DARTA SAVING LIFE ASSURANCE dac

SOLVENCY AND FINANCIAL CONDITION REPORT 2017

COVERING THE PERIOD 1 JANUARY 2017 TO 31 DECEMBER 2017

Contents

Overview

This report has been prepared in accordance with the requirements set out in Regulations 34,52, 55 to 57, 255 and 258 of Statutory Instrument 485 of 2015, the European Union (Insurance and Reinsurance) Regulations 2015[1] ("The 2015 Regulations")[2] and Articles 290 to 298, 305 to 311, 359 and 365 of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) ("Solvency II Delegated Acts").

This report also seeks to fulfil the requirements included in the European Insurance and Occupational Pensions Authority ("EIOPA") Guidelines on reporting and public disclosure ("The EIOPA Reporting Guidelines") and Guidelines as issued by the Central Bank of Ireland ("Central Bank").

Reporting period

This report covers the period 1 January 2017 to 31 December 2017, inclusive. Comparative information is provided where applicable.

Approval

This report was approved by Darta's Board of Directors on 30 April 2018.

Summary

Overview of the Company

Darta Saving Life Assurance dac ("Darta or the Company") is authorised in Ireland to transact life assurance business in the European Union ("EU") under the 2015 Regulations.

The Company operates on a Freedom of Services basis through the application of an outsourcing business model. This allows Darta to manufacture and distribute its products in a low-cost and flexible manner.

Darta mainly distributes unit-linked products through Allianz Bank in Italy. Darta has entered into a number of agreements with non-Allianz distributors. The Company is also exposed to mortality risk through the features of certain of its products.

Darta also distributes unit-linked products, on a limited scale, through brokers in Lithuania on a Freedom of Services basis.

Detailed information on Darta's business profile is set out in Section A.1 below

[1] The 2015 Regulations have the effect of transposing Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) ("Solvency II Directive") into Irish Law effective 1 January 2016.

[2] These requirements are practically identical to those requirements of Articles 35, 51, 53 to 55, Paragraph 2 of Article 254 and 256 of Directive 2009/138/EC.

Performance

Over recent years Darta has enjoyed success selling unit-linked insurance products in Italy, through Allianz Bank. In addition, Darta is considering ways in which its products range, its distribution channels, and its geographical footprint could be diversified.

The table below shows premiums, claims, expenses and change in technical provisions combined with the investment returns for Darta's material lines of business.

	Index linked and unit linked insurance	
	2017 €'000	2016 €'000
Premiums earned (net of reinsurance)	3,078,605	2,586,648
Claims incurred (net of reinsurance)	(1,409,455)	(1,246,585)
Changes in technical provisions (net of reinsurance)	(2,229,427)	(1,519,225)
Expenses	(223,477)	(188,190)
Investment Income	832,177	392,350
Operating Result	**48,423**	**24,998**

Although Darta sells business outside of Italy, the current volume sold is equal to less than 1% (2016: less than 1%) of the total business sold during the year. Therefore, management has determined that information pertaining to non-Italian business is not material. Likewise, the quantum of other life insurance sold during the reporting period, as relates to the Long Term care risk product, is also not material. Approximately 7% of Darta's premium revenue is sourced from non-Allianz affiliated brokers in Italy.

The improvements in performance noted during the period are attributable, in part, to the strength of the performance of investment markets over the course of 2017 and the execution of Darta's strategy.

The following table sets out the Darta's IFRS profits over the reporting period, as reported in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS").

	Profit after tax 2017 €'000	Profit after tax 2016 €'000
Index linked and unit linked insurance	58,323	44,131

Differences between Darta's underwriting performance set out above and IFRS profit after tax relate to income and expense items relating directly to Darta's Shareholders and the effect of taxation. Detailed information on Darta's performance during the reporting period is set out in Sections A.2, A.3 and A.4 below.

System of Governance

Darta has an effective System of Governance in place, which provides for prudent and sound management of the business.

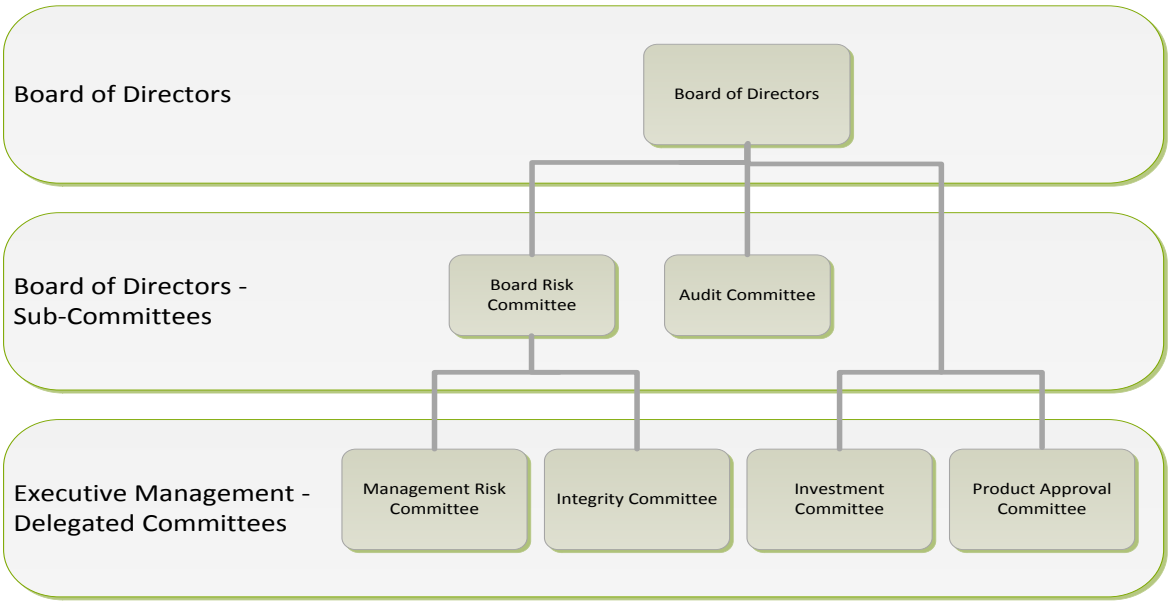
The ultimate responsibility for the Company's business rests with its Board of Directors ("the Board"). The Board delegates certain responsibilities to its Committees and senior management, while retaining responsibility for overall control of the Company and strategic decisions. The Company places a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

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

The Company performs a regular assessment of its own risks and solvency needs ("ORSA"), as directed by the Board. The ORSA is the collection of interlinked processes implemented by Darta to identify, assess, monitor, manage and report on the short and long term risks that the Company faces and to determine the amount of capital ("own funds") necessary to ensure that overall solvency needs are met at all times.

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

The following diagram sets out a summary of the governance structures within Darta.



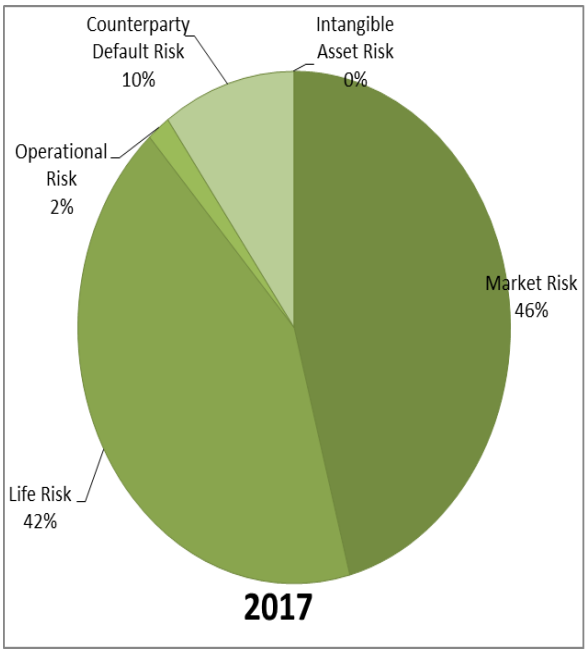
There have been a number of material changes in the systems of governance during the reporting period. These relate to changes in the Directors that occurred during the year. The following appointments and resignations took place during the year:

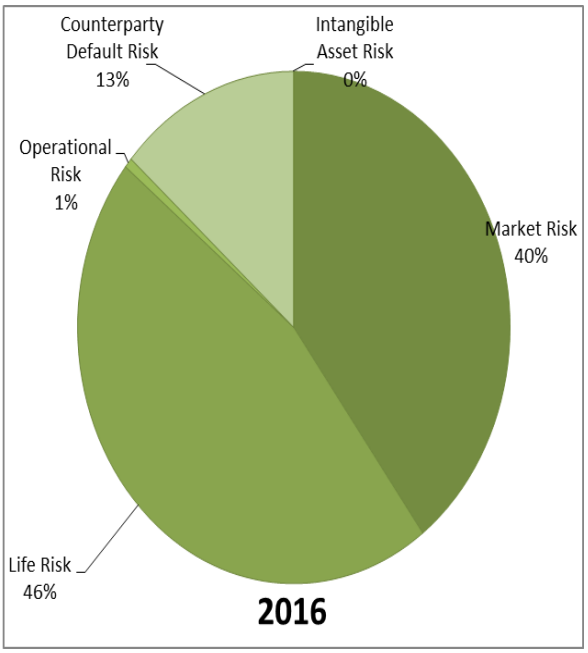
- M. Re – Group Director (resigned as a director and Chairman of the Board on 14 September 2017)
- J. Ruane – Independent Non-Executive Director ("INED") - resigned as Chairman of the Audit Committee and was appointed as the Chairman of the Board during October 2017.
- J. Lyons –Non-Executive Director was appointed as the Chairman of the Board Risk Committee during October 2017.
- T.D. Kingston resigned as the Chairman of the Board Risk Committee and was appointed as the Chairman of the Audit Committee during October 2017.
- P. Clarke - Non-Executive Director - resigned as a director and company secretary on 8 August 2017
- P. Colton - INED – was appointed 1 November 2017. Ms Colton became a member of the Audit Committee at the same time as being appointed as a Board Member.
- F. Rossaro - Group Director was appointed 17 November 2017. Dr Rossaro became a member of the Board Risk Committee at the same time as being appointed as a Board Member.
- On 31 May 2017, the outsourcing arrangements in respect of Darta's Actuarial Function were transferred from Milliman to Allianz Global Life.

Detailed information on Darta's System of Governance and related topics is set out in Section B below.

Risk profile

Risk is measured and managed based on the calculations derived using the Standard Formula, as set out in Solvency II. The resulting risk profile, as set out in the chart below, indicates how risks are distributed over different risk categories and determines the regulatory capital requirements in accordance with Solvency II.





There have been no material changes in any of Darta's risk exposures over the reporting period.

Section C provides a detailed description of Darta's risk exposure by category of Solvency II risk.

Valuation for solvency purposes

The recognition and measurement of assets and liabilities under Solvency II is the same as IFRS, with exceptions relating to the following balances summarised in the table below:

	2017 €'000	2016 €'000
Equity per Financial Statements	303,641	256,361
Adjusted for:		
Deferred Acquisition Costs write-off	(68,493)	(58,632)
Deferred income	30,600	32,218
Solvency II Technical provisions movement	458,625	375,479
Solvency II deferred tax liability	(52,223)	(43,485)
Remove IFRS deferred tax asset	(299)	(149)
Adjustment to Italian Withholding Tax Asset	(432)	-
Excess of assets over liabilities for Solvency II purposes	**671,419**	**561,792**

Further detail on the valuation of assets, technical provisions and liabilities under Solvency II is provided in Section D below.

Capital Management

Darta operates within a defined capital management framework. The primary objective of this framework is to ensure adequate capital is available to fulfil regulatory requirements, and specifically to cover the Solvency Capital Requirement ("SCR"). The framework consists of a target capital level which is set based on an assessment of risk exposures and the Company's ability to withstand

potential stresses. Secondary objectives include adding economic value over the cost of capital and having shareholders participate in the economic development through, for example, dividend payments.

Darta's SCR coverage ratio at 31 December 2017 was 227% (2016: 265%), covered by eligible Tier 1 Own Funds of €671 million (2016: €562 million) and an SCR, as derived using the Solvency II Standard Formula, amounting to €295 million (2016: €212 million).

The main driver for the increase in SCR, and consequently a reduction in the value of the SCR coverage ratio, was increased volumes of business written during the year. Darta does not apply any transitional arrangements in deriving its SCR.

Darta's Minimum Capital Requirement ("MCR") as at 31 December 2017 amounted to €106.6 million (2016: €91.7 million).

More detail on Darta's Capital Management approach is provided in Section E below.

A. Business and Performance

A.1 Business

A.1.1 Standing data

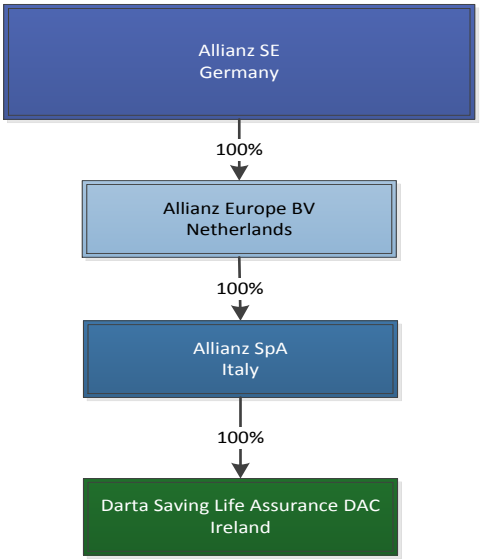
Name of Entity	Darta Saving Life Assurance dac	Darta is a Designated Activity Company incorporated in Ireland under the Companies Act, 2014.
Auditors	KPMG Ireland	Signing Partner: Hubert Crehan KPMG's address is: 1 Harbourmaster Place IFSC Dublin 1
Holders of qualifying holdings in Darta	Allianz SpA (Parent) Allianz SE (Ultimate Parent)	Allianz SpA, incorporated in Italy, hold all of the issued share capital and voting rights in Darta. Allianz SpA is ultimately held by Allianz SE, which is Darta's ultimate parent. Allianz SpA's address is: Largo Ugo Irneri 1 Trieste Italy. Refer to the simplified group structure, as set out in Section A1.3 below, for details of Darta's position within the Group.

A.1.2 Supervision

Level	National Competent Authority	Contact details
Allianz SE (Ultimate parent)	German Federal Financial Supervisory Authority ("BaFin")	The German Federal Financial Supervisory Authority ("Bundesanstalt für Finanzdienstleistungsaufsicht" – BaFin) Dreizehnmorgenweg 13-15 53175 Bonn Germany
Darta (local level)	Central Bank of Ireland	Central Bank of Ireland, North Wall Quay Spencer Dock PO Box 11517 Dublin 1 Republic of Ireland

A.1.3 Simplified group structure

The following diagram sets out a simplified group structure, displaying Darta's parent and ultimate parent and their voting rights:



A1.4 Related undertakings

As at 31 December 2017, Darta does not hold any subsidiaries. Darta did not hold any subsidiaries during 2016.

A.1.5 Material lines of business

Darta's material lines of products are grouped in product families. Each product within a family offers similar features and benefits.

Product	Type	Country sold	Distributor
Bonus Builder (new in 2017)	Unit Linked without guarantees	Italy	Allianz Bank
Challenge Family (excluding Challenge Plus)	Unit Linked without guarantees	Italy Lithuania	Non-Allianz Brokers
Challenge Plus	Unit Linked without guarantees	Italy	Allianz Bank
Philosophy (closed to new business)	Unit Linked without guarantees	Italy	Allianz Bank
Personal Target	Unit Linked without guarantees	Italy	Allianz Bank Non-Allianz Brokers
Progetto Reddito Family	Unit Linked without guarantees	Italy	Allianz Bank Non-Allianz Brokers
Blazar	Unit Linked without guarantees	Italy	Allianz Bank Non-Allianz Brokers
Private Bond Portfolio	Unit Linked without guarantees	Italy	Non-Allianz Brokers
Long term care	Other life insurance	Italy	Non-Allianz Brokers

A.1.6 Material changes in business

Products

Darta has developed the Bonus Builder product during the year, which is intended to partially replace Blazar sales. This new product will pay a loyalty bonus to the policyholder through the allocation of additional units, at the end of a specific reference period rather than providing an upfront bonus.

A.2 Underwriting performance

The table below shows premiums, claims, expenses and change in technical provisions combined with the investment returns for Darta's material lines of business.

	Index linked and unit linked insurance	
	2017 €'000	2016 €'000
Premiums earned (net of reinsurance)	3,078,605	2,586,648
Claims incurred (net of reinsurance)	(1,409,455)	(1,246,585)
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The improvements in performance noted during the period are attributable to the strength of the performance of investment markets over the course of 2017.

The following table sets out the Darta's IFRS profits for the material lines of business and geographies where business is carried out over the reporting period, as reported in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS").

	Profit after tax 2017 €'000	Profit after tax 2016 €'000
Index linked and unit linked insurance	58,323	44,131

Differences between Darta's underwriting performance set out above and IFRS profit after tax relate to income and expense items relating directly to Darta's Shareholders and the effect of taxation.

A.3 Investment performance

A3.1 Investment performance

The following table provides an overview of the performance of Darta's investment over the reporting period together with a comparison with the previous reporting period, as shown in Darta's IFRS financial statements:

	2017	2016
	€'000	€'000
Policyholder investment return : Index-linked and unit-linked business		
Investment Income from equities	1,446	1,392
Interest income from fixed interest securities	9,371	6,457
Investment Income from Collective Investment funds	17,593	31,182
Income from other financial assets	8,449	8,655
Interest income from deposits	-	-
Net realised gains on financial assets	289,165	110,733
Net unrealised gains/(losses) on financial assets	506,153	233,931
Total policyholder Investment income	832,177	392,350
Shareholder investment return		
Interest income from financial assets	1,288	1,548
Interest (expense)/income from cash	(126)	56
Net realised (losses)/gains on financial assets	-	252
Net unrealised (losses)/gains on financial assets available for sale	-	129
Total Shareholder Investment income	**1,162**	**1,985**
Investment Management Expense	**11,566**	**10,936**

The overall growth in investment income year on year reflects the growth in the size of Darta's underlying book and market performance during 2017.

A3.2 Gains/losses recognised directly in equity

The following table sets out the composition of Darta's other comprehensive income.

	2017	2016
	€'000	€'000
Movements in financial assets available for sale:		
Fair value movement	(1,192)	129
Deferred tax effect of fair value movement	149	(16)
Net (loss)/gain recognised directly equity	**(1,043)**	**113**

A3.3. Investment in securitisation

At the time of this report, Darta does not hold any assets in securitisation vehicles.

A.4 Performance of other activities

The Company leases its business premises subject to an operating lease. This arrangement is not considered to be material to Darta's performance.

Darta does not have any material finance lease arrangements in place at this time, therefore, does not have anything further to report in this regard. Darta does not participate in other activities.

A.5 Any other information

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

B. System of Governance

B.1 General information

B.1.1 Overview of governance arrangements

This Section provides a detailed overview of the governance arrangements in place in Darta.

B.1.1.1 Board of Directors

	Board
Summary of responsibilities	The role of the Board is to organise and direct the affairs of the Company, acting on a fully informed basis, in good faith, with due diligence and care in a manner designed to protect the interests of the shareholder and other stakeholders such as policyholders, regulatory bodies and staff.
Members as at 31 December 2017	J. Ruane (INED) (Chairman from October 2017), G. Fassina (Group Director), J. Finnegan (Executive Director), T.D. Kingston (INED), J. Lyons (NED), D. Moia (Group Director), G. Viseri (Group Director), P. Colton (INED), F. Rossaro (Group Director)

Details of the changes in the members of the Board of Directors during the year are set out in Section B.1.3 below.

B.1.1.2 Board of Directors – Sub-Committees

These Sub-Committees represent the Board sitting as sub-committees of the full Board.

	Board Risk Committee	Audit Committee
Summary of responsibilities	The Board Risk Committee is responsible for providing: • Oversight and advice to the Board on the risk exposures of the Company and future risk strategy. • Direction and oversight in relation to regulatory policies and procedures, including those relating to risk identification, assessment, management and monitoring and shall oversee the risk management function.	The principal role of the Audit Committee is to support the Board in considering activities that expose or may expose the Company to material audit or financial risk. The Audit Committee is responsible for reviewing and challenging the actions and judgements of management in relation to the preparation of the Financial Statements and other reporting as required under relevant regulations.
Members as at 31 December 2017	J. Lyons (Chairman from October 2017), T. D. Kingston (Chairman until October 2017), J Finnegan, F. Rossaro (appointed November 2017)	T.D. Kingston (Chairman from October 2017), D. Moia, P. Colton (appointed November 2017)

B.1.1.3 Executive Management – Delegated Committees

	Investment Committee	Management Risk Committee	Product Approval Committee	Integrity Committee
Summary of responsibilities	The following are the main responsibilities discharged by the Investment Committee: • Ensuring that the Company's investment portfolios are managed and invested in accordance with the Company's Investment Policy, Mandates and Guidelines. • Assessing and approving Investment management mandates and changes to them. • Overseeing the performance of Investments Managers. • Monitoring the performance of Policyholders' and Shareholders' investments.	The Management Risk Committee ("MRC") is responsible for: • Identifying, assessing, monitoring, managing and reporting on the key and material risk exposures faced by Darta. • Helping the Risk Committee to define and monitor adherence to Darta's Risk Appetite. • Escalating unacceptable risks and exposures identified to the Risk Committee and Allianz SpA's Chief Risk Officer, as appropriate. • Recommending mitigating or remediation actions to address risk and compliance events or exposures identified. • Reviewing the adequacy of	The following tasks have been assigned to the PAC: • Co-ordinating the process for the design and review of: ○ new products ○ modifications to existing products • Co-ordinating the review of current products to ensure that the risk of detriment to customers arising in respect of those products is monitored closely. • Facilitating communication between relevant departments within Darta, relevant to the product approval process. • Co-ordinating projects to ensure that the product complies with all relevant	The MRC shall act as the Integrity Committee within Darta. The Integrity Committee coordinates activities concerning Fraud prevention, detection and response, with a core focus on Internal Fraud and handling of whistle-blower complaints. This includes the oversight of an effective Anti-Fraud Programme in accordance with applicable laws and regulations, taking into consideration Darta's particular exposure to the risk of unlawful or unethical conduct.

	Investment Committee	Management Risk Committee	Product Approval Committee	Integrity Committee
		Darta's risk management policies and assessing whether they have been appropriately implemented. • Acting as the Governance Control Committee • Acting as the Reserving Committee.	legislation and does not expose the Company to litigation or Regulatory sanction. • Informing the Board of all product developments in the quarterly report to the Board, through the Head of Product Development. • Assessing the profitability and sustainability of Darta's products.	
Members	CRO (chair), CEO, Head of Finance, the Head of Product Development.	CRO (chair), CEO, Head of Compliance, Head of Actuarial Function, Head of Finance, Chief Operating Officer ("COO"), Operations Manager. Internal Audit attends the MRC as a guest by virtue of a standing invite.	CEO (chair), Head of Product Development, CRO, Head of Compliance, COO, Head of Finance and Head of the Actuarial Function.	CEO (chair), CRO, Head of Compliance, Head of Internal Audit, Head of Actuarial Function, COO, Head of Finance.
Reports to	Board	Board Risk Committee	Board	Board Risk Committee

In addition, a Management Team meeting is held monthly. All members of Darta's management attend this meeting and provide status updates on each of their areas for the information of the other managers.

B.1.2 Overview of the Solvency II Functions

B.1.2.1 Actuarial Function

The Actuarial Function as led by the Head of Actuarial Function ("HOAF") (PCF-48) has been outsourced to Allianz Global Life dac, effective from June 2017. Before this time, the role was outsourced to Milliman. These outsourcing relationships are conducted in line with Darta's Outsourcing Policy.

The HOAF is supported by one additional team member. In addition, the Company has a service level agreement ("SLA") in place with Allianz SpA Group Risk and Actuarial Services to help support the Company with the calculation of the Technical Provisions and Market Value Balance Sheet ("MVBS" or "Solvency II Balance Sheet") for the purposes of Solvency II. These are subject to review by the HOAF.

The HOAF reports to the CEO but has direct access to the full Board of Directors, should it be required. The HOAF is independent of all other functions and departments within Darta.

Refer to Section B.6 for more detail on the Actuarial Function.

B.1.2.2 Compliance Function

Darta has put a Compliance Function in place that is led by the Head of Compliance (PCF-15). The Head of Compliance is an employee of Darta and is supported by a team of six.

The Compliance Function is responsible for oversight, risk detection, prevention and advice with respect to the Compliance Risk areas of the Company. The Compliance Function is designed to supplement, not supplant, the responsibility of the Board and of senior management to ensure compliance with legislation and applicable guidelines.

The Head of Compliance reports directly to the CEO and has direct access to the Chairman of the Board Risk Committee, if required. In line with all Allianz Group entities, there is a reporting line through to Group Compliance to ensure regulatory oversight from a Group perspective. This does not imply the transfer of responsibility or decision making outside of Darta and the Board of Darta remains responsible for Compliance issues.

More detail on the Compliance Function is provided in Section B.4.2 below.

B.1.2.3 Internal Audit

Darta has an Internal Audit Function in place. The Board, in line with a Group-wide initiative, has, outsourced the Internal Audit Function to Allianz Ireland. This outsourcing relationship is conducted in accordance with Darta's Outsourcing Policy. The Head of Internal Audit (PCF-13) is supported by two additional team members.

The Head of Internal Audit reports directly to the CEO and the Chairman of the Audit Committee. The Internal Audit Function reports to the Audit Functions at both Darta's parent and ultimate parent

levels and is subject to oversight by same. Steps have been taken to ensure that the Internal Audit Function remains independent of all other functions at all times.

More detail on the Internal Audit Function is provided in Section B.5 below.

B.1.2.4 Risk Function

The Risk Function is headed by the Chief Risk Officer ("CRO") (PCF-14). The role of the Risk Function, as carried out by the CRO, encompasses the measuring, mitigating, controlling and monitoring of all risks to the Company, having regard to the shareholders risk appetite and any regulatory requirements. The CRO is supported by one additional team member in Ireland and by the Allianz SpA Group Risk Department.

The CRO reports directly to the CEO on an on-going basis and to the Board Risk Committee on a quarterly basis. The CRO has dotted line reporting to Allianz Group Risk in Germany. The CRO has a direct reporting line to the Chairman of the Board Risk Committee. He also has a functional reporting line to the Allianz SpA CRO and Allianz Group CRO.

More detail on the implementation of the Risk Function is provided in Section B.3.1.2 below.

B.1.3 Material changes to the system of governance

On 14 September 2017, M Re resigned from his position as the Chairman and a director of Darta following a change in his role within the Allianz Group that precludes him from continuing with these roles. Mr Re was succeeded by Mr Ruane, who was approved by the Central Bank of Ireland on 14 September 2017. In assuming the chairman role, Mr Ruane stepped down from his role as the Chairman of the Audit Committee and as a member of the Board Risk Committee.

J. Lyons assumed the role of the Chairman of the Board Risk Committee.

T. D. Kingston stepped down as the Chairman of the Board Risk Committee and assumed the chairmanship of the Audit Committee in October 2017.

P. Clarke retired from the Board on 26 July 2017.

P. Colton was appointed to the Board as an INED effective as of 1 November 2017. Ms Colton assumed membership of the Audit Committee at the same time as being appointed as a Board Member.

F. Rossaro, an employee of Allianz Investment Management, was appointed to the Board as a Group Director effective as of 17 November 2017. Dr Rossaro assumed membership of the Board Risk Committee at the time of her appointment to the Board.

During the period, the Head of Actuarial Function changed from being outsourced to a provider external to the Allianz Group to being outsourced to Allianz Global Life, an Allianz Group company. At this time, M. Culligan of Milliman, resigned as a member of the Board Risk Committee.

No other material changes have occurred.

B.1.4 Assessment of System of Governance

Having regard to the governance structures in place, the system of governance is considered to be adequate to the nature, scale and complexity of the risks inherent in the business.

B.1.5 Remuneration

B.1.5.1 Policy and principles

The Board of Directors has approved a Remuneration Policy, an aim of which is to ensure that risk-taking incentives provided by the Company's remuneration practices are consistent with its risk appetite and do not encourage unauthorised or unwanted risk-taking that exceeds the level of authorised risk of the Company.

Employees' total annual remuneration comprises an annual fixed component and an annual variable component. The fixed component represents a sufficiently high proportion of the total remuneration so that the system does not give rise to negative effects. The Company operates a fully flexible bonus policy, such that it is not obliged to pay bonuses if it is not appropriate to pay a bonus in the circumstances.

The variable component of an individual's salary is based on a combination of the performance of the employee in relation to established goals and targets and the overall results of the Company. Targets are agreed in the first quarter of each year. The measurement of the employee's performance in relation to established goals and targets takes into account factors other than financial performance and includes the ability for senior management to exercise judgment in deciding whether or not to pay out the bonus. Factors considered include acquired skills, personal development, compliance with the Company's internal rules and procedures, compliance with the standards governing the relationship with policyholders and contribution to the performance of the Company as a whole. The measurement of the overall results of the Company shall include an assessment of whether such results are sustainable in the long-term.

The variable component of remuneration for any employee is limited to a maximum percentage of the employee's total remuneration, as set by the Board from time to time.

B.1.5.2 Remuneration factors

The following table summarises additional factors that are taken into account when determining whether the following categories of employees are entitled to receive such payment:

Category	Executive risk takers	Employees who work in a review capacity
Additional considerations	The measurement of performance as a basis for variable remuneration shall include an adjustment for current and future risks and the potential impact of these risks for the Company.	The basis for bonus payable to employees who work in a review capacity, such as employees in compliance, risk management, internal audit and actuarial functions, shall be independent from the performance of the business areas they review and oversee. Employees shall not be remunerated according to assumptions that incentivise an excessive risk-taking or an underestimation of the existing risks.

B.1.5.3 Pension arrangements

Darta operates a defined contribution pension scheme for all employees. There were no supplementary pension payments made during the reporting period, nor were there any early retirement schemes in operation in respect of any member of staff of Darta during the reporting period.

B.1.6 Transactions with shareholders, directors and persons who exercise significant influence

Allianz SpA provides:

- Fiscal and legal support services
- Technical support relating to the calculation of the Technical Provisions.
- Technical support relating to the calculation of the Solvency Capital Requirements under the Solvency II Standard Formula and the calculation of the Minimum Capital Requirement.

During December 2017, Darta made a dividend payment of €10 million (2016: €20 million) to Allianz SpA.

B.2 Fit and proper requirements

Darta is subject to the fit and proper requirements established under the Fitness and Probity Standards (Code issued under Section 50 of the Central Bank Reform Act, 2010), the Central Bank Reform Act 2010 (Sections 20 and 22) Regulations, 2011 (S.I. No. 437 of 2011) and Regulation 45 of the 2015 Regulations.

The Company has a Fitness and Probity Policy in place, to ensure that all persons who effectively run the Company or have other key functions are and remain fit to provide sound and prudent

management through their professional qualifications, knowledge and experience and remain proper by being of good repute and integrity.

B.2.1 Fit and proper – general requirements

The specific standard of fitness required for each position in scope of Fitness and Probity Policy is set out in Darta' Fitness and Probity Policy in order to ensure that individuals occupying or proposed for such roles are competent and capable. For each position the minimum level of previous experience, technical knowledge and qualifications in a particular area are set out.

The standard of probity required for the performance of positions in scope of the Fitness & Probity Policy shall always be on the same level irrespective of the nature, scale and complexity of the Company or the responsibilities of the particular position. Therefore, each person holding a position in scope of the Fitness and Probity Policy must be honest, be ethical, act with integrity and be financially sound.

B.2.2 Fit and proper – monitoring process

Initial due diligence

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

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

Each proposed individual is required to certify that they are aware of the Fitness and Probity Standards and agree to abide by those Standards. They are also required to certify that they are not aware of any issues that may put their fitness or probity in doubt.

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

For certain positions within scope of the Company's Fitness & Probity Policy, approval from the Central Bank is required prior to appointment by the Company's Board.

Regular Reviews

Individuals holding positions subject to the Fitness & Probity Policy are assessed on a regular basis to ensure on-going compliance by that person with the relevant requirements for their position. The assessment is performed as a part of the annual performance review process during which the person's continuing fitness for the role is assessed and any compliance infringements, which may possibly lead to the person not being considered proper, are taken into account. The Company investigates any concerns noted from the review and re-assesses the fitness and probity of the

person concerned, where applicable. The process for the assessment of results of fitness and probity reviews is set out in the Company's Fitness and Probity policy.

As part of this annual on-going performance monitoring, individuals holding positions subject to the Fitness & Probity Policy are required to certify that they are aware of the Fitness and Probity Standards, confirm there is no change in circumstances that would result in non-compliance with the Standards and agree to continue to abide by those Standards.

Where positions subject to Fitness & Probity Policy are outsourced to a regulated service provider, Darta is required to obtain a written confirmation on annual basis that the service provider's employees working within the outsourced function continue to meet Fitness and Probity Standards. Outsourced service providers that are not regulated entities are required to put in place processes that are equivalent to those Darta has in place in respect of its own employees. Additionally, service providers annually attest to the Company in respect of fitness and probity of those individuals within the service provider who hold positions subject to Darta's Fitness & Probity Policy.

B.3 Risk Management System, including the Own Risk and Solvency Assessment

B.3.1 Risk Management System

B.3.1.1 Risk Management System

Darta has a Risk Management System in place with a primary objective of ensuring that all material quantifiable and non-quantifiable risks faced by Darta are adequately identified, assessed, monitored, mitigated and reported on in a timely manner.

Darta has implemented a comprehensive risk management process, consistent with Allianz Group standards and industry best practices that cover all material quantitative and qualitative risks to which Darta is exposed and is referred to as its Risk Management Framework. Components of this Risk Management Framework include:

i) Risk Appetite - Darta's Risk Appetite Statement sets out the aggregate level and types of risk an organisation is willing to assume within its risk capacity to achieve its strategic objectives and business plan.

ii) Risk Strategy and policies – Darta's Risk strategy and policies 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. Darta's Board has approved the following risk policies: Risk Management Policy, Investment Policy, Liquidity Risk policy, Reinsurance Policy, Underwriting and Product Development Policy, Capital Management Policy, Operational Risk Management Policy, Reputational Risk Management Policy, Accounting and Reporting policy and the Employee Information Security Policy. New policies are developed in response to changes in the Company's Risk Profile over time.

iii) Risk identification and assessment – The Risk Management Framework sets out processes for the identification of risk at the business operation level and Company level (through the Top Risk Assessment process). In addition, emerging risks are identified and discussed as part of the Company's risk horizon scanning process.

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

v) Risk reporting and monitoring – Darta has implemented a comprehensive qualitative and quantitative risk reporting framework, in line with Allianz Group requirements. The reporting framework provides senior management and the Directors with transparent risk indicators to help them to understand the Company's risk profile and where it stands in relation to its stated Risk Appetite. Examples include Key Risk Indicator dashboards, emerging risk radars, ORSA reports and Top Risk Assessment outputs. Each of these documents are reviewed and discussed at the MRC and Board Risk Committee, where action plans are agreed to address such risks identified.

In implementing the Risk Management Framework, Darta has established a "Three Lines of Defence" model for the management of risks, as outlined below:

Three Lines of Defence Model

1st Line of Defence	2nd Line of Defence	3rd Line of Defence
Business Operations: Business management is responsible for the identification and assessment of risks and the implementation and enforcement of controls.	**Oversight and Challenge:** Board Sub-Committees and Control Functions provide key oversight of activities in business operations and challenge the completeness/accuracy of the risk identification and implementation of controls.	**Independent Assurance:** Internal Audit provides independent and objective assurance on the robustness of the Risk Management System and the appropriateness and effectiveness of the internal controls.
Key Components: • Chief Executive Officer • Chief Operations Officer • All managers and employees • Management of outsource service providers • Actuarial Function (product development) • Investment Committee	**Key Components:** • Board Risk Committee • Chief Risk Officer • Risk Function • Compliance Function • Actuarial Function	**Key Components:** • Audit Committee • Internal Audit Function

B.3.1.2 Implementation of the Risk Function

The main objectives of the Risk Management Function are:

- Supporting the first line-of-defence by helping ensure employees at all levels of the Company are aware of the risks related to their business activities and how to properly respond to them.
- Supporting the Board of Management with development of a Risk Strategy and Risk Appetite.
- Monitoring of the risk profile to ensure it remains within the approved Risk Appetite and following up on instances of any Risk Appetite breaches (i.e. via resolution directly with the first line-of-defence and other stakeholders or escalation to the Directors).

Darta has implemented a Risk Management Policy which sets out the roles, responsibilities, tasks and reporting requirements in respect of all risk matters.

The Risk Function is responsible for:

- The oversight, review and supervision of the identification, measurement, management, reporting and monitoring of risks.
- Developing and maintaining Darta's Risk Management Framework, and policies.
- Providing independent oversight of all risk management activities.
- Providing independent reporting to the Board Risk Committee and MRC on risk issues, including the risk profile of Darta.
- Providing independent assurance to the CEO and the Board Risk Committee that key risks are identified and managed.
- Monitoring compliance with Darta's Risk Appetite Statement on a quarterly basis.
- Developing an annual Risk Management Plan for performing the risk management cycle which includes the completion of the Top Risk Assessment.
- Facilitating the Top-Down Strategic Risk Assessment with the Board Risk Committee.
- Reporting to the MRC and Board Risk Committee on compliance with various risk policies and Darta's Risk Appetite Framework.
- Compiling and maintaining the Corporate Risk Register based on the top risk assessment results.
- Facilitating the production of the ORSA and reporting thereon.

B.3.2 ORSA

B.3.2.1 The ORSA process

Darta performs a regular assessment (at least annually) of its solvency needs in respect of its own risk profile, approved risk appetite, risk tolerances and strategy of the business. The ORSA is an integral part of Darta's business strategy and takes the nature, scale and complexity of the risks

inherent in the business into consideration. Darta assesses its overall solvency needs using the Solvency II Standard Formula.

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

The ORSA process is coordinated by the Company's Risk Management Function and incorporates the input from different areas of Darta (including the key control functions). The Company's Board of Directors plays a key role in steering the ORSA process and challenging the results. The ORSA comprises three stages:

- **Current state -** Darta determines its own risk profile at the time of the ORSA. The assessment of current solvency needs determines whether the Company is adequately capitalised based on an identification and assessment of all material risks it is currently exposed to. This assessment takes risk capital, available capital and stress scenario impacts to the solvency position, as well as the effectiveness of the internal control system into consideration. Risk capital under the ORSA reflects the Company's own view of the risks it is exposed to and therefore, may be increased due to other risks that are not currently quantified by the Standard Formula.
- **Future state -** Darta determines its future solvency needs based on stress and scenario testing, including reverse stress testing. As part of the ORSA, Darta's Risk Capital position and liquidity needs are assessed under both the Central Scenario, which aligns with the Company's business planning forecasts, and under a range of forward-looking stress tests or stressed scenarios. The impact of each of these is assessed in order to ascertain its impact on Darta's capital/solvency position and liquidity position. Projections are aligned with Darta's regular planning horizon of three years.
- **Reporting -** Darta reports the results of the ORSA and assesses what actions should be taken.

In addition to the formal ORSA, Darta runs mini stress scenarios on at least a monthly basis through its ORSA "sandbox tool". Typically, at least two sandbox scenarios are run each month by the Risk Function and are reported on to the MRC, and Chairman of the Board Risk Committee, as part of the regularly risk reporting package and to the full Board Risk Committee on a quarterly basis.

The "sandbox tool" was developed by Milliman and approximates the impacts on SCR of a number of stressed assumptions, in a simplified way. The output from this analysis is used by the Risk Management Function to perform a limited analysis of the potential capital impacts of scenarios of their choosing and to determine whether or not more detailed analysis would be required or whether an ad-hoc or formal ORSA should be run. The tool is updated from time to time to ensure it continues to align with Darta's SCR, as calculated by Allianz SpA's Group Risk team.

B.3.2.2 Review and approval of the ORSA

The ORSA is run on at least an annual basis or on the occurrence of events which may result in a material change to Darta's risk profile and result in triggering an ad-hoc ORSA. Generally, the ORSA is prepared to coincide with the business planning cycle, thereby allowing Darta to review its strategy and amend future business plans due to significant changes in pricing, product mix, price of reinsurance etc. In order to achieve this, the Board take an active part in directing the ORSA and challenging the results.

Each ORSA is subject to review by the MRC and Board Risk Committee, before being reviewed, discussed and approved by the Board. Once approved by the Board, the ORSA is distributed to all relevant staff within Darta and to the Central Bank.

B.3.2.3 Determination of Own Solvency Needs

Darta's Own Solvency Needs have been determined based on the outcomes of the Top Risk Assessment process, business planning process, effectiveness of the Internal Control system, an analysis of the impacts of the stress scenarios and the testing performed over the continued appropriateness of the Standard Formula.

B.4 Internal Controls

B.4.1 Internal Control System

Darta's control objectives include:

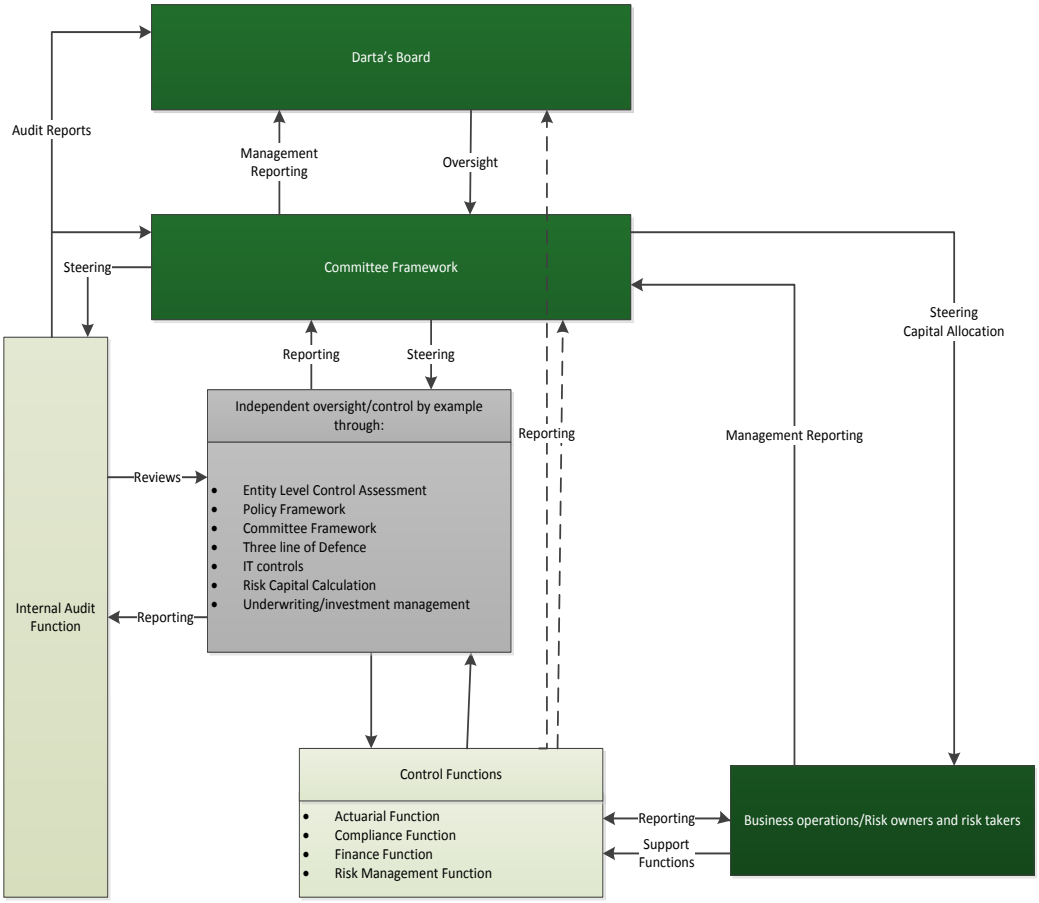
- Safeguarding the Company's existence and business continuity.
- Creating a strong control environment.
- Conducting control activities.
- Providing the management bodies with the relevant information for their decision-making.
- Efficient and effective processes.
- Ensuring compliance with applicable laws and regulations.

In order to achieve these objectives, Darta has put a comprehensive suite of internal controls in place. The general principles upon which the design of the suite of internal controls is designed are:

- Safeguarding and segregation of duties to avoid potential conflict of interests (for example distinguishing payments, settlement and bookings from trade takings, separation of limit setting and authorisations of transactions, separation of control performance and control testing).
- Material decisions are taken by at least two representatives of the Company ("four-eyes-principle"). Decision making processes at all management levels incorporate relevant unbiased information that facilitates sound business judgement.
- For the financial reporting process, Darta applies a control framework that aligns with the Allianz Group.

- Roles and responsibilities for the operation of internal controls are clearly defined and communicated. Responsible individuals are trained in the operation of the processes and controls.
- Processes are to be well structured and documented and key controls that are appropriately designed and operate effectively, are put in place.

The following diagram summarises the Company's Internal Control Framework ("ICF"):



B.4.2 Implementation of the Compliance Function

The Compliance Function is responsible for:

- Supporting and monitoring compliance with applicable laws and regulations. This includes the identification, assessment and mitigation of compliance risk arising.
- Advising senior management and the Board of Directors on compliance with laws and regulations adopted pursuant to the Solvency II Directive and assessing the possible impact of any of these changes in the legal environment on Darta's operations.

Darta has implemented a Compliance Policy which sets out the roles, responsibilities, tasks and reporting requirements in respect of compliance matters. The Policy is reviewed regularly to ensure continued alignment with the appropriate requirements, both from an Allianz and Solvency II

perspective and continue to be relevant to current and planned operations at Darta. Darta's Compliance Policy was last reviewed during November 2017.

Compliance general activities and processes

As part of the Internal Control System of the Company, the Compliance Function exercises a set of activities to achieve its objectives mainly by establishing and maintaining an adequate and effective Compliance management system. This Compliance management system comprises of the following elements:

- Promote a culture of integrity and compliance
- Provide Compliance training and communication
- Provide advice
- Establish and maintain Compliance principles and procedures
- Investigations and reporting
- Interaction with regulatory authorities
- Monitoring & reporting

Compliance risk assessment

The Compliance Function identifies, documents and assesses the compliance risk associated with Darta's business activities on a regular basis. This helps to ensure that the overall compliance framework reflects the risk exposure. The Compliance Function and the Risk Function cooperate closely to manage these risks. Compliance contributes to data collection and risk assessments performed by the Risk Function. Each Compliance Risk assessment is aligned with the Risk Function in terms of methodology, timing and procedure.

B.5 Internal Audit

B.5.1 Implementation of the Internal Audit Function

The Internal Audit Function independently:

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

- Issues an audit report including recommendations based on facts and professional judgment and a summary of the most important results, including an overall assessment for each audit performed.
- Performs follow-up monitoring to ensure that any deficiencies identified are resolved.

Darta has put an Internal Audit policy in place. The Internal Audit policy constitutes a local adoption of the Allianz Group Audit Policy taking into consideration the specific circumstances and requirements of the Company. Compliance with the Group Internal Audit Policy is mandatory within Allianz Group. The purpose of the Internal Audit Policy is to ensure that the organisation and work of the Company's Internal Audit function adheres to a consistent set of minimum rules and operating procedures such that the effectiveness of the controls necessary to achieve the Company's goals is ensured. The policy is supplemented by the local Standard Audit Manual, which is derived from the Allianz Group Standard Audit Manual.

B.5.2 Maintenance of independence of the Internal Audit Function

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

Internal Audit is required to avoid conflicts of interest in fact or appearance. The Internal Audit Function has the authority to express its own assessment and recommendations but cannot give orders (except in cases of suspicion of illegal activities/fraud).

The Head of Internal Audit is able to hold direct interaction with the CEO and the Chair of the Audit Committee. The Internal Audit Function reports to the Audit Functions at both Darta's parent and ultimate parent levels and is subject to oversight by same.

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

In addition to auditing activities, management may seek the advice of Internal Audit on internal control related topics which Internal Audit may provide. However, Internal Audit cannot compromise its independence and cannot implement working procedures. The advisory function of Internal Audit may not jeopardise its core audit activities and the fulfilment of its audit plan. The Head of Internal Audit must confirm the independence of the Internal Audit activity to the CEO (and Audit Committee), at least annually.

The Actuarial, Compliance and Risk Management Functions are separate from the Internal Audit Function with no instruction or reporting of one function into the other.

The Actuarial, Compliance and Risk Management Functions are subject to periodic assessment of the adequacy and effectiveness of these functions. The Head of Internal Audit keeps the Heads of Actuarial, Compliance and Risk Management informed of any Audit findings in their area of responsibility.

B.6 The Actuarial Function

The Board are responsible for providing an effective Actuarial Function as part of the overall system of governance. In accordance with the requirements of Solvency II and the Central Bank's Domestic Actuarial Regime and Related Governance Requirements under Solvency II, the Actuarial Function is responsible for:

- The coordination and calculation of Technical Provisions for accounting and regulatory reporting purposes
- Ensuring the appropriateness of the assumptions and valuation methodologies used in the calculation of the Technical Provisions
- Expressing an opinion on the adequacy of the Technical Provisions
- Expressing an opinion on the overall underwriting policy and on the adequacy of the reinsurance arrangements
- Expressing an opinion on the ORSA
- Contributing to the effective implementation of the risk management system.

The Actuarial Function and in particular the HoAF has additional responsibilities under the Central Bank's Domestic Actuarial Regime, including submitting a written report to the Board on at least an annual basis documenting all tasks undertaken by the Actuarial Function over the reporting period and their results, identifying any deficiencies and including recommendations as to how they should be remedied.

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

- Providing input and advice regarding the amount, structure and uncertainty of the technical provisions. This includes close interaction with respect to methodologies, models and assumptions commonly used for the calculation of technical provisions as well as for risk capital through regular meetings between the Functions.
- Contributing to methodologies, models and assumptions used for the assessment of risk.
- Contributing to the overall risk management process, through membership of the Management Risk Committee, Product Approval Committee and the Investment Committee, and constant communication with members of the Risk Function.
- Supporting the ORSA process through coordination of the capital requirement projections underlying the ORSA and the critical assessment of the stresses selected for the cash flow models and the content of the overall ORSA report.
- Expressing written annual opinions on key aspects of the business and its operation as outlined above.

Darta has a documented Actuarial Policy that sets out the roles, responsibilities, tasks and reporting requirements in respect of the Actuarial Function.

B.7 Outsourcing

B.7.1 Overview

Darta currently outsources a number of key services to third parties, both within and outside of the Allianz Group. All important and critical outsourcing relationships require approval by the Board prior to being implemented.

B.7.2 Outsourcing policy

Darta has put a formal outsourcing policy in place, as approved by the Board, which in line with other policies is subject to review on at least an annual basis.

In summary, Darta's outsourcing policy sets out:

- The roles and responsibilities of all key stakeholders involved in the outsourcing of functions and activities, including, but not limited to, the Board, Board Risk Committee, Risk Function, Compliance Function, Business Managers, Relationship Managers and Service Providers.
- Processes and procedures for the completion of due diligence to be carried out prior to electing to place business with a particular outsource service provider.
- The processes and procedures for obtaining appropriate approval for new or amended outsourcing relationships.
- The processes and procedures for the on-going monitoring of the activities and performance of outsource service providers.
- The requirement to develop and maintain contingency plans and exit strategies in respect of all important and critical outsourcing relationships.
- The reporting requirements, including escalation protocols, both within Darta, the Allianz Group and externally to the Central Bank.

B.7.3 Listing of critical and important outsourcing relationships

The critical or important operational functions outsourced are as follows:

Company	Activities covered	Location of provider
Group Providers		
Allianz Global Life dac	Actuarial Function	Ireland
Allianz Ireland plc	Internal Audit	Ireland
Allianz Technology	Information Technology support	Ireland/Germany
Allianz SpA	Calculation of Technical Provisions and Regulatory Risk Capital calculations	Italy
Allianz Global Investors GmbH	Asset Management services	Germany
PIMCO Europe Ltd	Asset Management services	United Kingdom
Investitori SGR S.p.A.	Asset Management services	Italy
External Providers		
External firm	Third Party Administrator	Ireland
Asset Managers (12)	Asset Management	Various European states
External document archiving firms	Document archiving	Italy

B.8 Other material information

B.8.1 Adequacy of the System of Governance

The System of Governance put in place by Darta, as outlined above, is reviewed on an annual basis and is considered to be adequate given the nature, scale and complexity of the risk inherent in Darta's business.

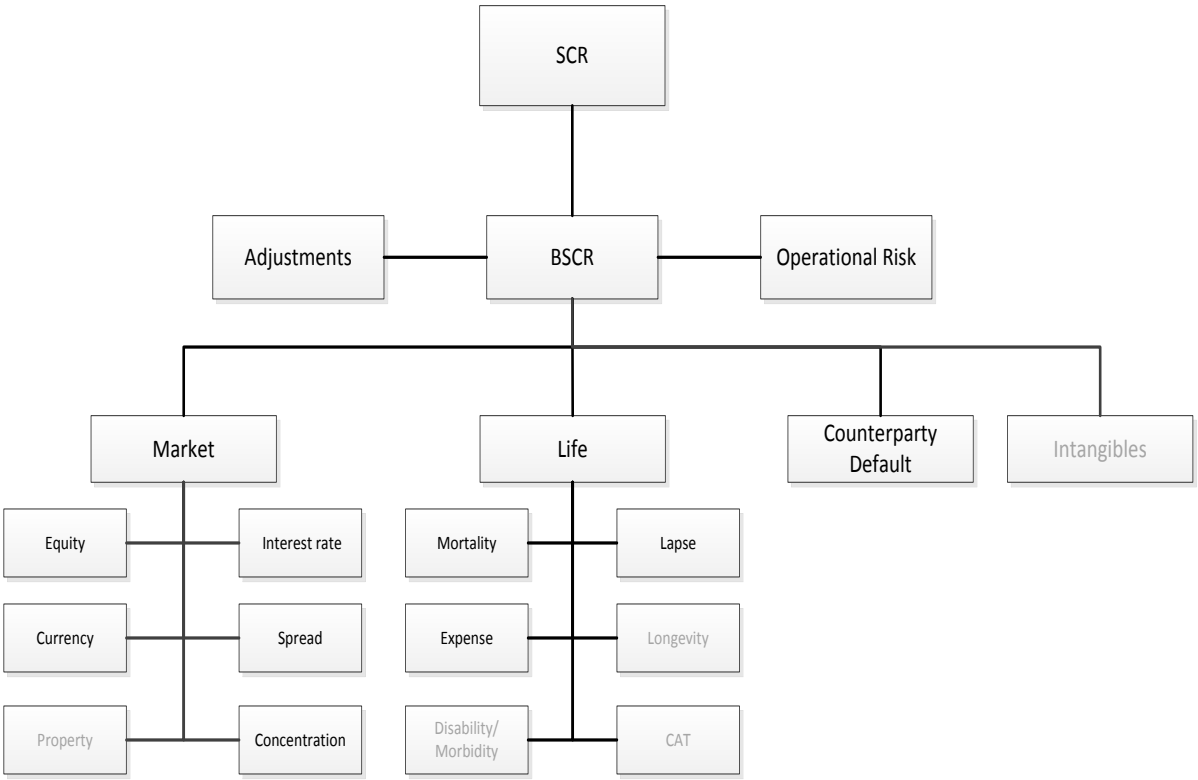
B8.2 Other material information

All material information regarding the System of Governance of Darta has been set out above.

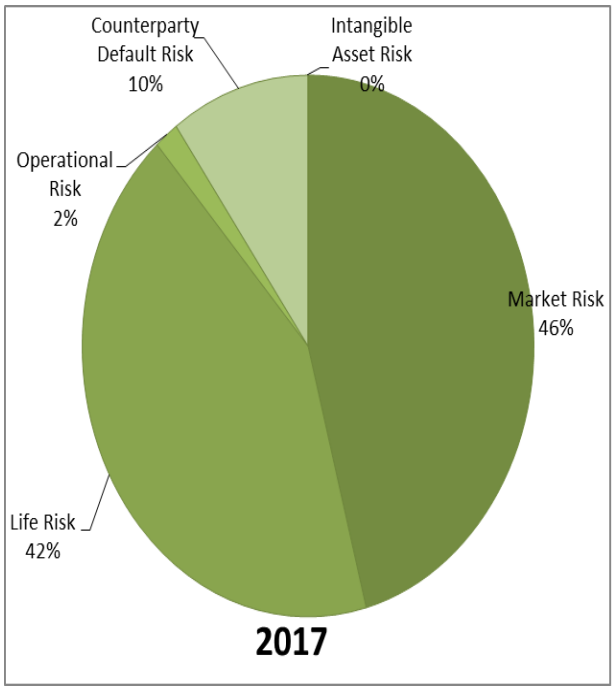
C. Risk Profile

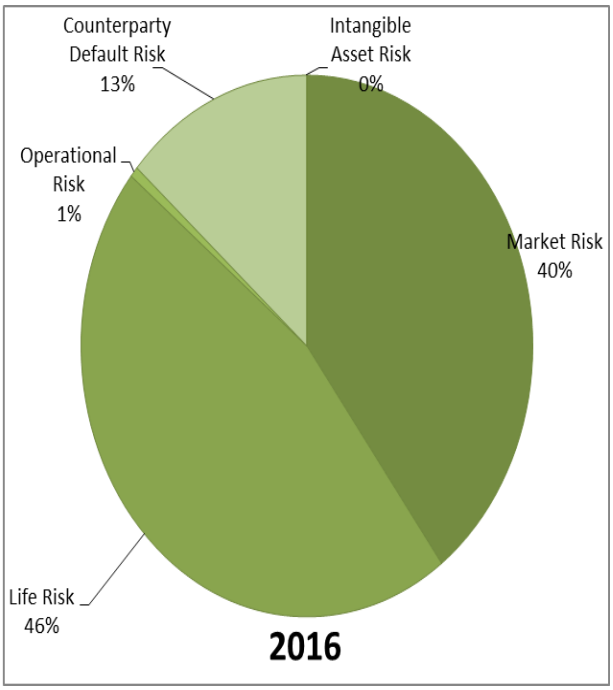
This Section provides a detailed description of Darta's risk exposure by category of Solvency II risk. Definitions of each of these risk types are included in the glossary set out in Appendix 1.

Risk is measured and managed based on the calculations derived using the Standard Formula, as set out in Solvency II. The Standard Formula comprises a set of individual risk modules each of which covers a certain type of risk that a company may be exposed to. The risk modules are then aggregated in a defined way ultimately to calculate the SCR for the Company. The following graphic represents a summarised version of the Standard Formula including the items that are most relevant to Darta.



The resulting risk profile indicates how risks are distributed over different risk categories and determines the regulatory capital requirements in accordance with Solvency II. There have been no material changes in any of Darta's risk exposures over the reporting period. The resulting basic Solvency Capital Requirement for Darta as at 31 December 2017 and 31 December 2016 are shown below:





C.1 Underwriting risk

Underwriting risks have been split into mortality risk, expense risk and lapse risk.

C.1.1 Risk exposure

The Standard Formula indicates that as at 31 December 2017, 42% (2016: 40%) of Darta's basic capital requirement is held in respect of underwriting risk. Key underwriting risks Darta is exposed to include lapse risk and expense risk. Darta's exposure to mortality and morbidity risk is not considered to be material and so are not discussed in detail in this document.

There have been no material changes in Darta's underwriting risk exposures over the reporting period.

C.1.2 Assessment and risk mitigation techniques applied

Material risks	Risk assessment measures	Risk mitigation techniques
Expense	Actual expenses incurred are monitored against budgeted expenses for the month. Significant deviations are investigated.	Where possible, contracts are put in place with service providers to ensure clarity over pricing of services. Expense risk is also factored in the pricing of Darta's products which includes a reasonable allowance for expenses. Expenses are monitored continually and any identified deviations from expected norms are acted upon.
Lapse	Product profitability and lapse experience are monitored on a regular basis so that any significant deviation from expected patterns is detected and addressed in a timely manner.	Darta prices its products based on reasonable assumptions, including reasonable surrender rates.
Mortality Morbidity	Actual claims experience is closely monitored as compared to forecasts and assumptions.	A significant proportion of the mortality and morbidity risk attributable to these products is reinsured.
Life Catastrophe	The likely impact of a catastrophic event occurring is measured as part of the ORSA and capital setting processes.	As a result of the nature of the products written by Darta, there is limited exposure to this class of risk. A significant proportion of the likely impact of life catastrophe risk attributable to these products is reinsured.

The impact on SCR of a Life Catastrophe risk event has been captured within Darta's Standard Formula for the first time in 2017. The overall impact of this inclusion is an increase in the Life Underwriting Risk SCR of €834,000, which is equivalent to 0.3% of Darta's overall SCR as at the end of December 2017.

Exposure to mortality risk, lapse risk and expense revision risk has increased year on year in line with the overall growth in Darta's underlying book of policies. There has been no material changes in the measures applied during the period in respect of these risks.

C.1.3 Risk concentrations

Due to the nature of the products sold by Darta, there were no significant concentrations of underwriting risks as of 31 December 2017 (2016: None).

C.1.4 Risk sensitivity

The Company carries out stress and scenario testing as part of the ORSA which includes stress testing in respect of lapse risks and expense risks. The SCR of the Company was recalculated following scenarios which subjected it to significant increases in expenses and sharp increases in lapses. The testing showed that the Company is resilient to such stresses.

C.2 Market risk

C.2.1 Risk exposure

The Standard Formula indicates that as at 31 December 2017, 46% (2016: 44%) of Darta's basic capital requirement is held in respect of market risk.

Market risk mainly arises in the form of equity risks, currency risk and to a lesser extent interest rate risk. Darta does not currently expose its policyholders or shareholders to real estate pricing risk.

Darta is exposed to financial risk from the following sources:

- Investments backing the unit-linked policy liabilities held on behalf of the policyholders ("unit-linked assets").
- Investments backing the technical provisions required to be held in respect of non-unit-linked aspects of certain policies (being the mortality riders and long term care policies) ("non-linked assets").
- Investments on behalf of the shareholders ("shareholder investments") including:
    - Short and Medium Term EU Government and Government Agency Bonds.
    - Corporate bonds.
    - Cash deposits.

The Company is exposed, to poor performance in the unit-linked funds through the impact on the value of fees earned as a second order risk. Adverse fluctuations in equity prices, interest rates and foreign currencies will result in a reduction in fee income for the Company.

Concentration risk and spread risk are also included in the calculation of market risk. However, these are not significant for Darta and are not discussed in detail in this document.

C.2.2 Assessment and risk mitigation techniques applied

Assessment measures

Darta's Investment Policy Statement details the Company's approach to the management of risks arising in respect of unit-linked assets, non-linked assets[3] and shareholder investments[4].

[3] Investments backing the technical provisions required to be held in respect of non-unit-linked aspects of certain policies (being the mortality riders, long term care policies and whole of life policies)

[4] Investments on behalf of the shareholders ("shareholder investments").

The performance of policyholders' funds and compliance with Investment mandates is monitored on a regular basis by the Finance Team and Investment Committee. Both the Finance Team and Investment Committee report to Darta's Board on a quarterly basis.

Likewise, the performance of the non-linked assets and the shareholder investments is monitored in line with the limits set out in the Investment Policy.

Risk mitigation techniques

Market risk exposures are mitigated through the following techniques:

- The performance of policyholders' funds and compliance with Investment mandates are monitored and reported on an exceptions basis. Exceptions identified are followed up in a timely manner.
- The Finance Function monitors compliance with volatility limits. Exceptions are reported to Darta's Investment Committee on a regular basis and corrective actions are requested to be undertaken by specific Fund Managers, within a reasonable timeframe, if volatility limits are breached.

There has been no material change in the measures applied during the period in respect of these risks.

C2.3 Application of the Prudent Person Principle

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

- All assets need to be invested in such a way as to ensure the quality, security, liquidity, profitability and availability of the investment portfolio as a whole. This also includes the need to structure the investment portfolio such that it is appropriate to the nature and duration of insurance liabilities covered by these assets.
- Assets are only admissible if the Company can properly identify, measure, monitor, manage, control, report and appropriately integrate their risks as part of the ORSA.
- Fund managers are subject to rigorous due diligence procedures prior to business being placed with them. Review meetings are held with Fund Managers during which fund performance, investment strategies and risk management are discussed.
- All Investment Managers are provided with clear investment mandates and guidelines which set out the upper and lower volatility limits, geographical exposure limitations and concentration risk limits as set for individual policyholders funds and shareholder investments alike. The Finance Team monitors compliance with these limits.

C.2.4 Risk concentrations

As a consequence of the nature of the investments held and the application of the approved investment limits, no significant concentrations of market risk have been identified as at 31 December 2017 (December 2016: None identified).

C.2.5 Risk sensitivity

Darta's specific sensitivity to movements in equity prices, interest rate and credit spreads have been calculated as part of the Allianz Group ORSA process. Based on the outcomes of this sensitivity testing, Darta's SCR tends to move in line with the direction of the stress applied. By way of example, an equity stress scenario, where equity prices were reduced by 30% and interest rates were to increase by 100 basis points in a once-off event in 2017, resulted in Darta's SCR falling by 22% in 2018, 20% in 2019 and 19% in 2020.

C.3 Credit risk

C.3.1 Risk exposure

The Standard Formula indicates that as at 31 December 2017 10% (2016: 15%) of Darta's basic capital requirement is held in respect of counterparty default risk. Darta's exposure to credit risk, which includes concentration and counterparty risks, primarily occurs with respect to the following assets:

- Amounts due in respect of unit-linked assets, non-linked assets and shareholder investments.
- Italian Withholding Tax ("IWT"), arising as a result of participating in the "sostituto d' imposta" tax regime.
- Cash balances and deposits held with credit institutions.
- Receivables due from debtors.
- Reinsurance recoverable.

C.3.2 Assessment and risk mitigation techniques applied

Assessment measures

The credit quality of counterparties is monitored closely by Finance and Risk Functions. A significant deterioration in the credit quality of a counterparty (for example, a downgrade of more than two credit rating categories in respect of a rated counterparty) acts as an early warning. The recoverability of debts is also closely monitored.

Risk mitigation techniques

As part of the Allianz Group, Darta is covered by the Credit Limit and Risk Management System ("CRISP"), which is an Allianz Risk Management System used to ensure that counterparty concentration risk does not exceed the Group's risk-bearing capacity. The CRISP system also includes

"Watch list" reports and "blacklisted" counterparties. The CRISP system assists Darta in keeping concentration and counterparty risks within Group and local Risk Appetite. Exposure to or concentrations in respect of specific assets may not exceed those limits set out in the CRISP database, except where an explicit derogation has been provided by the Board or Allianz Group, as applicable. Compliance with these limits is monitored by the Finance Function and is reported on by the Risk Management Function to the MRC.

Darta has a letter of "parental support" in place, whereby Allianz SpA (Darta's immediate parent company) is committed to buying any unrecovered Italian tax asset, which arises from the payment of the IWT each year, at face value after five years (irrespective of whether or not Allianz SpA has a sufficient tax liability to get immediate value for the credit).

Outstanding debtor balances are followed up on a regular basis by Darta's Finance Team.

C.3.3 Application of the Prudent Person Principle

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

As mentioned above, all holdings are subject to Group defined limits as set out in CRISP.

The Company aims to invest its shareholder funds and non-linked assets in highly liquid assets in order to ensure that technical provisions are adequately backed and commitments can be met as required. Darta may not invest in assets that are not included in the Allianz permissible asset database ("CARL"). With certain exceptions in respect of shareholder investments, as pre-approved by the Board, investments in debt securities are limited to securities rated as being at least equivalent to Standard and Poor's BBB- rating at worst ("investment grade").

Darta may only enter into reinsurance contracts with counterparties approved by Allianz Group. As per Allianz Group's criteria only reinsurance counterparties with a minimum S&P credit rating of "A" are acceptable.

C.3.4 Risk concentrations

As at 31 December 2017, Darta holds a receivable to the value of €257.6m (2016 214.8m) that is recoverable against future payments to the Italian Tax Authority. The risks attaching to this asset are offset by the agreement in place between Darta and Allianz SpA, as mentioned in Section C3.2 above.

C.3.5 Risk sensitivity

Specific stress scenarios relating to the default of material receivables were analysed as part of the ORSA. Both the SCR and liquidity needs of the Company were recalculated following this scenario and the testing showed that the Company is resilient to such stresses.

C.4 Liquidity risk

C.4.1 Risk exposure

Darta's shareholder's main exposure to liquidity risks arises in respect of the unrecovered portion of the Italian Tax Asset and the requirement to pay expenses of the business as they arise from time to time. Darta's policyholder's main exposure to liquidity risks arises through the investments backing their policy liabilities, although the effect of this risk is reduced by the nature of the investments held.

In general, Darta's products are well matched in terms of timing of cash flows which reduces the extent of liquidity risk that may arise. However, some product offerings include an upfront allocation, which may result in the Company experiencing liquidity strains in high sales volume periods.

There have been no material changes in Darta's liquidity risk exposures over the reporting period.

C.4.2 Assessment and risk mitigation techniques applied

Assessment measures

The Policyholder's exposure to liquidity risk (arising in respect of the internal funds) is managed through compliance with the respective investment policies of each fund, as detailed in its Investment Mandate and Investment Guidelines.

Liquidity is monitored on a daily and monthly basis by the Finance Function.

A forward looking cash flow projection over a 36-month period is performed based on the most up-to-date forecasts available to the Company. These cash flow projections, which form a part of the regular "sandbox" ORSA analysis, are subjected to stress events that are introduced at the discretion of the Risk Management Function in order to better understand the potential future liquidity needs of the Company. The outcomes of the projections are discussed at the MRC on a monthly basis and are reported to the Board on a quarterly basis.

Risk mitigation techniques

Liquidity risk is managed in line with the Company's Risk Management Framework, which includes an Investment Policy and a Liquidity Risk Management Policy. The policy sets out a number of measures that Darta actively uses to ensure that it remains able to pay its debts as they become due.

Darta sets strict limits over the volume of products with additional allocations that may be sold. In addition, the Company has the Bonus Builder product, which provides similar features to the policyholder but requires a lower upfront allocation to be provided.

C.4.3 Application of the Prudent Person Principle

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

C.4.4 Risk concentrations

The main driver of liquidity stresses in Darta relates to the payment of IWT in June of each year. Under the Central Scenario and a number of the stress scenarios analysed, the amount due for payment is expected to reduce over time as Darta approaches the legislative cap. For this reason, it is anticipated that concentration of risk in respect of liquidity risks will reduce by 2019.

C.4.5 Risk sensitivity

As part of the ORSA, consideration is given to the impacts in the central planning forecast and each of the stress scenarios on Darta's liquid assets and its ability to continue to meet obligations as they become due. Darta is sensitive to extreme liquidity stresses as demonstrated through the testing performed. However, in most scenarios the Company is projected to maintain a reasonable liquidity buffer throughout the period 2018-2020.

C.4.6 Expected profits included in future premiums

The expected profit included in future premiums amounts to circa €1.5m (2016: €1.5m). The expected profit included in future premiums is the difference between the Best Estimate Liabilities and the Best Estimate Liabilities assuming no future premiums are received relating to existing business.

C.5 Operational risk

C.5.1 Risk exposure

The Standard Formula indicates that as at 31 December 2017 2% (2016: 1%) of Darta's basic capital requirement is held in respect of operational risk. This risk comprises a number of exposure sources as summarised in the table below

Sources of material exposures	
Categories	**Definitions**
External fraud	The external theft and fraud sub-category covers events arising from acts intended to defraud, misappropriate property or circumvent the law by a third party without the assistance of an internal party, excluding malicious damage which is categorised under the "Disasters and Other Events" sub-Category. This includes exposure to cyber risk.
Internal Fraud	Where one or more current employees are knowingly involved in a theft or fraud, including unauthorized activity where there is no legal recourse, the event should be classified as internal fraud. This includes exposure to cyber risk.

Sources of material exposures	
Categories	**Definitions**
Employment practices and workplace safety	This category covers operational risk events resulting from incidents connected to employment agreements, human resource processes and health and safety laws.
Clients/Third party, Products and Business practices (including Conduct Risk)	An operational risk event may arise due to an unintentional or negligent failure to meet a professional obligation (including fiduciary and suitability requirements), or from the nature or design of a product.
Damage to physical assets	The damage to physical assets category is used to cover events arising due to natural / industrial disasters and malicious damage of Company property.
Business disruption and system failures	This category covers operational risk events arising due to disruption of business operations or system failures. This includes exposure to cyber risk.
Execution, delivery and process management	An operational risk event may arise due to failed transaction processes or process management failures in general. Operational risk events arising in back office areas fall within this category. These events will often be unintentional and could involve failure to properly document and / or complete business transactions.

There have been no material changes in Darta's operational risk exposures over the reporting period.

C.5.2 Assessment and risk mitigation techniques applied

Assessment measures

Operational risk is monitored through the analysis of the number and nature of errors reported by the outsource service providers, the Operations Team and Compliance Function. The level and nature of complaints as logged by the Operations team are also analysed as part of this exercise.

The impact of these incidents on operational risk is measured using a "Rating Impact Scale" whereby operational incidents, breaches, losses and near misses are rated and classified.

Compliance with legal and regulatory requirements is monitored by the Compliance Function.

Risk mitigation techniques

Exposure to operational risk is typically managed by Darta's business managers as part of their first line of defence responsibilities.

Darta also has a comprehensive set of policy statements in place which are designed to control and mitigate its main sources of operational risk. Each policy sets out procedures to manage, mitigate and report operational risk. These include:

- Outsourcing policy.
- Operational, Reputational and Strategic policy.
- Anti-Fraud policy.
- Errors handling policy.
- Internal Control policy.
- Unit Pricing and Asset Valuation Policy.

- Underwriting, Reserving and Product Development policy.
- Complaints handling policy.
- Information Security policy
- Risk Management policy.

One of the sources of operational risk within Darta is the outsourcing arrangements that have been put in place. To mitigate these risks Darta have put an outsourcing governance framework in place, which includes an Outsourcing policy. Refer to Section B.7 for more detailed information on the management of outsourcing arrangements.

Darta has a detailed Business Continuity Plan in place which covers major risk scenarios. This plan is tested at least annually. Darta seeks information on its key outsource service providers' Business Continuity Plans and the results of their testing as part of the outsourcing due diligence process.

C.5.3 Risk concentrations

Darta is not exposed to any significant concentrations of risk in respect of operational risks as at 31 December 2017.

C.5.4 Risk sensitivity

The Company carries out stress and scenario testing as part of the ORSA which includes stress testing in respect of operational risks. The SCR of the Company was recalculated following scenarios which subjected it to significant operational incidents. The testing showed that the Company is resilient to such stresses.

C.6 Other material risks

C.6.1 Risk exposure

Material risk	Sources of material exposures
Reputational	Events which negatively impact on Darta's reputation are likely to result in an increase in lapses and a decrease in new business. Non-compliance with laws and regulations. Impact on Darta of reputational issues within other companies in the Allianz Group. Distributors selling products on behalf of Darta.
Strategic	Darta's current strategy of mainly selling unit liked products into the Italian market exposes it to significant concentration and strategic risk.

There has been no material changes in Darta's other risk exposures over the reporting period.

C.6.2 Assessment and risk mitigation techniques applied

Material risks	Risk assessment measures	Risk mitigation techniques
Reputational	Darta measures reputational risk using a "Rating Impact Scale" whereby incidents, breaches, losses and near misses which may impact on its reputation are rated and classified.	Threats to Darta's reputation and that of the wider Allianz Group are closely managed. In line with Allianz Group guidance, Darta has a risk management framework in place to identify and mitigate potential sources of reputational risk. This framework includes the completion of the annual TRA, an annual risk assessment of Darta's anti-fraud and anti-corruption practices and constant Anti-Money Laundering ("AML") monitoring. In addition, Darta has implemented a set of policies, including a reputational risk policy, anti-corruption policy and anti-fraud policy, with the aim of mitigating potential sources of reputational risk.
Strategic	The profitability of the Company, new business volumes, finance reports, compliance reports and risk management reports are all taken into account when the Board assesses the Company's exposure to strategic risk.	As part of its strategic and planning process, the Company continually considers options to diversify its product portfolio and distribution channels. The implications of various strategies that may result in volatility in sales volumes (both positive and negative), policyholders switching to lower margin products or mass lapses are assessed as part of Darta's stress and scenario testing as set out in its ORSA.

C.6.3 Risk concentrations

Risk	Risk concentrations
Reputational	Darta has significant exposure to Allianz Bank in Italy. Reputational damage to this distributor may have a deleterious effect on the Company.
Strategic	Despite the recent initiatives within the Company to access new distribution channels and markets, it is acknowledged that in the short to medium term that the Company is exposed to significant strategic risk.

C.6.4 Risk sensitivity

The Company carries out stress and scenario testing as part of the ORSA which includes stress testing in respect of other material risks. The testing showed that the Company is resilient to such stresses.

C.7 Any other information

All material information regarding Darta's risk profile have been set out above.

D. Valuation for solvency purposes

D.1. Assets

The following table lists the material assets of Darta and provides an overview as to the valuation approach applied in respect of these assets. The asset classes described are the same as those used for the Solvency II Market Value Balance Sheet ("MVBS"). No changes have been made to the valuation base used or to the estimations in respect of any of Darta's asset classes during the reporting period.

2017	Note	IFRS	Reclassification adjustments	Valuation adjustments	Solvency II
Assets		**€'000**	**€'000**	**€'000**	**€'000**
Cash and cash equivalents		67,181	(2)		67,179
Other receivables	D.1.5	29,104	232,862	(436)	261,530
Deferred tax asset	D.1.2	299		(299)	-
Shareholder financial assets					-
Investments available for sale	D.1.3	59,463	696		60,159
Advance payment of Italian Policyholders' Tax	D.1.5	257,582	(257,582)		-
Deferred acquisition costs	D.1.1	68,493		(68,493)	-
Policyholder financial assets					-
Investments at fair value through profit or loss/assets held for index-linked and unit-linked funds	D.1.4	15,700,184	65,101		15,765,285
Total assets		**16,182,306**	**41,075**	**(69,228)**	**16,154,153**

2016	Note	IFRS	Reclassification adjustments	Valuation adjustments	Solvency II
Assets		**€'000**	**€'000**	**€'000**	**€'000**
Cash and cash equivalents		78,699			78,699
Other receivables	D.1.5	23,470	194,018		217,488
Deferred tax asset	D.1.2	149		(149)	-
Shareholder financial assets					-
Investments available for sale	D.1.3	60,655	695		61,350
Advance payment of Italian Policyholders' Tax	D.1.5	214,831	(214,831)		-
Deferred acquisition costs	D.1.1	58,632		(58,632)	-
Policyholder financial assets					
Investments at fair value through profit or loss/assets held for index-linked and unit-linked funds	D.1.4	13,470,827	23,402		13,494,229
Total assets		**13,907,263**	**3,284**	**(58,781)**	**13,851,766**

Darta prepares its financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The following Sections contain qualitative and quantitative information on the differences arising in respect of the asset classes reported under Solvency II and the asset classes reported in the Financial Statements.

D.1.1 Deferred Acquisition Costs ("DAC")

Solvency II reporting	IFRS reporting
DAC is not recognised in accordance with Article 12 of the Solvency II Delegated Acts.	Under IFRS, acquisition costs are deferred as an explicit deferred acquisition cost asset, gross of tax, to the extent that they are recoverable out of future revenue margins to which they relate. Such costs are amortised through the Statement of Comprehensive Income over the period in which the future revenue margins on the related contracts are expected to be earned. The rate of amortisation is based on a prudent assessment of the expected pattern of receipt of future revenue margins, taking account of persistency, from the related contracts. All other costs are recognised as expenses when incurred.

D.1.2 Deferred Tax Asset

Solvency II reporting	IFRS reporting
Deferred tax is recognised in line with the principles set out in Article 15 of the Solvency II Delegated Acts. The Company is required to: • Recognise and value of deferred taxes in relation to all assets and liabilities, including Technical Provisions. • Value deferred taxes, other than those arising from carrying forward unused tax losses, and Technical Provisions on the difference between the values ascribed under Article 82 of the 2015 Regulations and the values ascribed to those assets and liabilities as recognised and valued for tax purposes • Technical Provisions shall be ascribed a value in accordance with Articles 83 to 98 of the 2015 Regulations.	The deferred tax asset recognised in the Financial Statements relates to the timing of the recognition of the unrealised losses in respect of the Shareholder Assets. Unutilised tax losses are not subject to any expiry dates. Corporate tax rates remain unchanged during the reporting period. No tax losses have been incurred in the current or preceding reporting period. The approach to calculation of Deferred Tax for Solvency II purposes is consistent with the approach under IFRS. Differences in value, if any, may arise due to differences in values derived due to variations in treatment or valuation for the purpose of calculating tax under the two reporting bases. As at 31 December 2017, Darta does not have

Solvency II reporting	IFRS reporting
• A deferred tax asset shall only be recognised where it is probable that future taxable profits will be available against which the deferred tax asset can be utilised. Darta has not recognised any deferred tax assets for the purposes of reporting under Solvency II as at 31 December 2017 (2016: Nil)	any unrecognised tax credits or tax losses for which deferred tax has not been recognised in its Balance Sheet (December 2016: Nil).

D.1.3 Investments (other than assets held for index-linked and unit-linked contracts) ("Shareholder financial assets")

The Shareholder financial assets comprise investments in Government Bonds and Corporate Bonds held on behalf of Darta's Shareholder.

Solvency II reporting	IFRS reporting
These investments are measured at fair value for Solvency II purposes. Each instrument in this class was individually valued through the application of quoted prices (unadjusted) obtained from an active market (recognised and active exchange) for identical assets. Such investments are reported inclusive of interest for Solvency II reporting purposes. Therefore, accrued interest attributable to these bonds has been reclassified from receivables to the Shareholder financial asset line item.	For IFRS purposes, these assets have been categorised as "Investments available for sale" and are measured at fair value in the Balance Sheet in line with the requirements of IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). These investments are reported exclusive of interest for IFRS reporting purposes. Accrued interest attributable to the Shareholder financial assets is classified as a receivable.

D.1.4 Assets held for index-linked and unit-linked funds ("Policyholders' Funds")

Darta holds unit linked assets for the benefit of its policyholders.

Solvency II reporting	IFRS reporting
The Policyholders' Funds are measured at fair value for Solvency II purposes	For IFRS purposes, these assets have been categorised as "Investments at fair value through profit and loss" and are measured at fair value in the Balance Sheet in line with the requirements of IAS 39.

Approximately 97% (2016: 96%) of these assets have been individually valued through the application of quoted prices (unadjusted) obtained from an active market (recognised and active exchange) for identical assets. The remaining Policyholders' Funds are held in Collective Investment

Schemes that are valued through the use of valuation techniques based on observable inputs, either directly or indirectly.

The assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of the valuation techniques applied is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

No Policyholders' Funds are valued using significant unobservable inputs.

D.1.5 Receivables

Receivables (trade not insurance) include an advance payment of policyholder tax to the Italian Authorities ("Italian Withholding Tax Asset") and other pre-payments.

Solvency II reporting	IFRS reporting
Receivables are reported at their fair value, net of any amounts deemed to be doubtful debts. The Italian Withholding Tax Asset is carried at a discounted value, which reflects the reduction in value between the time the asset is first recognised and time when the asset is mostly likely to be recovered. In the prior year, Darta did not apply any discounting to the Italian Withholding Tax asset for the purposes of Solvency II reporting, as the adjustment was not considered to be material at that time.	For IFRS purposes, receivables are carried at their nominal amounts (no discounting is applied). With exception of the value of the Italian Withholding Tax Asset, there is no valuation difference between Solvency II and IFRS. The Italian Withholding Tax Asset is recoverable through offset against taxes payable to the Italian State within a period of five years or, after five years they may be transferred to any Italian company in the same group. The recoverable amount of the asset is reviewed at each year end for evidence of impairment. In line with Group Accounting policy, Darta does not apply any discounting to the Italian Withholding Tax asset for the purposes of IFRS reporting.

D.2 Technical provisions

D.2.1 Technical provisions by material lines of business

The following table sets outs the components of Darta's technical provisions as at 31 December 2017, with comparative information.

	Unit linked Contracts without options and guarantees	
	2017 €'000	2016 €'000
Best Estimate Liabilities	15,167,741	13,054,140
Risk Margin	73,887	41,242
Technical provisions less recoverables	**15,241,628**	**13,095,382**

The technical provision calculations were performed in accordance with Article 75 to 86 of the Directive 2009/138/EC.

The Best Estimate Liability ("BEL") corresponds to the probability weighted average of future cash flows, taking account of the time value of money (expected present value of future cash-flows) using the relevant risk free interest rate term structure. The unit liability is included in the BEL. The calculation of the BEL is based on up-to-date and credible information and realistic assumptions. It is calculated net, with deduction of amounts recoverable from reinsurance contracts and special purpose vehicles. The portion relating to reinsurance is a liability that slightly increases the technical provisions, and is immaterial.

The Risk Margin is an addition to the BEL to ensure that the technical provisions as a whole are equivalent to the amount that insurance undertakings would be expected to require in taking over and meeting the insurance obligations. The Risk Margin is calculated as the amount of shareholder funds needed to support a 100% Solvency Capital Ratio over the lifetime of the business at a prescribed cost of capital rate of 6% per annum.

D.2.2 Actuarial methodologies and assumptions

Methodology

Technical provisions have been calculated using deterministic cash flow projection methods.

Assumptions

Lapse/surrender rates

Surrender assumptions are based on Darta's experience data where appropriate. Surrender rates cannot be predicted with certainty and actual future surrender experience will deviate from that assumed.

A review of surrender experience was conducted during 2017. The surrender assumptions were updated accordingly leading to a decrease in technical provisions at year-end 2017.

Expenses

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

During 2017 expense updates arising from the corporate plan led to a small increase in technical provisions at year-end 2017.

Mortality/morbidity

Mortality assumptions are based on Darta's experience data where appropriate. Where Darta's mortality experience data is deemed statistically unreliable, the experience data on similar products within the Allianz Group is considered in the assumption setting exercise. Mortality rates cannot be predicted with certainty and actual future mortality experience will deviate from that assumed.

A review of mortality experience was conducted during 2017. The mortality assumptions were updated accordingly leading to a small increase in technical provisions at year-end 2017.

Given the low levels of death benefits offered (net of reinsurance) mortality assumptions are not very important for Darta. Morbidity assumptions are not very relevant as only one minor product is exposed to morbidity risk.

D.2.3. Uncertainty associated with the value of technical provisions

Darta is exposed to changes in any of the assumptions discussed in the previous Section. Sensitivity to key assumptions is tested in the ORSA, in Actuarial Function reports, and in determining capital requirements.

These sensitivity tests show that the Company is exposed to expense, lapse and investment market stresses that might reduce projected future fund charges and hence projected future fund related revenues. Darta is exposed to expense inflation and mortality risks to a lesser extent.

Any sensitivity that changes the BEL will also impact the SCR and where relevant the risk margin. If the future profits within the BEL fall, Darta would stand to lose less money in the SCR stresses. The SCR would be likely to fall offsetting some of the reduction in future profits.

D.2.4 Valuation differences between IFRS and Solvency II

	2017	2016
	€'000	€'000
IFRS Technical Provisions	**15,700,256**	**13,470,859**
Take credit for present value of future profits	(532,443)	(416,686)
Recognition of the risk margin	73,887	41,242
Exclude the Life Assurance Provision	(72)	(32)
Solvency II Technical Provisions (net of reinsurance recoverables)	**15,241,628**	**13,095,382**

The table above reconciles the technical provisions reported in the financial statements to those reported for Solvency II. The key differences in valuation methodology and assumptions follow:

- Solvency II includes the present value of future fee income net of expense outgo on the underlying unit-linked funds, and this reduces the level of technical provisions. These projected surplus cash flows are excluded under IFRS.
- The Solvency II technical provisions include a risk margin to allow for the cost of capital in respect of risks that cannot be hedged away. This increases the provisions.
- Solvency II excludes the life assurance provision in respect of insurance benefits. For certain unit linked business an additional lump sum death benefit rider can apply. In its local financial statements, Darta has unbundled the additional death benefit from the base unit linked contract. This unbundled benefit is treated as insurance business with the remaining base unit linked contract being treated as investment business.

D.2.5 Application of the matching adjustment, the volatility adjustment and the transitional deduction

Darta does not make use of the matching adjustment or the volatility adjustment as referred to in Article 77b and Article 77d of the Solvency II Directive nor does it apply the transitional deduction referred to in Article 308c of the Solvency II Directive.

D.2.6 Application of the transitional risk-free interest rate structure

Darta has not made use of such structures.

D.2.7 Recoverables from reinsurance contracts

The reinsurance impact increases the BEL slightly, and is immaterial.

Darta does not have any risk transfer arrangements with special purpose vehicles.

D.2.8 Use of simplified methods to calculate technical provisions

The calculation of the risk margin is based on a simplified approach. Simplifications are permitted under Solvency II. Guideline 62 of the EIOPA Level 3 Guidance on the valuation of technical

provisions sets out the hierarchy of simplifications that are allowed. The approach adopted by Darta is equivalent to Method 1 of the hierarchy which is to *"approximate the individual risks or sub-risks within some or all modules and sub-modules to be used for the calculation of future Solvency Capital Requirements as referred in Article 58 (a) of the Implementing Measures"*

D.3 Other liabilities

2017	Note	IFRS	Reclassification adjustments	Valuation adjustments	Solvency II
Other Liabilities		**€'000**	**€'000**	**€'000**	**€'000**
Deferred income	D.3.2	30,600		(30,600)	-
Creditors and other payables	D.3.3	147,327	(82,917)		64,410
Insurance and intermediaries payable	D.3.4		124,107		124,107
Corporation tax payable	D.3.3	480	(480)		-
Provisions other than Technical provisions			295		295
Reinsurance payable			69		69
Other Liabilities	D.3.5		0		0
Deferred tax liability	D.3.1			52,223	52,223
Total other liabilities		**178,407**	**41,074**	**21,623**	**241,104**

2016	Note	IFRS	Reclassification adjustments	Valuation adjustments	Solvency II
Other Liabilities		**€'000**	**€'000**	**€'000**	**€'000**
Deferred income	D.3.2	32,218		(32,218)	-
Creditors and other payables	D.3.3	73,675	(19,044)		54,631
Insurance and intermediaries payable	D.3. 4	73,722	15,986		89,708
Corporation tax payable	D.3.3	428	(428)		-
Provisions other than Technical provisions					
Reinsurance payable					
Other Liabilities	D.3.5		6,770		6,770
Deferred tax liability	D.3.1			43,484	43,484
Total other liabilities		**180,043**	**3,284**	**11,266**	**194,593**

No changes have been made to the valuation base used or to the estimation methods used during the reporting period.

The following Sections contain qualitative and quantitative information on the differences arising in respect of the other liability classes reported under Solvency II and the other liability classes reported in the Financial Statements.

D.3.1 Deferred tax liability

Solvency II reporting	IFRS reporting
Refer to D.1.2 above	The deferred tax calculation takes into account the tax regulations specific to particular assets and liabilities under the Irish tax regime. The approach to calculation of Deferred Tax for Solvency II purposes is consistent with the approach under IFRS. Differences in value, if any, may arise due to differences in values derived due to variations in treatment or valuation for the purposes of calculating tax under the two reporting bases.

D.3.2 Deferred income

Solvency II reporting	IFRS reporting
Deferred income is not recognised for the purposes of Solvency II reporting.	Deferred income relates to front-end fees received at the inception of a contract that are deferred and amortised over the anticipated period for which the services will be provided, over the expected term of the contract.

D.3.3 Creditors and other payables

Solvency II reporting	IFRS reporting
Creditors and other payables include taxes payable by the Company and other non-insurance related payables.	There are no valuation differences between Solvency II reporting and IFRS reporting.

D.3.4 Insurance and intermediaries payable

Solvency II reporting	IFRS reporting
Insurance and intermediaries payable include outstanding claims payable to policyholders and premiums received on behalf of policyholders but not yet invested as at year-end.	There are no valuation differences between Solvency II reporting and IFRS reporting.

D.3.5 Other liabilities

Solvency II reporting	IFRS reporting
	There are no valuation differences between Solvency II reporting and IFRS reporting.

D.4 Alternative methods for valuation

The same basis of valuation as used in the Financial Statements is used unless another valuation basis is required under Solvency II. Differences between the IFRS and Solvency II basis for the purpose of preparing the MVBS are set out above.

D.5 Any other information

All material information regarding valuation for Solvency II purposes has been set out above.

E. Capital Management

E.1 Own Funds

E.1.1 Policies and processes

Darta has put a formal capital management policy in place that has been approved by the Board. The objectives set out in Darta's capital management policy are:

- Darta shall protect its capital base and steps shall be taken to support effective capital management.
- Darta undertakes to comply with regulatory minimum capital requirements.
- Darta's capital is managed using an adequate capital buffer above the minimum regulatory requirement.
- Capital management seeks to add economic value over the cost of capital.
- Darta's management is committed to having shareholders contribute to the economic development of the Allianz Group through dividend payments or other forms of repayment of capital contributed from time to time.
- The capital allocated for steering the business is based on the calculations performed according to the Solvency II Standard Formula, taking into account other constraints (such as liquidity) and the outcome of Darta's Own Risk and Solvency Assessment ("ORSA"). In line with Allianz Group requirements Darta applies a three year planning horizon.

No material changes have been introduced in respect of Darta's capital management policies or accompanying processes during the reporting period.

E.1.2 Analysis of Own Funds

The following table sets out the components of Darta's Own Funds.

2017	Total	Tier 1 - unrestricted	Tier 1 - restricted	Status
	€'000	€'000	€'000	
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35				
Ordinary share capital (gross of own shares)	5,000	5,000		Available
Reconciliation reserve	615,419	615,419		Available
Other own fund items approved by the supervisory authority as basic own funds not specified above	51,000	51,000	-	Available
Available and eligible own funds	**671,419**	**671,419**	**-**	
Total eligible own funds to meet the SCR	671,419	671,419	-	
Total eligible own funds to meet the MCR	671,419	671,419	-	

2016	Total	Tier 1 - unrestricted	Tier 1 - restricted	Status
	€'000	€'000	€'000	
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35				
Ordinary share capital (gross of own shares)	5,000	5,000		Available
Reconciliation reserve	505,792	505,792		Available
Other own fund items approved by the supervisory authority as basic own funds not specified above	51,000	51,000	-	Available
Available and eligible own funds	**561,792**	**561,792**	**-**	
Total eligible own funds to meet the SCR	561,792	561,792	-	
Total eligible own funds to meet the MCR	561,792	561,792	-	

Capital contributions have been included in "other items approved by supervisory authority as basic own funds not specified above" Darta obtained permission from the Central Bank to apply contributed capital as Tier 1 Basic Own Funds on 21 December 2015.

Darta does not hold any Tier 2 or Tier 3 type Own Funds.

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

	2017	2016	
Reconciliation reserve	€'000	€'000	Comments
Excess of assets over liabilities	671,419	561,792	
Own shares (held directly and indirectly)	-	-	
Foreseeable dividends, distributions and charges	-	-	
Other basic own fund items	(56,000)	(56,000)	Represented by ordinary share capital and capital contributions
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	-	-	
Total reconciliation reserve	**615,419**	**505,792**	

E.1.3 Reconciliation to equity in the Financial Statements

The following table provides a reconciliation between Darta's Own Funds under Solvency II and its shareholder equity as reported in its Financial Statements.

	2017 €'000	2016 €'000	Explanation
Equity per Financial Statements	303,641	256,361	
Adjusted for:			
Deferred Acquisition Costs	(68,493)	(58,632)	DAC is included as part of the BEL for Solvency II reporting purposes.
Deferred income	30,600	32,218	Deferred income is included as part of the BEL for Solvency II reporting purposes.
Solvency II Technical provisions movement	458,628	375,479	Effect of adjustment from IFRS reserves to Solvency II Technical Provisions.
Solvency II deferred tax liability	(52,223)	(43,485)	Refer to explanation provided in Section D.3.1 above.
Remove IFRS deferred tax asset	(299)	(149)	Assets designated as Available-for-Sale are treated as equivalent to Fair Value through Profit and Loss for Solvency II purposes, which removes the timing difference that gives rise to the deferred tax asset under IFRS.
Adjustment to Italian Withholding Tax Asset	(436)	-	Adjustment to recognise the impact of discounting the Italian Withholding Tax Asset. Refer to D.1.5 above.
Excess of assets over liabilities for Solvency II purposes	**671,419**	**561,792**	

E.1.4 Movement in Own Funds

The following table contains an analysis of the significant changes in own funds during the year.

	2017 €'000	2016 €'000	Explanation
Opening Own Funds	561,792	502,197	
Contributions of Own Funds received	-	-	No capital contributions were received at any time during the reporting period
Own Funds redeemed	-	-	No capital was redeemed at any time during the reporting period
Dividends paid to shareholders	(10,000)	(20,000)	
Movement in reconciliation reserve	119,627	79,595	
Closing Own Funds	**671,419**	**561,792**	

E.1.5 Transitional arrangements

Darta has not made use of any transitional arrangements during the reporting period.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Solvency Capital Requirement and Minimum Capital Requirement

The following table contains an analysis of the components of Darta's Solvency Capital Requirement.

Risk module	2017 €'000	2016 €'000
Market risk	205,467	128,860
Counterparty default risk	44,514	43,917
Life underwriting risk	190,400	148,689
Diversification	(110,500)	(84,155)
Intangible asset risk	-	-
Basic Solvency Capital Requirement	**329,881**	**237,311**
Operational risk	7,723	2,039
Loss-absorbing capacity of technical provisions	-	-
Loss-absorbing capacity of deferred taxes	(42,201)	(27,061)
Solvency Capital Requirement	**295,404**	**212,289**
Minimum Capital Requirement	**106,610**	**91,717**

The final amount of the Solvency Capital Requirement is still subject to supervisory assessment. Darta uses EIOPA's Solvency II Standard Formula and has not made use of undertaking-specific parameters during the reporting period.

E.2.2 Use of simplifications

Darta has not applied any simplifications for the purpose of calculating its capital requirements during the reporting period.

E.2.3 MCR – inputs

The following table contains the inputs used to determine Darta's MCR.

Component	2017 €'000	2016 €'000
Index-linked and unit-linked insurance obligations	15,167,741	13,054,140
Other life (re)insurance and health (re)insurance obligations	-	-
Total capital at risk for all life (re)insurance obligations	622,209	482,866
Overall MCR calculation		
Linear MCR	106,610	91,717
SCR	295,404	212,289
MCR cap	132,932	95,530
MCR floor	73,851	53,072
Combined MCR	106,610	91,717
Absolute floor of the MCR	3,700	3,700
Minimum Capital Requirement	**106,610**	**91,717**

E.2.4 Material changes in SCR and MCR

The following table illustrates the principal drivers of the change in the SCR and MCR between 1 January 2017 and 31 December 2017.

	SCR €'000
Opening amount (1 January 2017)	212,289
Process and Methodology updates*	
Assumption changes	23,369
Model refinements	8,257
Impact of market movements and book growth*	51,489
Year end (31 December 2017)	**295,404**

* All impacts are stated after taking diversification effects into account.

The increase in the MCR from €92m to €107m is in line with the increase in the SCR.

E.3 Use of duration-based equity risk sub-module in the calculation of the SCR

Darta does not make use of the duration-based equity risk sub-module in the calculation of SCR.

E.4 Differences between the Standard Formula and any internal model used

Darta applies the Standard Formula to calculate its Solvency Capital Requirements. Therefore, this Section is not applicable.

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

There were no instances of non-compliance with MCR or non-compliance with SCR during the period.

E.6 Any other information

All material information regarding Darta's Own Funds has been set out above.

Appendix 1 Definitions and terminology

Term	Definition
Board	The role of the Board is to organise and direct the affairs of the Company, acting on a fully informed basis, in good faith, with due diligence and care in a manner designed to protect the interests of the shareholder and other stakeholders such as policyholders, regulatory bodies and staff. The Board may delegate authority to sub-committees or management to act on behalf of the Board in respect of certain matters but, where the Board does so, it shall have mechanisms in place for documenting the delegation and monitoring the exercise of delegated functions. The Board cannot abrogate its responsibility for functions it has delegated.
Non-Executive Director ("NED")	A director without executive management responsibilities for the insurance undertakings or, in the case of an insurance undertaking which is part of a group, who may have executive management responsibilities assigned to him or her within the group.
Independent Non-Executive Director ("INED")	A non-executive director who satisfies the criteria set out in the Central Bank's Corporate Governance Code for Insurance Undertakings 2015 for director independence**.**
Group Director	A group director may be an executive, an executive director, a non-executive director or an independent non-executive director of an entity within the group.
Business Manager	The person responsible for the day-to-day management of a particular function at Darta.
Corporate Risk Register	Darta's Register of Top Risks
Management Risk Committee ("MRC")	The Board Risk Committee has assigned the following tasks to the MRC: • Identifying, assessing, monitoring, managing and reporting on the key and material risk exposures faced by Darta; • Helping the Board Risk Committee to define Darta's Risk Appetite and monitoring adherence thereto; • Escalating unacceptable risks and exposures identified to the Board Risk Committee and Allianz SpA's Chief Risk Officer, as appropriate; • Recommending mitigating or remediation actions to address risk and compliance events or exposures identified; and, • Reviewing the adequacy of Darta's risk management policies and assessing whether they have been appropriately implemented. The members of the MRC of Darta comprise the Chief Risk Officer (chair), Chief Executive Officer, Head of Compliance, Head of Finance, Operations Manager, Chief Operating Officer, Head of Products and Head of Actuarial. Internal Audit attends the MRC by as a guest by way of a standing invite.

Term	Definition
Board Risk Committee	The Board Risk Committee is responsible for providing oversight and advice to the Board on the risk exposures of the Company and future risk strategy. The Committee shall also provide direction and oversight in relation to regulatory policies and procedures, including those relating to risk identification, assessment, management and monitoring and shall oversee the risk management function. The membership of the Board Risk Committee is documented in the Board Risk Committee Terms of Reference. In addition to the Members of the Board Risk Committee identified above, attendees by invitation include the Head of Compliance, Chief Risk Officer, Chief Operations Officer and Head of Finance.
Audit Committee	The Audit Committee is responsible for reviewing and challenging the actions and judgements of management in relation to the preparation of the Financial Statements and other reporting as required under relevant regulations. The principal role of the Audit Committee is to support the Board in considering activities that expose or may expose the Company to material audit or financial risk. The Head of Finance and CEO attend the Audit Committee by way of standing invitation.
Risk Owners	The Risk Owner is the functional manager or head of function at Darta who is responsible for managing the risk in that particular department or function.
Risk Appetite Terminology	
Risk Capacity	Risk Capacity is the maximum amount of risk which the organisation is technically able to assume before breaching one or more of its capital base, liquidity, borrowing capacity, reputational and regulatory constraints.
Risk Appetite	The aggregate level and types of risk an organisation is willing to assume within its risk capacity to achieve its strategic objectives and business plan.
Risk Tolerance	Risk tolerance refers to the acceptable variability around the risk limit.
Risk Limit	Risk limits set out the qualitative or quantitative parameters used in assessing a specific category of risk and also a measurement of the aggregate amount of that risk. Limits are generally set and observed at a granular level within the Company.
Risk types	
Strategic Risks	Unexpected negative changes in Darta's value arising from the adverse effect of management decisions regarding business strategies and their implementation.

Term	Definition
Operational Risks	Unexpected losses resulting from inadequate or failed internal processes and systems, from human misbehaviour or errors or from external events.
Reputational Risks	Unexpected drop in the value of Darta, value of in-force business or value of future business caused by a decline in the reputation of Darta or Allianz Group from the perspective of its stakeholders.
Financial risk (Financial risk)	Unexpected losses arising due to changes in market prices or parameters influencing market prices. In particular, these include changes driven by equity prices, interest rates, real estate prices, exchange rates, credit spreads and implied volatilities. By that it also includes changes in market prices due to a worsening of market liquidity.
Credit risk (Financial risk)	Unexpected losses in the market value of the portfolio due to deterioration in the credit quality of counterparties including their failure to meet payment obligations or due to non-performance of instruments (i.e. payment overdue).
Liquidity risk (Financial risk)	Unexpected financial losses due to a failure to meet, or to meet based on unfavourable altered conditions, short-term, current or future payment obligations, as well as the risk that in the event of a liquidity crisis refinancing is only possible at higher interest rates or by liquidating assets at a substantial discount.
Mortality risk (Insurance risk)	The risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of mortality rates, where an increase in the mortality rate leads to an increase in the value of insurance liabilities.
Expense Revision Risk (Insurance Risk)	Expense risk arises from the variation in the expenses incurred in servicing insurance or reinsurance contracts. It is likely to be applicable for all insurance obligations.
Terminology relating to the Actuarial Function and Technical Provisions	
AFR	Actuarial Function Report - Annual report supplied to the Board by the Actuarial Function in accordance with Regulation 272(8) of the Solvency II Delegated Acts.
AOTP	Actuarial Opinion on Technical Provisions – Annual opinion prepared by the Head of Actuarial Function providing an opinion on the compliance of the technical provisions, as reported in the annual Qualitative Reporting Templates, with all Solvency II requirements. This opinion is required to be submitted to the Central Bank.
ARTP	Actuarial Report on Technical Provisions – Annual report prepared by the Head of Actuarial Function and presented to the Board of Directors. The required content of the ARTP is set out in the Central Bank's Domestic Actuarial Regime and Related Governance Requirements under Solvency II, 2015. This report is incorporated in the AFR.

Term	Definition
Insurance Contract Liabilities	Insurance Contract Liabilities are calculated for the purposes of reporting in the IFRS financial statements. Refer to the accounting handbook and related process notes for the methods employed in calculating this balance.
MoSes	MoSes is actuarial modelling software employed by Darta to model projected cash flows.
QRT	Quantitative Reporting Templates
Risk Margin	The risk margin is the cost of holding non-hedgeable risk capital.
Technical provisions	Technical provisions refer to the gross technical provisions (comprising the BEL and Risk margin) and the recoverables from reinsurance contracts, as defined under Solvency II.
TP Guidelines	Allianz Group Actuarial LH Technical Provisions Guidelines (Function Rule).
Legislation and guidelines	
Domestic Actuarial Regime/HOAF Guidance	The Domestic Actuarial Regime and Related Governance Requirements under Solvency II ("Domestic Actuarial Regime"), as issued by the Central Bank of Ireland ("Central Bank") in 2015 including the Guidance for Insurance undertakings on the Head of Actuarial Function Role. Guidance for Insurance undertakings on the Head of Actuarial Function Role – Guidance issued by the Central Bank which is intended to assist the HOAF in completing the tasks set out in Regulation 50 of the 2015 Regulations.
Solvency II Delegated Acts	Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).
The 2015 Regulations	Statutory Instrument 485 of 2015, the European Union (Insurance and Reinsurance) Regulations 2015 ("The 2015 Regulations") The 2015 Regulations have the effect of transposing Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) ("the Solvency II Directive") into Irish Law effective 1 January 2016.

Appendix 2 Prescribed templates

The following required reporting templates are in scope for the purposes of this report.

Commission Implementing Regulation (EU) 2015/2542 of 2 December 2015

Article 4

S02.01.02	Balance sheet
S05.01.02	Premiums, claims and expenses - using FS methods
S05.02.01	Premiums, claims and expenses by country
S12.01.02	Technical provisions for life and health insurers
S23.01.01	Own Funds, including Basic Own Funds and Ancillary Own Funds
S25.01.21	Standard Capital Requirement using the Standard Formula
S28.01.01	Minimum Capital Requirement for insurance and reinsurance undertakings engaged in only life or only non-life insurance or reinsurance activity

S02.01.02
Balance sheet
€'000

		Solvency II value
	Assets	C0010
R0010	Goodwill	
R0020	Deferred acquisition costs	
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	60,159
R0080	*Property (other than for own use)*	
R0090	*Holdings in related undertakings, including participations*	
R0100	*Equities*	
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	60,159
R0140	*Government Bonds*	14,883
R0150	*Corporate Bonds*	45,275
R0160	*Structured notes*	
R0170	*Collateralised securities*	
R0180	*Collective Investments Undertakings*	
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	
R0210	*Other investments*	
R0220	Assets held for index-linked and unit-linked contracts	15,765,284
R0230	Loans and mortgages	
R0240	*Loans on policies*	
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	
R0280	*Non-life and health similar to non-life*	
R0290	*Non-life excluding health*	
R0300	*Health similar to non-life*	
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	261,530
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	
R0410	Cash and cash equivalents	67,179
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	16,154,151

S02.01.02
Balance sheet
€'000

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	
R0520	*Technical provisions - non-life (excluding health)*	
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	
R0550	*Risk margin*	
R0560	*Technical provisions - health (similar to non-life)*	
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	
R0590	*Risk margin*	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	
R0610	*Technical provisions - health (similar to life)*	
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	15,241,628
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	15,167,741
R0720	*Risk margin*	73,887
R0730	Other technical provisions	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	295
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	52,223
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	124,107
R0830	Reinsurance payables	69
R0840	Payables (trade, not insurance)	64,409
R0850	Subordinated liabilities	
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	15,482,732
R1000	**Excess of assets over liabilities**	671,419

S.05.01.02
Premiums, claims and expenses by line of business
€'000

	Life	**Line of Business for: life insurance obligations**	**Life reinsurance obligations**	**Total**
		Index-linked and unit-linked insurance	**Life reinsurance**	
		C0230	C0280	C0300
	Premiums written			
R1410	*Gross*	3,075,252		3,075,252
R1420	*Reinsurers' share*	1,037		1,037
R1500	*Net*	3,074,215	0	3,074,215
	Premiums earned			
R1510	*Gross*	3,079,642		3,079,642
R1520	*Reinsurers' share*	1,037		1,037
R1600	*Net*	3,078,605	0	3,078,605
	Claims incurred			
R1610	*Gross*	1,409,586		1,409,586
R1620	*Reinsurers' share*	131		131
R1700	*Net*	1,409,455	0	1,409,455
	Changes in other technical provisions			
R1710	*Gross*	-2,229,827		-2,229,827
R1720	*Reinsurers' share*	-400		-400
R1800	*Net*	-2,229,427	0	-2,229,427
R1900	**Expenses incurred**	223,477	0	223,477
R2500	**Other expenses**			
R2600	**Total expenses**			188,190
R2700	**Total amount of surrenders**	1,151,458		1,151,458

S.05.02.01

Premiums, claims and expenses by country

	€'000	C0150	C0160	C0170	C0180	C0190	C0200	C0210
	Life	**Home Country**	**Top 5 countries (by amount of gross premiums written) - life obligations**					**Total Top 5 and home country**
R1400			**Italy**	**Lithuania**				
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	*Gross*	0	3,075,120	132				3,075,252
R1420	*Reinsurers' share*	0	1,037	0				1,037
R1500	*Net*	0	3,074,083	132	0	0	0	3,074,215
	Premiums earned							
R1510	*Gross*	0	3,079,642	132				3,079,774
R1520	*Reinsurers' share*	0	1,037	0				1,037
R1600	*Net*	0	3,078,605	132	0	0	0	3,078,737
	Claims incurred							
R1610	*Gross*	0	1,409,586	0				1,409,586
R1620	*Reinsurers' share*	0	131	0				131
R1700	*Net*	0	1,409,455	0	0	0	0	1,409,455
	Changes in other technical provisions							
R1710	*Gross*	0	-2,229,827	-138				-2,229,965
R1720	*Reinsurers' share*	0	-400	0				-400
R1800	*Net*	0	-2,229,427	-138	0	0	0	-2,229,565
R1900	**Expenses incurred**	17,697	205,525	256				223,477
R2500	**Other expenses**							
R2600	**Total expenses**							223,477

S.12.01.02
Life and Health SLT Technical Provisions
€'000

		Index-linked and unit-linked insurance			Accepted reinsurance					
			Contracts without options and guarantees	Contracts with options or guarantees		Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life accepted insurance contracts and relating to insurance obligation other than health insurance obligations	Total (Life other than health insurance, incl Unit-linked)
		C0030	C0040	C0050	C0100	C0110	C0120	C0130	C0140	C0150
R0010	**Technical provisions calculated as a whole**	-			-	-	-	-	-	-
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	-			-	-	-	-	-	-
	Technical provisions calculated as a sum of BE and RM									
	Best estimate									
R0030	**Gross Best Estimate**		15,167,741	-	-	-	-	-	-	15,167,741
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		-	-	-	-	-	-	-	-
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re		15,167,741	-	-					15,167,741
R0100	**Risk margin**	73,887			-	-	-	-	-	73,887
	Amount of the transitional on Technical Provisions									
R0110	Technical Provisions calculated as a whole	-			-					-
R0120	Best estimate		-	-	-					-
R0130	Risk margin	-			-					-
R0200	**Technical provisions - total**	15,241,628			-					15,241,628

Solvency and Financial Condition Report

1 January 2017 to 31 December 2017

S.23.01.01
Own Funds
€'000

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	5,000	5,000		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	615,419	615,419			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	51,000	51,000	0	0	0
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not					
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not	0				
	Deductions					
R0230	Deductions for participations in financial and credit institutions	0	0	0	0	
R0290	**Total basic own funds after deductions**	671,419	671,419	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0

S.23.01.01
Own Funds
€'000

	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	671,419	671,419	0	0	0
R0510	Total available own funds to meet the MCR	671,419	671,419	0	0	
R0540	Total eligible own funds to meet the SCR	671,419	671,419	0	0	0
R0550	Total eligible own funds to meet the MCR	671,419	671,419	0	0	
R0580	**SCR**	295,404				
R0600	**MCR**	106,610				
R0620	**Ratio of Eligible own funds to SCR**	227%				
R0640	**Ratio of Eligible own funds to MCR**	630%				

		C0060
	Reconcilliation reserve	
R0700	Excess of assets over liabilities	671,419,011
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	56,000
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	671,363,011
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	1,517
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	0
R0790	**Total Expected profits included in future premiums (EPIFP)**	1,517

S.25.01.21
Solvency Capital Requirement - for undertakings on Standard Formula
€'000

Z0010	**Article 112**	Regular reporting	

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios	USP	Simplifications
		C0030	C0040	C0050	C0080	C0090
R0010	Market risk	205,467	205,467	0.00		
R0020	Counterparty default risk	44,514	44,514	0.00		
R0030	Life underwriting risk	190,400	190,400	0.00		
R0040	Health underwriting risk	0	0	0.00		
R0050	Non-life underwriting risk	0	0	0.00		
R0060	Diversification	-110,500	-110,500			
R0070	Intangible asset risk		0			
R0100	**Basic Solvency Capital Requirement**	329,881	329,881			

	Calculation of Solvency Capital Requirement	C0100
R0120	Adjustment due to RFF/MAP nSCR aggregation	0
R0130	Operational risk	7,723
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	-42,201
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	295,404
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	295,404
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	
R0450	Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	No adjustment
R0460	Net future discretionary benefits	

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity
€'000

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	**Net (of reinsurance) written premiums in the last 12 months**
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance		
R0030	Income protection insurance and proportional reinsurance		
R0040	Workers' compensation insurance and proportional reinsurance		
R0050	Motor vehicle liability insurance and proportional reinsurance		
R0060	Other motor insurance and proportional reinsurance		
R0070	Marine, aviation and transport insurance and proportional reinsurance		
R0080	Fire and other damage to property insurance and proportional reinsurance		
R0090	General liability insurance and proportional reinsurance		
R0100	Credit and suretyship insurance and proportional reinsurance		
R0110	Legal expenses insurance and proportional reinsurance		
R0120	Assistance and proportional reinsurance		
R0130	Miscellaneous financial loss insurance and proportional reinsurance		
R0140	Non-proportional health reinsurance		
R0150	Non-proportional casualty reinsurance		
R0160	Non-proportional marine, aviation and transport reinsurance		
R0170	Non-proportional property reinsurance		

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	106,610

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	**Net (of reinsurance/SPV) total capital at risk**
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations	15,167,741	
R0240	Other life (re)insurance and health (re)insurance obligations		
R0250	Total capital at risk for all life (re)insurance obligations		622,209

	Overall MCR calculation	C0070
R0300	Linear MCR	106,610
R0310	SCR	295,404
R0320	MCR cap	132,932
R0330	MCR floor	73,851
R0340	Combined MCR	106,610
R0350	Absolute floor of the MCR	3,700
R0400	**Minimum Capital Requirement**	106,610