The Company uses the Internal Model for a number of different purposes. Most prominently, it is used to compute the Company's SCR which is typically done on at least a quarterly basis and reported quarterly to AGL's Board and the Board Risk & Finance Committee.

The model is used in both strategic and tactical decisions to ensure that a sufficient risk tolerance is respected. Specifically, the model is used to set the Company's business strategy, allocate capital to new projects, set the reinsurance strategy, set product prices to achieve profitability and review the performance of the Company.

E.4.1. Scope of the Internal Model

The scope of the Internal Model covers all business underwritten and the Company's activities which take place in the normal course of business. Risk categories covered by the Internal Model are presented and explained in Section C.

E.4.2. Methodology underlying the Internal Model

AGL's Internal Model is discussed in Section B.3.3.2, with further detail provided in Section C.0. The Company's Internal Model is part of the Allianz Group Internal Model, tailored to the specifics of AGL.

The Standard Formula approach uses factor-based shocks to calculate the SCR. The Internal Model derives the risk capital on the basis of simulating each risk type and its corresponding impact on the Company's balance sheet based on its assumed range of possible outcomes and relationship to other risk types.

The range of possible outcomes for each risk type is based on an underlying distribution which is calibrated to market data, the Company's internal historical data or Allianz Group's internal historical data. Recommendations from the insurance industry, supervisory authorities and actuarial associations are also considered.

E.4.3. Main differences between the Internal Model and the Standard Formula

The following table provides an overview of differences between the two approaches by risk module:

Table 29: Differences between Standard Formula and Allianz Group Internal Model

Internal Model Risk Category	Standard Formula (SF) (factor-based approach)	Internal Model (stochastic simulation)
Underwriting Risk	Standardised mortality, longevity, morbidity shocks (combined with business risk in SF).	Shocks based on AGL and Allianz Group experience.
Business Risk	Standardised lapse and expense shocks (combined with underwriting risk in SF).	Shocks based on AGL and Allianz Group experience.
Market Risk	Pre-defined up/down shocks as percentage change to existing market values. Worst shock determines the capital requirement for each risk factor. No shock to certain bonds, e.g. EU government bonds. No explicit risk module for volatility risks. Instantaneous shock does not reflect the daily reaction to the market movements of the hedging programme. Aggregation based on pre-defined correlation assumptions.	Underlying distribution for each modelled risk factor is calibrated to market data. Complex changes such as twists in the interest rate curve are considered. All bonds are subject to changes in value. Interest rate volatility risk and equity volatility risk are explicitly considered. AGL-developed market risk model allows for dynamic hedging programme. Aggregation is based on relationships between different risk factors calibrated using market data and expert judgement.
Credit Risk	Factor-based approach based on the Company's underlying credit risk exposures.	Potential changes in credit risk exposures are based on an Allianz Group longer term "through the cycle" analysis of economic cycles. Internal Allianz rating system is used. Collateralisation of credit exposures more accurately allowed for. Spread risk is not fully captured and thus an additional spread risk component is allowed for in the market risk module.
Operational Risk	Factor-based approach based on earned premium amount, expenses incurred and Technical Provisions.	Scenario-based risk modelling approach Risk identification within AGL. Aggregation of operational risks based on loss frequency and loss severity distributions.
Loss absorbing capacity of tax	Loss absorbing capacity allows companies to reflect that a future loss equal to the Standard Formula SCR that would result in a reduction in deferred tax liabilities. AGL limit this loss absorbing capacity to a maximum amount of the currently recognised deferred tax liability.	Loss absorbing capacity allows companies to reflect that a future loss equal to the Internal Model SCR that would result in a reduction in deferred tax liabilities. AGL limit this loss absorbing capacity to a maximum amount of the currently recognised deferred tax liability.

E.4.4. Diversification benefit

In order to set an appropriate level of diversification benefit, it is necessary to determine the dependencies between the risks to which the Company is exposed. The Company relies on the industry-standard Gaussian copula approach, using a methodology developed by Allianz Group. This describes the correlations between the different risk types. These correlations, which define the relationship between different risks, are derived through statistical analysis of historical data, considering quarterly observations over several years. In the case

where historical data or other business-specific observations are insufficient or not available, relationships are set according to a well-defined, Group-wide process which combines the expertise of risk and business experts. In general, relationships are set to represent how risk types will interact under conditions which deteriorate the Company's solvency position.

E.4.5. Appropriateness of Internal Model

Based on the differences highlighted above, the Company assess that use of the Internal Model more appropriately reflects the risk profile than the Standard Formula approach. The solvency position is also monitored under the Standard Formula basis but it is the Internal Model approach which is used for decision making.

E.4.6. Internal Model data

Various sources of data are used as input for the Internal Model and for the calibration of parameters. Model and scenario parameters are derived from historical data, where available, to characterise future possible risk events. Where insufficient data is available to calibrate the parameters, expert judgement informed by the Standard Formula parameters are used. If future market conditions differ substantially from the past, for example in an unprecedented crisis, this approach may be too conservative or too liberal in ways that are difficult to predict. In order to mitigate reliance on historical data, the analysis is accompanied by stress testing. Where reasonable, the input data is identical to the data used for other purposes, e. g. for IFRS accounting. The appropriateness of this data is regularly verified internally and by external auditors.

E.4.7. Use of undertaking-specific parameters in the Standard Formula and capital add-ons

The Company is not using undertaking-specific parameters as the SCR is not based on the Standard Formula approach.

There are no regulatory capital add-ons applied.

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

Allianz Global Life complied with the MCR and the SCR throughout 2021.

E.6. Any Other Information

E.6.1. Cross-Effects Capital Buffer

As noted in Section C.7, the "cross-effects capital buffer" is capital held to reflect the additional impact of multiple risks occurring simultaneously as opposed to individually that are not already allowed for through the correlation factors. The combined impact of risks occurring together can be greater than the sum of the individual impacts depending on the nature of the risks. The market risk model captures the cross-effects between different market components (e.g. interest and equity). Other cross-effects such as longevity risk versus market risk or surrender risk versus market risk are also allowed for in the SCR calculation, either through a reduction in diversification or the holding of a cross-effects capital buffer.

Annex: Quantitative Reporting Templates ('QRTs')

S.02.01.02: Balance Sheet (€000)

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	469,072
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	
Bonds	**R0130**	201,713
Government Bonds	**R0140**	86,664
Corporate Bonds	**R0150**	110,507
Structured notes	**R0160**	
Collateralised securities	**R0170**	4,542
Collective Investments Undertakings	**R0180**	
Derivatives	**R0190**	267,359
Deposits other than cash equivalents	**R0200**	
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	6,157,194
Loans and mortgages	**R0230**	136,212
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	136,212
Reinsurance recoverables from:	**R0270**	11,904
Non-life and health similar to non-life	**R0280**	
Non-life excluding health	**R0290**	
Health similar to non-life	**R0300**	
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	11,869
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	11,869
Life index-linked and unit-linked	**R0340**	35
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	34,508
Reinsurance receivables	**R0370**	296
Receivables (trade, not insurance)	**R0380**	88,527
Own shares	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	34,773
Any other assets, not elsewhere shown	**R0420**	794
Total assets	**R0500**	6,933,280

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	
Technical provisions – non-life (excluding health)	**R0520**	
TP calculated as a whole	**R0530**	
Best Estimate	**R0540**	
Risk margin	**R0550**	
Technical provisions - health (similar to non-life)	**R0560**	
TP calculated as a whole	**R0570**	
Best Estimate	**R0580**	
Risk margin	**R0590**	
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	42,933
Technical provisions - health (similar to life)	**R0610**	
TP calculated as a whole	**R0620**	
Best Estimate	**R0630**	
Risk margin	**R0640**	
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	42,933
TP calculated as a whole	**R0660**	
Best Estimate	**R0670**	41,912
Risk margin	**R0680**	1,021
Technical provisions – index-linked and unit-linked	**R0690**	6,166,126
TP calculated as a whole	**R0700**	
Best Estimate	**R0710**	6,065,365
Risk margin	**R0720**	100,761
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	13,876
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	
Deferred tax liabilities	**R0780**	59,487
Derivatives	**R0790**	20,068
Debts owed to credit institutions	**R0800**	247,960
Insurance & intermediaries payables	**R0820**	25,503
Reinsurance payables	**R0830**	2,857
Payables (trade, not insurance)	**R0840**	19,394
Subordinated liabilities	**R0850**	
Subordinated liabilities not in basic own funds	**R0860**	
Subordinated liabilities in basic own funds	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	27,258
Total liabilities	**R0900**	6,625,462
Excess of assets over liabilities	**R1000**	307,818

S.05.01.02: Premiums/Claims/Expenses by Line of Business (€000)

Columns containing no data for AGL have been excluded.

Premiums, claims and expenses by line of business

		Line of Business for: life obligations		Life reinsurance obligations	Total
		Index-linked and unit-linked insurance	Other life insurance	Life reinsurance	
		C0230	C0240	C0280	C0300
Premiums written					
Gross	R1410	1,026,114	35,697	5,579	1,067,391
Reinsurers' share	R1420	154	4,761		4,915
Net	R1500	1,025,960	30,936	5,579	1,062,475
Premiums earned					
Gross	R1510	1,026,114	35,709	6,029	1,067,852
Reinsurers' share	R1520	154	4,762		4,916
Net	R1600	1,025,960	30,947	6,029	1,062,936
Claims incurred					
Gross	R1610	530,780	8,104	12,533	551,417
Reinsurers' share	R1620		3,054		3,054
Net	R1700	530,780	5,050	12,533	548,362
Changes in other technical provisions					
Gross	R1710	215,418	19,591	-20,192	214,818
Reinsurers' share	R1720	617	3,949		4,566
Net	R1800	214,801	15,642	-20,192	210,252
Expenses incurred	R1900	45,861	12,256	1,186	59,304
Administrative expenses					
Gross	R1910	8,550	112		8,662
Reinsurers' share	R1920				
Net	R2000	8,550	112		8,662
Investment management expenses					
Gross	R2010	3,564	2	731	4,297
Reinsurers' share	R2020				
Net	R2100	3,564	2	731	4,297
Claims management expenses					
Gross	R2110				
Reinsurers' share	R2120				
Net	R2200				
Acquisition expenses					
Gross	R2210	22,142	3,540		25,682
Reinsurers' share	R2220				
Net	R2300	22,142	3,540		25,682
Overhead expenses					
Gross	R2310	11,606	8,602	455	20,663
Reinsurers' share	R2320				
Net	R2400	11,606	8,602	455	20,663
Other expenses	R2500				
Total expenses	R2600				59,304
Total amount of surrenders	R2700	359,879			359,879

S.05.02.02: Premiums/Claims/Expenses by Country (€000)

Premiums, claims and expenses by country		Home Country	Total Top 5 and home country	Top 5 countries (by amount of gross premiums written) - life obligations				
	R1400			(DE) Germany	(FR) France	(IT) Italy	(JP) Japan	(GR) Greece
		C0220	C0280	C0230	C0230	C0230	C0230	C0230
Premiums written								
Gross	R1410		1,067,143	609	151,250	908,348	5,401	1,535
Reinsurers' share	R1420		4,915	346		4,570		
Net	R1500		1,062,228	264	151,250	903,778	5,401	1,535
Premiums earned								
Gross	R1510		1,067,604	621	151,250	908,348	5,849	1,535
Reinsurers' share	R1520		4,916	347		4,570		
Net	R1600		1,062,688	274	151,250	903,778	5,849	1,535
Claims incurred								
Gross	R1610		551,417	3,008	175,778	360,024	12,533	74
Reinsurers' share	R1620		3,054	1,272		1,782		
Net	R1700		548,362	1,736	175,778	358,243	12,533	74
Changes in other technical provisions								
Gross	R1710		214,829	-4,173	-223,791	461,445	-20,034	1,381
Reinsurers' share	R1720		4,566	-523		5,089		
Net	R1800		210,263	-3,650	-223,791	456,356	-20,034	1,381
Expenses incurred	R1900		59,291	576	20,236	37,222	1,179	79
Other expenses	R2500		0					
Total expenses	R2600		59,291					

S.12.01.02: Life Technical Provisions (€000)

Columns containing no data for AGL have been excluded.

Life and Health SLT Technical Provisions

		Index-linked and unit-linked insurance			Other life insurance		Accepted reinsurance		
			Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees		Index-linked and unit-linked insurance on Accepted reinsurance (Gross)	**Total (Life other than health insurance, incl. Unit-Linked)**
		C0030	**C0040**	**C0050**	**C0060**	**C0070**	**C0100**	**C0120**	**C0150**
Technical provisions calculated as a whole	**R0010**								
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0020**								
Technical provisions calculated as a sum of BE and RM									
Best Estimate									
Gross Best Estimate	**R0030**		673,080	5,379,598		41,912	12,687	12,687	6,107,277
Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	**R0040**		35			11,875			11,909
Recoverables from reinsurance (except SPV and Finite Re) before adjustment for expected losses	**R0050**		35			11,875			11,909
Recoverables from SPV before adjustment for expected losses	**R0060**								
Recoverables from Finite Re before adjustment for expected losses	**R0070**								
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**		35			11,869			11,904
Best estimate minus recoverables from reinsurance/SPV and Finite Re	**R0090**		673,045	5,379,598		30,043	12,687		6,095,374
Risk margin	**R0100**	97,769			1,021		2,992	2,992	101,782
Amount of the transitional on Technical Provisions									
Technical provisions calculated as a whole	**R0110**								
Best Estimate	**R0120**		0	0		0			0
Risk margin	**R0130**	0			0				0
Technical provisions - total	**R0200**	6,150,447			42,933		15,679		6,209,059

S.23.01.01: Own Funds (€000)

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35		**C0010**	**C0020**	**C0030**	**C0040**	**C0050**
Ordinary share capital (gross of own shares)	**R0010**	45,100	45,100		0	
Share premium account related to ordinary share capital	**R0030**	0	0		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**					
Subordinated mutual member accounts	**R0050**					
Surplus funds	**R0070**					
Preference shares	**R0090**					
Share premium account related to preference shares	**R0110**					
Reconciliation reserve	**R0130**	179,588	179,588			
Subordinated liabilities	**R0140**					
An amount equal to the value of net deferred tax assets	**R0160**	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**	83,130	83,130	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**					
Deductions						
Deductions for participations in financial and credit institutions	**R0230**					
Total basic own funds after deductions	**R0290**	307,818	307,818	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**					
Unpaid and uncalled preference shares callable on demand	**R0320**					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**					
Other ancillary own funds	**R0390**					
Total ancillary own funds	**R0400**					
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	307,818	307,818	0	0	0
Total available own funds to meet the MCR	**R0510**	307,818	307,818	0	0	
Total eligible own funds to meet the SCR	**R0540**	307,818	307,818	0	0	0
Total eligible own funds to meet the MCR	**R0550**	307,818	307,818	0	0	
SCR	**R0580**	134,103				
MCR	**R0600**	44,511				
Ratio of Eligible own funds to SCR	**R0620**	230%				
Ratio of Eligible own funds to MCR	**R0640**	692%				

Reconciliation reserve		C0060
Excess of assets over liabilities	R0700	307,818
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	0
Other basic own fund items	R0730	128,230
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	179,588
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	2,394
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	
Total Expected profits included in future premiums (EPIFP)	R0790	2,394

S.25.03.21: SCR – Internal Model (€000)

Solvency Capital Requirement - for undertakings on Full Internal Models

Unique number of component	Components description	Calculation of the Solvency Capital Requirement
C0010	C0020	C0030
10	IM - Market risk	125,682
11	IM - Underwriting risk	80,248
12	IM - Business risk	83,240
13	IM - Credit risk	10,546
14	IM - Operational risk	23,946
15	IM - LAC DT (negative amount)	-46,049
16	IM - Capital Buffer	2,119
17	IM - Adjustment due to RFF/MAP nSCR aggregation	0

Calculation of Solvency Capital Requirement		C0100
Total undiversified components	**R0110**	279,731
Diversification	**R0060**	-145,629
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional)	**R0160**	0
Solvency capital requirement excluding capital add-on	**R0200**	134,103
Capital add-ons already set	**R0210**	0
Solvency capital requirement	**R0220**	134,103
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	**R0300**	0
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	**R0310**	-46,049
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**	
Total amount of Notional Solvency Capital Requirement for ring fenced funds	**R0420**	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	**R0430**	
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	
Net future discretionary benefits	**R0460**	0

S.28.01.01: MCR – non-composite (€000)

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	44,511

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	-	
Obligations with profit participation - future discretionary benefits	R0220	-	
Index-linked and unit-linked insurance obligations	R0230	6,065,230	
Other life (re)insurance and health (re)insurance obligations	R0240	30,144	
Total capital at risk for all life (re)insurance obligations	R0250		2,031,072

Overall MCR calculation		C0070
Linear MCR	R0300	44,511
SCR	R0310	134,103
MCR cap	R0320	60,346
MCR floor	R0330	33,526
Combined MCR	R0340	44,511
Absolute floor of the MCR	R0350	3,700
Minimum Capital Requirement	R0400	44,511