**Annex II**

**S.22.03 –Information on the matching adjustment calculation**

**General comments:**

This Annex contains additional instructions in relation to the templates included in Annex I of this Regulation. The first column of the next table identifies the items to be reported by identifying the columns and lines as showed in the template in Annex I.

This annex relates to annual submission of information for individual entities.

This template shall be reported by each matching portfolio approved by the supervisory authority.

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|  | **ITEM** | **INSTRUCTIONS** |
| Z0010 | Matching portfolio | Indicate the number which is attributed by the undertaking, corresponding to the unique number assigned to each matching portfolio.  This number has to be consistent over time and shall be used to identify the matching portfolio number in other templates. |
| **Overall calculation of the matching adjustment** | | |
| C0010/R0010 | Annual effective rate applied to the CF of the obligations | The annual effective rate, calculated as the single discount rate that, where applied to the cash flows of the portfolio of insurance or reinsurance obligations, results in a value that is equal to the value in accordance with Article 75 of Directive 2009/138/EC of the portfolio of assigned assets. |
| C0010/R0020 | Annual effective rate of the best estimate | The annual effective rate, calculated as the single discount rate that, where applied to the cash flows of the portfolio of insurance or reinsurance obligations, results in a value that is equal to the value of the best estimate of the portfolio of insurance or reinsurance obligations where the time value of money is taken into account using the basic risk-free interest rate term structure. |
| C0010/R0030 | Probability of default used to de-risk assets cash flows | The probability of default corresponds to the amount expressed as a financial percentage (same format as for rows R0010 and R0020) used to adjust the assets cash flows of the assigned portfolio of assets pursuant to Article 53 of Delegated Regulation (EU) 2015/35.  “De-risked assets cash flows” means “expected assets cash-flows” as referred to in Article 53 of Delegated Regulation (EU) 2015/35.  This amount shall not include the increase reported in row R0050.  . |
| C0010/R0040 | Portion of the fundamental spread not reflected when de-risking assets cash flows | Portion of the fundamental spread that has not been reflected in the adjustment to the cash-flows of the assigned portfolio of assets as set out in Article 53 of Delegated Regulation (EU) 2015/35.  This amount shall be expressed as a financial percentage (same format as rows R0010 and R0020). This amount shall not include the increase reported in row R0050. |
| C0010/R0050 | Increase of fundamental spread for sub investment grade assets | Increase of the fundamental spread for sub-investment grade assets expressed as a financial percentage (same format as rows R0010, R0020 and R0120). The increase of the probability of default for sub investment grade assets shall be considered in the de-risking of cash flows. |
| C0010/R0060 | Matching adjustment to the risk free rate | Matching adjustment to the risk free rate for the reported portfolio, reported as a decimal. |
| **Eligibility criteria using SCR mortality stress** | | |
| C0010/R0070 | Mortality risk stress for the purpose of the matching adjustment | Increase of the gross best estimate calculated with the basic risk free rate following a mortality risk stress compared to the gross best estimate calculated with the basic risk rate, as set out in Article 77b (1-f) of Directive 2009/138/EC and Article 52 of Delegated Regulation (EU) 2015/35. |
| **Portfolio** | | |
| C0010/R0080 | Market value of the assets of the portfolio | Solvency II value of the assets of the portfolio. |
| C0010/R0090 | Market value of assets linked to inflation | Solvency II value of the assets with return linked to inflation (Article 77b (1) of Directive 2009/138/EC). |
| C0010/R0100 | Best estimate linked to inflation | Amount of best estimate of cash flows of the insurance or reinsurance obligations that depend on inflation. |
| C0010/R0110 | Market value assets where third party can change the cash flows | Value of the assets where third party can change the cash flows (Article 77b (1) of Directive 2009/138/EC). |
| C0010/R0120 | Return on assets – portfolio assets | Identify the de-risked Internal Rate of Return (IRR) of the assets linked to any matching adjustment portfolio measured as the discount rate at which the present value of the cash outflows of an asset equals the present value of its de-risked cash inflows. |
| C0010/R0130 | Market value of surrended contracts | Value of the best estimate of the insurance and reinsurance obligations stemming from contracts underlying each matching adjustment portfolio which have been surrendered during the reporting period. |
| C0010/R0140 | Number of surrender options exercised | Number of surrender options exercised during the reporting period related to insurance and reinsurance obligations of each matching portfolio. |
| C0010/R0150 | Market value of assets covering surrendered contracts | Value of the assets, valued in accordance with Article 75 of the Directive 2009/138/EC, covering the insurance and reinsurance obligations surrendered at the time the surrender options were exercised. |
| C0010/R0160 | Amount paid to policyholders | Value of the amount paid to policyholders according to their surrender rights.  This amount differs from row R0130 and R0150 where the surrender clause of the contract does not give the policyholder the right to receive the full amount in those rows. |
| **Liabilities** | | |
| C0010/R0170 | Duration | Measure equivalent to Macaulay duration for liabilities considering all cash flows of insurance or reinsurance obligations arising from portfolios where the matching adjustment has been used. |