Allianz Global Life dac

Directors' report and financial statements

Year ended 31 December 2021

Registered number 458565

Allianz Global Life dac

Directors' report and financial statements

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Directors and other information

Directors		Appointed	Resigned
Patricia Colton	Independent non-executive		
Mary Fulton	Independent non-executive		
Christian Finckh (German)	Non-executive		
Carsten Quitter (German)	Chairman		
Giampaolo Viseri (Italian)	Executive		
Rebecca Wysocki (American)	Executive	07/01/2022	

Registered office

Maple House
Temple Road
Blackrock
Co. Dublin
A94 Y9E8

Secretary

Francis O'Hara
Maple House
Temple Road
Blackrock
Co. Dublin
A94 Y9E8

Independent Auditors

PricewaterhouseCoopers
One Spencer Dock
North Wall Quay
Dublin
D01 X9R7

Main Bankers

Allied Irish Bank
Merrion Road
Dublin
D04 NV02

Commerzbank
Leopoldstraße 230
80807 Munich
Germany

Solicitors

Dillon Eustace
33 Sir John Rogerson's Quay
Dublin
D02 XK09

Directors and other information (*continued*)

Investment Managers	Allianz Global Investors GmbH Bockenheimer Landstraße 42-44 60323 Frankfurt Germany
	Allianz Investment Management SE Königinstraβe 28 80802 Munich Germany
	Investitori SGR S.p.A Piazza Erculea, 15 20122 Milano Italy
	PIMCO Europe Ltd. 103 Wigmore Street London W1U 1QS United Kingdom
Service Provider	Irish Progressive Services International Limited Block C Irish Life Centre Lower Abbey Street Dublin D01 A0W9

Report of the Directors

The Directors present their report and audited financial statements for the year ended 31 December 2021.

Principal activity, business review and future developments
Allianz Global Life dac (the Company) is authorised in Ireland to transact life assurance business in the European Union (EU) under the Solvency II Directive (2009/138/EC) as introduced into domestic Irish Legislation by the EU (Insurance and Reinsurance) Regulations 2015, effective from 1 January 2016.

The Company was incorporated on 11 June 2008 and received approval from the Central Bank of Ireland on 14 August 2008 to carry out Classes I and III Life Assurance business. 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. 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 as the primary jurisdictions.

Subsequently, the variable annuity business has 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 through 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, the Company leveraged its expertise in managing hedged products for a further business expansion and successfully launched a new variable annuity product in late 2016 with guaranteed minimum accumulation and death benefits via its Italian and French branch offices, availing in both markets predominantly of proprietary sales channels of Allianz Group. Subsequently, the Company commenced to distribute business outside of these structures and established in 2020 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 primary and reinsured variable annuity business, the Company continues to seek opportunities to broaden its sales capacity further through both new third-party distributors and geographical expansion. In parallel, it continues to work on the products' features and operational aspects of their delivery to improve risk control whilst maintaining their value for the customer. Good progress was made in 2021, including continued work on an enhanced reporting framework for attributing hedge profits and losses.

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 on the 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. 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 continued to successfully develop its payment protection insurance business in Italy.

In 2014, the Company entered into unit-linked business activity through its Italian branch office. Starting off with a product for private clients which has been highly successful, in 2015 and 2016 the Company also launched a product for retail clients, all of which offer death benefits and are sold by Allianz Group distributors. 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 through this branch on a

Report of the Directors (*continued*)

Principal activity, business review and future developments (*continued*)
freedom of establishment basis with sales effectively commencing 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.

In 2021 the company expanded with increased distribution via third party distributors for the retail unit-linked product in Italy. In 2021, the Company sold an individual large premium policy through proprietary distribution channels in Italy. Also 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.

The Company uses an internal model to calculate its Solvency Capital Requirement and has submitted regulatory returns in compliance with Solvency II requirements. Revalidations of several internal model components were conducted in 2020, confirming the appropriateness of the model subject to some recommendations for enhancements.

The Company has continued to prepare its financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

It is the Company's objective to deliver suitable products for customer needs, to achieve a satisfactory level of profitability for its shareholder, and to operate in adherence with the Solvency II capital regime, whilst taking into account statutory, financial and other regulatory requirements and the reasonable expectations of its policyholders. The Directors consider the Company is well placed to continue its development and achieve its stated objectives.

Result for the year and the state of affairs at the year-end
The result of the Company for 2021 is set out in the Income Statement on page 14 and this shows a net profit of €22.3m after taxation (2020: €9.4m).

The Company's Statement of Financial Position is set out on pages 16 and 17, and this shows that shareholders' funds at the end of 2021 were €152.6m (2020: €153.4m).

Note 12 to the financial statements on page 46 shows that the Company had a satisfactory level of cover on its regulatory capital at the end of 2021.

The Directors believe that it continues to be appropriate for the Company's financial statements to be prepared on a going concern basis following a review of the risks and uncertainties outlined in notes 1 and 2 to the financial statements. We have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue. The Board expects that the Company will continue to trade and meet regulatory capital requirements for the foreseeable future.

Dividends
The Company made a dividend payment of €22m during 2021 to its parent in respect of the prior year and the current year (2020: €nil).

Risk management objectives and policies
Ultimate responsibility for the Company's internal controls, including risk management, rests with the Directors of the Company. Management are responsible for monitoring, measuring, controlling and reporting on the risks connected with the Company's activities on a day-to-day basis.

Report of the Directors (*continued*)

Risk management objectives and policies (*continued*)
The Directors acknowledge the importance of effective corporate governance and risk management systems to ensure the Company's continuing compliance with all applicable laws and regulations and to safeguard the Company's value and reputation. These processes are kept under review so improvements can be made that take account of best practice, increasing regulatory requirements and the requirements of our parent group.

The Board is assisted in its governance by the operation of a number of committees, two of which, the Audit Committee and the Risk and Finance Committee, have a role in the development and monitoring of the Company's internal control and risk management systems. Both committees are chaired by a designated Board member and meet at least quarterly.

Information on the main risks and uncertainties that the Company faces, and how these are managed, is outlined in note 2 to the financial statements.

Corporate Governance Code
The Company is subject to and complies with the Corporate Governance Requirements for Insurance Undertakings (the Code) as issued by the Central Bank of Ireland. The Directors note that the Company is not subject to the requirements of Appendix I to the Code, applying only to high impact designated insurance undertakings.

Composition of Allianz Group
The Company is a wholly owned subsidiary of Allianz SE, a company incorporated in Germany. Allianz SE is also the ultimate holding company of the Company.

Directors
The names of persons who were Directors at the date of the report are set out on page 2. Oliver Wohlgemuth resigned as Director on 28/02/2021 and Rebecca Wysocki was appointed Director on 07/01/2022.

Directors and secretary and their interests
The Company has no disclosures to make under Section 329 of the Companies Act 2014 with regard to the interests of the Directors and Secretary who held office at 31 December 2021 in the shares or debentures or loan stock of the Company or of Allianz Group companies at the beginning or end of the year.

Accounting records
The Directors believe that they have complied with the requirements of Section 281 to 285 of the Companies Act 2014 with regard to adequate accounting records by employing personnel with appropriate expertise, providing adequate resources to the financial function and employing expertise within the Allianz Group. The accounting records of the Company are maintained at the Company's registered office.

Events subsequent to the year-end
There have been no events subsequent to 31 December 2021 that require adjustment to or disclosure in the financial statements.

Independent Auditors
PricewaterhouseCoopers will continue in office in accordance with Section 383 (2) of the Companies Act 2014.

Report of the Directors (*continued*)

Statement on relevant audit information
Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each Director has taken all the steps that they ought to have taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' compliance statement
The Directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations as set out in section 225 of Companies Act 2014 and confirm that:

- a compliance policy statement has been documented in the Company's corporate governance framework, setting out its internal policies with respect to compliance by the Company with its relevant obligations;
- appropriate arrangements or structures have been put in place that are, in the Directors' opinion, designed to secure material compliance with the Company's relevant obligations; and
- a review has been conducted, during the financial year to which the report relates, of any arrangements or structures that have been put in place.

Appreciation
The Directors wish to thank everyone who has contributed to the Company's continuing development, in particular our policyholders, our employees, our distributors, our service providers and our advisors.

On behalf of the board

Mary E Fulton

Mary Fulton
Director

Giampaolo Viseri
Director

16 March 2022

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company and of its profit or loss for that year. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and enable them to ensure that its financial statements comply with the Companies Act 2014. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. The Directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Act 2014.

On behalf of the board

Mary E Fulton

Mary Fulton
Director

Giampaolo Viseri
Director

16 March 2022

Independent auditors' report to the members of Allianz Global Life dac

Independent auditors' report to the members of Allianz Global Life dac

Report on the audit of the financial statements

Opinion

In our opinion, Allianz Global Life dac's financial statements:

- give a true and fair view of the company's assets, liabilities and financial position as at 31 December 2021 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the Directors' Report and Financial Statements, which comprise:

- the Statement of Financial Position as at 31 December 2021;
- the Income Statement and Statement of Other Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended;
- the Statement of Cash Flows for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law.

Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

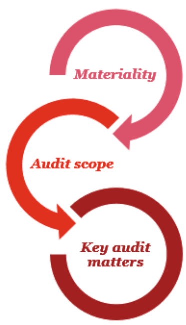
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by IAASA's Ethical Standard were not provided to the company.

Other than those disclosed in note 5 to the financial statements, we have provided no non-audit services to the company in the period from 1 January 2021 to 31 December 2021.

Our audit approach

Overview



Materiality

- €1.5 million (2020: €1.6 million)
- Based on circa 1% of net assets.

Audit scope

- We performed a full scope audit of the company's financial statements based on materiality levels.

Key audit matters

- Existence and valuation of financial assets.
- Valuation of technical provisions for insurance contracts.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Existence and valuation of financial assets *Refer to note 1 (pages 25 to 28), note 2 (pages 32 to 38), note 8 (page 45), note 9 (page 45) and note 13 (pages 47 to 50) to the financial statements.* The financial assets included in the statement of financial position are held in the company's name at 31 December 2021 and are valued at fair value in line with IFRS. These assets comprise primarily collective investment schemes, fixed interest securities, government and covered bonds, equities and derivatives. We focused on this area because it represents the principal element of the financial statements.	We gained an understanding of management's processes and controls relating to the existence and valuation of financial assets. We tested the design and operating effectiveness of those controls on which we wished to place reliance. We obtained independent confirmation from the custodians of nominal assets holdings at 31 December 2021, reconciling the amounts held per the confirmations to the accounting records. We tested the valuation of the investment portfolio by agreeing the valuation of investments to independent third party vendor sources. No matters were noted as a result of performing these procedures.
Valuation of technical provisions for insurance contracts *Refer to note 1 (pages 24 to 25), note 1 (pages 29 to 30) and note 17 (pages 51 to 53) to the financial statements.* Provisions for life assurance contracts comprise unit-linked liabilities equivalent to the fair value of the units allocated to the policyholder (financial liabilities for life assurance policies where investment risk is borne by the policyholders) and a non-unit linked liability (technical provisions for insurance contracts). The technical provisions for insurance contracts primarily relate to guaranteed minimum withdrawal benefits, guaranteed minimum death benefits and guaranteed minimum accumulation benefits (together "GMxB"). The GMxB liabilities are dependent on management judgements in the application of valuation methodologies and assumptions. The principal assumptions are those relating to future investment returns, discount rates, mortality and lapses. These vary by product type. We focused on the valuation of technical provisions for insurance contracts because its determination involves significant judgement and is dependent upon a number of economic and demographic assumptions.	With the assistance of our actuarial specialists, we considered the methodologies and assumptions used in the calculation of the GMxB liabilities. We focused in particular on: • considering management's approach to estimating guarantee costs by reference to changes in economic conditions, the company's historical experience and our knowledge of the life assurance industry; • assessing the reasonableness of the economic assumptions by reference to market data; and • assessing the reasonableness of the mortality and lapse assumptions by reference to experience investigations carried out by management as part of the annual assumption setting process. We reviewed management's analysis of the provision movements which involve comparison with stress tests, sensitivity analysis and the company's hedging strategy. We also: • assessed the design and tested the operating effectiveness of selected controls over the calculation of the GMxB liabilities; and • tested the relevant key inputs to the company's underlying records. No matters were noted as a result of performing these

Key audit matter	*How our audit addressed the key audit matter*
	procedures.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

We performed a full scope audit of the company's financial statements, based on materiality levels.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	€1.5 million (2020: €1.6 million).
How we determined it	Circa 1% of net assets.
Rationale for benchmark applied	We have selected this benchmark as, in our view, net assets is the most appropriate benchmark given the circumstances and nature of the Company's business.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €75,000 (2020: €80,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

In accordance with guidance on the audit of insurers issued by the Financial Reporting Council which is generally accepted in Ireland, we have applied a higher materiality threshold of €61.5 million solely for the purpose of identifying and evaluating the effect of misstatements that are likely only to lead to a reclassification between line items within assets and liabilities, in particular unit-linked investment contract assets and liabilities.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- obtaining management's going concern assessment for the going concern period which covers a year from the date of approval of the financial statements;
- considering the company's financial and solvency position and the surplus over its regulatory capital requirements;
- considering management's Own Risk Self Assessment procedures to stress test the capital position in various adverse scenarios;
- considering the credit rating of the company's reinsurance counterparties;
- considering the company's liquidity position; and
- considering the going concern disclosures included in the financial statements in order to assess whether the disclosures are appropriate and in accordance with reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Directors' Report and Financial Statements other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Report of the Directors, we also considered whether the disclosures required by the Companies Act 2014 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below:

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Report of the Directors for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.
- Based on our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.

Other exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the directors on 13 September 2018 to audit the financial statements for the year ended 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 31 December 2018 to 31 December 2021.

Paraic Joyce

for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
17 March 2022

Income Statement
For the year ended 31 December 2021

	Note	Year ended 31 December 2021 €'000	Year ended 31 December 2020 €'000
Gross premiums written	*3*	181,334	165,010
Outward reinsurance premiums		(4,915)	(4,997)
Net premiums written		176,419	160,013
Change in gross provision for unearned premium	*19*	461	2,391
Change in reinsurers share of unearned premium	*19*	(1)	7
Earned premiums net of reinsurance		176,879	162,411
Investment return	*4*	(202,261)	74,119
Movement in deferred income	*18*	(10,078)	705
Total income		(35,460)	237,235
Insurance claims and benefits incurred		(20,701)	(63,065)
Ceded insurance claims and benefits incurred		3,054	4,413
Claims paid net of reinsurance		(17,647)	(58,652)
Change in technical provision for insurance contracts	*17*	145,074	(107,272)
Acquisition and administration expenses	*5*	(59,853)	(53,556)
Total expenses		67,574	(219,480)
Profit for the year before taxation		32,114	17,755
Taxation	*6*	(9,796)	(8,314)
Profit for the year attributable to shareholder		22,318	9,441

All results are from continuing operations. The accounting policies and the notes on pages 20 to 61 form an integral part of these financial statements.

Statement of Other Comprehensive Income

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 €'000	Year ended 31 December 2020 €'000
Net change in fair value of financial assets available for sale		(1,308)	(149)
Deferred tax effect of fair value movement	*6*	163	19
Net expense recognised in equity		(1,145)	(130)
Profit for the year		22,318	9,441
Total comprehensive income for the year		21,173	9,311

The accounting policies and the notes on pages 20 to 61 form an integral part of these financial statements.

Statement of Financial Position
As at 31 December 2021

	Note	As at 31 December 2021 €'000	As at 31 December 2020 €'000
Assets			
Deferred acquisition costs	*7*	59,108	50,189
Reinsurer's share of unearned premium	*19*	115	117
Reinsurer's share of claims reserve	*17*	12,492	8,077
Shareholder financial assets			
- Investments available for sale	*2, 8*	200,868	200,332
Shareholder financial assets at fair value through profit or loss			
- Derivative assets	*2, 21*	7,802	20,170
Policyholder financial assets			
- Investments at fair value through profit or loss	*2, 9*	6,147,210	5,208,090
Tax receivables	*10*	60,634	52,243
Other receivables	*11*	204,004	309,499
Cash and cash equivalents	*2*	53,627	85,294
Deferred tax asset	*6*	2,265	2,289
Total assets		6,748,125	5,936,301

The accounting policies and the notes on pages 20 to 61 form an integral part of these financial statements.

Statement of Financial Position (*continued*)
As at 31 December 2021

	Note	As at 31 December 2021 €'000	As at 31 December 2020 €'000
Shareholder equity			
Called up share capital	*14*	45,100	45,100
Retained earnings	*15*	24,496	24,178
Capital contributions		83,130	83,130
Financial assets available for sale reserve		(166)	978
Total shareholder equity interests		152,560	153,386
Liabilities			
Financial liabilities for unit-linked contracts	*16*	6,147,211	5,208,090
Technical provisions for insurance contracts	*17*	272,827	414,018
Shareholder financial liabilities at fair value through profit or loss	*2, 21*		
- Derivative liabilities		18,376	31,752
Deferred income reserve	*18*	52,440	42,362
Provision for unearned premiums	*19*	3,952	4,413
Deferred tax liability	*6*	1,949	2,480
Creditors and other payables	*20*	98,812	79,799
Total liabilities		6,595,565	5,782,914
Total liabilities and shareholder equity		6,748,125	5,936,301

The accounting policies and the notes on pages 20 to 61 form an integral part of these financial statements.

On behalf of the board

Mary E Fulton

Mary Fulton
Director

Giampaolo Viseri
Director

16 March 2022

Statement of Changes in Equity

For the year ended 31 December 2021

	Share Capital €'000	Capital Contribution €'000	AFS reserve €'000	Profit and loss reserve €'000	Total €'000
Balance at 1 January 2021	**45,100**	**83,130**	**979**	**24,178**	**153,387**
Profit for the year	-	-	-	22,318	22,318
Movement in fair value of available for sale investments	-	-	(1,308)	-	(1,308)
Movement in deferred tax liability on available for sale investments	-	-	163	-	163
Total movements for the year	**-**	**-**	**(1,145)**	**22,318**	**21,173**
Dividends paid	**-**	**-**	**-**	**(22,000)**	**(22,000)**
Balance at 31 December 2021	**45,100**	**83,130**	**(166)**	**24,496**	**152,560**
Balance at 1 January 2020	**45,100**	**83,130**	**1,109**	**14,736**	**144,075**
Profit for the year	-	-	-	9,441	9,441
Movement in fair value of available for sale investments	-	-	(149)	-	(149)
Movement in deferred tax liability on available for sale investments	-	-	19	-	19
Total movements for the year	**-**	**-**	**(130)**	**9,441**	**9,311**
Dividends paid	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2020	**45,100**	**83,130**	**979**	**24,178**	**153,387**

The accounting policies and the notes on pages 20 to 61 form an integral part of these financial statements.

Statement of Cash Flows
For the year ended 31 December 2021

	Year ended 31 December 2021 €'000	Year ended 31 December 2020 €'000
Net profit before tax	32,114	17,755
Net change in:		
Technical provision for insurance contracts (net of reinsurance)	(145,606)	103,902
Deferred acquisition cost	(8,920)	(723)
Deferred income reserve	10,078	(705)
Provision for unearned premiums (net of reinsurance)	(459)	(2,398)
Shareholder financial assets and liabilities at fair value through profit or loss	(1,008)	(12,904)
Tax and other receivables	97,128	47,102
Creditors and other payables	18,344	(125,596)
Tax		
Tax paid	(9,658)	(6,846)
Net cash (used in)/generated from operating activities	(7,987)	19,587
Cash flow from investing activities:		
Payments for financial assets at fair value through other comprehensive income	(94,350)	(166,730)
Proceeds from sale of financial assets at fair value through other comprehensive income	92,670	147,337
Net cash used in investing activities	(1,680)	(19,393)
Cash flow from financing activities:		
Dividends paid	(22,000)	-
Net cash used in financing activities	(22,000)	-
Net (decrease)/increase in cash and cash equivalents	(31,667)	194
Cash and cash equivalents at beginning of year	85,294	85,100
Cash and cash equivalents at end of year **	53,627	85,294

** Note: the Statement of Cash Flows reflects shareholder cash and cash equivalent balances and does not include policyholder un-invested cash and cash equivalents values.

The accounting policies and the notes on pages 20 to 61 form an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2021

1. Accounting policies

Allianz Global Life dac (the Company) is a company domiciled in the Republic of Ireland and the principal accounting policies adopted by the Company are set out in this note.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). Currently applicable IFRS do not provide specific guidance concerning all aspects of the recognition and measurement of insurance contracts. In line with Allianz Group and in accordance with the provisions of IFRS 4, the company uses accounting principles generally accepted in the United States of America (US GAAP) as the basis for measuring insurance contracts under IFRS. The accounting policies adopted are consistent with those of the previous financial year. The financial statements also comply with the requirements of relevant Irish legislation including the Companies Act 2014.

The financial statements have been prepared on a going concern basis. In assessing the going concern basis of the Company, the Board of Directors considered the financial risks outlined in note 2 to the financial statements as well as the significant demographic, economic, regulatory, political and market 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 Solvency Capital Ratio and Minimum Capital Ratios;
- the Company’s balance sheet strength and liquidity position;
- the Company’s past financial performance including profit generation;
- current and projected financial performance based on the annual corporate plan;
- the credit rating of Company’s re-insurance counterparties;
- the Company’s liquidity position;
- the quality of the Systems of Governance and Risk Management that are in effect in the business
- operational resilience; and
- the potential impact of the Russian invasion of Ukraine in February 2022.

Following analysis of the going concern assessment, the Directors are satisfied that it is reasonable to conclude it is appropriate for the financial statements to be prepared on a going concern basis.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision, and future periods if the revision affects both current and future periods.

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

1. Accounting policies (*continued*)

Basis of preparation (continued)
The financial statements are expressed in Euro (€), which is the functional and presentational currency of the Company. All amounts are rounded to nearest €000's.
The Company applies the accruals concept for the recognition of expenses in the Income Statement in order to reflect the effect of the transactions as they occur and not as cash or its equivalent is paid.

Adoption of new standards, amendments and revisions to existing standards
The following new standards, amendments and revisions to existing standards became effective for the Company's financial statements during the year ended 31 December 2021:

- Interest Rate Benchmark Reform – phase 2 – amendments to IFRS 9, IAS 39 and IFRS 7;
- Covid-19-Related Rent Concessions beyond 30 June 2021 – IFRS 16.

The Company's financial statements have not been affected by these new amendments.

Future adoption of new standards, amendments and revisions to existing standards
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2023 and have not been applied in preparing these financial statements. The following is a list of standards or interpretations that are in is sue which may impact on the Company's future financial statements but have not yet been adopted by the Company:

Standard/Interpretation	Effective Date
IFRS 17: Insurance Contracts	Annual periods beginning on or after 1 January 2023
IFRS 9: Financial Instruments	Annual periods beginning on or after 1 January 2018 (deferral approach taken by the Company)

Early adoption of the above-mentioned standards is generally allowed, but not intended by the Company.

These standards are expected to have a significant effect on the financial statements of the Company as outlined below.

IFRS 9, Financial Instruments: Classification and Measurement
IFRS 9, issued by the IASB in July 2014, fully replaces IAS 39 and provides a new approach on how to classify financial instruments based on their cash flow characteristics and the business model under which they are managed. Furthermore, the standard introduces a new forward looking impairment model for debt instruments and provides new rules for hedge accounting. It can be assumed that the main impact from IFRS 9 will arise from the new impairment model. Interdependencies with IFRS 17 will need to be considered to assess the ultimate combined impact of both standards.

The amendments to IFRS 4, *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*, issued in September 2016, allow entities that issue insurance contracts within the scope of IFRS 4 to defer the implementation of IFRS 9 until 1 January 2021. In March 2020 the IASB decided to extend the exemption currently in place for some insurers regarding the application of IFRS 9 to enable them to implement both IFRS 9 and IFRS 17 at the same time. IFRS 17 will now be applied for financial periods beginning on or after 1 January 2023. The Company intends to implement both IFRS 9 and IFRS 17 for the first time when preparing financial statements for the year ended 31 December 2023.

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

1. Accounting policies (*continued*)

Future adoption of new standards, amendments and revisions to existing standards (*continued*)
IFRS 9, Financial Instruments: Classification and Measurement *(continued)*
In order to qualify for the temporary exemption an entity has to prove that its activities are predominantly connected to (re)insurance as of 31 December 2015. Under the amended IFRS 4, this condition is met if the insurer carries significant liabilities arising from contracts within the scope of IFRS 4. Significant (re)insurance-related liabilities are given, among others, if the percentage of the total carrying amount of liabilities connected with (re)insurance relative to the total carrying amount of all liabilities is greater than 90%. A reassessment at a subsequent annual reporting date is required if, and only if, there was a change in the entity's activities during the annual period that ended on that date.

As of 31 December 2015 the Company's total carrying amount of liabilities connected to (re)insurance represented more than 90% of its total liabilities. Accordingly, the Company applies the temporary exemption from IFRS 9. As at 31 December 2021, no change in the activities of the Company occurred subsequently that would have required a reassessment.

The Company has commenced preparations for the IFRS 17 and IFRS 9 transition. The table below sets out the Company's financial instruments, currently measured and presented under IAS 39 and their expected measurement and presentation under IFRS 9.

Table 1: **Reconciliation between IAS 39 and IFRS 9 classification of financial assets and liabilities as at 31 December 2021**

		Balance as measured under IFRS 9			
	IAS 39 Balance €'000	Fair Value through Profit or Loss €'000	Fair Value through OCI €'000	Amortised Cost €'000	Other €'000
Held for Trading Assets	6,155,012	6,155,012	-	-	-
Available for Sale Assets	200,868	402	200,466	-	-
Amortised Cost Assets	255,958	-	-	255,958	-
Held for Trading Liabilities	(241,969)	(18,376)	-	-	(223,593)*
Amortised Cost	(96,946)	-	-	(96,946)	-
		6,137,038	200,466	159,012	(223,593)

*These financial liabilities measured as held for trading under IAS 39 are derivatives related to the Company's guaranteed minimum benefits associated with its variable annuity products. These will be measured as part of the liability for remaining coverage when IFRS 17 and 9 are applied. The instruments will be measured at fair value. This presentation change arises from the Company's expected treatment of embedded derivatives under the new reporting standards.

If IFRS 9 was applied as at 31 December 2021, the Company would expect to record a total expected credit loss (ECL) on financial assets measured at fair value through other comprehensive income (FVOCI) and measured at amortised cost of €0.1m. All counterparties to these assets were deemed not to have suffered a significant deterioration in credit risk since origination, and as such, the ECL calculations were based on credit losses expected for the 12 months following the reporting period end.

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

1. Accounting policies (*continued*)

Future adoption of new standards, amendments and revisions to existing standards (*continued*)
IFRS 17, Insurance Contracts
IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard and was initially effective for annual reporting periods beginning on or after 1 January 2021, with early adoption not permitted. In November 2018, the IASB announced the deferral of this implementation date to annual reporting periods beginning on or after 1 January 2022. This was followed by another deferral, announced in March 2020, which will see the Standard becoming effective for annual reporting periods beginning on or after 1 January 2023.

The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts, which gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. It applies to insurance contracts issued, to all reinsurance contracts, and to investment contracts with discretionary participating features if an entity also issues insurance contracts.

The Standard requires a current measurement model where estimates are remeasured in each reporting period. The general default measurement modelis the 'Building Block Approach' (which is a discounted probability-weighted cash flow based model), with a simplified version of this called the 'Premium Allocation Approach' (for short term contracts with little variability). There is also a 'Variable Fee Approach' to deal with participating business where the policyholder liability is linked to underlying items. This will be the predominant measurement model for the Company's business.

We expect an impact to equity on transition from current IFRS 4 reporting to reporting on an IFRS 17 and IFRS 9 basis, the extent of which is still under review..

Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts. The disclosure requirements are more detailed than currently required under IFRS 4 and the Company has started considering how these additional disclosure requirements will be addressed under IFRS 17.

Product classification – insurance and investment contracts
Contracts under which the Company accepts significant insurance risk from another party by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder are classified as insurance contracts. In line with Allianz Group and in accordance with the provisions of IFRS 4, insurance contracts are recognized and measured on the basis of accounting principles generally accepted in the United States of America (US GAAP) as at first-time adoption of IFRS 4 on 1 January 2005.

Investment contracts are accounted for as financial instruments in accordance with IAS 39.

Insurance risk is significant if, and only if, an insured event could cause an insurer to pay significant additional benefits in any one scenario. An insurer shall assess the significance of insurance risk contract by contract. Contracts that qualify as insurance contracts remain an insurance contract until all risks and obligations are extinguished or expired. Investment contracts are those contracts that transfer no significant insurance risk to the Company.

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

1. Accounting policies (*continued*)

Insurance and investment contracts – recognition and measurement
Revenue - Premiums earned in respect of traditional long-duration insurance contracts and protection products are accounted for in the Income Statement as earned when due. Traditional long-duration insurance contracts are contracts that are not cancellable by the insurance company, guaranteed to be renewable, and expected to remain in force over an extended period of time.

Premiums in relation to limited-payment contracts are also recognised when due from the policyholder and are accounted for in the Income Statement as premium income. However, revenue is earned differently from traditional long duration contracts (see deferred income section below).

Revenues for investment and insurance contracts represent charges assessed against the policyholders' account balances for guarantee fees (including fee accruals), management fees and upfront fees, and are included within premiums earned (net of reinsurance and uninvested premiums). Premiums received in respect of investment contracts and insurance contracts are not recognised in the Income Statement as premiums but are accounted for as deposits in the Statement of Financial Position. Financial liabilities in respect of such contracts are presented in the Statement of Financial Position as *financial liabilities - investment contracts* and *financial liabilities for life assurance policies where the investment risk is borne by the policyholders*, respectively.

Reinsurance premiums in respect of the Asian variable annuities portfolio (referred to throughout as Asian VA) are accounted for in accordance with the terms of the reinsurance contracts and the original contracts for which the reinsurance was concluded. Premiums ceded for reinsurance are deducted from premiums earned. Refer to note 3 for breakdown of gross premiums written.

Deferred income - The income that is deferred is in respect of upfront fees applied in relation to services to be provided in future periods. Income is also deferred in respect of the excess of gross premium over net premium (the portion of the gross premium required to provide for all benefits and expenses) for limited-payment contracts. The deferred income reserve is amortised over the anticipated life of the contracts.

Claims - Claims include disability, annuities, surrenders and death claims. Deaths and surrenders are accounted for upon notification.

Annuities are accounted for on the date they are due to be paid. Reinsurance claim settlements are accounted for in accordance with the conditions of the reinsurance contracts and with consideration of the original contracts for which the reinsurance was concluded.

Provisions for insurance contracts - Provisions for unit-linked insurance contracts comprise a unit liability, equivalent to the fair value of the units allocated to the policyholders (financial liabilities for life assurance policies where the investment risk is borne by the policyholders), and, where appropriate, a non unit-linked liability (technical provision for insurance contracts).

Assets and liabilities related to reinsurance are reported on a gross basis. The amount of reserves ceded to reinsurers is estimated in a manner consistent with the claim liability associated with the reinsured risks.

The technicalprovision for insurance contracts relating to the Guaranteed Minimum Withdrawal Benefit (GMWB), Guaranteed Minimum Death Benefit (GMDB) and Guaranteed Minimum Accumulation Benefit (GMAB), with the GMAB being an embedded derivative, (collectively referred to as GMxB),

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

1. Accounting policies *(continued)*

Insurance and investment contracts – recognition and measurement (*continued*)
is determined each period by estimating the expected future claims in excess of the associated account balances. The Company regularly evaluates estimates used and adjusts the additional liability balance, with a related charge or credit to technical charges on the Income Statement, if actual experience or other evidence suggests that earlier assumptions should be revised.

A negative GMxB reserve can potentially develop if the present value of future guaranteed fees exceeds the present value of future guaranteed payouts. The performance of the funds under management are a key driver of this equation.

Deferred acquisition costs (DAC) - Costs incurred in acquiring insurance contracts are deferred to the extent that they are recoverable out of the future margins on those contracts. Acquisition costs include commission only. DAC are amortised over the period in which the costs are expected to be recovered out of the future margins on the related contracts. DAC are reviewed at the end of each financial year. Should the circumstances which justify the deferral of costs no longer apply, the DAC are written off, to the extent that they are deemed irrecoverable.

Insurance receivables and payables - Amounts due to and from policyholders, agents and others are included in insurance receivables and payables, and not in insurance contract provisions.

Investment return
Income from financial 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 classified as available for sale. Net changes in the fair value of financial assets are included in the Income Statement in the period in which they arise as well as dividend and interest income earned from these assets. Net changes in the fair value of available for sale financial assets are included in the Statement of Other Comprehensive Income in the period in which they arise.

Realised gains and losses are calculated as the difference between the net sale proceeds and original cost.

Unrealised gains and losses are calculated as the difference between the fair value of financial assets at the end of the accounting period and the fair value at the beginning of the period or the purchase price for assets acquired during the period.

Financial assets
Financial assets held to back investment and insurance contract liabilities are designated upon initial recognition 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. This designation eliminates or significantly reduces a measurement inconsistency that would otherwise occur if these financial assets were not measured at fair value and the changes in fair value were not recognised in the Income Statement. Financial assets that are not held to back the unit component of investment and insurance contracts are designated as available for sale and unrealised gains/losses are presented in equity.

Recognition and derecognition of financial assets and liabilities
Financial instruments are initially recognised at fair value plus, in the case of financial instruments not carried at fair value through profit or loss, directly attributable transaction costs. The Company derecognises a financial asset when the contractualrights to the cash flows from the asset expire or when

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

1. Accounting policies *(continued)*

Recognition and derecognition of financial assets and liabilities (continued)
it transfers the financial asset and the asset qualifies for derecognition in accordance with IAS 39. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired. Financial instruments are recognised and derecognised on trade date, i.e. when the Company commits to purchase or sell securities or incurs a liability.

Fair value of financial instruments
The Company applies the IFRS 13 fair value measurement principles to determine the fair value of financial instruments. For instruments in active markets with a quoted market price, the fair values of financial instruments are based on quoted market prices or dealer price quotations on the last exchange trading day prior to or at the reporting date. The quoted market price used for a financial asset held by the Company and for financial liabilities is the close price. Where there is no active market, fair value is determined by using valuation techniques. The valuation techniques used are based on market observable inputs when available. Such market inputs include references to formerly quoted prices for identical instruments from an active market, quoted prices for identical instruments from an inactive market, quoted prices for similar instruments from active markets and quoted prices for similar instruments from inactive markets. Market observable inputs also include interest rate yield curves, option volatilities and foreign currency exchange rates. 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.

Note 13 shows an analysis of financial instruments recorded at fair value by: Level I - quoted market prices in active markets, Level II - prices modelled with significant observable market inputs, Level III - prices modelled with significant unobservable market inputs.

Subsequent measurement of financial instruments
The subsequent measurement of financial instruments depends on their classification as follows:

Financial assets and liabilities carried at fair value through profit or loss - Financial assets and liabilities carried at fair value through profit or loss include financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through profit or loss. Financial assets held for trading consist of debt and equity securities that have been principally acquired for the purpose of generating a profit from short-term fluctuations in price or for the purpose of selling in the near future and derivative financial instruments with positive fair values that do not meet the criteria for hedge accounting.

Financial liabilities held for trading primarily consist of derivative financial instruments with negative fair values that do not meet the criteria for hedge accounting. Financial assets and liabilities carried at fair value through profit or loss are measured at fair value. Changes in fair value are recognised directly in the Income Statement. The recognised net gains and losses include dividends and interest of the underlying financial instruments.

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

1. Accounting policies *(continued)*

Subsequent measurement of financial instruments (*continued*)
Available-for-sale investments **-** Available-for-sale investments comprise debt and equity securities that are designated as available-for-sale or are not classified as held-to-maturity, loans and advances to banks and customers, or financial assets carried at fair value through profit or loss. Available-for-sale investments are measured at fair value. Unrealised gains and losses, which are the difference between fair value and cost or amortised cost, are recognised as a separate component of other comprehensive income, net of deferred taxes. When an available-for-sale investment is derecognised or determined to be impaired, the cumulative gain or loss previously recorded in other comprehensive income is transferred and recognised in the Income Statement.

Loans and receivables - Loans and receivables 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. Loans to banks and customers are initially recognised at fair value. Subsequently, they are recorded at amortised cost using the effective interest method. Using the effective interest method, net deferred fees and premiums or discounts are recorded as an adjustment of interest income yield over the lifetime of the related loans.

Financial assets for unit-linked contracts **-** Financial assets for unit-linked contracts are recorded at fair value with changes in fair value recorded in net income together with the offsetting changes in fair value of the corresponding financial liabilities for unit-linked contracts.

Financial liabilities at amortised cost **-** Other liabilities are subsequently measured at amortised cost.

Financial liabilities for unit-linked contracts - The fair value of financial liabilities for unit-linked contracts is equal to the fair value of the financial assets for unit-linked contracts to eliminate an inconsistency that would otherwise arise between the valuation of assets and liabilities.

Impairment
The carrying amounts of the Company's assets, which are not at fair value through profit or loss, are reviewed at each reporting date to determine whether there is any objective evidence that impairment exists. If any such indication exists, the carrying value is reduced to the estimated recoverable amount by means of a charge to the Income Statement.

The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and the recoverable value.

Calculation of recoverable amount **-** The recoverable amount of receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with short term duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The advance payment of the Italian Policyholders' Tax asset is held at face value without the application of discounting and the recoverability thereof is reviewed at each year-end.

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

1. Accounting policies *(continued)*

Impairment (*continued*)
Reversals of impairment - In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

Futures
Futures contracts with exchanges require collateral payments (initial and additional margins) as well as daily cash settlement payments (variation margins). Due to the fact that these derivative contracts are settled daily, they are presented in the Statement of Financial Position with a fair value of zero. The cash settlements are recognised through realised gains and losses in the Income Statement.

Cash and cash equivalents
Cash and cash equivalents comprise cash and bank balances and call deposits. Bank overdrafts that are repayable on demand and which form an integral part of the Company's cash management are included as a component of cash and cash equivalents. These assets are measured at amortised cost.

Advance payment of Italian Policyholders' Tax
Payments to the Italian authorities as a result of the Company being a withholding tax agent are recognised as assets. Those assets are presented within the Statement of Financial Position at their nominal amounts, i.e. no discounting is applied. The payments are recoverable from deductions made from capital gains made by policyholders, by offset against taxes payable to Italian revenue within a period of five years, or after a period of five years, they may be transferred to a company in the same group. The recoverable amount of the asset is reviewed at each year-end.

Taxation
Taxation comprises current and deferred taxation and is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax, including Irish corporation tax and foreign taxes, is provided on the Company's taxable profits, at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the reporting date.

Foreign currencies
The reporting and functional currency of the Company is the Euro. Monetary assets and liabilities denominated in foreign currency are translated into Euros at the exchange rate ruling at the balance sheet date and revenues, costs and non-monetary assets at the exchange rates ruling at the dates of the transactions. Profits and losses arising from foreign currency translations and on settlement of amounts receivable and payable in foreign currency are included in the Income Statement.

Pensions
Pension costs for the Company's defined contribution pension arrangement are included in administrative costs in the Income Statement as incurred. The assets represented by the Company's contributions, and those of employees, if any, are vested in independent trustees for the benefit of employees and their dependents.

Share based payments
The ultimate parent company, Allianz SE, operates a group share based employee incentive plan. The scheme comprises options consisting of restricted stock units. Note 25 to the financial statements provides further details on the operation of the scheme.

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

1. Accounting policies *(continued)*

Share based payments (continued)
The fair value of the amounts payable to employees in respect of the scheme which is settled in cash is recognised as an expense with a corresponding increase in liabilities over the period that the employees unconditionally become entitled to the payment. The liability is remeasured at each reporting date and at settlement date. Changes in the fair value of the liability are split appropriately between employee costs and investment return in the profit and loss account.

Provisions
A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of past events, under which it is more likely than not that an outflow of economic resources will be required to settle the obligation and the amount of the provision has been reliably estimated.

Critical accounting estimates and judgements
The Company's critical accounting policies and estimates and the application of these policies and estimates are considered by management for each reporting period. These are considered to be the valuation of insurance reserves and the recoverability of deferred acquisition costs which are detailed in notes 17 and 7, respectively.

The main judgements are as follows:
- The methodology applied to generate economic scenarios, including expected future fund returns and interest rates;
- The mortality assumptions, together with expected future mortality improvement rates;
- The lapse assumptions, together with how lapse decisions (also known as dynamic policyholder lapse behaviour) are expected to change under different economic conditions.

The Company's Statement of Financial Position has a high degree of estimation and numerous assumptions embedded in the valuation of assets and liabilities. The estimation process and selection of appropriate assumptions requires significant judgement to be applied and management decisions to be taken in order to establish appropriate values for these assets and liabilities. Any change in the assumptions and estimates could, in certain circumstances, significantly affect the reported results and values which may require a material adjustment to be made because the range of reasonable judgement on the basis of existing knowledge in some cases may be very large. The Board of Directors understands the degree of impact that these judgements may have and has established a system of governance as well as controls, procedures and guidelines to ensure consistency and soundness over these judgements.

Complex accounting areas that are especially sensitive to the estimates and assumptions are described in the following sections:

Estimates and assumptions relating to insurance contract liabilities
Mortality rates - Mortality assumptions (including improvement factors) for the variable annuity business are set for each European branch with reference to German mortality tables. For each of the branches (France, Italy and Germany) scaling factors have been applied to the tables to reflect experience appropriate to the country in question. The Company's classic European variable annuity business is exposed to longevity risk, such that when mortality rates decrease the Company's potential liability increases, whereas all other business is exposed to mortality risk, such that when mortality rates increase the Company's potential liability increases. Assumptions are set for the Asian business by reference to relevant local market mortality tables. For the protection business the mortality assumption

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

1. Accounting policies *(continued)*

Critical accounting estimates and judgements (*continued*)
is based on an internally designed mortality table created by Allianz Italy with scaling applied to ensure the assumption is appropriate to the AGL products in question.

Lapse rates - Assumptions are set on a country-by-country basis, based primarily on past lapse experience. The assumed lapse rates for the Company's classic European variable annuity business and Asian business also reflects potential adverse changes in policyholder lapse behaviour depending on the level of moneyness (value of guarantees). If the Company is exposed to lower lapse rates on the variable annuity book, the Company's liability in respect of investment guarantees will typically increase provided the guarantees are in-the-money for the policyholder. The same is true of the protection book, if the Company is exposed to lower lapses the protection claims reserve will increase.

Interest rates - The Company adopts a risk neutral valuation approach to the Company's potential exposure to interest rate movements. A financial model is used to derive the expected development of interest rates. Due to the nature of embedded guarantees, decreases in interest rates typically lead to an increase in the Company's potential liability.

Fund returns - The Company adopts a risk neutral valuation of the Company's liabilities. A financial model is used to derive the expected development of underlying investment funds, taking into account the implemented target volatility mechanism. Due to the nature of embedded guarantees, negative returns in underlying investment funds lead to an increase in the Company's potential liability. Refer to note 2 for sensitivity analysis on the above assumptions.

Other estimates and assumptions
Deferred acquisition costs (DAC) - Expected gross profits over the lifetime of an insurance policy are typically used to estimate the value of DAC and its related amortisation, excluding DAC on capital efficient variable annuity business and over-commissions. A decrease in future profits may lead to an impairment of the asset held. Changes in future cash flows may affect the profile of amortisation of the asset.

Deferred income reserve (DIR) - The income that is deferred is in respect of contracts on which a upfront fee applied in relation to services to be provided in future periods. The deferred income reserve is earned over the anticipated life of the contracts.

Italian Policyholders' Tax asset - The asset arising from the advance payment of Italian Policyholder Tax obligations is expected to be recoverable primarily from future policyholder exit taxes. A key judgement exercised by the Directors is that it is appropriate to carry this asset at its future recoverable value without reducing it for the time value of money by discounting.

The Company ensures a consistent valuation of it's IFRS liability value in the hedging programme through the use of the same cashflow model as is used for reserving purposes. The alignment with the model used for IFRS reporting is regularly monitored.

Deferred tax – 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. Deferred tax balances are provided at rates of taxation expected to prevail at the time of reversal. A deferred tax asset is recognised where it is probable that taxable profit will be available against which the deductible temporary difference, unused tax losses, and unused tax credits can be utilised.

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

1. Accounting policies *(continued)*

Critical accounting estimates and judgements (*continued*)
Assessments as to the recoverability of deferred tax assets require the use of judgement regarding assumptions related to estimated future taxable profits, the periods in which those profits are expected to occur, and the availability of tax planning opportunities. Forecasted operating results are based upon approved business plans, which are themselves subject to well-defined governance procedures. Evidence supporting the recognition of deferred tax assets is required if a loss is suffered either in the current or preceding period.

2. Risks and risk management

The Company is exposed to a range of risks through its financial assets and its financial liabilities and also in relation to the accounting estimates and judgements it needs to make in the preparation of its financial statements and its regulatory returns. These risks are described below together with the risk management approaches adopted by the Company.

Ultimate responsibility for the Company's risk management rests with the Board of Directors. 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. These committees include the Board level Risk and Finance Committee, and the following committees at management level: Risk Committee, Integrity Committee, Product Approval and Oversight Committee, Model Change and Reserve Committee and the Hedge Committee.

The Company's Risk Appetite Statement sets out the aggregate level and types of risk the Company is willing to assume within its risk capacity to achieve its strategic objectives and business plan.

Risk policies and standards define the Company's approach to risk management and establish the controls, procedures, 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 over time.

The primary business of the Company consists of variable annuity products sold directly into Europe and reinsurance of variable annuities previously 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.

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

2. Risks and risk management ***(continued)***

The Company also incurs risks through the general conduct of insurance operations, including liquidity risk, operational risk, credit risk, reputational risk and strategy risk.

2.1 Market risk
The primary source of the Company'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, partially 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.

The key risk mitigation employed in relation to guarantee-related market risk exposures is a daily dynamic hedging programme. 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 the Company profits.

Hedging is unlikely to perfectly offset market movements. This is due to the complexity of the liability, its non-linear behaviour which requires an Economic Scenario Generator (ESG) and stochastic valuation model 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.

The Company employs futures, interest rate swaps, total return swaps, equity options and foreign exchange forwards to manage the risk factors identified. An analysis of the derivative positions of the Company held at 31 December 2021, with the comparison as at 31 December 2020 is shown in Table 1. The analysis of the fair value amounts are presented net of collateral offsetting the derivative positions.

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

2. Risks and risk management *(continued)*

2.1 Market risk (*continued*)
***Table 1** – Derivative Positions*

Assets	**2021 €'000 Notional value**	**2020 €'000 Notional value**	**2021 €'000 Fair value**	**2020 €'000 Fair value**
Interest rate swaps	**1,526,569**	2,065,510	**4,405**	18,827
Total return swap	**182,042**	2,576	**1,835**	223
Foreign exchange forward contracts	**13,810**	28,059	**78**	110
Futures	**610,126**	969,693	**-**	-
Options	**5,333**	5,706	**146**	153
Derivative asset in respect of restricted stock units	**-**	-	**1,338**	857
Total	**2,337,880**	3,071,544	**7,802**	20,170

Liabilities	**2021 €'000 Notional value**	**2020 €'000 Notional value**	**2021 €'000 Fair value**	**2020 €'000 Fair value**
Interest rate swaps	**205,940**	383,947	**(17,984)**	(30,161)
Total return swap	**30,000**	336,000	**(293)**	(1,591)
Foreign exchange forward contracts	**2,359**	-	**(99)**	-
Futures	**-**	-	**-**	-
Total	**238,299**	719,947	**(18,376)**	(31,752)

In addition to the Board Risk and Finance Committee, the Company's Hedge Committee and Management Risk Committee also 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 management. Daily results are provided to the Company from the hedge programme and these are monitored by the Head of Hedging and the Head of Product and Investments. The Company aims to maintain cumulative hedged profit/loss over a calendar year within predefined limits.

Shareholder assets are invested within limits in terms of market exposures. These limits are monitored on an ongoing basis. An investment policy, which is considered by the Company to be prudent, 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 Board Risk and Finance Committee.

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

2. Risks and risk management *(continued)*

2.1. Market risk (*continued*)
The primary objective of the Company's investment policy is to regulate and control the process for managing the Company's invested assets so that:

a) a long-term yield on policyholder, hedge and shareholder assets can be achieved that exceeds the return needed to support the Company's liability profile, within asset allocation and risk tolerances; and

b) sufficient liquidity is maintained, particularly to cover unpredictable cash demands arising from the hedging programme that is aiming to offset changes in market values of insurance guarantees.

2.2. Further information on market risks
Interest rate risk - Interest rate risk arises primarily from the discounting effect on the level of reserves required to meet guarantees.

Through the Company's asset allocation strategy it is intended that there is no significant interest rate risk outside of that in the hedging programme described above.

Government and government related bonds held including supranational bonds totalling €92.1m (2020: €104.1m) and covered bonds, corporate bonds, and collateralised securities totalling €108.8m (2020: €96.2m) are invested by the asset manager under a mandate. The mandate sets limits on, amongst other things, maximum portfolio exposure by region, rating and duration in order to meet the objectives of the Company's investment policy.

The interest rate profile of the Company's interest bearing financial instruments at the reporting date is shown in Table 2.

***Table 2** – Interest rate profile*	**Carrying amount 2021 €'000**	**Carrying amount 2020 €'000**
Fixed rate instruments		
Financial assets	**185,876**	196,803
Thereof: Bonds	***185,876***	*196,803*
Financial liabilities	**-**	-
	185,876	196,803
Variable rate instruments		
Financial assets	**68,618**	88,823
Thereof: Bonds	***14,991***	*3,529*
Thereof: Cash and cash equivalents	***53,627***	*85,294*
Financial liabilities	**-**	-
	68,618	88,823

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

2. Risks and risk management *(continued)*

2.2. Further information on market risks (*continued*)
Equity risk - The Company has an exposure to equity price risk through the variable annuity financial guarantees written and also to the fee income earned by the Company. As noted above, the costs of financial guarantees are mitigated by operating a dynamic hedging programme, however profits and losses can arise to the extent that the hedging programme may not perfectly offset the change in the guarantee liabilities.

Table 3 sets out the effect of a shift in a selection of equity and interest rate values on the Company's liabilities and hedge assets as at 31 December 2021.

***Table 3** – Interest and Equity sensitivities*

Shock analysis assumptions	**Resilience 1**	**Resilience 2**	**Resilience 3**
Equities	-15.00%	-25.00%	-25.00%
Interest rates (parallel shift)	-0.75%	-0.50%	1.00%
Impact on accounts	**€'000**	**€'000**	**€'000**
Increase/(decrease) in hedge asset values	167,276	151,930	(62,044)
Hedge loss/(profit) in profit and loss account (90% hedge effectiveness assumed)	18,586	16,881	(6,894)

For each shock, it has been assumed that the shock occurs instantaneously based on the derivatives held as at 31 December 2021. In practice, the hedge asset notional value varies on a daily basis in line with the changes in the market sensitivity of the liability. The impact of a market shock will depend on the hedge asset notional value held at the time of shock, the length of the period over which the shock occurs and the volatility of the underlying markets. The Company is most exposed to large instantaneous shocks where the hedge has not had time to be rebalanced.

Foreign currency risk - This risk arises due to fluctuations in foreign exchange rates. The Company has exposure due to the underlying policyholder liabilities. The effects of currency exchange rates are also managed depending on the directional exposure. The Company has a limited amount of non-euro shareholder assets and an additional hedging process is deployed to manage the related currency risk.

Basis risk - Stemming from its dynamic hedging programme, the Company is exposed to basis risk due to the hedge instruments not matching perfectly the underlying investment fund composition. Therefore, the main driver for basis risk is the tracking error between the hedge instruments and the underlying investment funds. Over-performance or under-performance of underlying investment fund versus the hedge instruments leads to basis risk gains or losses, respectively.

Volatility risk - To mitigate the exposure to volatility risk, the Company uses a target volatility mechanism in the European variable annuity and selected Asian variable annuity funds. The target volatility mechanism aims to maintain the realised fund volatility within given targets. The realised volatility of the funds is observed to fluctuate around the target volatility, with the expected average being equal to the target volatility. In periods where the realised volatility is above the target, the Company can incur losses on its hedging programme.

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

2. Risks and risk management (*continued*)

2.3. Credit risk
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;
- Italian Withholding Tax.

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 the investments held by these counterparties to be delayed or limited.

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 in order 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 high rating or that are backed by an EU government or supranational organisation or, if corporate or covered bonds are held, these are limited to a spec ified rating level 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 central clearing in accordance with requirements of the European Market Infrastructure Regulation (EMIR).

Amounts receivable from debtors are age-analysed by the Company 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. The exposure to reduced profits on future fee income from credit risks is less material to the Company.

The Company only enters into reinsurance contracts with counterparties vetted by Allianz Group. Allianz Group companies have two primary criteria in selecting reinsurers. These are security and strategic partnership. Reinsurers that meet the Allianz Group selection criteria and with which the Allianz Group has expressed an interest in doing business are contained in the Mandatory Security List ("MSL") which will be considered by the Company when selecting reinsurers.

Notes to the financial statements (*continued*)

For the year ended 31 December 2021

2. Risks and risk management *(continued)*

2.3. Credit risk (*continued*)

Table 4 and Table 5 set out the credit risk exposure and ratings of financial and other assets which are most susceptible to credit risk for 2021 and 2020, respectively.

Table 4 *– Credit risk exposure and ratings of assets most susceptible to credit risk as at 31 December 2021*

	Financial assets			Deposits & Cash	Not rated	Assets held for policy-holders	Total
	From AAA To AA-	From A+ To A-	From BBB+ To BBB-	From AA To BBB			
	€000's	€000's	€000's	€000's	€000's	€000's	€000's
Shareholder financial assets							
Investments available for sale							
Fixed rate securities	91,369	33,598	60,909	-	-	-	**185,876**
Variable rate securities	4,541	4,232	6,219	-	-	-	**14,992**
Cash and Cash equivalents	-	-	-	53,627	-	-	**53,627**
Policyholder financial assets							
Investments at fair value through profit or loss							
Equities	-	-	-	-	-	25,670	**25,670**
Fixed Income Securities	-	-	-	-	-	57,245	**57,245**
Collective Investment Schemes	-	-	-	-	-	6,029,370	**6,029,370**
Deposit, cash and cash equivalents and others	-	-	-	-	-	34,925	**34,925**
Other receivables	-	-	-	-	204,004	-	**204,004**
Shareholder financial assets at fair value through profit or loss							
Derivative asset	6,721	1,081	-	-	-	-	**7,802**
Total assets bearing credit risk	**102,631**	**38,911**	**67,128**	**53,627**	**204,004**	**6,147,210**	**6,613,511**

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

2. Risks and risk management *(continued)*

2.3. Credit risk (*continued*)

***Table 5** – Credit risk exposure and ratings of assets most susceptible to credit risk as at 31 December 2020*

	Financial assets			Deposits & Cash	Not rated	Assets held for policy-holders	Total
	From AAA To AA-	From A+ To A-	From BBB+ To BBB-	From AA To BBB			
	€000's	€000's	€000's	€000's	€000's	€000's	€000's
Shareholder financial assets Investments available for sale							
Fixed rate securities	97,485	39,602	59,716	-	-	-	**196,803**
Variable rate securities	1,883	201	1,445	-	-	-	**3,529**
Cash and Cash equivalents	-	-	-	85,294	-	-	**85,294**
Policyholder financial assets Investments at fair value through profit or loss							
Equities	-	-	-	-	-	30,580	**30,580**
Fixed Income Securities	-	-	-	-	-	89,181	**89,181**
Collective Investment Schemes	-	-	-	-	-	5,051,323	**5,051,323**
Deposit, cash and cash equivalents and others	-	-	-	-	-	37,006	**37,006**
O ther receivables	-	-	-	-	309,499	-	**309,499**
Shareholder financial assets at fair value through profit or loss							
Derivative asset	11,483	8,561	126	-	-	-	**20,170**
Total assets bearing credit risk	**110,851**	**48,364**	**61,287**	**85,294**	**309,499**	**5,208,090**	**5,823,385**

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. This process is largely done through the Allianz cash pool and the banks used by the Company are vetted counterparties as pre-selected by the Allianz Group.

Notes to the financial statements (*continued*)

For the year ended 31 December 2021

2. Risks and risk management *(continued)*

2.4. Liquidity risk

In managing the Company's assets and liabilities, the Company seeks to ensure that cash is at all times available to settle liabilities as they fall due. Available funds are, as per the Company's current investment policy, only invested in short-/medium-term investments. The Company's treasury position is reviewed on a regular basis and cash balances are maintained to meet due liabilities.

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, the collateral payments are required immediately while the guarantee pay-outs will be experienced at some future date.

The liquidity position of the Company is monitored on an ongoing basis. There is a liquidity risk management standard in place with Board-approved risk-based thresholds. On a weekly basis, the Company monitors available liquidity within defined thresholds. On a quarterly basis, the Company analyses the available liquidity in further detail. The results of the analysis are presented to the Management Risk Committee and Board Risk and Finance Committee.

This analysis includes sensitivity tests on the liquidity position that are consistent with those used to set the liquidity thresholds.

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

An analysis of the contractualmaturity of the Company's financial liabilities at 31 December 2021, with the comparison as at 31 December 2020 is set out in Table 6.

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

2. Risks and risk management *(continued)*

2.4. Liquidity risk (*continued*)

Table 6 - *Contractual maturity of the Company's financial liabilities*

2021	**0-1 month €000's**	**>1-3 months €000's**	**> 3-12 months €000's**	**Total €000's**
Shareholder financial liability at fair value through profit or loss				
- Derivative liability	-	-	18,376	**18,376**
Financial liabilities for unit-linked contracts	6,147,210	-	-	**6,147,210**
Creditors and other payables	63,470	16,435	18,906	**98,811**
Total	**6,210,680**	**16,435**	**37,282**	**6,264,397**

2020	**0-1 month €000's**	**>1-3 months €000's**	**> 3-12 months €000's**	**Total €000's**
Shareholder financial liability at fair value through profit or loss				
- Derivative liability	-	-	31,752	**31,752**
Financial liabilities for unit-linked contracts	5,208,090	-	-	**5,208,090**
Creditors and other payables	49,796	16,135	13,868	**79,799**
Total	**5,257,886**	**16,135**	**45,620**	**5,319,641**

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

2. Risks and risk management *(continued)*

2.5. Underwriting risk
This is the risk of unexpected losses due to policyholders dying sooner, living longer or experiencing illness more frequently than expected.

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.

The Company also has some 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.

The Company manages exposure to longevity risk through active benchmarking of mortality assumptions, active repricing and by diversifying the product range into shorter term guarantees, unit-linked and protection business offering mortality and morbidity benefits. The Company manages mortality and morbidity exposures through the use of benefit limits and reinsurance as outlined in the Company's Standard for Outgoing Reinsurance.

2.6. Business risk
This is the risk of unexpected losses due to differences between actual experience and business assumptions, including higher expenses or different levels of surrenders than expected.

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 planned 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. Mis-estimating 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 variance in expected pay-outs due to a deviation from these assumptions.

The Company manages this exposure by reserving for the risk through modelling dynamic lapse behaviour, regular experience monitoring and revising assumptions as required.

The Company is also exposed to expense risks whereby expenses incurred may be greater than expected. This can arise due to an increase in expense levels or due to an increase in expense inflation.

The risk of a material increase in internal expenses is not perceived to be significant given 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.

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

2. Risks and risk management *(continued)*

2.7. Operational risk
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. The Company also has exposure to operational risk within these entities and remains ultimately responsible for the proper execution of the outsourced services.

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.

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. The Board approved Outsourcing Policy governs the management of outsourced activities.

3. Gross premiums written

Refer to note 1 Accounting policies for details of those items included in gross premiums written.

	Head Office (Ireland) €'000	Germany €'000	France €'000	Italy €'000	Greece €'000	Total 2021 €'000	Total 2020 €'000
Unit-Linked (insurance and investment contracts)	11	374	74,719	64,874	80	140,058	124,780
Protection	609	-	-	35,088	-	35,697	22,741
Assumed Premium*	5,579	-	-	-	-	5,579	17,489
	6,199	374	74,719	99,962	80	181,334	165,010

*For Asian VA business

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

4. Investment return

	2021 €'000	2020 €'000
Net realised/unrealised (losses)/gains on hedge financial assets	(203,354)	70,956
Investment income from financial assets	1,602	2,517
Interest (expense)/income from cash	(509)	646
	202,261	74,119

5. Acquisition and administration expenses

	2021 €'000	2020 €'000
Acquisition costs	(34,740)	(28,039)
Change in deferred acquisition costs	8,920	722
Administration expenses	(34,033)	(26,239)
	(59,853)	(53,556)

All of the acquisition costs are in respect of commissions paid on new business. The accounting policy governing the deferral of acquisition costs is described in note 1. During 2021 an additional DAC asset was introduced to cover the period from inception of an existing limited-payment contract product. The total value relating to prior periods recorded during 2021 was €2.3m. This partially offsets the introduction of a deferred profit liability for the same product (see note 18). Included in administration expenses is a prior period expense relating to 2020 of €1.3m relating to fund rebates.

Included in administration expenses are the following:

	2021 €'000	2020 €'000
Auditors' remuneration (excluding VAT)		
Audit	137	93
Other assurance	19	21
Tax advisory	16	31
	172	145

	2021 €'000	2020 €'000
Directors' emoluments		
Directors' fees	80	80
Salaries	940	1,352
Pension contributions	90	131
	1,110	1,563

	2021 €'000	2020 €'000
Staff numbers and costs		
Wages and salaries	7,550	6,462
Social security costs	816	708
Pension costs	447	392
	8,813	7,562

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

5. Acquisition and administration expenses (continued)

The Company had 59 direct employees on an average full time equivalent basis during the year (2020: 53). The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme.

6. Taxation

	2021 €'000	2020 €'000
Current Tax		
Irish corporation tax	17	10
Foreign tax	10,123	5,866
	10,140	5,876
Foreign deferred tax	(344)	2,438
Total tax charge for the year	9,796	8,314

Factors affecting tax charge during the year	2021 €'000	2020 €'000
Profit on ordinary activities before taxation	32,114	17,755
Corporation tax at the standard rate of 12.5%	4,014	2,219
Tax effects		
Income tax withheld	17	10
Foreign current tax	10,123	5,866
Foreign deferred tax	(344)	2,438
Foreign tax deduction / credits used	(4,014)	(2,219)
Corporation tax charge in income statement	9,796	8,314

Deferred tax balance	2021 €'000	2020 €'000
Balance at beginning of year	(191)	2,228
Deferred tax credit/(charge) through profit and loss	344	(2,438)
Deferred tax credit through equity	163	19
Balance at end of year	316	(191)
Deferred tax asset	2,265	2,289
Deferred tax liability	(1,949)	(2,480)
Net deferred tax position at end of year	316	(191)

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

7. Deferred acquisition costs

	2021 €'000	2020 €'000
Balance at 1 January	50,189	49,466
Acquisition costs incurred in the year	16,128	7,350
Amount amortised during the year	(7,209)	(6,627)
Balance at 31 December	59,108	50,189

8. Shareholder financial assets

	2021 €'000	2020 €'000
Financial assets classified as available for sale		
Government related and Supranational bonds	92,102	104,118
Corporate bonds, Covered bonds, and Collateralised Securities	108,766	96,214
	200,868	200,332

9. Policyholder financial assets

	2021 €'000	2020 €'000
Financial assets at fair value through profit or loss		
Equities	25,670	30,580
Fixed income securities	57,245	89,181
Collective investment schemes	6,029,370	5,051,323
Cash and cash equivalents	34,925	37,006
	6,147,210	5,208,090

Further information on collective investments schemes is provided in note 24.

10. Tax receivables

	2021 €'000	2020 €'000
Italian tax receivable	59,218	50,812
French tax receivable	578	535
Irish tax receivable	-	-
Asian tax receivable	838	89[illegible]
	60,634	52,24[illegible]

The Company operates in Italy on a freedom-of-establishment basis. The Company must provide for an annual advance payment of policyholder tax to the Italian fiscal authorities of an amount currently equal to 0.45% (2020: 0.45%) of the Company's financial liabilities backing the investment contracts as at year-end. Each annual advance payment can be recovered from any withholding tax subsequently deducted from policyholders, or by offset against taxes payable to Italian revenue within a period of five years. To the extent that an unrecovered balance remains after five years have elapsed, the balance of the advance payment made five years earlier can be used to offset other Italian taxes (including the advanced payment) which are due. The Italian tax receivable at the end of the year includes policyholders' tax €50.8m (2020: €40.2m) and €8.4m (2020: €10.6m) other taxes.

Notes to the financial statements (*continued*)

For the year ended 31 December 2021

11. Other receivables

	2021 €'000	2020 €'000
Accrued dividends and interest receivable	14,616	16,587
Receivable from policyholder	45,636	25,640
Premiums receivable from Allianz Group companies	711	223
Receivable on derivatives	24,129	25,762
Receivable cash pool*	115,589	236,765
Reinsurance balances receivable	296	490
Rebates from administrative fees	2,219	3,552
Prepayments	103	102
Other receivables	705	37[illegible]
	204,004	309,49[illegible]

*The Company partakes in the Allianz Group cash pooling facility, allowing deposits of excess cash at preferential rates as part of this group arrangement.

12. Capital position statement

The Company aims to maintain a capital structure with a combination of share capital, capital contributions and retained profits, consistent with the Company's risk profile and the regulatory and market requirements of its business. The Company is regulated in Ireland by the Central Bank of Ireland and is required to observe the rules for the amount and structure of the solvency capital for the business that it carries on.

The Solvency II Directive became effective from 1 January 2016. The Company has assessed its overall solvency needs using the Solvency II basis. This covers the preparation of the Solvency II Market Value Balance Sheet (MVBS) and the Solvency Capital Requirement (SCR)/Minimum Capital Requirement (MCR). For the purposes of calculating its Solvency II Pillar I capital requirements, the MCR and SCR are calculated by applying the Company's Solvency II Internal Model. The Company's Internal Model was approved for use by the Central Bank of Ireland as part of an Allianz Group application to Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin, the German financial supervisory authority) in November 2015. This differs from the IFRS basis used to prepare these financial statements. At the 31 December 2021, the Company's unaudited available capital was in excess of the capital requirements based on Internal Model calculations.

The Company's capital position was above the Board of Directors' target management ratio of 180% of SCR as at 31 December 2021 (2020: 180%). The target management ratio is reviewed annually and updated as required.

There were no capital injections during 2021 (2020: nil). During the year the Company paid €22m dividend (2020: €nil) to the parent, Allianz SE, in respect of the financial year ended 31 December 2021.

The Company carries out regular projections of its capital adequacy and these are reviewed by the Board, Risk and Finance Committee and Management Risk Committee to ensure that satisfactory levels of cover are maintained. Capital adequacy and solvency cover are reported to the Central Bank of Ireland on a quarterly and annual basis and complied with capital requirements throughout the year.

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

13. Fair value hierarchy disclosures

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level I: Quoted market price (unadjusted) in an active market for an identical instrument.
Level II: Valuation techniques based on observable inputs, either directly or indirectly.
Level III: Valuation techniques using significant unobservable inputs.

The table below analyses financial instruments, all measured at recurring fair value at the end of reporting period, by the level in the fair value hierarchy into which the fair value measurements is categorised.

Exchange traded derivative futures are analysed under Level I. Cash and cash equivalents are analysed under Level I. Model priced forwards and swaps with observable market inputs are analysed under Level II. Government, corporate and covered bonds are also analysed under Level II. Policyholder assets valued based on quoted market prices are analysed under Level I while policyholder assets traded on inactive markets are analysed under Level II. Guarantee benefits within financial liabilities are analysed under Level III.

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

13. Fair value hierarchy disclosures (*continued*)

Financial assets as at 31 December 2021	**Total fair value**	**Level I**	**Level II**	**Level III**
	€'000	**€'000**	**€'000**	**€'000**
Shareholder financial assets	**208,670**	**-**	**208,670**	**-**
Derivative assets	7,802	-	7,802	-
Available-for-sale investments:				
- Government, corporate and covered bonds	200,868	-	200,868	-
Cash and cash equivalents	53,627	53,627	-	-
Policyholder financial assets	**6,147,210**	**6,017,899**	**129,311**	-
Equities	25,670	25,670	-	-
Fixed Income Securities	57,245	-	57,245	-
Collective Investment Schemes	6,029,370	5,957,304	72,066	-
Deposit, cash and cash equivalents and others	34,925	34,925	-	-
Total Financial Assets	6,409,507	6,071,526	337,981	-

Financial liabilities as at 31 December 2021	**Total fair value**	**Level I**	**Level II**	**Level III**
	€'000	**€'000**	**€'000**	**€'000**
Shareholder financial liabilities	**18,376**	**-**	**18,376**	**-**
Derivative liabilities	18,376	-	18,376	-
Policyholder financial liabilities	**6,147,210**	-	**6,147,210**	-
Financial liabilities for life assurance policies where the investment risk is borne by the policyholders	5,699,399	-	5,699,399	-
Financial liabilities – investment contracts	447,811	-	447,811	-
Financial liabilities – held for trading	223,593	-	-	223,593
Total Financial Liabilities	6,389,179	-	6,165,586	223,593

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

13. Fair value hierarchy disclosures (*continued*)

Financial assets as at 31 December 2020	**Total fair value**	**Level I**	**Level II**	**Level III**
	€'000	**€'000**	**€'000**	**€'000**
Shareholder financial assets	**220,502**	**-**	**220,502**	**-**
Derivative assets	20,170	-	20,170	-
Available-for-sale investments:				
- Government, corporate and covered bonds	200,332	-	200,332	-
Cash and cash equivalents	85,294	85,294	-	-
Policyholder financial assets	**5,208,090**	**5,010,493**	**197,597**	-
Equities	30,580	30,580	-	-
Fixed Income Securities	89,181	-	89,181	-
Collective Investment Schemes	5,051,323	4,942,907	108,416	-
Deposit, cash and cash equivalents and others	37,006	37,006	-	-
Total Financial Assets	5,513,886	5,095,787	418,099	-

Financial liabilities as at 31 December 2020	**Total fair value**	**Level I**	**Level II**	**Level III**
	€'000	**€'000**	**€'000**	**€'000**
Shareholder financial liabilities	**31,752**	**-**	**31,752**	**-**
Derivative liabilities	31,752	-	31,752	-
Policyholder financial liabilities	**5,208,090**	-	**5,208,090**	-
Financial liabilities for life assurance policies where the investment risk is borne by the policyholders	4,743,305	-	4,743,305	-
Financial liabilities – investment contracts	464,785	-	464,785	-
Financial liabilities – held for trading	386,714	-	-	386,714
Total Financial Liabilities	5,626,556	-	5,239,842	386,714

In general, financial assets and liabilities are transferred from Level I to Level II when liquidity, trade frequency and activity are no longer indicative of an active market. Conversely, the same policy applies for transfers from Level II to Level I. There were no transfers in and out of Level III during 2021 (2020: €nil).

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

13. Fair value hierarchy disclosures (*continued*)

Reconciliation of Level III financial liabilities
The following table shows the reconciliation of the financial liabilities carried at fair value and classified as Level III.

	2021
	€'000
Balance at 1 January	386,714
Net gains recognised in income statement	(162,590)
FX revaluation	(531
Balance at 31 December	223,59

For Level III liabilities, a fair value reserving approach is used for the guarantee benefits. A fair value for the liabilities is determined using stochastic simulation of the financial markets which must be used to ensure the guarantee costs are appropriately captured in the calculation of the reserves.

Significant non-market observable input parameters include lapse rates and mortality rates. A significant decrease (or increase) in surrender rates or in mortality rates could result in a higher (or lower) fair value. A 20% change of the mortality assumption for all variable annuities could lead to a change in fair value of the guarantee benefits of up to 36%. A 1% change in the surrender rate assumption for all variable annuities could lead to a change in fair value of the guarantee benefits of up to 13%.

Quantitative description of non-market observable input(s) used for the level III portfolios

Description	**Non-market observable input(s)**	**Range**
Variable annuities	Surrenders	1.5% - 31.8%
	Mortality	n/a

Within shareholder financial assets are government related bonds held at fair value of €19.3m (2020: €20.3m) which are assets pledged as collateral.

There are no differences between fair values and carrying amounts of other financial assets at the Statement of Financial Position date. The fair value of the Advanced Payment of Italian Policyholders' Tax is €50.8m (2020: €40.2m), whilst the carrying value is €50.8m (2020: €40.2m). The fair value of the Advanced Payment of Italian Policyholder's tax is categorised as Level 2 within the fair value hierarchy of IFRS 7.

14. Called up Share Capital

	2021	**2020**
	€'000	**€'000**
Authorised:		
100,000,000 (2020: 100,000,000) ordinary shares of €1 each (2020: €1)	100,000	100,000
Issued:		
45,100,000 (2020: 45,100,000) ordinary shares of €1 each (2020: €1)	45,100	45,100

There were no shares issued or capital injections received during 2021 (2020: nil).

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

15. Retained earnings

	2021 €'000	2020 €'000
Balance at 1 January	24,178	14,737
Profit for the year	22,318	9,441
Dividends paid	(22,000)	-
Balance at 31 December	24,496	24,178

16. Financial liabilities for unit-linked contracts

	2021 €'000	2020 €'000
Balance at 1 January	5,208,090	5,117,249
Premiums collected	1,026,114	610,457
Fees paid by the policyholders	(140,516)	(128,261)
Payments to policyholders	(531,220)	(423,217)
Changes in the contract benefit	584,743	31,862
Total change in policyholder liabilities	939,121	90,841
Balance at 31 December	6,147,211	5,208,090

17. Technical provisions for insurance contracts

	2021 €'000	2020 €'000
Guarantee benefits		
Liability at 1 January	(389,226)	(294,996)
FX revaluation	531	3,370
Movement during the year	162,821	(97,600
Liability at 31 December	(225,874)	(389,226
Future Claims reserve – Protection business		
Liability at 1 January	(15,754)	(5,406)
Movement during the year - gross	(20,994)	(13,535)
Movement during the year - ceded	4,472	3,18
Net liability at 31 December	(32,276)	(15,754
IBNR – Protection business		
Liability at 1 January	(387)	(803)
Movement during the year - gross	814	1,581
Movement during the year - ceded	(674)	(1,165
Net liability at 31 December	(247)	(387

Notes to the financial statements (*continued*)

For the year ended 31 December 2021

17. Technical provisions for insurance contracts (continued)

	2021	2020
	€'000	**€'000**
OCR – Protection business		
Liability at 1 January	(423)	(664)
Movement during the year - gross	(1,950)	1,570
Movement during the year - ceded	617	(1,329
Net liability at 31 December	(1,756)	(423
Expense Reserve – Group Life		
Liability at 1 January	(152)	(170)
Movement during the year - gross	(30)	18
Movement during the year - ceded	-	
Net liability at 31 December	(182)	(151
Total net liability at 31 December	(260,335)	(405,941)
Total gross liability at 31 December	(272,827)	(414,018)
Reinsurer's share of claims reserve at 31 December	12,492	8,077

The total gross liability of €272.8m (2020: €414.0m) is in respect of GMxB, which are provided by the variable annuity business written by the Company alongside reserves for the protection business which include reserves for future claims, a reserve for claims Incurred But Not Reported ("IBNR"), an Outstanding Claims Reserve ("OCR") held in respect of claims notified but not yet paid and an expense reserve for the Group Life business. Within the variable annuity insurance contract, the guaranteed minimum payments are provided irrespective of investment performance.

Description of reserving calculation and methodology

The liabilities for investment guarantees (referred to as "GMxB liabilities") are determined by estimating the expected future claims in excess of the associated account balances less expected future guarantee charges.

The protection future claim reserves are calculated as the present value of future cashflows. IBNR reserves are estimated by reference to historic claims experience and an OCR is held in respect of claims notified but not yet paid.

The Company reviews the assumptions used once a year, or more frequently if evidence indicates, in order to better reflect the underlying experience and adjusts the liability balance as appropriate, with a related charge or credit to benefits on the Income Statement.

Assumptions used in 2021:

The following assumptions were used to determine the GMxB liabilities in 2021:

- The projected fund returns are modelled using sets of stochastically generated, risk neutral economic scenarios. Different scenario sets are used as appropriate to reflect the volatility inherent in the underlying policyholder assets.

- The discount rates reflect the term structure of the risk free rates observed in the market as of 31 December 2021.

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

17. Technical provision for insurance contracts (*continued*)

Assumptions used in 2021 *(continued)*:

- For the variable annuity business, a volatility margin is applied in addition to the target fund volatility.

- For European variable annuities, the mortality assumption is based on German experience as represented by the DAV2004R tables. For the classic variable annuity business the 2nd order selection table, which is designed for the annuity pay-out phase, is used and for the newer variable annuity business with GMABs the DAV2004R 2nd order aggregation table, which is designed for the accumulation phase, is used. Scaling factors are applied to ensure the assumption is appropriate to both the product and country in question.

- The classic variable annuity base lapse rates vary by branch, policy duration and guaranteed withdrawal rate (GWR). In 2021, the lapse rates for the classic variable annuities were increased at an overall level for the French business and Italian business and marginally reduced for the German business in order to more closely align to the results of the latest lapse experience investigation. For Asian variable annuities business the lapse rates were reduced at an overall level in 2021 to align with the actual experience on the portfolio.

- Dynamic lapse factors based on policy moneyness levels are applied to the base lapse rates to reflect assumed policyholder lapse behaviour for the classic and Asian variable annuities. Moneyness is defined as account value divided by the guarantee level. The dynamic lapse factors can vary from 0 for policies that are deep in-the-money to 1.0 for policies that are at-the-money to 10.0 for policies that are well out-of-the-money from a policyholder's perspective. For Asian GMAB business there are additional dynamic lapse factors that reduce the lapse rate as the policy nears maturity.

- Hedge trading expense assumptions were reduced in 2021 to align with the results of the latest expense investigation..

The following assumptions were used to determine the claims reserves for the protection business in 2021:

- For the protection business the mortality assumption is based on a 2nd order internally designed mortality table (ALLIND_09) created by Allianz Italy. Scaling factors are applied to ensure the assumption is appropriate to the product in question. Mortality rates for the decreasing term assurance product were increased in 2021 to align with the results of the mortality experience investigations and no changes were made to the mortality rates for the term life product.

  Renewal rates for the term life product were broadly increased in 2021 and lapse rates for the decreasing term assurance product were broadly reduced in 2021 in order to more closely align to the results of the latest lapse experience investigation.

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

18. Deferred income reserve

	2021 €'000	2020 €'000
Balance at 1 January	42,362	43,067
Deferred	18,138	5,406
Amortised	(8,060)	(6,111)
Balance at 31 December	52,440	42,362

The income that is deferred is in respect of contracts on which an upfront fee is applied in relation to services to be provided in future periods. Income is also deferred in respect of the excess of gross premium over net premium for limited-payment contracts (deferred profit liability). During 2021 a deferred profit liability was introduced to cover the period from inception of an existing limited-payment contract product. The total value relating to prior periods recorded during 2021 was €4.7m. This is partially offset by the introduction of a DAC asset for the same product (see note 5). The deferred income reserve is earned over the anticipated life of the contracts. The amount of deferred income that is expected to be earned more than 12 months after the balance sheet date is €46.2m (2020: €37.7m).

19. Provision for unearned premiums

	2021 €'000	2020 €'000
Balance at 1 January	4,413	6,804
Movement during the year	(461)	(2,391)
Balance at 31 December	3,952	4,413

Reinsurer's share of unearned premium

	2021 €'000	2020 €'000
Balance at 1 January	117	110
Movement during the year	(2)	7
Balance at 31 December	115	117

The provision relates to Group Life policies. All Group Life policies have a reinsurance contract in place with Allianz SE.

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

20. Creditors and other payables

	2021 €'000	2020 €'000
Amounts falling due within one year:		
Payables to policyholders	26,397	16,173
Amounts due to Allianz Group companies	16,994	9,500
Reinsurance balances payable	2,857	1,309
Advance payments from policyholders	10,220	10,523
Payable to agents	2,494	1,907
Provision for share based payments	979	590
Derivatives related payable	12,372	18,933
VAT payable	489	490
Other tax payable	18,906	13,867
Other creditors	7,104	6,507
	98,812	79,799

Amounts due to Allianz Group companies are principally in respect of initial and ongoing commissions and investment management fees.

21. Offsetting of financial assets and financial liabilities

Financial assets subject to enforceable master netting arrangements and similar agreements
The Company has arranged with all its counterparties a multiple transaction payment netting for the collateralisation of the traded hedge instruments. This allows for the consolidation of all collateral amounts payable on the same day in the same currency in order to create a single value.

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

21. Offsetting of financial assets and financial liabilities (continued)
Financial assets subject to enforceable master netting arrangements and similar agreements as at 31 December 2021

Counterparty	Derivative	Gross amounts of recognised financial assets €'000	Gross amounts offset in the Statement of Financial Position €'000	Net amounts of financial assets presented in the Statement of Financial Position €'000
Allianz SE	OTC	78	-	78
Barclays Bank	OTC	76,614	(71,730)	4,884
Bayerische Landesbank	OTC	12,996	(11,710)	1,286
Citigroup Global Markets	OTC	160	-	160
Commerzbank	OTC	58,838	(58,838)	-
Goldman Sachs	OTC	98,435	(98,435)	-
JP Morgan Chase Bank	OTC	5,306	(5,250)	56
Others	OTC	1,338	-	1,338
		253,765	(245,963)	7,802

Financial liabilities subject to enforceable master netting arrangements and similar agreements as at 31 December 2021

Counterparty	Derivative	Gross amounts of recognised financial liabilities €'000	Gross amounts offset in the Statement of Financial Position €'000	Net amounts of financial liabilities presented in the Statement of Financial Position €'000
Allianz SE	OTC	(99)	-	(99)
Barclays Bank	OTC	(8,847)	-	(8,847)
Bayerische Landesbank	OTC	(2,074)	-	(2,074)
BNP Paribas	OTC	(73)	-	(73)
Commerzbank	OTC	(2,479)	198	(2,281)
Goldman Sachs	OTC	(3,212)	(1,515)	(4,727)
HSBC Bank	OTC	(1,089)	1,089	-
JP Morgan Chase Bank	OTC	(275)	-	(275)
		(18,148)	(228)	(18,376)

Gross amounts offset in the Statement of Financial Position comprise of collateral liabilities offset against assets and collateral assets offset against liabilities. A collateral asset of €0.68m (2020: €0.68m) representing cash paid by the Company to Commerzbank as initial collateral on commencement of the derivatives contract is offset against derivative liabilities.

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

21. Offsetting of financial assets and financial liabilities (*continued*)

Financial assets subject to enforceable master netting arrangements and similar agreements as at 31 December 2020

Counterparty	Derivative	Gross amounts of recognised financial assets €'000	Gross amounts offset in the Statement of Financial Position €'000	Net amounts of financial assets presented in the Statement of Financial Position €'000
Allianz SE	OTC	110	-	110
Barclays Bank	OTC	105,660	(91,940)	13,720
Bayerische Landesbank	OTC	18,872	(14,970)	3,902
BNP Paribas	OTC	6	-	6
Citigroup Global Markets	OTC	331	(260)	71
Commerzbank	OTC	79,296	(79,170)	126
Goldman Sachs	OTC	154,272	(153,670)	602
JP Morgan Chase Bank	OTC	10,516	(9,740)	776
Others	OTC	857	-	857
		369,920	(349,750)	20,170

Financial liabilities subject to enforceable master netting arrangements and similar agreements as at 31 December 2020

Counterparty	Derivative	Gross amounts of recognised financial liabilities €'000	Gross amounts offset in the Statement of Financial Position €'000	Net amounts of financial liabilities presented in the Statement of Financial Position €'000
Barclays Bank	OTC	(18,450)	-	(18,450)
Bayerische Landesbank	OTC	(4,503)	-	(4,503)
BNP Paribas	OTC	(182)	-	(182)
Commerzbank	OTC	(3,273)	680	(2,593)
Goldman Sachs	OTC	(5,538)	-	(5,538)
HSBC Bank	OTC	(1,325)	1,325	-
JP Morgan Chase Bank	OTC	(486)	-	(486)
		(33,757)	2,005	(31,752)

22. Ultimate parent undertaking and parent undertaking of larger group

The Company's ultimate and immediate parent undertaking is Allianz SE, a company incorporated in Germany. The largest group in which the results of the Company are consolidated is that headed by Allianz SE, incorporated in Germany. The consolidated financial statements of this group are available to the public and may be obtained from Allianz SE, Königinstraße 28, 80802 Munich, Germany.

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

23. Related party transactions

The Company receives a number of services from related parties. In addition, the Company provides services to Darta Savings Life Assurance dac. The main related party activities are as follows:

Related party	Service description
Allianz Bank Financial Advisors S.p.A.	Distribution of the Company's variable annuity and unit-linked products in Italy.
Allianz Deutschland AG	Investment accounting and IT services.
Allianz Global Investors GmbH	Fund management services.
Allianz Hellas Insurance Co. SA	Policy and branch administration in relation to the Company's unit-linked products in Greece.
Allianz Insurance Consultants single-member Ltd.	Distribution of the Company's unit-linked product in Greece.
Allianz IARD S.A.	Tax compliance services.
Allianz Investment Management SE	Cash management and settlement services.
Allianz Investment Management LLC	Hedging and related reporting services.
Allianz Lebensversicherungs-AG	Policy and branch administration for the Company's German branch.
Allianz Japan	Provisioning of reinsurance services.
Allianz p.l.c.	HR and internal audit services.
Allianz SE	Cash pooling, D&O and cyber insurance services, market management services, Solvency II model and related reporting services, digital and compliance project support services, counterparty for FX forwards derivatives transactions.
Allianz SE Reinsurance LH	Reinsurance services.
Allianz S.p.A. and its tied agents	Policy and branch administration for the Company's Italian branch and, with regards to tied agents, distribution of Company's variable annuity and unit-linked products in Italy.
Allianz Taiwan	Provisioning of reinsurance services.
Allianz Technology SE	IT and actuarial support services.
Allianz Vie S.A.	Distribution of variable annuity products and policy and branch administration for the Company's French branch.
AWP Health & Life Services Ltd.	Policy administration services in respect of the Company's Group Life business.
Darta Saving Life Assurance dac	Darta provides Compliance, Operations and other infrastructural services. AGL provides Actuarial, Risk, Market Management, Operations and HR services.
IDS GmbH	Investment data and reporting services.
Investitori SGR S.p.A	Fund management services.
Metafinanz Informationssysteme GmbH	IT security services.
Pimco Europe Ltd.	Investment management services in relation to the Company's shareholder and non-linked assets.

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

23. Related party transactions (*continued*)

The key management personnel compensations are as follows:

	2021 €'000	2020 €'000
Salaries and related benefits	2,465	2,203

Transactions with key management personnel include the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Risk Officer and the Head of Actuarial Function. These relate directly to compensation only. There are no other additional transactions included.

Transactions with other related parties are as follows:

Name of the Company	Relationship	Opening balance €'000	Services received €'000	Payments €'000	Closing balance €'000
Allianz Bank Financial Advisors S.p.A.	Az Group	(1,159)	(18,743)	18,502	(1,400)
Allianz Deutschland AG	Az Group	(215)	(491)	644	(62)
Allianz Global Investors GmbH	Az Group	5,047	24,855	(27,200)	2,702
Allianz Hellas Insurance Co. SA	Az Group	(2)	(8)	9	(1)
Allianz IARD S.A.	Az Group	-	-	-	-
Allianz Investment Management SE	Az Group	1	(931)	558	(372)
Allianz Investment Management LLC	Az Group	(165)	(1,459)	1,225	(399)
Allianz Lebensversicherungs-AG	Az Group	(15)	(211)	207	(20)
Allianz Japan	Az Group	(3,337)	(7,048)	10,549	164
Allianz p.l.c	Az Group	-	(173)	164	(9)
Allianz SE*	Parent	235,728	(635,783)	500,449	99,393
Allianz SE Reinsurance LH	Az Group	451	995	(1,151)	296
Allianz S.p.A. and its tied agents	Az Group	(3,739)	(10,102)	5,031	(8,811)
Allianz Taiwan	Az Group	4	32	(30)	6
Allianz Technology SE	Az Group	(1,135)	(1,879)	2,585	(428)
Allianz Vie S.A.	Az Group	(6,777)	(30,833)	30,169	(7,440)
AWP Health & Life Services Ltd.	Az Group	(47)	(43)	-	(90)
Darta Saving Life Assurance dac	Az Group	(96)	942	(716)	129
IDS GmbH	Az Group	-	(61)	36	(25)
Investitori SGR S.p.A	Az Group	(167)	(1,746)	1,602	(311)
Metafinanz Informationssysteme GmbH	Az Group	(43)	(67)	111	1
Pimco Europe Ltd.	Az Group	(39)	(175)	170	(44)

* Including cash pool related transactions.

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

23. Related party transactions (continued)

The majority of policyholder assets are managed by Allianz Global Investors Europe GmbH and Investitori SGR S.p.A. Balances at year-end 2021 were €5,510m and €619m respectively (2020: €4,574m & €630m). Shareholder cash and cash equivalents of €54m (2020: €85m) at the year-end were managed by Allianz Investment Management SE. A further €201m (2020: €200m) shareholder financial assets investments available for sale was managed by Pimco Europe Ltd..

24. Disclosure of interest in unconsolidated structured entities

Included in policyholder financial assets are investments in Collective Investment Schemes (CIS) which may be considered to be interests in unconsolidated structured entities under IFRS 12. The table below sets out the interest held by the policyholders in these CIS.

Investments at fair value through profit or loss	**2021**	**2020**
	€'000	**€'000**
Allianz Cash Fund	20,151	12,000
Allianz Bond Fund	9,738	6,079
Allianz Strategy Fund Family	2,131,185	2,112,102
Allianz Strategy Select Fund Family	3,297,576	2,357,985
Other Funds	570,720	563,157
	6,029,370	**5,051,323**

The CIS are predominantly regulated SICAV funds, all UCITS compliant. These funds are chosen by the various asset managers, responsible for the investment portfolio of each fund. These SICAVs are mainly domiciled in Ireland, Germany, Italy, Luxembourg, and France.

The funds are of varying sizes and are all financed by investor equity, having been established for the purpose of collective investment activity.

The maximum gross exposure to loss is the carrying value of €6,029m (2020: €5,051m). The policyholder carries a direct exposure to this loss. The shareholder of the Company has an indirect exposure to loss arising from guarantees written and fee income earned which is mitigated via hedging strategies as disclosed in note 2. All of the units in the CIS are redeemable daily.

The policyholder financial assets as at 31 December 2021 were €6,147m (2020: €5,208m) of which €6,029m (2020: €5,051m) were made up of CIS. At 31 December 2021, €6,029m (2020: €5,501m) of the policyholder financial assets were managed by other entities in the Allianz Group.

During the year, the Company or policyholders did not provide financial support to unconsolidated structured entities and has no current intention of providing financial or other support. At no time during the year did the Company exercise any control over those entities.

Notes to the financial statements (*continued*)
For the year ended 31 December 2021

25. Share based payments

Members of the Company's executives may participate in the Allianz Group Equity Incentive Scheme. The scheme comprises of Restricted Stock Units (RSUs) and is administered and managed by the ultimate parent company, Allianz SE.

RSUs constitute the right to receive the value of an Allianz SE share equivalent to the stock market price at the time of exercise. RSUs granted from 2011 are subject to a vesting period of 4 years.

The fair value of the RSUs (equal to the market price of one Allianz SE share less expected future dividends) is expensed over the period that the employees unconditionally become entitled to the payment. The fair value is re-measured at each reporting period. The expense recorded in the profit and loss account in 2021 is €83.3k (2020: €18.0k).

The amount included in the investment return is €21.2k loss (2020: €23.0k loss). The liability recorded in the financial statements in respect of the RSUs as at 31 December 2021 was €979.2k (31 December 2020: €590.2k).

The number of RSUs allocated to an individual are based upon a combination of local and Allianz Group performance against plan and individual executive performance against predefined targets, the same rules that apply throughout the Allianz Group. During 2021, 1,215 RSUs were allocated to employees of the Company (2020: 1,502).

26. Contingencies

There were no contingent liabilities at the year-end 31 December 2021 (2020: €nil).

27. Subsequent events

There have been no events subsequent to 31 December 2021 that require adjustment to the financial statements.

28. Approval of financial statements

The Board of Directors approved these financial statements on 16 March 2022.