Allianz Global Corporate & Specialty

ALLIANZ COMMERCIAL

Solvency and Financial Condition Report 2023

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At a glance

Graph 1: Key figures of AGCS SE

€ thousand

	Section	2023	2022	Difference
Gross premiums written	A.2	6,294,891	5,867,001	427,890
Net underwriting result before equalization reserve	A.2	116,685	-190,854	307,539
Investment result	A.3	382,962	126,429	256,533
Profit (+) / loss (-) before transfer	A.5	392,965	2,486	390,479
Eligible own funds	E.1	3,652,864	3,210,946	441,918
Solvency Capital Requirement	E.2	2,105,479	2,006,879	98,600
Solvency ratio	C	173%	160%	13%

SUMMARY

SUMMARY

The monetary amounts in this report are presented in thousands of Euros (€ thousand) in accordance with Commission Implementing Regulation (EU) 2015/895. Please note that due to rounding, the numbers presented may not add up precisely to the totals provided. Similarly, percentages may not precisely reflect the absolute figures.

The Solvency and Financial Condition Report (SFCR) covers five subject areas in total, all of which relate to the reporting period from January 1, 2023 to December 31, 2023. The preceding summary provides an overview of the key contents of the report, which are presented in detail below. In addition, any material changes to these subject areas in particular are stated.

A. Business activity and business performance

Section A provides an overview of the business activities and the position of Allianz Global Corporate & Specialty SE (AGCS SE) within the legal structure of the Allianz Group. Detailed information on the results for the financial year is also provided. The company prepares its annual financial statements in accordance with the German Commercial Code (HGB), the Stock Corporation Law (AktG), the German Insurance Supervision Act (VAG) and the Government Order on the External Accounting Requirements of Insurance Enterprises (RechVersV).

AGCS SE is a European joint-stock company (Societas Europaea) and a subsidiary of Allianz SE, Munich, with its registered office in Munich.

As a global risk carrier for industrial and specialty insurance, AGCS SE is mainly active in the fire and other property insurance, general liability insurance, and marine, aviation and transport insurance business segments.

In 2023, AGCS SE conducted its business from Munich, as well as from the branch offices in London (UK), Paris (France), Vienna (Austria), Copenhagen (Denmark), Milan (Italy), Antwerp (Belgium), Madrid (Spain), Rotterdam (Netherlands), Stockholm (Sweden), Singapore, Hong Kong (China), Seoul (South Korea) and Mumbai (India).

With regard to the countries of origin, AGCS SE generates a large part of its gross premiums in Germany, the United States, the United Kingdom and France.

With the "Allianz Commercial Strategy" announced in March 2023, AGCS SE has significantly expanded its focus on insuring mid-sized companies in particular: Through a global cooperation model and a uniform market presence, mid-sized companies as well as global corporations have been served in a consistent manner ever since. Since July 2023, AGCS and the insurance business of the local Allianz property insurance entities have been operating under the new name "Allianz Commercial". The CEO of AGCS SE has overall responsibility for Allianz Commercial as part of his duties. The company names of all AGCS companies and the various Allianz property insurance entities will remain unchanged.

The company's underwriting result was characterized by a positive development in premiums across almost all lines of business. This was attributable to an increase in new business and rate increases in the portfolio. Expenses for insurance claims decreased in the year under review, resulting in a lower combined ratio of claims costs compared to the previous year. Overall, the net underwriting result before equalization reserve increased significantly to € 116,685 (loss of -190,854) thousand and the net combined ratio fell to 89.5 (105.9) %.

In the 2023 financial year, the investment result amounted to € 382,962 (126,431) thousand. The increase is primarily the result of significantly lower interest-related write-downs on debt instruments. Net write ups in this area amounted to € 63,787 (write downs of 280,852) thousand in the year under review.

The other non-underwriting result showed a profit of € 36,852 (49,591) thousand, mainly due to the movements of the US dollar and the pound sterling. The total non-underwriting result amounted to € 419,815 (176,022) thousand.

The company recorded a total profit of € 392,965 (2,486) thousand, which was transferred to Allianz SE under the terms of the profit transfer agreement.

B. System of governance

Section B describes the corporate governance structure at AGCS SE. This includes information on the organizational and operational structure, and on the design and integration of the key functions, the responsibilities of the bodies of AGCS SE – the Board of Management and the Supervisory Board – and their key functions and function holders, including the control functions. The following key functions have been established at AGCS SE in accordance with Solvency II requirements: Compliance, Internal Audit, Risk Management and Actuarial. Over and above the regulatory requirements, two other key functions are implemented at AGCS SE: Legal and Accounting.

Further reporting elements are the requirements of professional qualification and personal reliability of the company management. These are defined in the Fit and Proper Policy and apply to the members of the Supervisory Board, senior management and the holders of key functions and duties.

Furthermore, information is presented about the risk management system, including the company's Own Risk and Solvency Assessment (ORSA), and the internal control system. Our risk management system covers all of AGCS SE's business segments and business units in relation to their risk exposure. Our risk management system includes the necessary strategies, processes and reports to identify, assess, monitor and manage risks. The Board of Management of AGCS SE has overall responsibility for the implementation of a functioning risk management system. Our risk profile is measured and managed on the basis of our internal model, which is approved by the Federal Financial Supervisory Authority (BaFin). Other regular processes for assessing the risk situation, such as Top Risk Assessment, monitoring compliance with limits and ensuring solvency over the planning horizon, are comprehensively documented in the ORSA report once a year. The most recent ORSA report did not contain any objections or significant recommendations to the Board of Management. AGCS SE's capitalization is sufficient to ensure satisfactory solvency even after significant shock events. The capital requirement determined by the internal model, adequately reflects AGCS SE's risk profile, meaning that there is no reason for an additional risk capital add-on.

The governance as well as the internal control system are considered to be effective to adequately identify, measure, monitor, manage, and report risks, which AGCS SE is or may be exposed to.

As a conceptual core element of the internal control framework, AGCS SE applies a three lines of defense concept, which provides for different and clearly defined levels of control with graded control responsibilities.

The following changes were made to the Board of Management in 2023:

- Mr. Jon-Paul Jones was appointed to the Board of Management effective February 01, 2023 and is responsible for the Chief Operating Officer department.
- Dr. Dirk Vogler was also appointed to the Board of Management effective February 01, 2023. Dr. Vogler was responsible for the Chief MidCorp Transformation Officer Department until September 30, 2023. Dr. Vogler has been responsible for the Chief Regions & Markets Officer Department– Region 1 since October 01, 2023.
- Mr. Bill Scaldaferri resigned from his position as a member of the Board of Management with the consent of the Supervisory Board effective February 27, 2023.
- The Supervisory Board appointed Mrs. Tracy Ryan as member of the Board of Management effective March 01, 2023. Mrs. Ryan is responsible for the Chief Regions & Markets Officer Department – Region 2.
- Mrs. Claire-Marie Coste-Lepoutre resigned from her position as a member of the Board of Management with the consent of the Supervisory Board effective August 31, 2023.
- The Supervisory Board appointed Mr. Oskar Buchauer as member of the Board of Management effective September 01, 2023. Mr. Buchauer is responsible for the Chief Financial Officer Department.
- Mr. Henning Haagen resigned from his position as a member of the Board of Management with the consent of the Supervisory Board effective September 30, 2023.
- Mr. Joachim Müller has not renewed his term of office on the Board of Management, which expired on December 31, 2023.
- The Supervisory Board therefore appointed Mr. Petros Papanikolaou - subject to approval by BaFin - to the Board of Management effective January 01, 2024. Mr. Papanikolaou is responsible for the Chief Executive Officer Department.

AGCS SE's governance system was reviewed in 2023 and found to be appropriate and effective by the Board of Management of AGCS SE. Since January 01, 2020, the group-wide AZpire X plan governs the performance-based remuneration of the members of the Board of Management. This consists of a performance-related annual bonus and performance-related equity compensation.

No significant changes were made to the governance system during this reporting period. The Compliance department was also involved in several new initiatives in 2023. However, no changes were made in terms of tasks, processes or structure. Similarly, there were no material transactions with shareholders or persons exercising significant influence over the company or with members of the Board of Management or Supervisory Board.

C. Risk profile

Section C deals with the risk profile of the company. In this section, the risks are described and assessed according to each risk category, and any risk concentrations presented. This section also outlines the measures in place to control and mitigate risks, as well as the sensitivity to the risk factors.

We measure and manage AGCS SE's risk on the basis of an approved internal model that measures potential adverse developments in own funds. The calculation of the Solvency Capital Requirement on the basis of the internal model comprises the following risk categories: underwriting risk, market risk, credit risk, operational risk and business risk. AGCS SE's overall risk is dominated by underwriting risks, as well as equity and foreign currency risks from the participation in Allianz Global Risks US. There were no model changes in 2023 that significantly impacted the risk capital.

Liquidity risk, reputational risk and strategic risk are assessed in qualitative terms.

The results of the calculation of the Solvency Capital Requirement are covered in section E.2.

There are no exposures arising from off-balance sheet items that have a material impact on the Solvency Capital Requirement of AGCS SE. Furthermore, AGCS SE does not use any special purpose vehicles to manage risk.

No risk has been identified in the 2023 financial year that must be additionally considered within the scope of the assessment of the overall solvency requirement (see also section B.3).

In addition to the calculation of the Solvency Capital Requirement, standardized stress tests and their impact on AGCS SE's solvency are considered. The stress tests quantify the impact of firmly defined scenarios in the solvency ratio. The solvency ratio remains adequate in the different scenarios considered. These stress tests are defined in the risk strategy and are regularly observed, in particular where significant business decisions are involved, and reported to the Board of Management of AGCS SE.

Furthermore, the qualitative and/or quantitative effects of specific and immediate situations on the risk profile of AGCS SE are analyzed on a recurring basis.

No material changes were made to the company's risk profile during the reporting period.

D. Valuation for solvency purposes

The subject of section D is the recognition and valuation principles used in the preparation of the market value balance sheet under supervisory law, including an analysis of the differences in values compared with financial reporting in accordance with the German Commercial Code (HGB). The differences in value result primarily from the fact that the economic valuation in the market value balance sheet contrasts with prudent valuation principles in HGB. Section D.1 deals with the assets side and sections D.2 and D.3 with the liabilities side of the solvency statement.

Our assets are defined in particular by investments and the amounts recoverable from reinsurance contracts. Within investments, shares in affiliated enterprises, including participations, and undertakings for collective investment represent the greatest difference in value between the market value balance sheet and the commercial balance sheet. Compared with the previous year, investments increased by € 591,526 thousand. This was mainly attributable to increases of € 609,454 thousand in shares in affiliated enterprises, in undertakings for collective investment as well as bonds, which were partly offset by a reduction in loans and mortgages of € -116,549 thousand. The difference in recognition of deferred taxes between supervisory law and HGB also decreased in the year under review. This was on the one hand mainly due to lower deferred tax assets related to the increased profitability of most branch offices and lower unrealized losses in the bond portfolio due to a decline in interest rates in 2023.

On the liabilities side, financial liabilities and technical provisions represent the balance sheet items with the greatest value differentials. Compared to the previous year, liabilities to reinsurers rose by € 131,725 thousand and technical provisions by € 704,243 thousand.

Under supervisory law, AGCS SE's investments at year-end amounted to € 10,251,249 (9,659,723) thousand and the amounts recoverable from reinsurance contracts to € 6,790,109 (6,065,204) thousand. The technical provisions at the end of the reporting period amounted to € 11,159,968 (10,455,725) thousand. Overall, assets amounted to € 20,259,351 (18,838,017) thousand and liabilities to € 16,606,487 (15,627,071) thousand, which led to an excess of assets over liabilities of € 3,652,864 (3,210,946) thousand. This surplus also represents the regulatory own funds.

With regard to receivables from policyholders, intermediaries and reinsurers no reclassification of receivables not yet due to technical provisions was undertaken, as the annex of Commission Implementing Regulation (EU) 2015/2450 is currently not applicable and is being revised. Reclassification will be suspended until the new version is published.

The actuarial methods used to calculate the technical provisions have not changed materially since the previous reporting period. The methodology of the previous year's Inherent Defects Insurance (Dècennale) study was updated with updated parameters for the current reporting period.

Lump-sum reserves were calculated and recorded on the basis of an external study to cover the higher impact of inflation on prior year claims. For the financial year losses, increased inflation was factored into the expected loss ratios.

Insofar as alternative valuation methods are used at AGCS SE for specific assets and liabilities in the absence of market values, these are explained in more detail in section D.4. There were no changes in the applied methods compared to the previous year.

In contrast to the previous year, assets from options on Allianz SE shares are no longer reported under "Derivatives" but under "Deposits other than cash and cash equivalents". There were no other significant changes.

The auditors issued an unqualified auditor's opinion on the solvency statement of AGCS SE as of December 31, 2023.

E. Capital management

Section E begins with a reconciliation of equity under commercial law to the excess of assets over the liabilities under Solvency II and to the eligible own funds to cover the regulatory Solvency Capital Requirement.

Our eligible own funds have increased by 14% compared to the previous year and amount to € 3,652,864 thousand as of December 31, 2023 (of which 95% Tier 1 capital and 5% Tier 3 capital). The main reason for the increase is the positive business development, which led to profits from the insurance business as well as increases in the value of strategic investments. The financial market environment also had a positive impact on the investment result in 2023. Additional information is presented in section E.1.

AGCS SE uses the Allianz Group's internal model to determine the Solvency Capital Requirement. A fundamental difference between the standard formula and the internal model is that the standard formula uses factor-based shock scenarios, whereas the internal model determines the risk capital by simulating the individual risk factors.

As at the reporting date December 31, 2023, eligible own funds are matched by a Solvency Capital Requirement of € 2,105,479 thousand. This results in a Solvency II capital ratio of 173%. Without the volatility adjustment, the ratio would decrease by 3% percentage points to 170%. The ratio of own funds to Minimum Capital Requirement resulted in a coverage ratio of 515 (prior year: 418) % at the end of the reporting period.

No significant changes were made during this reporting period. AGCS SE met the Minimum Capital Requirement and the Solvency Capital Requirement at all times during the reporting year.

BUSINESS ACTIVITY AND BUSINESS PERFORMANCE

A

A.1 BUSINESS ACTIVITY

A.1.1 General information on business activities

AGCS SE is a European joint-stock company (Societas Europaea) and a wholly owned subsidiary of Allianz SE, Munich, with its registered office in Munich. It was founded in 2006 as Allianz's global risk carrier for industrial and specialty insurance. AGCS SE provides a comprehensive range of insurance products and services to corporate customers, with a particular focus on fire and other property insurance, general liability insurance, and marine, aviation, and transport insurance. AGCS SE distinguishes itself in the market through its exceptional claims handling, cross-border solutions within the framework of international insurance programs, captive and fronting services, as well as risk consulting and structured risk transfer solutions. For this purpose, AGCS SE has teams in 34 countries worldwide. The network of Allianz subsidiaries in over 70 countries and network partners at other locations allows us to serve customers around the globe.

With the "Allianz Commercial Strategy" announced in March 2023, AGCS SE has significantly expanded its focus on insuring mid-sized companies in particular: Through a global cooperation model and a uniform market presence, mid-sized companies as well as global corporations have been served in a consistent manner ever since. Since July 2023, AGCS and the insurance business of the local Allianz property insurance entities have been operating under the new name "Allianz Commercial". The CEO of AGCS SE has overall responsibility for Allianz Commercial as part of his duties.

Allianz Commercial is organized around eleven established regions. AGCS's current six regional units will be merged with the corporate insurance units of Allianz's national property insurance entities. Each region is managed by a Commercial Managing Director who represents Allianz Commercial's integrated model with a holistic customer journey and an extended product portfolio. The new regions were created based on market characteristics, existing broker and distribution relationships and geographic proximity of the countries involved.

During the reporting period, AGCS SE operated through its existing branch offices in London (UK), Paris (France), Vienna (Austria), Copenhagen (Denmark), Milan (Italy), Antwerp (Belgium), Madrid (Spain), Rotterdam (Netherlands), Stockholm (Sweden), Singapore, Hong Kong (China), Seoul (South Korea) and through its reinsurance branch office in Mumbai (India).

With regard to the countries of origin, AGCS SE generates a large part of its gross premiums in Germany, the United States, the UK and France.

A.1.2 Information on the Group structure and affiliated companies

AGCS SE is a member of the Allianz Group headed by Allianz SE, Munich. The Solvency II consolidated financial statements of Allianz SE are published on its website. They can be viewed there or requested from our company. AGCS SE is included in the solvency statement of Allianz SE at Group level.

A simplified structure of AGCS SE, which includes our affiliated enterprises as of December 31, 2023, can be found in the notes to this report.

Table 1: Key affiliated enterprises

%

Name, legal form	Country	Participation ratio (corresponds to voting-right ratio)
AGCS International Holding B.V., Amsterdam	Netherlands	100.0%
AGCS Marine Insurance Company, Chicago	U.S.	81.2%
Allianz Global Risks US Insurance Company, Chicago	U.S.	81.2%
Allianz Fire and Marine Insurance Japan Ltd., Tokyo	Japan	100.0%
Allianz Global Corporate & Specialty Resseguros Brasil S.A., Sao Paulo	Brazil	100.0%
Allianz Risk Consulting GmbH, Munich	Germany	100.0%
Allianz Risk Transfer AG, Schaan	Liechtenstein	100.0%
SpaceCo S.A., Paris	France	100.0%

Statutory obligations to assume any losses result from control and profit transfer agreements with the following companies:

- AGCS-Argos 76 Vermögensverwaltungsgesellschaft mbH, Munich,
- AGCS-Argos 86 Vermögensverwaltungsgesellschaft mbH, Munich,
- AGCS Infrastrukturfonds GmbH, Munich.

A.1.3 Further information

Name and contact details of the competent financial supervisory authority

Address of the Federal Financial Supervisory Authority:
Graurheindorfer Straße 108
53117 Bonn, Germany

alternatively:
PO Box 1253
53002 Bonn, Germany
Contact details of the Federal Financial Supervisory Authority:
Phone: +49 228 / 4108 – 0
Fax: +49 228 / 4105 – 1550
E-mail: poststelle@bafin.de
or De-mail: poststelle@bafin.de-mail.de

Name and contact details of the external auditor

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft with its head office in Frankfurt am Main

PwC Munich branch office
Bernhard-Wicki-Strasse 8
80636 Munich, Germany

Phone: +49 89/5790-50
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A.2 UNDERWRITING RESULT

A.2.1 Overall underwriting result

AGCS SE prepares and publishes its annual financial statements in accordance with German accounting principles (HGB). The following comments on the underwriting result before equalization reserve are therefore based on the items in the income statement in accordance with the Government Order on the External Accounting Requirements of Insurance Enterprises (RechVersV).

Following an underwriting loss in the prior year, a significant improvement in the claims and expense situation enabled the Group to achieve a positive net underwriting result in the year under review, despite lower net premiums earned. This was coupled with a significant improvement in the net combined ratio.

For the German head office, a quota share reinsurance treaty has been in place since January 01, 2015, which has a significant impact on the underwriting result. This treaty cedes 100% of the total direct and reinsurance business assumed by our German head office, net of facultative and other obligatory reinsurers. This contract was renewed in the year under review with a higher commission rate.

The "Underwriting result" table compares the key figures for the year with those for the previous year.

Table 2: Underwriting result

€ thousand

	2023	2023	2023	2023	2022
	Position according to QRT S.05.01.01.01	Reclassification of expenses for claims settlement and investment management[1]	Items not included in the QRT	HGB	HGB
Gross premiums written	6,294,891	-	-	6,294,891	5,867,001
Net premiums earned	1,839,715	-	-	1,839,715	1,924,833
Other net underwriting profit	-	-	-	-	-
Net incurred claims	-1,047,626	-150,273	-	-1,197,899	-1,539,999
Change in other net underwriting provisions [2]	-	-	-1,011	-1,011	-51
Net expenses for premium refunds	-	-	-68,428	-68,428	-71,675
Net underwriting expenses	-611,355	162,085	-	-449,271	-498,945
Other net underwriting expenses	-	-	-6,422	-6,422	-5,017
Net underwriting result before equalization reserve	-	-	-	116,685	-190,854
Net claims ratio				65.1%	80.0%
Net cost ratio				24.4%	25.9%
Net combined ratio				89.5%	105.9%
Investment management expenses reclassified to the non-technical income statement according to HGB		-11,811			

1 In accordance with the requirements of annex I of Commission Implementing Regulation 2023/895, annex II, S.05.01, expenses for claims settlement and investment management expenses are reported as part of net operating expenses in the reporting template. In contrast, in accordance with Article 38 (1) sentence 2 and Article 42 (1) of the Insurance Accounts Directive and their implementation in §41 (2) and §46 (2) RechVersV, claims settlement expenses must be shown as part of the net incurred claims and the expenses for the management of investments within the non-technical account for the financial statements under HGB.
2 With the Implementation Regulation 2023/895, the QRT S.05.01 does not provide information on the change in other technical provisions compared to the previous year; it will apply from December 31, 2023.

With an increase of 7.3%, gross premiums written by AGCS SE in the financial year were significantly higher than in the previous year. Growth was driven by new business and premium increases in nearly all lines of business, with the largest increases in fire and other property insurance. In some areas, the increase in premiums was accompanied by a high level of facultative reinsurance and, together with higher reinsurance premiums for non-proportional protection covers, led to a 4.4% decrease in net premiums earned.

In the year under review, the net claims expenses were significantly lower, mainly due to a reduction in the financial year losses to € 1,221,172 (1,473,050) thousand. This was due to lower IBNR reserves as a result of lower net premiums earned in General Liability and a decrease in catastrophe and major loss events. In contrast to the previous year, there was also a net run-off gain of € 23,272 (loss of 66,949) thousand, which was particularly evident in the miscellaneous financial loss and in marine, aviation and transportation lines of business.

As a result of these developments, the net loss ratio fell to 65.1 (80.0) %. Net expenses for premium refunds were slightly lower than in the previous year. The net expense ratio improved to 24.4 (25.9%).

A.2.2 Underwriting result by line of business

Table 3: Underwriting result by line of business[1]

€ thousand

	Gross premiums written		Net underwriting result before equalization reserve	
	2023	2022	2023	2022
DIRECT BUSINESS AND PROPORTIONAL REINSURANCE BUSINESS ASSUMED				
Fire and other property insurance	2,338,978	2,103,204	21,488	-61,558
General liability insurance	1,940,010	1,987,594	-21,347	-127,869
Marine, aviation and transport insurance	776,291	707,019	14,097	477
Miscellaneous financial losses	488,097	475,733	-1,135	-42,144
Other insurances	140,492	81,363	4,969	-2,694
Subtotal 1	5,683,868	5,354,914	18,073	-233,788
NON-PROPORTIONAL REINSURANCE BUSINESS ASSUMED				
Non-proportional property reinsurance	451,186	365,447	35,601	62,260
Non-proportional liability reinsurance	75,151	81,091	36,362	7,049
Non-proportional marine, aviation and transport reinsurance	84,686	65,550	26,649	-26,376
Non-proportional health reinsurance[1]	0	0	0	0
Subtotal 2	611,023	512,088	98,612	42,934
Total	6,294,891	5,867,001	116,685	-190,854

1 Lines of business with insignificant premium income are excluded from the comments.

The following section provides commentary on the year-over-year changes in revenue and earnings, with a focus on gross premiums written and net underwriting result before equalization reserve, for line of business.

A.2.2.1 Direct business and proportional reinsurance business assumed

The higher gross premiums written in the fire and other property insurance line of business were primarily driven by a positive premium trend for alternative risk transfer solutions in both fire insurance and technical insurance. However, this increase was not reflected in the net premiums earned, as the underlying business was reinsured to a significant extent. In contrast to the previous year, the financial year closed with an underwriting profit, which was primarily attributable to a sharp decline in financial year losses.

Compared to the previous year, gross premiums written in General Liability were lower; this was largely attributed to the alternative risk transfer solutions and financial loss liability insurance.
The significant decline in net premiums earned was primarily driven by alternative risk transfer solutions. Nonetheless, the negative underwriting result was mitigated by the considerably reduced financial year losses and a positive development in the run-off result.

Gross premiums written in the marine, aviation and transport insurance lines were higher than in the previous year. This increase was primarily driven by aviation insurance. Despite a lower run-off gain, which was almost offset by lower financial year losses, the claims expenditure remained at the previous year's level. Overall, the line of business reported a notable improvement in net underwriting profit.

The insurance against political and cyber risks contributed to the positive development of gross premiums written in the miscellaneous financial losses line of business. Net incurred claims decreased significantly compared to the previous year, primarily due to a reduction in financial year losses. Overall, the line of business reported a nearly balanced net underwriting result.

Other insurances combine the medical expenses insurance, income protection insurance, workers' compensation insurance, motor vehicle liability insurance, other motor vehicle insurance, credit and suretyship insurance, and assistance insurance lines of business. The significant increase in gross premiums written was largely driven by medical expense insurance, which was written in the branch offices in Hong Kong and Singapore. In accordance with the underlying fronting agreement, 100% of this business was ceded, resulting in minimal impact on the development of net premiums earned despite the increase in gross premiums written in this line of business. The line of business recorded a net underwriting profit in contrast to the previous year due to higher commission income from ceded reinsurance business.

A.2.2.2 Non-proportional reinsurance business assumed

The significant increase in gross premiums written in non-proportional property reinsurance was primarily due to the fire insurance business assumed. The net incurred claims for financial year losses were significantly higher, resulting in a lower net underwriting result.

In non-proportional liability reinsurance, gross premiums written decreased. This was offset by a positive development in net incurred claims, resulting in an increase in the net underwriting result.

The higher gross premiums written in non-proportional marine, aviation, and transport insurance were mainly attributable to the transport insurance business assumed for reinsurance purposes. In conjunction with a notable reduction in net incurred claims, this led to a positive net underwriting result in comparison to the previous year.

A.2.3 Underwriting result by geographic areas

As a result of Implementation Regulation (EU) 2023/895, it is no longer necessary to prepare QRT S.05.02 Premiums, receivables and expenses by country for reporting as at December 31, 2023. In the previous year, this QRT constituted the primary quantitative basis for country-level reporting. This year's reporting differs from last year in that it defines geographic areas differently. It is now divided into the regions: Germany, the EU and EEA, and other countries. This regional breakdown reflects the structure of the information on the origin of the insurance business provided in the notes to the annual report.

As in the previous year, the explanation of business performance by geographic area is most meaningful on the basis of the gross figures of the financial statements prepared in accordance with commercial law. This is because outward non-proportional reinsurance in particular can only be allocated to the individual countries or regions using codes.

Table 4: Underwriting result by geographic areas

€ thousand

	Gross premiums written	Gross underwriting result [1]
2023		
Germany	850,971	-44,792
EU and EEA	1,820,107	180,876
Other countries	3,623,813	1,011,576
Total	**6,294,891**	**1,147,660**
2022		
Germany	798,008	434,523
EU and EEA	1,788,253	262,349
Other countries	3,280,740	580,966
Total	**5,867,001**	**1,277,837**

1 Appropriate codes have been used for items that cannot be directly allocated (for example, internal costs).

For **Germany**, the majority of gross premiums and incurred claims were related to the head office in Germany. In comparison to the previous year, gross premiums written increased overall, with the greatest growth observed in the general liability insurance and fire and other property insurance lines of business. The higher claims expenditure, driven by a significantly lower run-off profit, had a negative impact on the result in Germany.

The growth in gross premiums written in the **EU und EWR** geographic area was primarily driven by the fire and other property insurance and miscellaneous financial losses lines of business. This increase was offset by lower gross premiums written in general liability insurance in relation to alternative risk transfer solutions.

In contrast to the previous year, there was a run-off loss, which resulted in a lower gross underwriting profit.

In **other countries**, in particular gross premiums written for fire and other property insurance, non-proportional property reinsurance, and other insurances increased. The decline in gross claims expenses was due to a reduction in financial year losses and a positive run-off result. As a result, the underwriting profit for the financial year was significantly higher.

A.3 INVESTMENT RESULT

The investment report is structured as follows:

Table 5: Investments

€ thousand

	Current income (+) / expenses (-)	Profit	Loss	Write-ups	Write-downs	Investment result
2023						
Participations and other interests						
Shares in affiliated enterprises, including participations	161,178	15,696	-67	603	-6,816	170,593
Real estate (other than for own use)	6,652	-	-	-	-4,716	1,936
Debt instruments						
Government bonds	36,366	9,217	-844	19,925	-6,965	57,698
Corporate bonds	44,784	8,468	-866	57,078	-3,520	105,944
Collateralised securities	3,159	857	-	19	-3,090	945
Other loans and mortgages	12,493	-	-	341	-	12,834
Current and other investments						
Collective investment undertakings	46,310	-	-3	3,979	-12,333	37,953
Short-term investments	7,065	-	-	-	-	7,065
Current expenses for the management of investments	-12,006	-	-	-	-	-12,006
Total	**306,000**	**34,238**	**-1,780**	**81,945**	**-37,441**	**382,962**
2022						
Participations and other interests						
Shares in affiliated enterprises, including participations	240,746	52,176	-	16,345	-22,064	287,203
Real estate (other than for own use)	6,800	-	-	-	-1,713	5,087
Debt instruments						
Government bonds	39,368	41,277	-26,097	123	-99,018	-44,347
Corporate bonds	42,623	7,126	-6,418	553	-179,313	-135,429
Collateralised securities	4,658	2,509	-5,995	-	-2,855	-1,683
Other loans and mortgages	6,555	-	-2	-	-341	6,211
Current and other investments						
Collective investment undertakings	35,561	10,346	-23,622	1,095	-6,273	17,108
Short-term investments	3,795	-	-	-	-	3,795
Current expenses for the management of investments	-11,516	-	-	-	-	-11,516
Total	**368,590**	**113,434**	**-62,135**	**18,115**	**-311,577**	**126,428**

In 2023, the total investment result amounted to € 382,962 (126,428) thousand. The increase in comparison to the previous year is primarily attributable to a significant decline in interest-driven write-downs, coupled with higher write-ups in 2023.

Compared to 2022, the investment result from participations and other interests decreased significantly to € 172,529 (292,290) thousand. This was due to lower current income from affiliated enterprises and participations. Income from profit transfer agreements and expenses from loss transfer agreements are also included in investment result from participations and other interests and contributed € 8,531 thousand to the 2023 investment result.

The investment result from debt instruments fell to € 177,421 (-175,248) thousand. The increase is mainly due to significantly lower interest-driven write-downs in 2023.

Compared to the previous year, the investment result from short-term and other investments increased to € 45,018 (20,903) thousand. The total contribution from undertakings for collective investments increased compared to the previous year due to higher current income and lower net losses. Current expenses for the management of investments amounted to € 12,006 (11,516) thousand.

A.3.1 Information on gains and losses recognized directly in equity

There were no gains or losses recognized directly in equity.

A.3.2 Information on investments in securitizations

A small portion of the investment result was produced by investments in securitizations, i.e. collateralized securities held in the direct portfolio. Collateralized securities include mortgage-backed securities (MBS) and other asset-backed securities (ABS). Mortgage bonds do not fall under investments in securitizations; these are allocated to corporate bonds.

Exposure to directly held collateralized securities totaled € 129,156 (€ 46,424) thousand at December 31, 2023, all of which are investment grade rated.

A.4 OTHER ACTIVITIES

In the 2023 financial year, currency translation gains of € 73,691 (loss of 49,778) thousand arose from the movement of the U.S. dollar and the British pound against the euro. This was offset by losses on currency derivatives of € 13,275 thousand and interest expense on deposits retained on assumed reinsurance of € 32,372 (14,966) thousand.

There were no other significant income and expenses in the reporting period. AGCS SE has not entered into any material leases either as a lessee or lessor.

A.5 OTHER INFORMATION

After allocations of € 64,789 (withdrawal of € 58,266) thousand to the equalization provision and similar provisions, the underwriting loss for own account amounted to € 51,895 (loss of -132,588) thousand. The investment result of € 382,962 (126,431) thousand is increased by other income and expenses of € 38,852 (49,591) thousand. After deduction of income taxes and other taxes totaling € 78,745 (40,948) thousand, a profit of € 392,965 (2,486) thousand remained, which was transferred to Allianz SE under the terms of the profit transfer agreement.

All relevant information on AGCS SE's business activities and business performance is included in the preceding notes.

GOVERNANCE SYSTEM

B

B.1 GENERAL INFORMATION ON THE GOVERNANCE SYSTEM

B.1.1 Governance principles

B.1.1.1 Definitions

The Board of AGCS SE has management responsibility for AGCS Global ("AGCS"), which consists of AGCS SE and its direct and indirect subsidiaries. The organizational and operational structure that the Board of Management of AGCS SE has established for this purpose takes into account both the interests of AGCS as a whole and the interests of the individual legal entities. In addition, the specific features of the various legal entities and local markets are incorporated into the organization.

AGCS is managed through a vertical structure with governance units at global, regional and local level. For its part, the regional level also regularly includes different countries. The local level is responsible for local units and/or branch offices of a legal entity.

Management of AGCS at global level

Full responsibility for global management lies with the Board of Management of AGCS SE. This includes in particular the definition of the business strategy including the risk and investment strategy as well as the organizational structure.

Global functions are responsible for all subject-specific matters relevant to the entire AGCS. Some customer-related functions are managed at regional level by regional managers.

The AGCS business comprises various divisions. Both regions and individual divisions are managed by an integrated management and control process.

AGCS SE's business strategy is developed through an institutionalized management process together with the parent company – Allianz SE – which produces a three-year business plan and ultimately AGCS SE's financial plans. The three-year plan forms the basis for the management of the divisions and for the investment management of AGCS SE, as well as for the incentivization of the employees and the Board of Management via variable salary components.

The performance of the divisions is monitored by means of a monthly analysis of the key financial and operational indicators. In addition, special risk management processes have been implemented.

Decisions on opening up new business areas are made through an institutionalized process. The development of key ratios, such as the expected combined ratio or the return on risk capital (RoRC) are taken into account here.

Local, regulatory and solvency requirements, including rating agency requirements, are material and binding in the decision-making process. The responsible global or regional level of AGCS is tasked with ensuring that all external requirements are implemented promptly and in a binding manner.

Structure of the Board of Management of AGCS SE

The Board of Management of AGCS SE is structured into departments, which assume either functional responsibility or business area responsibility.

The Board of Management of AGCS SE consisted of eight members as of December 31, 2023 . In accordance with the overall responsibility of all members of the Board of Management, the lines of business are allocated among the individual members of the Board of Management as follows:

Petros Papanikolaou, Chief Executive Officer
from January 01, 2024 (subject to the approval of BaFin)
Responsible for: Audit, Communications, Legal, Investment Management, HR, Area of work and social affairs, Global Strategy Commercial, Relationship Management with local MidCorp Operating Entities, strategic and operational responsibility for activities and MDs in UK, France and Australia, Underwriting for MDs of Commercial in UK, France and Australia

Oskar Buchauer, Chief Financial Officer
from September 01, 2023
Responsible for: Accounting, Treasury & Tax, Actuarial, Finance Solutions, Commercial Planning and Performance Management, Risk Management, Compliance, Commercial Planning and Performance Management, Global Controlling of LargeCorp and MidCorp Reporting and P&L, Volatility management framework Commercial, Transformation Program.

Claire-Marie Coste-Lepoutre, Chief Financial Officer
until March 08, 2023
Responsible for: Accounting, Treasury & Tax, Actuarial, Finance Solutions, Planning and Performance Management, Reinsurance, Risk Management (incl. Cat Risk)

until August 31, 2023
Responsible for: Accounting, Treasury & Tax, Actuarial, Finance Solutions, Planning and Performance Management, Risk Management (incl. Cat Risk), HR, Area of work and social affairs, Compliance, Transformation & Portfolio Office

Henning Haagen, Chief Regions & Markets Officer Region 1
until March 08, 2023
Responsible for: Central and Eastern Europe, Mediterranean and Africa, Ibero/LatAm, Asia Pacific, Regional Unit London, Market Management, Global Broker Management, Global Broker Coordination, Global Distribution, Allianz Multinational

until September 30, 2023
Responsible for: Central and Eastern Europe, Mediterranean and Africa, Ibero, Asia, Regional Unit London, Market Management, Global Broker Management, Global Broker Coordination, Global Distribution, Allianz Multinational

Jon-Paul Jones, Chief Operating Officer
from February 01, 2023
Responsible for: IT, Operations, Corporate Services Transformation (including Strategic Sourcing & Procurement), Global Real Estate, Global Business Operations, Global Process Management, Global Client Service, Protection and Resilience (IT Security & BCM), Global Data Office, ESG Operations, Business Model Transformation

from November 01, 2023
Responsible for: IT, BMP-Commercial, Global Business Operations, Functional Head of OE MidCorp Operations, Corporate Services Transformation (including Strategic Sourcing & Procurement), Global Process Management, Global Client Service Operations, Protection and Resilience (IT Security & BCM), AGCS/Commercial Data Office, ESG Operations, Continued development of strategic business transformation initiatives for Allianz Commercial Large and Mid-Corp entities.

Joachim Müller, Chief Executive Officer
until March 08, 2023
Responsible for: Audit, Communications, Legal, Compliance, Investment Management, Human Resources, Area of Work and Social Welfare, Global Transformation Office

until October 31, 2023
Responsible for: Audit, Communications, Legal, Investment Management, strategic and operational responsibility for activities and MDs in UK, France and Australia, Underwriting for MDs of Commercial in UK, France and Australia

until December 31, 2023
Responsible for: Audit, Communications, Legal, Investment Management, HR, Area of work and Social Affairs, Global Strategy Commercial, Relationship Management with local MidCorp Operating Entities, strategic and operational responsibility for activities and MDs in UK, France and Australia, Underwriting for MDs of Commercial in UK, France and Australia

Tracy Ryan, Chief Regions & Markets Officer Region 2
from March 01, 2023
Responsible for: North America (US and Canada), LatAm, Marsh Global Broker Coordination, Market Management

from November 01, 2023
Responsible for: Strategic and operational responsibility for Commercial activities in North America (US and Canada) and LatAm, Sales, Distribution Management Commercial North America and LatAm.

Bill Scaldaferri, Chief Regions & Markets Officer Region 2
until February 27, 2023
Responsible for: North America incl. Canada, Marsh Global Broker Coordination, Market Management

Dr. Thomas Sepp, Chief Claims Officer
until October 31, 2023
Responsible for: Claims, Key Case Management, Performance & Liaison, Systems & Processes, Reports & Analysis

from November 01, 2023
Responsible for: Claims and Claims Coordination, Commercial Claims Reporting, Performance Management and Analysis, Claims Process Standards and their further development, Claims Systems, Claims Reserves Principles, operational responsibility for Global Large Losses, Global Commercial Vendor Management.

Dr. Renate Strasser, Chief Underwriting Officer Specialty
until March 08, 2023
Responsible for: Underwriting Specialty Lines (Aviation, Entertainment, Marine, MidCorp, Energy & Construction), Underwriting Integrity & Solutions, Underwriting Academy, Global Pricing, ESG

until October 31, 2023: Chief Technical Officer
Responsible for: Underwriting Integrity & Solutions, Underwriting Academy, Global Pricing, ESG/Climate Solutions in Underwriting, Global Portfolio Management & Accumulation Management, Allianz Risk Consulting, Global Product, Reinsurance

from November 01, 2023: Chief Technical Officer
Responsible for: Commercial TEX delivery, Global Pricing Function, Preparation, Implementation and Monitoring of Pricing Tools (LargeCorp and MidCorp), Development and Implementation of Portfolio Management Tools, Global Product Unit & UW Transformation, AGCS & Commercial Portfolio Management and Data Structures, Global Commercial CAT & Accumulation Management, Reinsurance, Climate Solutions/ESG, AGCS/Commercial UW Academy, Commercial Risk Consulting, Commercial Global Underwriting Integrity & Solutions (incl. MGA/Facilities Governance & Oversight).

Dr. Dirk Vogler, Chief MidCorp Transformation Officer
from February 01, 2023 to September 30, 2023
Responsible for: Commercial Transformation: Transformation Management Office, Growth, Central Operating Model, Underwriting and Technical Excellence, Finance, Joint Design & Rollout

from October 1, 2023 Chief Regions & Markets Officer Region 1
Responsible for: Implementation of a global Multinational Network for Commercial (incl. Captive Fronting), strategic and operational responsibility for regional activities and Managing Directors of Commercial in regions outside North America (US and Canada), LatAm, UK, France and Australia, Management of MidCorp, Lead Integrated Commercial Transformation Program, Global MidCorp Shadow

P&L/performance, Definition of an Operating Model for MidCorp Portfolio Management.

Shanil Williams, Chief Underwriting Officer Corporate
until March 08, 2023
Responsible: Underwriting Corporate Lines (Allianz Risk Transfer, Financial Lines, Cyber, Liability, Property), Allianz Risk Consulting, Global Underwriting & Portfolio Performance Management, Accumulation & CAT Risk Management, Cyber Center of Competence

until October 31, 2023: Chief Underwriting Officer
Responsible for: Underwriting Corporate Lines (Allianz Risk Transfer, Financial Lines, Cyber, Liability, Property, MidCorp), Underwriting Specialty Lines (Marine, Aviation, Entertainment, E&C)

from November 01, 2023: Chief Underwriting Officer
Responsible for: Strategic Responsibility for Commercial Underwriting and LoB Performance, Global Commercial UW strategy, Corporate and Specialty LoBs Strategy and Implementation, Management and Harmonization LargeCorp and MidCorp Business.

Functional board departments – the Chief Executive Officer, the Chief Financial Officer, the Chief Technical Officer and the Chief Operating Officer – have responsibility for all specialist matters of AGCS SE.

Board of Management departments with divisional responsibility – the Chief Regions & Markets Officers (CRMO), the Chief Claims Officer (CCO) and the Chief Underwriting Officers (CUO) – are responsible for managing the business segments of AGCS SE.

Responsibilities are assigned to individual members of the Board of Management in accordance with the rules of procedure of the Board of Management of AGCS SE, including the allocation of responsibilities and the schedule of responsibilities. The structure and internal assignments of responsibilities are reviewed regularly.

The rules of procedure define the work of the Board of Management in detail. They define the responsibilities of the individual members of the Board of Management and of the full Board of Management.

Board of Management meetings are usually held monthly. The agenda and the relevant documents are distributed no later than three days before the respective Board meeting. Any member of the Board of Management may request that a meeting be held, subject to notification of the subject matter, and any member of the Board of Management may request that an item be placed on the agenda.

Decisions by the full Board of Management are taken by a simple majority of the participating members, unless there are other mandatory statutory requirements to the contrary. In the event of a tie, the Chair has the casting vote. If a member of the Board of Management – in the case of issues of material importance – cannot reconcile the decision of the majority of his or her colleagues on the Board of Management with his or her departmental responsibility, he or she is entitled and obliged to submit the matter – after first informing the Chairman of the Board of Management – to the Chairman of the Supervisory Board.

Management structure of subsidiaries

Subsidiaries are each managed by a local management team with corresponding responsibilities and reporting lines to the Board of Management of AGCS SE.

B.1.1.2 Board of Management and Supervisory Board

A good organizational and operational structure is essential for sustainable corporate governance. It is therefore important to the Board of Management and the Supervisory Board of AGCS SE to comply with the recommendations of the German Corporate Governance Code. As is the case with the parent company Allianz SE, AGCS SE complies with the current recommendations of this Code.

As a Societas Europaea based in Germany, AGCS SE must meet the special requirements for this form of enterprise, as well as the provisions of the German Stock Corporation Act. A two-tier management system with a Board of Management and a Supervisory Board is therefore an essential component of the management of the company.

The Board of Management reports regularly and comprehensively to the Supervisory Board and/or the Audit and Risk Committee of the Supervisory Board with regard to the business developments, capital resources and the earnings situation, planning and achievement of objectives as well as the business strategy and risk exposure of the company.

Certain decisions of the Board of Management require the approval of the Supervisory Board – in accordance with statutory requirements or the provisions of the statutes of the company. This includes consent in respect of certain transactions, amongst other things.

B.1.1.3 Principles and function of the Supervisory Board

The Supervisory Board consists of six members who are appointed by the Annual General Meeting. Two of these members are appointed upon the proposal of the employees and the Annual General Meeting is bound to adopt these two proposals. The employee representatives come from the countries within the European Union with the largest number of AGCS SE employees. Members of the Supervisory Board presently include one employee representative from Germany and one from France.

The size and composition of the Supervisory Board are determined by the general Societas Europaea regulations (SE Participation Act), which have been implemented in the statutes of the company.

The Supervisory Board and/or the Audit and Risk Committee of the Supervisory Board oversee the management of the company by the Board of Management and advise it on the management of the company: For example, they examine the annual financial statement documents and deal with the risk strategy, the risk situation and the main areas of activity of the Internal Audit and Compliance departments.

In addition, the Supervisory Board is also responsible for:

– appointing and dismissing members of the Board of Management and
– determining the remuneration of the members of the Board of Management.

The Supervisory Board meets at least once in each half of the calendar year. Further meetings are convened if consultation or decision-making so requires. The Supervisory Board takes all decisions based on a simple majority.
The Supervisory Board of AGCS SE complies with the regulations of the German Financial Market Integrity Strengthening Act ("FISG") and has established an Audit and Risk Committee with effect from January 01, 2022 to perform the tasks assigned to it under the FISG.

B.1.2 Organizational and operational structure

B.1.2.1 Committees

Certain matters of AGCS SE are assigned to special bodies ("Committees") for decision-making, deriving a resolution or preparing resolutions.

The task of the committees is to manage the business of AGCS SE and to exercise the supervisory function over the company. Therefore, they need a clearly defined mandate, must have appropriate decision-making powers and autonomy, and represent different functions.

There are three different types of committees within AGCS SE:

- Board Committee
- Functional Committee
- Advisory Committee

The responsibility of committees with decision-making authority is limited to decisions that – in accordance with statutory requirements or the provisions in the statutes of the company – do not require the involvement of the full Board of Management of AGCS SE.

AGCS SE has a total of four Board Committees.

Reinsurance Committee

The voting members of the Reinsurance Committee are the Chief Executive Officer (Chairman), the Chief Financial Officer, the Chief Underwriting Officer, the Chief Regions & Markets Officer Region 1 and the Chief Regions & Markets Officer Region 2.

The non-voting Secretary of the Reinsurance Committee is the Global Head of Reinsurance. Another permanent guest, without voting rights but with veto and escalation rights, is the Chief Risk Officer. In addition, the Chief Actuary, the Head of the Anglo Markets & Global Lines business division, Allianz SE, the Chief Agent Canada and the Chief Group Reinsurance Buyer are permanent non-voting guests of the Reinsurance Committee.

The Reinsurance Committee meets quarterly and five voting members constitute a quorum. Resolutions are adopted by a simple majority of votes.

The main tasks of the Reinsurance Committee are

- defining a company-wide reinsurance strategy;
- developing a specific reinsurance strategy for specific business segments, depending on the nature and size of the segment;
- decision-making about the purchase of treaty reinsurance / retrocession;
- monitoring the (capital) efficiency of treaty reinsurance / retrocession;
- decision-making with regard to intra-group reinsurance.

Risk Committee

The voting members of the AGCS Risk Committee are the Chief Financial Officer (Chairman), the Chief Executive Officer, the Chief Operating Officer, the Chief Underwriting Officer and the Chief Technical Officer The non-voting Secretary of the AGCS Risk Committee is the Chief Risk Officer.

The AGCS Risk Committee convenes on a quarterly basis, with a minimum of five voting members required to constitute a quorum. In the event that a consensus cannot be reached, a decision will be made based on a simple majority vote, provided that a quorum is present.

The main tasks of the AGCS Risk Committee are

- decisions with regard to the structure and environment of risk management and the internal control framework;
- regular conducting of the Own Risk and Solvency Assessment (ORSA), including monitoring of the processes for identifying, assessing, reporting and managing risks;
- drawing up the risk strategy and recommending it to the Board of Management of AGCS SE for approval;
- ensuring that the Board of Management of AGCS SE is adequately involved in the risk management and control processes and is regularly informed about the current risk profile of AGCS SE.

Underwriting Committee

The voting members of the Underwriting Committee are the Chief Underwriting Officer (Chairman), the Chief Executive Officer, the Chief Regions & Markets Officer Region 1 and the Chief Regions & Markets Officer Region 2.

The non-voting Secretary of the Underwriting Committee is the Global Head of Underwriting Integrity & Solutions. Additional permanent guests with no voting rights are the Chief Risk Officer (including veto and escalation rights), the Global Head of Reinsurance, the Global Head of Claims and the Chief Pricing Actuary.

The Underwriting Committee meets quarterly and a quorum requires at least five voting members. Resolutions are adopted by a simple majority of votes.

The main tasks of the Underwriting Committee are

- decision-making on the introduction of new products;
- preparing the documents for Board of Management decisions with regard to entering new markets;
- decision-making on deviations from AGCS Underwriting Standards that influence the net exposure of AGCS SE and AGCS Global beyond reinsurance retention;
- annual confirmation of the business plans of the Chief Underwriting Officer;
- performing a quarterly review of rate changes;
- performing a quarterly review of product developments;
- identifying and migrating all material underwriting risks arising in relation to strategic business developments.

Portfolio Board

The voting members of the AGCS Portfolio Board are all members of the Board of Management of AGCS SE, chaired by the Chief Financial Officer.

The non-voting secretary of the AGCS Portfolio Board is the Global Head of Central Portfolio Office. Other non-voting guests include the Chief Risk Officer, the Global Head of IT Product Portfolio Management, the Global Head of Enterprise Architecture, the Chief Information Officer, the Global Head of Process Management and the Global Head of Global Performance Steering.

The AGCS Portfolio Board meets quarterly with a quorum of at least five voting members.

The main tasks of the Portfolio Board are

- ensuring that all projects in the portfolio are executed in line with agreed AGCS strategic priorities;
- decision-making regarding the project portfolio and the budget;
- reviewing new projects and ensuring adequate financing of these projects;
- reviewing the risks and problems of the portfolio and decision on the necessary remedial action

In addition, the company has the following functional committees:

Local Investment Management Committee

The voting members of the Local Investment Management Committee are the Chief Executive Officer (Chairman), the Chief Financial Officer, the Regional Chief Investment Officer of Allianz Investment Management SE (AIM) and the Chief Investment Manager of AIM responsible for Allianz Germany Property & Casualty.

Permanent non-voting guests include the Chief Risk Officer (including veto and escalation rights), a corresponding regional board member of Allianz SE, the Head of Allianz Investment Management Munich IMPC-AGCS and the Head of Global ALM and Investment Risk Steering.

The Local Investment Management Committee convenes at least three times a year and is quorate if at least three voting members are present.

The essential tasks of the Local Investment Management Committee are

- monitoring and reviewing the investment portfolio of AGCS SE and the AGCS companies as part of the applicable risk management framework;
- monitoring the planning and development of the asset allocation and investment income for AGCS SE;
- approving new asset management mandates and material changes in existing mandates for AGCS SE;
- monitoring and reviewing activities and transactions of AGCS companies that require approval or confirmation by the LIMCo of the respective ABCS company;
- reviewing and approving the investment-related company rules for AGCS SE.
- approving investment programs for transferring investment decisions to the regional CIO of AIM Munich and the Chief Investment Manager responsible for Allianz Germany Property & Casualty, AIM SE;
- preparing decision papers for the AGCS SE Board of Management in respect of strategic asset allocation;
- determining a derivatives strategy;
- approving certain investment transactions.

Loss Reserve Committee

The voting members of the Loss Reserve Committee are the Chief Actuary (Chairman), the Chief Executive Officer, the Chief Financial Officer, the Chief Underwriting Officer and the Chief Claims Officer.

The non-voting secretary is the Head of Actuarial Reserving & Analysis. Permanent non-voting guests of the Loss Reserve Committee are the Global Head of Accounting, Treasury & Tax, the Global Head of Global Performance Steering, the Chief Risk Officer AGCS SE, the Head of Global Actuarial Closing, AGCS SE, the Head of Global Actuarial Analysis, AGCS SE, the Chief Actuary AGCS North America, the Chief Actuary ART, a representative of Allianz Group Actuarial and a representative of the Anglo Broker Markets / Global Lines business division of Allianz SE.

The Loss Reserve Committee meets quarterly and is quorate if at least three voting members are present.

The essential tasks of the Loss Reserve Committee are

- determination, justification and communication of the reserves to be formed under IFRS and Solvency II at the end of each quarter;
- reviewing activities related to the loss reserving and trend observation;
- ensuring that the requirements stipulated by Allianz Group in respect of loss reserves are complied with.

B.1.2.2 Committees at local level

In general, committees at AGCS are established only at global level. Subsidiaries or branch offices establish local committees only if these are necessary to fulfill local, statutory or regulatory requirements. In addition, committees can be formed at the regional or local level, if this is required in the interests of good organizational and operational structure. Their establishment is coordinated in advance with the corresponding global committee as well as the AGCS SE Global Governance function.

B.1.2.3 Rules and regulations

Company rules and regulations include all internal rules established by an authorized party with the aim of creating a company-wide binding standard or a binding guideline. Every company rule must be documented and approved by a relevant committee. In addition, there is a defined set of rules within AGCS SE – the AGCS Functional Rule on Corporate Rules – that describes the process and relevant criteria for drawing up and updating company rules and regulations.

The set of rules and regulations encompasses four levels:

- Code of Conduct
- AGCS Policies
- AGCS Standards
- AGCS Functional Rules

B.1.2.4 Three Lines of Defense model

The Three Lines of Defense model is a key conceptual element of our control framework.

The distinctions between the different lines of defense are defined by the following activities:

- The First Line of Defense is maintained by the operative business units, for example, through their daily activities, risk management, and the internal controls. Its key activities are:
  - operational management of risks by assuming or directly influencing the organization, the evaluation and acceptance of risks;
  - drafting and implementation of methods, models, management reports or other controls to steer risks and support expected profits;
  - participating in business decisions.
- The Second Line of Defense ensures independent monitoring and reviews the daily risk assumption and control by the First Line of Defense. Its key activities are:
  - defining a higher-level control framework within which the operating business units can act;
  - monitoring compliance with the control framework, reviewing business decisions and similar activities;
  - evaluating the design and effectiveness of the control environment, including evaluation of control models and methods; consulting on risk-minimization strategies and control activities (including the provision of expert opinions) for the operative business units and company management.

The Second Line of Defense is characterized by the following aspects:

  - independence from reporting, objectives, setting of objectives and responsibilities of the First Line of Defense;
  - direct reporting line and unrestricted access to the respective member of the Board of Management (or to another adequate member of the management team);
  - the right to veto business decisions on the basis of well-founded reasons in coordination and agreement with the respective global functions within AGCS SE or Allianz SE;
  - the right to be involved in material business decisions and to be provided with all relevant information.

- The Third Line of Defense comprises the independent controls of the two first Lines of Defense. This role is performed by Internal Audit. Specifically, the activities include:
  - independently assessing the effectiveness and efficiency of internal controls and the activities of the First Line of Defense and Second Line of Defense;
  - reporting to the responsible departmental board.

The Third Line of Defense has the same powers as the Second Line of Defense, with the exception of the right to veto business decisions.

B.1.2.5 Reciprocal supervisory activities

To ensure an effective internal control system, all control functions are required to cooperate and exchange relevant information. As control activities are carried out in different organizational units, appropriate mechanisms have been established between the control functions to enable informed and sound decision-making.

- In cases where Second Line of Defense control activities are assumed by the First Line of Defense, the assignment of responsibilities is based on clear and documented management decisions.
- The Second Line of Defense and Internal Audit functions are separate; they have no reciprocal right of instruction and no reporting line from one function to the other. The Actuarial, Legal, Compliance and Risk Management functions form part of the Internal Audit program; the adequacy and effectiveness of these functions are assessed regularly. The Head of Internal Audit notifies the Heads of Actuarial, Legal, Compliance and Risk Management of any findings made during an audit related to their areas of responsibility.
- The Actuarial, Legal, Compliance and Risk Management and Internal Audit functions jointly assess responsibilities and processes at least once a year to ensure that the responsibilities and processes, which are defined in the control framework, are clearly and consistently implemented across the functions. These functions cooperate closely, maintain an intensive exchange of thoughts and ideas and are familiar with the specific tasks and competencies of the sister functions.

The role of the Internal Audit function to independently assess the effectiveness and efficiency of the internal control system remains unaffected.

B.1.2.6 Actuarial function

The Actuarial function performs tasks based on regulatory and business requirements.

It heads the Loss Reserve Committee, which makes decisions on the amount of technical provisions, and issues a recommendation to this committee on the appropriate level of reserves. The Actuarial function is represented and entitled to vote via its holder.

The Actuarial function also issues an opinion on the underwriting and assumption policy for underwriting risks and on the appropriateness of the reinsurance structure.

The Actuarial function interfaces and works closely with the Risk Management function. In particular, it is responsible for modeling all underwriting risks within the Internal Risk Capital Model.

B.1.2.7 Compliance function

As part of the internal control system and as a Second Line of Defense, the Compliance function supports and monitors compliance with the applicable legal and administrative regulations and advises the Board of Management and other stakeholders on all compliance-related issues.

In addition, the Compliance function monitors the relevant legal environment and informs the Board of Management of material changes in a timely manner.

In close coordination with Risk Management, the Compliance function regularly assesses the compliance risk for assigned risk areas on an annual basis, and monitors the implementation of corresponding risk-minimizing measures.

In order to perform its tasks and in cooperation with the operating units, the Compliance function has established a global compliance framework, which is regularly reviewed for adequacy and effectiveness by the Allianz Group Compliance function within the scope of a maturity analysis.

B.1.2.8 Risk Management function

Risk Management is headed by the Chief Risk Officer, who reports to the Chief Financial Officer. Risk Management supports the aforementioned bodies responsible for risk control through the analysis and communication of information relating to risk management.

Among other things, the Risk Management function is responsible for monitoring limits and accumulations for certain types of risk, such as natural catastrophes and exposures to financial markets.

Furthermore, the Risk Management function provides independent support to the operating units, for example by developing a common risk management framework and monitoring compliance with requirements for methods and processes.

The Risk Management function strengthens and maintains the risk network through regular, close exchanges with the management of the legal entities and key local functions, including local risk management, the local Actuarial function and local investment departments. A strong risk network, which also extends to the Allianz Group, ensures that risks are identified at an early stage and brought to the attention of management.

B.1.2.9 Internal Audit

Internal Audit forms the Third Line of Defense. The Internal Audit function of AGCS SE regularly conducts an independent review of the Risk Management function. In addition, compliance with business standards, including the internal control framework, is tested by Internal Audit on a cyclical basis.

Internal Audit evaluates and issues recommendations for improving the effectiveness of the internal control system by applying systematic audit approaches. The audit scope is defined and reviewed annually using risk-based approaches. This scope is used to control and prioritize internal audit activities. The entire audit scope must be adequately covered within a five-year period.

For every audit performed, Internal Audit prepares an audit report including recommendations based on facts and professional judgment, a summary of key findings and an overall assessment. Implementation measures to remedy deficiencies identified in the respective audit report are prepared in consultation with the audited entity. Internal Audit then systematically checks if the identified deficiencies have been remedied or, in individual cases, whether risk acceptance has been determined by the responsible management.

B.1.2.10 General

AGCS SE equips the key functions in view of personnel resources, employee qualifications and organizational infrastructure in such a manner that they can fulfil their task in an orderly and proper manner.

Quantitative information on staffing of key functions

The actuarial function and the actuarial department - CFO-Actuarial - had a total of 59 employees at the global level as of December 31, 2023 of which 12 employees are explicitly assigned to the actuarial function. Compliance has a total of 34 employees. In terms of capacity, 27.5 full-time equivalents (FTEs) are allocated exclusively to the compliance function. The other FTEs perform additional functions for the Legal Department. The Risk Management function has 27 employees. Internal Audit has a total of 20 employees worldwide, covering both AGCS SE and its majority-owned subsidiaries.

It also ensures that key functions have full access to all information relevant to their work and are not subject to operational influences that would interfere with the proper performance of their duties. The heads of the respective departments report regularly on their activities – and immediately in the event of critical developments – to the Board of Management of AGCS SE.

B.1.3 Remuneration

The remuneration policy of AGCS SE is aligned with its business and risk strategy, and is therefore designed to take into account the internal organization as well as the inherent risks, depending on the nature, scope and complexity of the business activities. It aims to attract highly qualified managers and employees, and to retain them over the long run.

B.1.3.1 General

Variable and fixed remuneration components are appropriately balanced. The fixed component takes into account the position as well as the responsibilities of the individual, while considering the market environment. At the same time, it comprises a sufficiently high proportion of total remuneration, so that employees are not dependent on variable compensation. The variable remuneration share of the total remuneration increases with growing responsibility and ranges from 7.4 to 65% of the total remuneration. Variable compensation is designed to incentivize performance without encouraging risk-taking that may not be consistent with the company's risk profile. The amount of the performance-related variable components results from the evaluation of the individual performance and of the business segment concerned, and the overall result of the company.

B.1.3.2 Remuneration of the members of the Supervisory Board

The remuneration of the members of the Supervisory Board of AGCS SE is approved by the Annual General Meeting in accordance with our statutes and in compliance with the German Stock Corporation Act. The members of the Supervisory Board receive an annual fixed remuneration and a flat-rate attendance fee.

Supervisory Board members who at the same time hold a Board mandate or comparable position in an Allianz Group company generally waive their Supervisory Board remuneration by means of a written declaration to the Board of Management.

B.1.3.3 Remuneration of the members of the Board of Management

The remuneration of the Board of Management consists of non-performance-related and performance-related components. The non-performance-related remuneration comprises fixed remuneration and additional benefits (essentially company cars and insurance via certain Group insurance policies). The various components of performance-related compensation are described in a Group-wide plan: AZpire x. AZpire x comprises the following two components since January 01, 2020:

- Annual bonus: a performance-related cash payment that depends on the achievement of targets in the respective financial year;
- Equity-based compensation: a performance-based compensation in the form of virtual shares, known as restricted stock units (RSU). The achievement of annual targets is the starting point for the allocation. After expiry of the four-year holding period, members of AZpire x receive the equivalent of one Allianz SE share per RSU. Members thus participate in the long-term performance of the Allianz Group over a four-year period, which is reflected in the performance of the Allianz share price.

The annual target achievement is decisive in determining the amount of the annual bonus. It also forms the basis for the annual allocation of the RSU. The actual payouts of the share-based remuneration are dependent on sustainable development over a longer performance period.

The quantitative and qualitative performance targets for the variable remuneration of the Board of Management members are set annually by the Supervisory Board.

B.1.3.4 Remuneration of directors

The remuneration system and the remuneration of directors are determined – above a certain hierarchical level – by the Remuneration Committee of AGCS SE. AZpire x also governs the terms of their variable compensation. It consists of two components: an annual bonus and a share-based payment.

B.1.3.5 Remuneration of all other senior executives

The remuneration system for other senior executives is generally determined by the Remuneration Committee of AGCS SE. The annual bonus in this category generally constitutes the only variable remuneration component. In justified exceptional cases, a share-based compensation component may be granted in the form of RSU.

B.1.3.6 Remuneration of non-executive employees

The fixed remuneration of non-executive employees is based on the collective wage agreements for the private insurance industry as well as supplementary employment contract agreements. The corporate targets relevant for the variable remuneration of non-executive employees are set by the Board of Management of AGCS SE at the beginning of the year. The achievement of year-end targets results in a factor that, when multiplied by the agreed target bonus - a product of annual salary and target bonus percentage - results in the individual's variable compensation.

B.1.3.7 Company pension scheme and comparable benefits for members of the Board of Management and Supervisory Board

Members of the Board of Management

The aim is at granting competitive and cost-efficient pension benefits (retirement pension, occupational and disability pension, and survivors' benefits) through appropriate pension commitments. To this end, the members of the Board of Management participate in defined contribution pension systems. Allianz Versorgungskasse VVaG and Allianz Pensionsverein e. V. constitute the basic pension plan for members of the Board of Management who joined Allianz before December 31, 2014. These defined contribution commitments cover the company pension benefits for basic salaries up to the contribution assessment ceiling of the statutory pension insurance. Since January 01, 2015, the company has endowed a pension plan, "My Allianz Pension", which guarantees paid-in contributions. The Supervisory Board decides each year whether and to what extent a budget for allocating contributions is to be made available, taking into account the targeted benefit level. The budget includes an additional risk premium to cover the risk of death, occupational disability or disability. Upon retirement, the accumulated capital is paid out or converted into a lifelong pension benefit. The retirement benefit is payable at the earliest upon reaching the age of 62.

Members of the Supervisory Board

Supervisory Board members are not granted any pension benefits for their membership of the Supervisory Board.

B.1.4 Assessment of the adequacy of the governance system

As a general rule, the effectiveness and appropriateness of the governance system is reviewed annually and on other occasions. The review was carried out in 2023 under the leadership of AGCS SE's Global Governance Function, which is based in the Legal department. The results of the review and the resulting measures to further strengthen the governance system were presented to the Board of Management of AGCS SE for final assessment. The Board of Management has assessed the governance system as effective and appropriate overall.

B.2 REQUIREMENTS OF PROFESSIONAL QUALIFICATION AND PERSONAL RELIABILITY

B.2.1 Requirements of skills, knowledge and expertise of persons who effectively run the company or hold other key functions

The AGCS Fit and Proper Policy adopted by AGCS SE defines the requirements in terms of skills, knowledge and expertise of persons who manage the company or hold other key positions as follows:

Members of the Board of Management

The Board of Management as a body must at all times possess the knowledge required to manage an insurance undertaking in the following subject areas:

- Insurance and financial markets,
- Corporate strategy and business models, - Risk management and internal control system,
- Governance system and business organization,
- Finance,
- Actuary and
- Supervisory framework for the company's business activities.

Every individual member of the Board of Management must have the qualifications, knowledge and experience necessary for their specific area of responsibility within the Board as well as for understanding and controlling the activities of the other Board members. In addition to theoretical and practical knowledge of the insurance business, this also includes adequate senior management experience. This is generally the case if a member of the Board of Management has held a senior executive position for at least three years in an insurance undertaking of comparable nature and size.

Members of the Supervisory Board

The Supervisory Board as a body must at all times have the knowledge and experience required to perform its duties diligently and independently, in particular the supervision and counseling of the Board of Management.

Persons holding other key functions

These individuals must have the knowledge required for their respective activities and – insofar as the specific activity involves management tasks – sufficient management experience.

B.2.2 Procedure for assessing the professional qualifications and personal reliability of the persons who run the company in effect or hold other key functions

The necessary professional qualifications and reliability are ensured by the following processes:

- As part of the selection procedure, candidates must submit various documents enabling their qualifications and reliability to be assessed (for example, curriculum vitae, certificate of good conduct, an extract from the central business register, and information on criminal and investigation proceedings). In addition, at least two personal interviews must be conducted with potential board members and key function holders, at least one of which must involve a human resources expert. The employee representatives on the Supervisory Board are elected by the Annual General Meeting on the basis of a binding proposal by the employees. Following their election, they too must submit the above-mentioned documents.
- The appointment of new members of the Board of Management and Supervisory Board and of persons in key positions must also be reported to the German Federal Financial Supervisory Authority (BaFin). This disclosure requirement applies both to the Supervisory Board members appointed by the Annual General Meeting and to the employee representatives on the Supervisory Board, who are elected by the workforce in accordance with the statutory provisions. The appointment of new members of the Board of Management and of persons in key functions also requires the express approval of BaFin in order to be effective. BaFin checks on the basis of the documents to be submitted whether the new mandate holders meet all regulatory requirements in terms of qualification and reliability. In the event of doubt as to qualification, the Federal Financial Supervisory Authority is entitled to require attendance at training events. In extreme cases, it may also require the dismissal of persons who are not sufficiently qualified or reliable.
- During the mandate or employment relationship, regular checks must be carried out to ensure that the requirements for professional qualifications and reliability are met. In addition to general measures for all employees (for example, target agreement meetings and regular discussions with superiors), special processes are in place for members of the Board of Management and Supervisory Board. For example, the Supervisory Board reviews the professional qualifications and reliability of the individual members of the Board of Management and the Board of Management as a whole on an annual basis. For this purpose, the members of the Board of Management submit relevant documents (for example,

declaration of reliability). The Supervisory Board also subjects itself to an annual self-evaluation with regard to its own qualifications and reliability. It is based, among other things, on self-assessments by the members of the Supervisory Board of their knowledge in the areas of investment, underwriting and accounting. Based on this, a development plan for the Supervisory Board is drawn up and adopted by the Supervisory Board. The self-assessments of the members of the Supervisory Board as well as the adopted development plan must be submitted to the Federal Financial Supervisory Authority.
– If there are indications that a member of the Board of Management or Supervisory Board or a person holding another key function no longer meets the requirements regarding professional qualifications and reliability, an extraordinary review of this individual case must take place.
– Finally, all individuals covered by our Fit and Proper Policy are required to keep their knowledge up to date at all times, for example through appropriate training and development measures. With regard to reliability, the responsible compliance departments offer regular training and continuing education measures for the honest and rule-abiding conduct of business. These concern, for example, the areas of anti-corruption and anti-trust. For the members of the Supervisory Board, the company offers special training events in which topics relevant to the work of the Supervisory Board are discussed in depth. In addition, the members of the Supervisory Board have a budget for external training measures.

B.3 RISK MANAGEMENT SYSTEM, INCLUDING THE COMPANY'S OWN RISK AND SOLVENCY ASSESSMENTS

B.3.1 Risk management system

The organizational and operational structure of risk management at AGCS SE enables local and global risks to be managed in an integrated manner. Concurrently, it guarantees that the assumed risks align with the company's risk appetite as outlined in the risk strategy. The organizational and operational structure of our Risk Management function is based on a top-down approach: The highest control function is exercised by the Supervisory Board, which, together with the Board of Management, is responsible for the risk profile of the company and the bodies involved.

Supervisory Board of AGCS SE

The Supervisory Board oversees the management of the company by the Board of Management and advises it on the management of the company. This task also includes monitoring the adequacy and effectiveness of the risk management system. The Supervisory Board is regularly informed about the risk strategy, the current solvency, financial position and profitability, as well as about the results of relevant internal and external audits. In order to adequately perform its monitoring and control function, the Supervisory Board is also entitled to request information from Internal Audit.

Board of Management of AGCS SE

The Board of Management bears overall responsibility for the company's business as well as its organizational and operational structure. Its responsibilities include:

- Implementing the AGCS Risk Policy in the organizational structure and operational processes as well as in the corporate guidelines, insofar as these are relevant to the business of AGCS SE and the associated risks;
- Developing and implementing AGCS SE's risk strategy, the risk appetite (limits) defined therein and alignment of AGCS SE's business strategy with the risk strategy of both AGCS SE and the Allianz Group;
- Establishing a Risk Management function responsible for independently monitoring risks under the responsibility of the AGCS SE Chief Financial Officer;
- Defining and implementing processes for risk management as well as processes for assessing the solvency of the company;
- Using the Allianz Group internal model adapted to the AGCS SE business.

If any of the above responsibilities are delegated to a committee, it must be ensured that all Board of Management members

- are informed about risk management issues and are aware of upcoming decisions;
- have the right to attend the committees in person in order to express their opinions or concerns;
- are fully and promptly informed of the committee's decisions.

The implemented guidelines and standards on organizational structure, risk strategy including limit system, and documentation and reporting requirements define an overarching risk governance system. These guidelines ensure on the one hand that information on risk-relevant developments in the company is passed on promptly and in full, while also making sure that a process for decision-making and implementation is executed on the other hand.

B.3.1.1 Risk management approach

As an internationally active insurance company in the industrial and corporate customer sector, risk management represents a core competence of AGCS SE and is therefore an essential component of its business processes.

AGCS SE's risk management aims to sustainably increase the value of the company by balancing risk and return in the best possible way. The risk capital framework is applied with the aim of protecting the capital base of AGCS SE, strengthening its financial power and fulfilling the tasks arising from the insurance business. Risk management can contribute to this by protecting the financial strength in the interests of the shareholder Allianz SE, while also safeguarding the claims of policyholders. The risk management includes the necessary strategies, processes and reports to identify, assess, monitor and manage actual and potential risks. The core task of risk management is also to translate risk drivers, dependencies and capital requirements for risks into decision-making templates for management. AGCS SE supports the risk culture in the company by means of a comprehensive and consistently implemented organizational and operational structure of the Risk Management function.

B.3.1.2 Basic principles of risk management

AGCS SE's risk management assesses the company's risk-bearing capacity and recommends a risk appetite that aligns with the company's capacity to bear risks. The assessment is based on a consistent understanding of the risks assumed and risk management processes, as well as the associated control mechanisms. Risk management follows the following principles:

Basic principle 1: The Board of Management is responsible for the risk strategy

The Board of Management of AGCS SE is responsible for establishing and following the risk strategy and ensuring compliance with the risk appetite defined therein. This is done in a way that allows for regular comparison with the business strategy. The risk strategy outlines the general approach to managing all material risks that arise in the course of business activities and the pursuit of business objectives. Risk appetite for all material quantifiable and non-quantifiable risks takes into account the expectations of Allianz SE, regulatory requirements and the requirements of rating agencies. Both the risk strategy and risk appetite are reviewed at least once a year and, if necessary, adjusted and communicated to all affected functions.

Basic principle 2: Risk capital as a key management parameter

Risk capital is the main parameter used to define risk appetite as part of the solvency assessment. It serves as a key indicator in decision-making and risk management processes relating to capital allocation and limit setting. Where significant business decisions are involved, the impact on risk capital is considered.

Calculation and aggregation is performed consistently across all business segments in order to set a standard for measurement and to be able to compare risks.

In addition, stress scenarios are run as part of the solvency assessment to ensure that sufficient capital is available to protect the company against unexpected and extreme economic scenarios.

Basic principle 3: Clearly defined organizational structure and risk management processes

At AGCS SE, an organizational structure has been established that is clearly defined and ensures the monitoring of all risk categories. The roles and responsibilities of all involved functions are defined in this structure and communicated to all relevant functions.

Basic principle 4: Consistent risk assessment

Relevant risks, both individual and accumulation risks, are assessed across all risk categories using consistent quantitative and qualitative methods. Quantitative risks are assessed using the internal model for the purpose of calculating risk capital. This is clearly defined in AGCS SE's risk capital framework and ensure a consistent approach across the Allianz Group. The results are analyzed and evaluated using statistical methods and qualitative expert assessments.

Individual risks that cannot be estimated using the risk capital model and complex risk structures that combine several individual risks or risk categories are assessed using quantitative criteria and, in some cases, simplified quantitative methods (for example, scenario analysis).

If it is not possible to estimate the risk, an assessment is made on the basis of qualitative criteria.

Basic principle 5: (Continuous) development and integration of the limit system

AGCS SE employs a consistent limit system to ensure compliance with risk appetite, regulate the handling of concentration risks, and support capital allocation. It encompasses all relevant risk measures and drivers of risk capital and is supplemented by more extensive operational limits. The limit system is regularly reviewed and approved by the Board of Management via the risk strategy.

Basic principle 6: Mitigation of risks that exceed risk tolerance

If individual risks exceed their limit or the sum of the risks exceeds the risk appetite, the risk positions are reduced appropriately. To ensure that risks remain within defined limits, measures are defined to adjust reinsurance solutions, strengthen control environments, and reduce or hedge risk positions.

Risk-taking is only possible within the confines of economic and legal parameters.

Basic principle 7: Consistent and effective risk monitoring

Risk appetite and risk handling have been integrated into a standardized limit definition process that encompasses all quantifiable risks of AGCS SE and considers risk diversification and concentration. Clearly defined and mandatory reporting and escalation processes ensure that measures are taken to achieve the targeted risk appetite in the event of limits being exceeded.

In addition, a risk early warning system, a reporting system for material risks, the assessment of novel risks and a new product process were established to identify and manage the inherent risks.

Basic principle 8: Consistent risk reporting and risk communication

The Risk Management Function of AGCS SE prepares a risk report on a regular and, if required, also on an ad hoc basis, which makes risk-relevant issues transparent and is presented to the AGCS SE Risk Committee. This is supplemented by risk assessments that are particularly relevant for external stakeholders (supervisory authorities, rating agencies, etc.). The results of the company's own risk and solvency assessment (ORSA) are documented in the annual ORSA report. The data and assumptions underlying the information are embedded in a comprehensive control environment. This ensures adequate data quality for complete, consistent and timely reporting to management.

Ad-hoc reporting is designed to cover events that are unexpected in terms of their size or the amount of the loss, or that can have an unexpectedly strong impact on the risk profile of AGCS SE. This impact is reflected in the company's statement of profit or loss, equity base, reputation, business continuity, and non-compliance with regulatory and legal requirements.

All ad-hoc and regular reporting must comply with the materiality limits. Reporting to the Allianz Group Risk Management function takes place on a regular basis through scheduled or ad hoc meetings.

Basic principle 9: Integration of risk management into the business processes

So far as possible, risk management processes are directly integrated into business processes. This also includes strategic and tactical corporate decisions as well as decisions affecting day-to-day business insofar as these may influence the risk profile. This comprehensive inclusion is intended to ensure that the Risk Management function primarily helps to determine future risk exposures and only secondarily assesses and manages existing risks in a reactive manner.

The risk culture cultivated by the AGCS SE Board of Management is essential to the success of this integration. By exemplifying a strong risk culture, the Board demonstrates that managing risk is an important factor in achieving business objectives.

Basic principle 10: Comprehensive and timely documentation
All business decisions that could potentially have a material impact on the risk profile of AGCS SE must be documented in a timely manner. The documentation must be such that the consideration of significant risk implications can be understood.

B.3.1.3 Requirements for personal reliability and professional qualification

Adequate staffing of key functions is essential to ensure that processes can be implemented in the best possible way. Therefore, when appointing or dismissing the Chief Risk Officer of AGCS SE, the Chief Financial Officer consults with the Group Chief Risk Officer of Allianz SE and ensures that the Chief Risk Officer's professional and personal qualifications fully meet the requirements of the AGCS Fit and Proper Policy.

The Chief Risk Officer must be suitably qualified, experienced and knowledgeable to discharge his/her responsibilities. The CRO must perform his/her duties in a manner that is proportionate to the complexity of the business and the nature and size of the company. In addition, the CRO must be distinguished by honesty, integrity and a high reputation, and possess appropriate skills and financial strength.

Essentially, the Chief Risk Officer must have the following knowledge:

- Knowledge of the regulatory framework and applicable requirements;
- Knowledge of financial and insurance markets;
- Knowledge of the business strategy as well as the business model of AGCS SE;
- Knowledge of the organizational and operational structure.

B.3.1.4 Resources

The Risk Management function of AGCS SE has sufficient resources to carry out its responsibilities in an appropriate and risk-oriented manner. Once a year, the tasks of the Risk Management function for the coming year are discussed and defined. This also involves matching the priorities and tasks set with the qualification and number of staff to ensure that they can all be met. This takes into account not only the resources available at AGCS SE, but also those of the regional Risk Management functions in our subsidiaries.

In addition, in accordance with regulatory requirements, a "reciprocal oversight" is carried out between the key functions. This mutual oversight takes place between the internal audit, compliance, legal, actuarial, accounting and risk management functions.

B.3.1.5 Risk strategy

In addition to the risk policy, AGCS SE's risk strategy represents the second core element of the risk management framework. It defines the general risk appetite based on the minimum capitalization requirements for the company and its branch offices and participations of AGCS SE, as well as the risk limit specifications for individual risk categories. Risk appetite is defined in consideration of all material, qualitative and quantitative risks of the company. The rules are designed to ensure that all obligations to our customers are met, while at the same time creating sustainable added value for our shareholders.

Our business strategy is defined by the AGCS SE Board of Management, discussed with the Supervisory Board and coordinated with the Allianz Group. Business and risk strategy are coordinated within the framework of the Strategic Dialogue and the Planning Dialogue.

B.3.2 Rules for the organizational and operational structure of risk management

AGCS SE has established an effective governance system to drive the implementation of its business strategy, ensure appropriate monitoring and management of business risks, and ensure compliance with legal requirements. This system includes guidelines on risk assessment methodologies, risk management structures, and risk governance processes.

Additional guidelines address capital market risks, credit risks, underwriting risks, business risks and operational risks. They define the risks that are entered into and stipulate limits within these risk categories. These limits serve as the foundation for the risk-based management of the business. Furthermore, responsibilities and competencies are defined, and measures for risk minimization and escalation are determined in the event that limits are exceeded. The guidelines provide additional details on the requirements and provisions set out in the overarching AGCS Standard for ORSA, the AGCS Standard for Top Risk Assessment and the AGCS Standard for Model Governance for each risk category.

B.3.3 Specific material risks for AGCS Global and AGCS SE

B.3.3.1 Framework of the Top Risk identification process

The Top Risk identification process is a regular analysis of all material quantifiable and non-quantifiable risks. This analysis is conducted in order to identify potential adverse threats to financial results and reputation and to ensure the continuation of and adherence to strategic objectives.

AGCS SE regularly performs a Top Risk identification process in order to identify and assess all material risks emerging from its business model. The identification of Top Risks is conducted by applying the results from ongoing risk monitoring processes, which are conducted with the involvement of all the key stakeholders, especially the top management and key function holders. There are no specific rules in place regarding the definition of risks. Instead, reliance is placed on expert knowledge and assessments, as well as, where relevant, the results of the internal model. In order to assess each individual risk, it is necessary to estimate the possible loss amount and frequency.

The selection of Top Risks is discussed and agreed in the AGCS SE Risk Committee. A set of measures has been established for the selected material risks. The members of the Board of Management are responsible for ensuring that the risk profile is transparent and for defining measures to limit risk in the event that the risk appetite defined by the Board of Management is exceeded. The results of this risk assessment are reviewed by the Risk Management function on a quarterly basis or on an ad hoc basis as needed and reported to the AGCS Risk Committee and the Board of Management.

The Top Risk identification process for AGCS Global and AGCS SE is validated by supplementary risk and control assessments. It actively manages quantifiable and non-quantifiable risks of AGCS on a global level and for the legal entity AGCS SE, and is thus a key tool for the Board of Management to take responsibility for these risks.

B.3.4 Governance of the Internal Risk Capital Model

Allianz's internal model, which AGCS SE uses, covers all material quantifiable risks and takes into account market risks, credit risks, underwriting risks, business risks and operational risks.

The internal risk capital model is based on a Value-at-Risk (VaR) approach using a Monte Carlo simulation. This approach determines the maximum loss in the portfolio value within a specified timeframe (holding period) and based on a probability of occurrence (confidence level). We take a confidence level of 99.5% as a basis and apply a holding period of one year. In the risk simulation, risk events of all modeled risk categories ("risk sources") are considered. The resulting portfolio value, taking diversification into account, is determined from the fair value of the assets less the fair value of the liabilities.

The internal risk capital required is defined as the difference between the current portfolio value and the portfolio value under adverse conditions. Because the model considers the impact of a negative or positive event on all sources of risks and covered businesses at the same time, diversification effects across all products and regions are taken into account. With these results of the Monte Carlo simulation, AGCS SE is able to analyze the risk associated with each risk source both separately and in conjunction with other risk sources. In view of market risks, various predefined stress scenarios based on either historical or hypothetical market movements are also analyzed. This modeling approach, therefore, also enables us to identify scenarios that have a positive impact on solvency.

Material risks that are not fully captured in the calculation of the Solvency Capital Requirement feature exclusively the non-quantifiable capitalization risks, in other words, reputational risk, liquidity risk and strategic risk. These fall conceptually outside the scope of the internal model and are managed through other risk management processes.

There were no material changes to the governance of the internal model during the 2023 reporting year.

Description of the risk categories

The following overview describes the risk categories relevant for AGCS SE:

Table 6: Relevant risk categories for AGCS SE

Risk category	Definition
Market risk	Unexpected losses due to market price changes or changes in parameters affecting market prices, as well as the risk from options and guarantees included in contracts or changes in the value of assets or liabilities in participations resulting from corresponding parameter changes. This includes, in particular, changes in equity prices, interest rates, real estate prices, exchange rates, credit spreads and implied volatilities. Market price risk therefore also includes market price changes due to a deterioration in market liquidity.
Credit risk	Unexpected losses in the portfolio's market value due to a deterioration in the creditworthiness of counterparties, including the non-fulfilment of payment obligations or non-performing instruments.
Underwriting risk	Losses due to unexpectedly high future claims, including those from natural or man-made catastrophes, and run-off losses on existing claims reserves.
Business risk	Losses due to unexpectedly high lapse rates in the portfolio and the resulting loss of profits as well as losses due to higher absolute costs or higher cost ratios due to lower business volume.
Operational risk	Unexpected losses due to inadequate or defective internal operating processes or systems, human error, or failures or external events.
Reputational risk	Unexpected fall in Allianz share price, loss of value of existing business or future business caused by loss of reputation of the Allianz Group or a specific business unit from the shareholder's perspective.
Liquidity risk	Unexpected financial losses due to the non-fulfilment of current short-term or future payment obligations, or if fulfilment is based on adversely changed conditions, as well as the risk of refinancing at higher interest rates or by selling assets at a discount in the wake of a liquidity crisis.
Strategic risk	Unexpected negative change in the value of a business unit due to incorrect management decisions regarding the business strategy and its implementation.

In addition, AGCS SE also reports on concentration risks, ESG risks, and emerging risks Each of these are transversal risks, i.e. they do not constitute a risk category in themselves, but are an inherent component of the other existing risk categories. The effects of these risks are therefore also part of the risk capital in the internal model.

B.3.4.1 Adequacy of the internal risk capital model in terms of business profile and model governance

The internal model requires the approval of the senior management of AGCS SE before it can be applied. The respective operating business unit requires initial model approval and ongoing confirmation of the appropriateness of the internal model. In line with Solvency II requirements, a number of mandatory model governance and control principles are applied throughout the lifecycle of the internal model, covering for example the model change process.

The internal model reflects the risk profile of AGCS SE and is based on the latest risk modeling methods. To ensure the risk profile is continuously reflected accurately, all stakeholders are invited to submit proposals for model changes and improvements, which will be considered according to the model governance processes.

The regulatory framework for the internal model includes governance rules and principles to ensure the initial and ongoing adequacy of the internal model.

The regulatory framework covers the entire life cycle of the internal model, from development to model implementation and use. Key topics include: Model changes, model updates, validation, approval, implementation and operational deployment, and monitoring of ongoing adequacy in the field. The following standards and documents represent the core elements of the model governance framework.

AGCS Standard for Model Governance

The AGCS Standard for Model Governance outlines the rules and principles for ensuring the adequacy of the internal model:

- All elements of the internal model must undergo a structured validation and approval process before the model can be used.
- Validation takes into account all relevant qualitative and quantitative aspects and shows that the internal model adequately reflects the company's risk profile and can be reliably used as a basis for risk decisions.
- Controls must be in place to prevent or detect errors during the operational application of the internal model.
- The quantitative and qualitative components of the internal model required to demonstrate the suitability of the model must be documented.

In respect of model validation, the following approach is used:

- The persons responsible for the model assess whether the results of the model are appropriate and whether the available documentation is sufficient.
- Independent validation considers model-specific validation issues: Coverage, methodology, calibration, data, computational procedures, results and documentation, as well as qualitative aspects such as model governance, expert judgment, data quality and use testing.
- At local level, it is necessary to assess whether key model components are appropriate, taking into account local features.
- Overarching models are used to validate the entire model, taking into account the results in all validation domains and their interrelationships.

Annual validation report

The annual validation report is used to document the results of the regular validation assessment, to demonstrate the ongoing adequacy of the internal model and to meet the regulatory requirements of Solvency II.

Allianz Standard for Model Change

The Allianz Standard for Model Change adopted by AGCS SE defines rules and principles to ensure the appropriateness of changes to the internal model:

- If events require a model change (for example, changes in the risk profile, business model or operating environment), the internal model must also be re-validated and re-approved to ensure that it remains appropriate.
- All model changes must go through a structured model change and approval process before they can be applied.
- Which committee decides on a model change depends on the materiality and proportionality of the model component.
- The quantitative impact of individual changes and the combined impact of multiple changes are analyzed as an integral part of the model change process.
- In the context of model changes, a distinction is made between major, minor, and immaterial model changes. It is possible for several minor and immaterial model changes to correspond to one major model change.

In the context of the governance of the internal model, the respective model managers and the governance and coordination function of the internal model have a specific role to play.

Model owners are the specialist functions for the respective risk categories. Additionally, they develop their own model components as needed, assess key model components for suitability for AGCS, and are responsible for ensuring the ongoing suitability of the model for the risks involved.

The governance and coordination function of the internal model is responsible for overarching validations and coordinates major model changes, the annual validation report and the approval process with the Board of Management, which can be delegated to the AGCS Risk Committee in line with the framework.

B.3.5 Own Risk and Solvency Assessment

The Own Risk and Solvency Assessment (ORSA) is a comprehensive evaluation of all risks of the business. This ORSA process is an integral part of the risk management system and is carried out on a regular annual basis. The process consists of a number of interrelated activities spread over the entire year and which AGCS SE uses to ensure a sufficient and appropriate ratio of own funds to risks taken on an ongoing basis.

The following elements of the ORSA process are of particular importance:

- Ensuring consistency between business strategy and risk strategy: In the risk strategy, the Group's risk appetite is defined in relation to the material quantifiable and non-quantifiable risks. The risk strategy supports and complements the business strategy whereby it preserves the company's assets by ensuring the assumption of risk through the setting of limits with the objective of achieving sustainable profitability while at the same time limiting the impact of negative events. The limit system comprises the limits in total capital resources and on exposures to individual risk categories (market, credit, concentration and underwriting risks). Allocation limits are also in place to monitor the strategic capital allocation. Compliance with the limits is monitored continuously throughout the year. In the event that it is necessary, measures will be taken to ensure that risk exposure is within the specified framework. The adequacy of the limits is reviewed regularly on an annual basis as part of the planning process.
- Risk capital calculation: Risk capital is determined in relation to market, credit, underwriting, business and operational risks on the basis of the internal model. The total risk capital corresponds to the sum of the individual categories, less diversification effects and eligible deferred taxes.
- Solvency requirement: The capital requirement arising from the internal model is regularly subject to a critical review in the context of the overall risk profile. In addition, risks that are impossible or difficult to quantify, such as strategic or reputational risk, are also included in the overall assessment. This is achieved through the Top Risk identification process and by utilizing further relevant scenario observations.
- Top Risk Assessment (TRA): AGCS SE conducts regular risk assessments to identify material risks for further management or monitoring.
- Stress scenarios: The sensitivity of the solvency ratio is tested using various stress scenarios, in order to identify and manage significant risk drivers at an early stage.
- Capital management: It is essential for AGCS SE that sufficient capitalization is ensured even in adverse scenarios with regard to regulatory requirements, rating capital requirements and market-specific requirements.
- Validating the internal model: Reviewing the appropriateness of the internal model and model changes as part of the described validation process.
- Determining the effectiveness of the internal control system: The process of determining the effectiveness of the internal control system includes the current results of control tests, audit reports and third-party reviews and appraisals. For the discussions around the assessment of the effectiveness of the internal controls and thus of the overall system of governance, the ICG (Internal Control and Governance) Advisory Group has been established, consisting mainly of representatives from the four key functions (Risk Management, Actuarial, Compliance and Internal Audit).
- Non-regular ORSA reports: The regular ORSA processes described above are supplemented by non-scheduled assessments of the risk profile as required. A corresponding requirement exists if the risk profile of AGCS SE has changed significantly or if such changes are to be expected. Triggers for such extraordinary reports are defined in the internal guidelines and comprise, for example, M&A activities or a significant reduction in the solvency ratio due to loss events incurred. In principle, the Board of Management, Risk Committee or the supervisory bodies may initiate the preparation of a corresponding report at any time.

The overall responsibility for the ORSA process lies with the Board of Management. It plays a pivotal role in the design, implementation, and analysis of results. The ORSA process involves stakeholders from all key management functions, including Capital Management, Actuarial and Reinsurance. The outcomes of the ORSA processes are continuously evaluated in the context of business decisions.

The main results of and resolved measures from the ORSA processes are summarized in an ORSA report. The risk management function coordinates the preparation of the OSRA report. It includes all risk-related information that is relevant for the result of the ORSA assessment. The report is typically finalized in the second quarter of the fiscal year. The final draft of the ORSA report is submitted to the Chief Risk Officer and subsequently the Chief Financial Officer for review. The AGCS Risk Committee reviews the results of the ORSA report and recommends its approval by the Board of Management, provided that no changes are necessary. The final ORSA report is made available to all key decision-makers involved in corporate and risk strategy, as well as risk and capital management (e.g., AGCS SE key function holders). The annual reporting process also incorporates feedback from the most recent reviews of previous years' ORSA reports, including any adjustments required to align with external requirements.

The ORSA report for the 2022 financial year did not contain any objections or significant recommendations to the Board of Management. The solvency ratio adequately reflects the overall solvency requirement. The ORSA report for the 2023 financial year was still being prepared as of the editorial deadline for this report.

AGCS SE was capitalized at 173% as of December 31, 2023, significantly exceeding the target ratio (management ratio) of 140%. This represents an increase of 13 percentage points over the previous year. On this basis, AGCS SE is committed to maintaining capitalization in line with the defined risk appetite at all times, including over the planning period until 2026.

The most critical stages of the process are depicted in the ORSA process diagram in the notes, which illustrates the sequence and interrelationship of these key steps. The appropriateness of the ORSA processes is reviewed annually.

B.4 INTERNAL CONTROL SYSTEM

B.4.1 Key elements of the internal control system

AGCS SE has implemented an internal control system, the Non-Financial Risk Management (NFRM) System, to ensure the identification and assessment of significant operational risks, including compliance risks, and the implementation of effective controls to reduce these risks. The Non-Financial Risk Management System is designed to ensure the following objectives are met:

- provide effective support in achieving strategic business goals and ensure the business viability of AGCS SE.
- ensure governance elements and business processes are effective.
- ensure applicable laws, supervisory regulations, and internal guidelines are complied with.
- The processes provide comprehensive and accurate information for internal and external reporting, particularly financial and regulatory reporting.

The Non-Financial Risk Management System focuses on significant risks. Risks are considered to be significant if they could potentially have a longer-term negative impact on the reputation of AGCS SE or one of its legal entities, or have significant negative consequences for the achievement of the financial objectives.

The risks are managed by establishing a series of effective risk mitigation measures (i.e. controls related to the respective risks). The internal control system focuses on key controls when documenting the control environment. A control is considered a key control if, in its absence, the actual risk would be significantly higher. As part of the regular risk and control assessment with the process and risk owners, operational risks are captured, questioned and evaluated, and corresponding controls are identified. This includes traceable documentation that allows the effectiveness of internal controls to be regularly reviewed and demonstrated to external and internal stakeholders.

An effective and efficient integrated control system requires a high level of risk and control awareness among employees in their day-to-day activities. Solid risk and control awareness does not prevent the company from taking risks and doing business. Instead, it ensures that risks are controlled and treated in full awareness of the expected business and risk potential, which ultimately supports the business objectives of AGCS SE. Business processes undertaken by internal or external service providers must be effectively integrated into the internal control system in order to guarantee appropriate monitoring.

As part of the regular review (testing) of controls, a test of design (to verify that controls effectively mitigate risk) and a test of operating effectiveness (to verify that controls are effectively

implemented) are performed to confirm the effectiveness of controls. Clear and up-to-date documentation of key controls and the availability of evidence are critical to effective control testing. Independent testing of controls is particularly important for demonstrating to external stakeholders that internal controls are operating effectively and for maintaining the confidence in the reliability of the internal control system.

Key controls that are not adequately established or effectively implemented are considered control weaknesses that need to be addressed. In collaboration with the risk management function, the materiality of the control weakness is evaluated and a remediation plan with designated responsibilities and deadlines is developed. Once this plan has been worked through, the control is reviewed one more time.

As part of the regular reporting, material findings from the internal control system are reported to the Board of Management. The quarterly AGCS SE Risk Committee reports on ineffective controls and operational losses that point to control weaknesses and the related measures. The annual report on the internal risk and control system serves as a basis for the AGCS SE Risk Committee to assess its adequacy. This assessment does not provide absolute assurance that all possible financial losses or reporting errors will be avoided. However, it provides a reasonable assurance that material financial losses and material reporting errors will be avoided or reduced.

B.4.2 Compliance function

The compliance function oversees the implementation of AGCS's global compliance programs, monitors adherence to regulatory and legal requirements in a risk-oriented manner, and provides guidance on all compliance matters.

B.4.2.1 Tasks of the compliance function

The compliance function has the following main responsibilities:

- maintenance and supervision of the implementation of the global compliance programs
- advising senior management and the supervisory bodies on compliance with the laws, regulations and regulatory provisions applicable to AGCS SE, and the impact of material changes in the legal environment and important developments.
- identification and assessment of the compliance risks and controls (risks of legal or regulatory sanctions, material financial losses and reputational damage suffered by AGCS SE as a result of non-compliance with external requirements). The Compliance risk assessments are conducted as part of the non-financial risk management. The assessments are coordinated with the risk management function in terms of methodology, timing, and procedures and carried out in collaboration with business functions, taking internal and external developments into account.
- assessment of the potential impact of changes in the legal environment on the operations of AGCS SE. This includes constant monitoring and analysis of the legal environment, as well as ensuring that relevant and material changes are communicated to the Board of Management of AGCS SE at an early stage so that it has sufficient time to implement any necessary measures. In addition, the compliance function informs Allianz Group Compliance in case of significant legal changes with a potential impact on the Allianz Group.
- ensuring the adequacy and effectiveness of the controls in connection with the compliance program

- global management of the training for the relevant compliance programs
- drawing up and implementing the compliance plan to be reviewed annually, which covers all compliance-related activities of AGCS SE and is aligned with the compliance plan of Allianz Group Compliance. The compliance plan is reviewed and approved by the Board of Management of AGCS SE.
- In order to fulfill its obligations, the compliance function must have unimpeded access to any information, documents, or data.

The overarching Compliance Management System is based on the underlying principle of the measure of risk and proportionality. The compliance management system encompasses all of the main tasks described above and the following additional elements: Compliance culture and integrity, compliance training and communication, compliance principles and processes, investigations and whistle-blowing system, as well as regular reporting to the Board of Directors and Executive Board of AGCS SE, Group Compliance and other committees, as appropriate.

B.4.2.2 Compliance organization

The compliance function oversees the implementation of AGCS's global compliance programs, monitors adherence to regulatory and legal requirements in a risk-oriented manner, and provides guidance on all compliance matters.

The compliance function consists of the Compliance department and other functions and departments with a compliance mandate. The respective responsibilities are defined in the AGCS Compliance Policy.

This guideline also includes the respective organizational set-up and functioning at global, regional and local level. Detailed guidelines and work instructions supplement the framework for a functioning compliance organization. In addition, the Allianz Code of Conduct is a central building block for creating a uniform understanding of compliance within AGCS SE.

The Board of Management of AGCS SE is responsible for the organizational and operational structures and procedures that ensure compliance with the AGCS Compliance Policy and the allocation of the appropriate compliance risk areas. It establishes and maintains a compliance function that is adequate and effective in relation to its risk exposure. The Board of Management also appoints the compliance key function holder.

The holder of the key compliance function at AGCS SE is the AGCS Global Compliance Officer. This person is also in charge of the Compliance department.

The AGCS Global Compliance Officer reports to the AGCS SE Board of Management; the AGCS Global Compliance Officer is accountable to the Supervisory Board and the Group Chief Compliance Officer of the Allianz Group.

The reporting process should occur at least semi-annually. This should include the results of the previous compliance risk assessment, any potential changes in the compliance risk profile, significant changes in the legal environment and related activities, results from monitoring activities, overviews of other current compliance activities, the status of compliance reviews/audits, a summary of reported relevant violations and/or deficiencies, and recommended corrective actions for the relevant compliance risk areas.

In organizational terms, the compliance function of AGCS SE is overseen by the Chief Financial Officer.

B.4.2.3 Requirements for personal reliability and professional qualification

The AGCS Global Compliance Officer is sufficiently qualified and has the necessary practical experience to perform the duties of the compliance function, taking into account the complexity of AGCS SE and the principle of proportionality.

This also includes in particular knowledge of:

- relevant internal and external requirements;
- insurance markets;
- business strategy as well as AGCS SE's business model;
- internal AGCS SE organizational and operational structure.

B.4.2.4 Resources of the compliance function

The resources of the AGCS SE Compliance function are planned and deployed in such a way that it can carry out its tasks appropriately and in line with the risks. Planning is carried out as part of the annual risk-based compliance plan.

In addition, in line with regulatory requirements, reciprocal oversight is performed between key functions. This also includes the resourcing of a function in the overall assessment.

B.4.2.5 New initiatives

The compliance function was also involved in several new initiatives in 2023:

- A horizontal and vertical monitoring approach suitable for the global setup of AGCS was evaluated and preliminary risk-based audit areas were identified.
- Together with the global coordinators of the process for monitoring regulatory and legislative changes, an assessment of the information sources approach was conducted to determine the appropriateness of the information sources used.
- The ongoing conflict between Russia and Ukraine and geopolitical developments have seen international sanctions evolve rapidly. As a result, the high number of referrals and warnings continued, and internal guidance on sanctions-related developments and requirements was issued on a regular basis. A new anti-corruption standard, specifically tailored to AGCS, has been issued, highlighting the various aspects of AGCS's anti-corruption program.
- New internal guidelines for handling due diligence and know-your-client (KYC) requests were published.
- The function was involved in Group-wide initiatives related to the new Regulatory Compliance Tool, participated in various sales compliance consultations and was involved in various Group-wide discussions on compliance issues and developments. The Compliance Assurance Program unit within the Compliance team has been established to formalize and manage the various assurance activities of the function.
- In accordance with the requirements of the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG), the function has worked with stakeholders to publish rules of procedure for complaints.

- The function contributes to Allianz Commercial's development and initiatives with a focus on compliance responsibilities and considerations.

B.4.2.6 Significant changes in the year under review

With the exception of the aforementioned new initiatives, there were no other significant task-related, procedural or structural changes in the year under review.

B.5 INTERNAL AUDIT FUNCTION

Internal Audit is a key function within the internal control system (ICS) of AGCS SE.

Internal Audit is an independent and objective auditing and advisory function designed to add value and improve the organization's business processes. It supports the organization in achieving its goals by assessing the effectiveness of risk management and controls and of management and monitoring processes using a systematic and targeted approach and by helping to improve them.

To this end, Internal Audit provides analyses, assessments, recommendations and information as part of its auditing activities.

Within the Allianz Group, the Internal Audit department is responsible for auditing AGCS SE and all other insurance companies within the AGCS Group. At the same time, it is part of the Allianz Group's global audit function, whose functional management is the responsibility of the Group Audit Division at Allianz SE. Group Audit, as the overarching corporate audit function, performs a specialist monitoring and supervisory function.

Internal Audit works on behalf of the Board of Management and is directly accountable to it. In terms of disciplinary matters, the position is under the authority of the Chief Executive Officer of AGCS SE and also reports to the Audit Committee of AGCS SE. The Head of Internal Audit has direct and unrestricted access to the Chief Executive Officer, the Supervisory Board (in particular to the Chairperson of the Supervisory Board), and the Head of the Audit and Risk Committee and is also included in the meetings of the Audit and Risk Committee. In addition, the Chairperson of the Supervisory Board or the Head of the Audit and Risk Committee may request information directly from the Head of Internal Audit.

The Chief Executive Officer of AGCS SE is regularly informed about audit activities, audit results and significant developments from the perspective of Internal Audit. Furthermore, each member of the Board of Management receives the audit report.

In the first half of every financial year, the Board of Management receives an activity report for the past reporting year, which covers the entire AGCS Group. As part of the annual reporting to the Board of Management and Supervisory Board, the Head of Internal Audit also confirms the organizational independence.

The activities of Internal Audit are based on a comprehensive and annually updated audit plan, which covers all significant activities and business areas (audit objects) of AGCS SE and the AGCS Group. As part of the annual planning process, Internal Audit evaluates all audit matters based on risk aspects. Operational planning is derived from the annual planning process. Each audit is conducted in accordance with the following phases: audit preparation, audit execution, reporting, and follow-up measures.

Audit preparation includes the analysis of the audit topic, the appropriate risk assessment, the familiarization with the audit subject matter, the detailed planning of the audit process and the information gathering.

The audit execution phase includes the following activities: opening discussion, audit activity (fieldwork), documentation of audit activities, determination of audit results, and debriefing/closing discussion. The activities required for this are defined and documented in an Internal Audit document – the audit program.

For each audit, Internal Audit immediately prepares an audit report as part of the reporting system. It is used to inform the Board of Management, the responsible senior management level and the audited units in a targeted and efficient manner about the subject matter and results of the audit.

After the audit report has been distributed, Internal Audit monitors whether the agreed actions related to the findings have been implemented on time by the responsible units identified in the audit report (follow-up). In monitoring the progress of implementation, Internal Audit follows all findings irrespective of the risk content.

As part of its business organization, the Board of Management of AGCS SE has issued several mandatory guidelines, including the AGCS Audit Policy.

The AGCS Audit Policy is an internal guideline for Internal Audit; as a general rule, it is reviewed annually and on specific occasions. A centralized process has been established for this purpose, with the Legal function serving as the coordinating entity. The first step is for the relevant unit to review the policy to determine whether it needs to be amended. The revised version is then coordinated with the Legal Department and submitted to the AGCS Risk Committee for approval. Significant changes are also submitted to the Board of Management for approval and subsequently announced within the company.

The design and proper implementation of Internal Audit as a key function is specified in the AGCS Audit Policy adopted by the Board of Management; the regulatory requirements of the German Insurance Supervision Act (VAG) and the requirements of Group Audit are taken into account. In addition to the organizational structure and position of the Audit department within the company, this guideline describes the principles of the audit activity, tasks, responsibilities and key processes, as well as the reporting lines and information rights. The AGCS Audit Policy is based on the requirements of the Group Audit Policy.

The AGCS Audit Manual supplements and clarifies the AGCS Audit Policy and is reviewed and communicated by the Head of Internal Audit annually and on specific occasions.

Internal Audit is required to report significant findings from its area of responsibility to Group Audit without delay.

Internal Audit performs its duties independently and autonomously. The Board of Management – within the framework of the AGCS Audit Policy approved by it – ensures their professional independence in order to safeguard the functioning of the company's business organization (including information and audit rights). This independence continues to be ensured by the position of Internal Audit within the organizational structure; as a third line of defense, it is independent of the first and second line of defense functions.

Internal Audit is not subject to any instructions or other influences in carrying out and reporting on audits or in evaluating the results of audits. The Board of Management may order additional audits within the scope of its right of direction, without this being contrary to the autonomy and independence of Internal Audit.

Internal auditors assess all relevant circumstances with balance and are not influenced in their judgment by their own interests or by others. As a general rule, Internal Audit employees must not perform any duties that are, or appear to be, inconsistent with the audit work.

Internal Audit conducts its audits with the necessary expertise and due professional care. Internal Audit employees apply the highest level of professional objectivity when collating, evaluating and communicating information about audited activities or business processes. All audit findings must be based on facts and must be supportable by sufficient evidence.

Internal Audit may be asked to provide its opinion on matters relating to the ICS. In doing so, it must maintain its necessary independence and must not be significantly involved in the development, implementation or execution of processes and work instructions. Furthermore, these advisory activities must not be designed in such a way as to jeopardize the fulfillment of the core tasks of internal auditing and the audit plan.

The resources of the Internal Audit function of AGCS SE are planned and deployed in such a way that the tasks can be carried out appropriately and in a risk-oriented manner. Planning is carried out within the framework of the annually prepared audit plan.

In addition, reciprocal oversight (controlling the controller) takes place between key functions within Internal Control and Governance Group (ICG Advisory Group), in line with regulatory requirements. This supervision typically encompasses the provision of resources to functions for the overall assessment process.

The Head of Internal Audit, as the individual responsible for the Internal Audit function, does not engage in any other activities within AGCS SE.

B.6 ACTUARIAL FUNCTION

The Actuarial function (VMF) is part of the CFO Actuarial department. The function is held by the department's Chief Actuary, who is also the department's owner. The Chief Actuary reports directly to the Chief Financial Officer. To avoid potential conflicts of interest, employees who perform underwriting actuarial activities (known as business actuaries) are not part of AGCS Actuarial.

AGCS Actuarial is divided into the following teams:

- Reserving & Analysis, divided into long-tail and short-tail business and business from North America;
- Process Development and Projects;
- Closing and Forecasting;
- Governance, Controls and Projects;
- Reserve Validation;
- Actuarial Function team, which consists of the following sub-functions:

  - Actuarial Diagnostics;
  - Actuarial Risk Modeling;
  - Pricing Oversight.

The Actuarial Function’s Closing & Forecasting activities in collaboration with the Reserving & Analysis team include chairing the Loss Reserve Committee meetings held at the close of each quarter. The scope and format of the meetings is determined by the AGCS SE Loss Reserve Committee Charter. The Actuarial Function ensures that the technical provisions recommended to the Loss Reserve Committee are adequate and that the calculation processes are adequate, stable and integrated into an effective control system. The details and results of the analyses that led to the booked technical provisions are summarized annually in the AGCS reserve report. In addition to the appropriate level, the Actuarial Function also analyzes the uncertainty of the technical provisions. These analyses were incorporated into the calculation of the risk capital. This ensured consistency between the reserves and the risk capital calculation in terms of the methods, data and assumptions used. The results of the analyses are summarized annually in the AGCS reserve uncertainty report.

Process Development and Projects provides the applications required for the analysis and summarizes the necessary measures for the implementation, maintenance, and further development of processes for the entire department. The primary focus areas are the development of the ADP ("Actuarial Data Platform"), the actuarial contribution to overarching IT projects, support for the quarterly financial statements, and a project to analyze multinational business.

The Governance, Controls, and Projects position, which was established in 2020, is responsible for standardizing controls and processes within the department.

In addition to the Loss Reserve Committee, the Closing and Forecasting team is responsible for the monthly calculation and accounting of actuarial reserves, as well as the preparation of the Loss Reserve Committees and reports for the various standards within AGCS (HGB, Solvency II and IFRS 17). The Actuarial Function team was established in 2018 with the objective of streamlining the various functions of the Actuarial Function. To this end, the newly established Pricing Oversight and Reserve Validation functions were combined with the existing Actuarial Diagnostics and Actuarial Risk Modeling functions. In 2022, the Reserve Validation function was granted additional escalation rights. Reporting lines in the organizational structure have undergone a partial modification to ensure the independence of all opinions from processes managed (also within the VMF) including all validations relating to technical provisions. This includes the categorization of the reserving models (standard or non-standard model), the classification of the reserving models with regard to their influence on the amount of technical provisions and the review of the segmentation. Validation is carried out at different levels, for example by reviewing existing validations (peer review) or as a management review and documented accordingly.

As part of its Diagnostics and Pricing Oversight activities, the Actuarial Function analyses portfolio performance in order to be able to formulate an opinion on the underwriting and assumption policy.

Pricing Oversight activities include reviewing Pricing Tools from different business lines and performing peer reviews on profitability analyses of the Pricing department in collaboration with teams from the department. In addition, new business plans were reviewed and assessed. All material business cases were confirmed by the Actuarial Function.

Diagnostics and Risk Modeling examine the adequacy of all major placements of obligatory reinsurance and their structure. For this purpose, the underwriting risk is modeled using various parameters. The resulting models are used to assess the influence of reinsurance on the underwriting result and its fluctuation. The same parameters are used to model the underwriting risk that is included in the AGCS SE internal model.

The Actuarial Function performs its duties, particularly modeling, in accordance with the AGCS Actuarial Policy and the following two functional guidelines:

– AGCS Reserving Guideline;
– AGCS P&C Risk Modeling Guideline.

The guidelines were issued by the Actuarial Function and serve as a guide for all activities in the areas of Reserving & Analysis and Actuarial Risk Modeling. Portions of the activities performed in Actuarial Diagnostics are subject to the AGCS P&C Risk Modeling Guideline. The AGCS Actuarial Policy builds on the requirements of the Group Actuarial Policy of Allianz SE. Each year the Actuarial function prepares the Actuarial function report; this is presented to the Board of Management of AGCS SE and contains a detailed account of all Actuarial function activities.

The Actuarial Function's resources are planned and deployed in such a way that the tasks can be carried out appropriately and in a risk-oriented manner.

B.7 OUTSOURCING

Since 2012, AGCS SE has its own AGCS Outsourcing Policy in order to meet the growing importance of outsourcing. All requirements of the Allianz Group Outsourcing Policy were taken into account. Changes to the Group Outsourcing Policy are reflected annually through amendments to the AGCS Outsourcing Policy.

Important and critical outsourcing of AGCS SE is based on Allianz Group internal providers that are specialized in the respective service. The AGCS Outsourcing Policy defines outsourcing and specifies criteria for selecting, commissioning and managing suppliers. It also defines roles, responsibilities and approval obligations, as well as controls along the total outsourcing process (including termination).

B.7.1 Significant changes

In 2023, the AGCS Outsourcing Policy was aligned with the Allianz Group Policy. There were no significant changes. In order to create a more efficient overview of all outsourcing, the Outsourcing Function integrated all outsourcing contracts in the general contract system.

B.7.2 Application and task area

The scope of application of the AGCS Outsourcing Policy covers AGCS SE including all operating sites as well as all legally independent companies that are under the management of AGCS SE. Legally independent companies must ratify the AGCS Outsourcing Policy and incorporate it into their respective internal governance systems.

Together with the responsible persons and supported by the Protection & Resilience teams and other key functions, the Outsourcing Function performs an audit to meet the requirements of the Outsourcing Policy.

The Outsourcing Function is specifically responsible for,

- guiding the organization on how to meet requirements from an outsourcing perspective,
- supporting all responsible parties in their outsourcing activities and ensuring compliance with the AGCS Outsourcing Policy,
- maintaining a central repository/archive of all outsourcing contracts (inventory) including associated documents and evidence (for example, risk assessment, business plan and due diligence),
- reporting, upon request, the relevant AGCS outsourcing contracts to the Allianz Group.

The integration of service providers into the internal control system is implemented through collaboration with Risk Management; for significant services providers it is reviewed and supported by annual controls.

B.7.3 Major outsourcing agreements made by AGCS SE

AGCS SE evaluates the materiality of the outsourcing contracts annually in consultation with Risk Management, the Legal department and the responsible operating functions.

AGCS SE outsourcing is focused on two main areas:

- Investment management including processing of payment transactions and disposition of bank accounts;
- Outsourcing of all IT services.

These services are provided by Group-internal providers:

- Allianz Investment Management SE (AIM SE) for the investment management;
- Allianz Technology SE for the provision of IT services.

AGCS SE can leverage the following benefits by utilizing these two service providers:

- Group-wide synergy and technical advantages in specialist services areas
- Optimization of processes and cost-cutting through Group-wide utilization of the service provider
- Access to systems, skills and specialist knowledge

Both outsourcing providers are located in Germany and therefore in the same judicial area as AGCS.

In 2023, the "Asset Investment and Management" service agreement with AIM SE continued to be classified as a major outsourcing agreement. The services of AIM SE are of particular importance as they possess specialist knowledge which AGCS SE can draw on.

As of July 01, 2022, AGCS SE has consolidated the IT supply by Allianz Technology SE under one single contract, the „IT Supply Outsourcing Agreement". The services and the related specialist knowledge are therefore of major importance for AGCS SE.

In 2023, partial outsourcing in claims and underwriting was analyzed and reviewed to assess the current risk. This analysis did not show any increased risk for AGCS in 2023 and the outsourcing was not assessed as critical overall.

AGCS did not outsource any material functions in 2023.

B.8 OTHER INFORMATION

All key information about the governance system is described in sections B.1 through B.7, inclusive.

No significant changes were made to the governance system during this reporting period. Similarly, there were no material transactions with shareholders or persons exercising significant influence over the company or members of the Board of Management or Supervisory Board.

RISK PROFILE

C

C.1 UNDERWRITING RISK

C.1.1 Risk exposure

Underwriting risks refer to risks due to changes in insurance premiums, the volumes of claims and underwriting costs.

The underwriting risk differentiates between the **premium risk**, i.e. the risk that insurance premiums will not be sufficient to cover future claims, and the **reserve risk**, i.e. the risk that existing claims will lead to run-off losses compared with the claims reserves booked.

AGCS SE's internal model encompasses both reserve and premium risk.

As of December 31, 2023, the total undiversified risk capital for premium and reserve risks was € 1,839,069 thousand. The primary drivers were reserve risk and non-catastrophe premium risk. Following diversification, the corresponding total risk capital for these risks amounted to € 1,303,577 thousand.

Table 7: Underwriting risk and business risk

€ thousand

	2023	2022
Underwriting risk (diversified)	1,303,577	1,245,251
Non-catastrophe risk	578,499	592,603
Natural catastrophe risk	318,278	276,253
Terrorism risk	37,993	48,472
Reserve risk	904,300	811,925
Longevity risk	5,618	9,357
Business risk (diversified)	105,003	74,937
Lapse risk	55,043	32,072
Cost risk	65,047	51,852

Lapse and cost risks are modeled as business risk. The total undiversified risk capital for the sum of these business risks as of the end of the year under review was € 120,090 thousand. Following diversification, the total risk capital for these risks amounted to € 105,003 thousand.

In the case of all underwriting risks, AGCS uses models provided by the respective Allianz Group central functions.

The modeling of underwriting risk is based on information from a range of internal and external sources, including the accounting, actuarial, risk management, performance management, claims, reinsurance and underwriting departments.

The most important information is:

- Financial data, such as premium income written;
- Claims data in the form of run-off triangles for modeling reserve risk or individual losses for modeling future major losses;
- Corporate planning, for example with regard to planned premium income or costs;
- Information on the contract portfolio with the corresponding coverage:
- Existing reinsurance program.

In the case of the natural catastrophe risk, detailed inventory data is used, for example on the type and use of insured items, and a large number of possible events, some of which have not yet occurred, are simulated. For this type of risk, detailed modelling based on inventory data is more reliable than modeling based on observed losses as the history here does not cover the full potential of possible future losses.

No material underwriting risk is transferred to special purpose vehicles (SPVs) and there is no material risk exposure from off-balance sheet items.

Risk concentration

Concentration risks arise from the accumulation of claims from individual events. These can be catastrophes caused by people (man-made) on the one hand or natural catastrophes on the other, where storm and earthquake risks in particular influence AGCS SE's overall risk.

A working group (the Realistic Disaster Scenario Working Group) has been established to analyze and determine the potential loss of various man-made scenarios and their probability of occurrence. The working group is headed by the risk management function and is focused on identifying possible accumulation loss scenarios. The estimation of return periods for specific extreme events is a challenging task. The working group is currently focusing on the topic of ensuring suitable frequency assessments.

Technical provisions are also affected by inflation. These kind of risks are modeled in the market risk module of the Allianz Group's internal model. Please refer to section C.2 on market risk for an illustration of the solvency ratio sensitivity from an inflation increase of 100 bp.

Concentration risks from natural catastrophes are analyzed using specific models. To this end, the relevant exposures from current insurance contracts are recorded on the basis of geodata. The results from the models form part of AGCS SE's risk capital calculation.

Exposure from natural and man-made catastrophes is hedged through appropriate reinsurance to keep it within the scope of the risk appetite.

Risk sensitivity

AGCS SE employs sensitivity analyses to assess the solvency ratio's responsiveness to defined stress scenarios. The stress scenario defined for underwriting risks considers a combined loss from premium and reserve risks with a return period of one in five years. A corresponding event at year-end 2023 would have resulted in a decline in AGCS SE's solvency ratio from 173% to 168%.

Table 8: Risk sensitivity

€ thousand

Scenario	Own funds	Risk capital	Solvency ratio
Base	3,652,863	2,105,479	173%
Stress	3,544,127	2,105,479	168%

C.1.1.1 Premium risk

The premium risk is subdivided into three categories: natural catastrophe, terrorism, and non-catastrophe risk. The latter category represents the largest premium risk by far.

AGCS SE's total premium exposure as of December 31, 2023, before diversification, amounted to € 934,769 thousand. In comparison to the previous year, this represents an increase of € 17,441 thousand, or 2%. The change was primarily influenced by a reduction in the discounting of non-catastrophe risks, which was driven by a shift in the market environment. Furthermore, as is standard practice, an update was made to the underlying portfolio and related reinsurance in conjunction with the updated model parameters.

The premium risk is calculated based on actuarial models used to derive loss distributions. Premium risk is actively managed by AGCS SE, with risk assessments and underwriting limits incorporated into the underwriting process and reinsurance protection in line with our risk appetite.

C.1.1.2 Reserve risk

The reserve risk is related to the uncertainty inherent in the existing claims reserves. The existing reserves refer to the expected mean value (best estimate) of the expenses for losses already incurred. The actual amount of these expenses has not yet been determined.

AGCS SE's total reserve risk as of December 31, 2023 was € 904,300 thousand. This represents an increase of € 92,375 thousand, or 11% compared to 2022. The main reasons were the annual update of the model parameters and lower discounting due to the changed market environment.

The reserve risk is estimated on the basis of observed claims settlement using mathematical methods consistent with those used for best-estimate reserving. This relates to losses that could occur over the next 12 months.

Our operating units regularly monitor the changes in reserves for insurance claims at business level. In addition, the reserve uncertainty is analyzed annually. This analysis serves as the basis for the reserve risk calculations. The Allianz Group conducts regular independent reviews of these analyses and Group representatives attend meetings of the local reserve committees.

C.1.1.3 Business risk

The undiversified total of business risks of AGCS SE amounted to € 120,090 thousand at the end of the year under review, an increase of € 36,166 thousand or 43% compared to the previous year. This was primarily due to higher lapse and expense risk.

Lapse and cost risks are modeled for business risk. Lapse risk relates to the possibility of unexpectedly high lapse rates in existing business and the resulting loss of future profits. The cost risk reflects losses due to continuing fixed costs in the event that new business collapses. The business risks are calculated in a simple model in which the assumptions on lapse behavior, new business and changes in costs are directly taken into account.

C.1.1.4 Longevity risk

As of December 31, 2023, the longevity risk of AGCS SE amounted to € 5,618 thousand. Compared with the previous year, this represents a decline of € 3,739 thousand or 40%.

The longevity risk arises solely from modeling the risk of pension obligations to current and former employees.

C.1.2 Underwriting risk management and mitigation

Natural catastrophes such as earthquakes, storms and floods are a key challenge for risk management because of their accumulation potential and volatility. In order to measure such risks and better assess the potential impact of natural catastrophes, special modeling methods are used: AGCS SE combines inventory data (such as the geographic distribution and characteristics of insured items and their values) with simulated natural catastrophes scenarios to estimate the amount and frequency of potential losses. Where such stochastic models are not available or existing models are not suitable for our specific business, risk exposure is monitored via scenarios and taken adequately into consideration with external reinsurance protection as well as in the internal model.

Reinsurance plays an important role in the management of premium risk. In line with existing underwriting ceilings and limits, which reflect the risk tolerance of AGCS SE and are regularly reviewed, peak risks are ceded by way of facultative reinsurance and treaty reinsurance.

AGCS SE also reinsures the entire German direct and indirect business through a quota share reinsurance treaty with Allianz SE.

C.2 MARKET RISK

C.2.1 Risk exposure

AGCS SE defines market risk as the risk of loss resulting from changes in market prices or parameters that lead to changes in the valuations of financial assets or liabilities. This includes the change in market prices due to lower market liquidity.

An important part of the insurance business is the investment of insurance premiums. These investments secure existing and future receivables and claims of our customers. In addition, our shareholders' equity covers the capital requirements arising from the insurance business.

Market risks are estimated using the internal model, which was developed centrally by Allianz Group Risk and parameterized in coordination with Allianz Group Risk.

The following risk types are taken into account in the calculation of market risk:

- Equity /equity volatility risk is the potential change in the value of a portfolio due to price and volatility changes in the equity markets, and in changes in the market value of the strategic participations.
- Interest rate risk is the potential change in the value of a portfolio due to changes in the level of interest rates (more precisely: yield curves).
- Real estate risk is the potential change in the value of a portfolio due to changes in the market values of properties.
- Currency risk is the potential change in the value of financial assets or liabilities due to fluctuations in exchange rates.
- (Credit) spread risk is the potential change in the value of a portfolio due to changes in credit spreads.
- Inflation risk is the potential change in the value of a portfolio due to changes in inflation rates.

The risk capital for the total undiversified market risk amounted to € 2,337,216 (2,241,758) thousand at the end of the year under review. Equity and currency risk were the main drivers of total market risk at the end of 2023. After diversification, the total risk capital for market risks amounted to € 1,241,444 (1,201,053) thousand. Compared to 2022, this represents an increase of € 40,390 thousand, or 3%. The increase was mainly due to a higher valuation of strategic participations. The book value of the investment increased from € 2,280 million at December 31, 2022 to € 2,582 million at December 31, 2023. The market value of investment that follow a strategic asset allocation, rose from € 8,328 million at December 31, 2022 to € 8,431 million at December 31, 2023.

Table 9: Risk capital for market risk

€ thousand

	2023	2022
Market risk (diversified)	1,241,444	1,201,053
Interest rate risk	211,092	284,058
Inflation risk	226,112	195,661
Equity risk	962,973	925,312
Currency risk	541,185	441,131
Real estate risk	154,795	146,721
Credit spread risk	241,059	248,876

C.2.1.1 Equity risk

AGCS SE's equity risk is primarily attributable to its strategic investments and alternative investments. The overall investment portfolio is broadly diversified. This reduces risk and allows investment in asset classes with higher long-term returns.

AGCS SE's equity risk capital amounted to € 962,973 (925,312) thousand at December 31, 2023, an increase of € 37,661 thousand, or 4% compared to 2022. This was due to a higher valuation of strategic investments.

Risk concentration

The strategic participations in ART AG and AGR US accounted for 82% of AGCS SE's equity risk.

In addition to the strategic participations, alternative investments form part of a broadly diversified investment portfolio. The Credit Risk Platform (CRisP) and limits ensure that excessive concentration risks in alternative investments are avoided.

Risk sensitivity

Sensitivity analyses at December 31, 2023 showed that a market value loss of the investments with a 30% equity risk (excluding strategic participations) would result in a decrease of the solvency ratio from 173% to 170%.

Table 10: Sensitivity of equity risk

€ thousand

	Own funds	Risk capital	Solvency ratio
Base	3,652,863	2,105,479	173%
Stress	3,545,671	2,081,384	170%

C.2.1.2 Interest rate risk

AGCS SE's risk capital for interest rate risk amounted to € 211,092 (284,058) thousand at the end of the reporting year, a decrease of € 72,966 thousand, or 26% compared to 2022. The decrease in interest rate risk in 2023 was driven by a reduction in the volume-weighted duration gap between assets and liabilities and a decline in interest rates, which reduced the average interest rate shocks applied.

AGCS SE manages interest rate risk as part of a comprehensive asset-liability management system. In the property/casualty segment, payment obligations are typically shorter in duration than those of investments. AGCS SE derives the duration target on the assumption that business operations will continue on a permanent basis ("going concern"). This contributes to a longer duration of the asset side compared to the liability side. The resulting interest rate risk is managed, among other things, through sensitivity limits.

Risk concentration

Interest rate risk is a secondary risk in the overall picture. Within the interest rate risk, the US dollar yield curve accounted for 32% of AGCS SE's interest rate risk, while the Danish krone and euro yield curves each contributed 25%.

Risk sensitivity

As of December 31, 2023, sensitivity analyses showed that a 100 basis point increase in interest rates would have almost no impact on the solvency ratio. A 100 basis point decrease in interest rates would increase the solvency ratio to 174%.

Table 11: Sensitivity of interest rate risk

€ thousand

	Own funds	Risk capital	Solvency ratio
Base	3,652,863	2,105,479	173%
Stress +100bp	3,569,186	2,065,546	173%
Stress -100bp	3,728,346	2,145,723	174%

C.2.1.3 Credit spread risk

At the end of 2023, AGCS SE's credit spread risk capital amounted to € 241,059 (248,876) thousand. Compared with the previous year, this represents a decrease of € 7,817 thousand, or 3%.

Credit spread risk is the risk of declines in market value due to higher yield premiums over the risk-free yield curve. Rising premiums reflect increased risk aversion among market participants. Changes in the credit quality of issuers, on the other hand, are captured by credit risk, which is not part of market risk.

Credit spread risk is fully mapped in the internal model. The changes in market value associated with the spread changes do not generally lead to sustained negative economic effects, since AGCS SE, as a long-term investor, can hold the investments until maturity in order to collect the spread in full. This aspect is taken into account in the internal model by applying dynamic volatility adjustment.

Risk concentration

The credit quality of AGCS SE's portfolio is high. Section C.3 provides a summary of the breakdown of fixed income investments by rating category as of December 31, 2023. The following table provides an overview of the credit spread risk contributions by rating category.

Table 12: Credit spread risk by rating category

%

	2023
AAA	8%
AA	14%
A	14%
BBB	36%
BB	12%
B	9%
CCC	1%
CC	0%
C	0%
D	1%
NR	4%

Risk sensitivity

At the end of the year under review, sensitivity analyses show that a rating-dependent stress scenario (rating-dependent increase in spreads by up to 200 basis points) would lead to a decline in the solvency ratio from 173% to 167%.

Table 13: Sensitivity of credit spread risk

€ thousand

	Own funds	Risk capital	Solvency ratio
Base	3,652,863	2,105,479	173%
Stress	3,476,699	2,078,859	167%

C.2.1.4 Inflation risk

The inflation risk capital of AGCS SE increased by € 30,451 thousand or 16% compared to the previous year and amounted to € 226,112 (195,661) thousand as of December 31, 2023. The increase is mainly due to a change in the modeling of inflation risk, which increases inflation risk, particularly for short maturities.

As an insurer, AGCS SE is exposed to changes in inflation rates. Since inflation affects future claims expenses and costs, an increase in inflation leads to higher liabilities. The risk is that inflation will exceed the expected inflation already factored into prices and reinsurance.

The main drivers are technical provisions and – to a lesser extent – pension liabilities. Inflation assumptions are already taken into account in product development, premium calculation and the internal model.

Risk concentration

Inflation risks from the GBP area accounted for the largest share of inflation risks at 34%, followed by the EUR area at 31% and the US dollar area at 30%.

Risk sensitivity

At the end of the year under review, sensitivity analysis showed that a 100 basis point increase in the overall inflation curve would result in a decrease in the solvency ratio from 173% to 166%.

Table 14: Sensitivity of inflation risk

€ thousand

	Own funds	Risk capital	Solvency ratio
Base	3,652,863	2,105,479	173%
Stress	3,522,173	2,126,705	166%

C.2.1.5 Currency risk

AGCS SE's risk capital for currency risk amounted to € 541,185 (441,131) thousand at the end of 2023, an increase of € 100,054 thousand or 23% on the previous year. The increase is mainly due to a higher US dollar exposure as a result of the strategic investment in AGR US. In addition, the partially non-currency hedged global real estate portfolio and alternative investments held in foreign currencies contribute to currency risk.

As a globally active insurance company, AGCS SE holds assets and liabilities in many different currencies. A comprehensive process has been implemented to identify and manage foreign currency risks. Foreign currency risks from bonds and technical provisions are largely currency hedged. The local own funds of AGCS SE Singapore, Hong Kong, Korea and India branch offices are invested in the local functional currencies.

Risk concentration

The currency risk stemmed primarily from the US dollar, which accounted for 79% of the total, and is mainly attributable to the strategic participation in AGR US.

Risk sensitivity

If the euro appreciates against foreign currencies, assets not denominated in euro will lose value. From a euro perspective, however, the corresponding capital requirements are reduced at the same time, which mitigates the impact on capitalization.

Sensitivity analyses as of December 31, 2023 show that a 10% depreciation of foreign currencies against the euro would result in a decrease of the solvency ratio from 173% to 172%.

Table 15: Sensitivity of currency risk

€ thousand

	Own funds	Risk capital	Solvency ratio
Base	3,652,863	2,105,479	173%
Stress	3,386,934	1,967,705	172%

C.2.1.6 Real estate risk

As of December 31, 2023, AGCS SE's real estate risk capital amounted to € 154,795 (146,721) thousand. Compared to 2022 this represents an increase of € 8,074 thousand, or 6%. The increase in real estate risk is the result of volume effects from new investments.

AGCS believes that real estate is a valuable addition to the investment portfolio as it provides investors with stable and predictable cash flows over the long term. This and the good diversification properties outweigh the risks from a downturn in prices on the real estate market.

Risk concentration

AGCS SE also pursues a real estate investment strategy that focuses on broad diversification by market, geography and sector. There are no significant concentrations for real estate risk.

Risk sensitivity

As of December 31, 2023, sensitivity analyses indicate that a 20% decrease in market prices would reduce the solvency ratio from 173% to 170%.

Table 16: Sensitivity of real estate risk

€ thousand

	Own funds	Risk capital	Solvency ratio
Base	3,652,863	2,105,479	173%
Stress	3,528,723	2,074,634	170%

C.2.2 Market risk management

AGCS SE's Risk Management function defines the framework for managing market risk. This includes, in particular, the internal guidelines for managing the portfolio as well as the maintenance and further development of methods and models for market risk, limit systems and the corresponding reporting system. The roles and responsibilities of all functions involved are also defined within the scope of the market risk management. The associated reporting system is intended to provide internal decision-makers (members of the Board of Management or other senior management levels within AGCS SE) and external interested parties with relevant information on the current risk situation.

AGCS SE produces regular reports on the changes in market risk and related indicators.

Prudent person principle

AGCS SE invests in accordance with the prudent person principle (Section 132 of Directive 2009/138/EG). There are two dimensions to implementing the principle of prudent business practice:

- All investments are undertaken in such a way as to ensure the quality, security, liquidity, profitability and disposability of the investment portfolio as a whole. This includes fulfilling the requirement that the characteristics and maturity of the insurance liabilities entered into are adequately taken into account within the investment portfolio.
- AGCS SE only makes investments if it is able to sufficiently identify, measure, monitor, manage, control, report the related risks and incorporate these into its solvency assessment.

In addition, AGCS SE takes account of the long-term impact of its investment strategy and investment decisions on sustainability factors.

The Strategic Asset Allocation (SAA) defines the long-term investment strategy of AGCS SE and the framework for the investments actually acquired. Therefore, SAA is an important and complementary tool to manage market risk.

The SAA is based on a detailed analysis of assets and liabilities and takes into account AGCS SE's risk-bearing capacity.

Great care is taken in the design of the SAA to ensure an appropriate target level of investment quality and security. This includes, for example, analyzing ratings and additional collateral as well as maintaining a sustainable return. It must also be ensured that the investment portfolio has sufficient liquidity at all times.

AGCS SE's risk management sets balanced investment risk and volume limits. These are used to monitor the portfolio or the sensitivity of market fluctuations from external shocks.

C.2.3 Risk mitigation

AGCS SE has implemented a wide range of measures to limit the impact of changes in financial markets and to ensure that liabilities to policyholders are covered.

Asset-liability management risks are assessed on the basis of the internal model. In addition to the relevant Allianz Group limits, AGCS SE has also implemented a comprehensive risk limit framework to implement the requirements of the prudent person principle.

AGCS SE partly uses derivatives to hedge the portfolio against undesirable market movements, to reduce currency risk (for example, with FX forwards) or to implement transactions more efficiently.

Our processes provide for comprehensive monitoring of investments. For derivatives in particular, all open positions are regularly reviewed and compliance with the limits set as part of the derivatives strategy is monitored. In the event of a limit breach, the responsible investment management function immediately informs the key stakeholders of AGCS SE. If necessary, countermeasures must be implemented, which may include the closure of open positions.

C.3 CREDIT RISK

C.3.1 Risk exposure

AGCS SE defines credit risk as the potential loss in value of the portfolio within a certain time horizon caused by changes in the credit quality (credit rating) of debtors in the portfolio, including default or non-performance of financial obligations. The default of a loan receivable can result either from a deterioration in creditworthiness (migration risk) or from the inability or unwillingness of the debtor to meet its contractual obligations.

The main drivers of credit risk for each instrument are the ratings, collateral and maturities.

The following sub-risks are part of the credit risk:

- The counterparty risk, which consists of default and migration risks. These risks are found in particular in loans and structured products, such as asset-backed securities, derivative transactions (OTC), as well as reinsurance, financial guarantees and receivables from brokers/agents or other debtors;
- the concentration risk arising from the accumulation of credit risks vis-à-vis a business partner. Such accumulations result in the reporting of higher risk capital – in contrast to the case in which the same positions were spread across different counterparties;
- The country risk, which comprises currency transfer and exchange risk. Transfer risk is the risk that a counterparty is unable to meet its cross-border payment obligations because the transfer of capital is prohibited or restricted by currency moratoria. Foreign exchange risk is the risk that a counterparty is unable to meet its payment obligations in the agreed currency because currency exchange is prohibited or restricted.

The following two risks are not subsumed under credit risk at AGCS SE:

- The credit spread risk – caused by changes in credit spreads with an unchanged rating – is covered separately in the market risk;
- the settlement risk, which arises when, in an exchange of payments, one party makes an upfront payment without being certain at the time of payment that the counterparty will deliver the corresponding consideration.

Risk capital for total credit risk before diversification into other risk categories amounted to € 192,628 (175,233) thousand at December 31, 2023. The main drivers of overall credit risk were credit risk from reinsurance and from fixed-income investments. This represented an increase of € 17,395 thousand or 10% compared to 2022. The increase resulted from changes in exposure.

C.3.1.1 Credit risk from investments

The premium income and equity required to cover the risks are largely invested in fixed-interest securities. Typical investments are government bonds, corporate bonds, registered bonds, promissory notes, mortgages and loans as well as – to a lesser extent – derivative financial instruments. Due to the nature of the business, the maturities of the invested fixed-income securities tend to be short to medium-term.

The issuers of AGCS SE's fixed-income investments are primarily corporations, sovereigns and banks. Overall, the fixed-income securities consist predominantly of securities from developed countries and with an investment grade rating.

Table 17: Fixed income investments by rating category as of December 31, 2023, including fund holdings at fair value, and cash and cash pool

€ thousand

	2023
AAA	1,046,046
AA	1,935,672
A	2,063,845
BBB	1,654,043
Non-investment grade (incl. not rated)	1,131,823
Total	**7,831,429**

C.3.1.2 Credit risk from reinsurance business

The credit risk to external reinsurers arises from insurance risks that are transferred by AGCS SE to external reinsurance companies in order to reduce its own insurance risk. Possible losses may arise either from defaults on existing accounts receivable from reinsurance business or from losses on new accounts receivable arising from reinsurance contracts during the reporting period.

The Security Vetting Team (SVT) checks the creditworthiness of the reinsurance partners. Their activities include the examination of all AGCS SE assignments and the provision of advice regarding the necessary collateral. This ensures that priority is given to companies with a good credit rating. In order to further reduce credit risk, AGCS SE may additionally require letters of credit, cash deposits or other financial collateral.

The creditworthiness of reinsurers is monitored on an ongoing basis. Reinsurance exposures are reviewed twice a year (based on exposures at the end of June and at the end of December), most recently in September 2023 based on exposure data as of June 30, 2023: Accordingly, 90% of exposures are ceded to reinsurers with a rating of at least A.

In total, third-party receivables with due dates exceeding 90 days amounted to € 195.9 mn as of December 31, 2023 (excluding explicit write-offs of receivables). The average default rate over the last three years was 0.7%.

Risk concentration

The following table shows the distribution of credit risk at each year-end 2023 and 2022.

Table 18: Allocation of credit risk

%

	2023	2022
Share of credit risk capital from		
Investments	44%	45%
Reinsurance	50%	51%
Receivables	6%	4%

Compared to end of 2022, the percentage of credit risk from reinsurance and investments has decreased slightly and the percentage rate of credit risk from investments has increased slightly. The total of the ten largest positions (in terms of contribution to credit risk) of the counterparty default risk from investments and reinsurance amounted to € 84,147 thousand. This corresponds to 44% of the total credit risk. Allianz SE is the largest reinsurance counterparty resulting from the Group's internal reinsurance structure.

Risk sensitivity

The following table shows the sensitivity of the credit risk under the assumption that the rating is lowered by two rating grades and the loss given default (LGD) is increased by 10%. Effects on market risks (for example, credit spread risk) are not taken into account.

Table 19: Sensitivity of credit risk

€ thousand

	Own funds	Risk capital	Solvency ratio
Base	3,652,863	2,105,479	173%
Stress	3,462,940	2,178,944	159%

The following table presents the sensitivities of credit risk before diversification.

Table 20: Risk sensitivity before diversification

€ thousand

	2023
Downgrade by one rating grade[1]	47,567
Downgrade by two rating grades and LGD increase by 10%	143,418
LGD[2] Increase by 10%	18,970

1_Rating level refers to the rating subcategories, for example "AA+", "AA", "AA-" at Standard & Poor's or "Aa1", "Aa2", "Aa3" at Moody's.
2_Loss given default (LGD) refers to the loss in the event of default on the receivable.

The sensitivity analysis as of 31 December 2023 shows that a one-notch credit rating downgrade (i.e. deterioration in credit quality) would result in a 25% increase in credit risk. A two-notch credit rating downgrade and a 10% relative increase in loss-given-default (LGD) would result in a 74% increase in credit risk. A 10% relative increase in loss-given-default (LGD) (i.e. a reduction in the recovery rate in the event of default) would result in a 10% increase in credit risk.

C.3.2 Credit risk management

The credit risk management framework has two main objectives:

- Review and monitor accounts receivable from individual parties; in doing so, the company aims to reduce the risk arising from the default of individual counterparties, but also to ensure sufficient diversification across the entire portfolio.
- Ensure that AGCS SE has sufficient capital at all times to be able to reliably bear the credit risk incurred.

The following measures serve to achieve these objectives:

- Regular reporting on the transparency and management of the risks taken;
- Limit setting;
- Integrating credit risk into business planning and capital management;
- Considering credit risks in the pricing of insurance contracts.

AGCS SE monitors and manages credit risk exposures and concentrations to ensure that the company is always able to meet its obligations to policyholders. The local internal credit risk model and the Group-wide CRisP limit system also serve this purpose.

By actively managing credit risk on the basis of credit limits and credit risk modeling, the company has a well-diversified credit portfolio. The long-term investment strategy – largely hold-to-maturity – gives our portfolio stability even in adverse market conditions and enables us to generate planned excess returns throughout the holding period of the investments.

C.3.3 Risk mitigation

In order to mitigate counterparty risk arising from the following instruments, AGCS SE predominantly uses the risk mitigation tools listed in the table.

Table 21: Credit risk mitigation tools

Instrument	Risk mitigation
Derivatives	Requirement to post collateral for all derivative exposures (after netting) (except for direct FX derivatives with counterparty Allianz SE).
Securities lending and repo transactions	Requirement for effective netting mechanisms and full collateralization.
Reinsurance	All reinsurance partners are vetted by the Allianz Group Security Vetting Team or the AGCS Security Vetting Team. Depending on this assessment, collateral may be required, for example in the form of guarantees, cash or other suitable financial measures, in order to further mitigate the credit risk.
Fixed-income securities	Requirement to invest predominantly in high quality securities and to limit concentrations in counterparties in the portfolio; where necessary, collateralized investments are chosen. Strong portfolio diversification is mandatory.

For the use of derivatives, comprehensive requirements for the type, scope and management of the collateral to be deposited are laid down in internal guidelines.

AGCS SE engages in securities lending and repo transactions to a limited extent in the special funds. These do not constitute a derivatives transaction. Nevertheless, detailed requirements are also defined for the scope and quality of collateral as well as collateral mechanisms. These risk mitigation measures are taken into account in the calculation of credit risk. AGCS SE and its service providers regularly review the application of the risk mitigation techniques described above and compliance with limits (for example, counterparty concentration limits for investments).

C.4 LIQUIDITY RISK

C.4.1 Risk exposure

Liquidity risk is defined as the risk that claims arising from current or future payment obligations cannot be met or can only be met under adversely changed conditions. This risk can arise in particular if there are significant deviations in incoming and outgoing payments over time.

The liquidity risks with regard to unexpected liquidity requirements result from the default of reinsurers and from claims payments that exceed the planned scope.

The primary objective of planning and managing AGCS SE's liquidity position is to enable the company to meet its payment obligations at all times without having to dispose of a significant volume of investments. To this end, the liquidity position is monitored and forecast on an ongoing basis. Similarly, strategic liquidity planning is regularly reported to the key decision-makers throughout the financial year.

As part of our strategic planning, contingent liquidity requirements and sources are considered, to ensure that AGCS SE can meet future payment obligations even under adverse conditions. Such conditions may include combined market and catastrophe risk scenarios and lower than expected dividends and profits from subsidiaries.

C.4.1.1 Risk concentration

AGCS SE's investment portfolio is well diversified and does not exhibit any significant risk concentration that could jeopardize AGCS SE's liquidity profile. Furthermore, the relatively brief duration of AGCS SE's investment portfolio has a positive impact on its liquidity profile.

Key components of AGCS SE's investment strategy are liquid securities, a broad diversification of the portfolio and a limitation of individual portfolio positions. This ensures the availability of liquidity.

C.4.1.2 Risk sensitivity

Liquidity risk is reported in a comprehensive Allianz Group framework. The aim is to review the liquidity position of AGCS SE and Allianz respectively and to ensure sufficient liquidity even in stress scenarios.

As part of this framework, each insurance company in scope is required to submit a quarterly liquidity risk report to the Group. The main features are a forecast for cash inflows and outflows over various time horizons, an assessment of the available countermeasures including the realization of liquid funds, the application of various stress scenarios and aggregation with other indicators to determine liquidity utilization (LIR = liquidity intensity ratio). Thresholds for warning levels and for limit overruns enable management to quickly assess the liquidity situation under current and hypothetical difficult market conditions.

AGCS SE is exposed to liquidity risk both from its insurance business (higher than expected claims payments, lower than expected income) and from its investment portfolio.

The liquidity utilization has improved slightly compared with the previous year. As of December 31, 2023, AGCS SE had very good liquidity in all scenarios considered. The following table contains the LIR values for the 1-year time horizon.

Table 22: LIR values[1]

€ mn

	2023			2022
	Sources	Requirements	LIR	LIR
Base scenario	9,614	3,456	36%	41%
Premium Stress	8,525	3,456	41%	47%
Stress from claims payments	9,209	4,049	44%	49%
Derivative stress	8,970	3,474	39%	46%
Combined stress	7,969	3,456	43%	49%
Individual stress	8,031	3,236	40%	49%

1_LIR = liquidity intensity ratio (liquidity utilization)

C.4.2 Management of liquidity risk and risk mitigation

AGCS SE manages its liquidity risk and thereby ensures that the available and required liquidity are in an appropriate ratio. The investment strategy ensures the sufficient quality and liquidity of the investment portfolio, for example by investing in liquid securities such as highly rated government bonds. This means that even the increased liquidity requirements in the case of unlikely events can be met without significant economic losses. Actuarial methods are used to estimate our liabilities under insurance contracts. Standard liquidity planning ensures that the liquidity from our portfolio is in line with the estimated cash flows for these liabilities.

In the event that the LIR reaches certain thresholds, different escalation levels are defined in accordance with the AGCS Standard for Liquidity Risk Management.

AGCS SE manages liquidity risk by measuring and monitoring its liquidity risk in accordance with the AGCS principles. The assessment of the liquidity risk position is integrated into the planning process. AGCS SE assesses the reconciliation of cash flows resulting from assets and liabilities at least once a year as part of the liquidity planning process. This involves estimating the liquidity gap based on liquidity sources and requirements. Liquidity planning is conducted for both the run-off and the going-concern scenario (for a period of 3 years). In addition, short-term liquidity monitoring and management are employed.

AGCS SE's investment strategy is guided by the principle of prudence. This contributes significantly to the sufficient liquidity of the investment portfolio. In particular, the liquidity of individual securities and their availability, as well as the limitation of exposure to asset classes and individual counterparties, ensure that liquidity is maintained even in stress scenarios. AGCS SE's insurance liabilities are subject to a limited lapse risk, which is reflected in the liquidity risk system.

The total contribution of the profit anticipated from future premiums amounts to € 428,022 (366,689) thousand before reinsurance. In comparison to the previous year, the anticipated profit from future premiums is higher in 2023. The primary factors contributing to this are an increase in the volume of future premiums and a decline in the expected combined ratios.

C.5 OPERATIONAL RISK

C.5.1 Risk exposure

The Allianz Group, including AGCS SE, defines operational risks as unexpected losses resulting from inadequate or failed internal operating processes or systems, human errors and external events. In addition to legal risks, compliance risks and financial reporting risks, this definition also covers traditional operational risks. However, it does not include strategic risks, reputational risks and risks stemming from inadequate project decisions.

Operational risks are inherent in all types of products, activities, processes and systems, and cannot be fully avoided. They may have a significant impact on the balance sheet, profit, corporate objectives, business activities or reputation of AGCS SE.

In line with standard market practice, operational risks can be divided into the following categories, the “Basel II categories”:

- Business interruption and system failure
- Customers, product characteristics and business practices
- Unauthorized actions by external parties
- Willful misconduct by employees
- Damage of material assets
- Employment practices and security of employment
- Execution and process management

AGCS SE’s internal risk capital model determines the risk capital for operational risks. It functions as a buffer for the company in the event of financial losses due to unexpected operational risk events such as a business interruption.

Modeling is on the basis of the aforementioned categories for operational risks relevant for AGCS SE.

Risk frequencies and levels are parameterized for the individual relevant categories together with experts from the respective areas. Operational losses incurred within AGCS SE, Allianz Group and external data are taken into account here.

Risk capital for operational risk is included in the total risk capital and amounts to € 165,139 (134,635) thousand at the end of the reporting year. This represents only a marginal portion of the overall risk capital. The areas "Violation of economic sanctions", "Errors in policy formulation" and "Errors in reinsurance" are the main drivers.

The AGCS Risk Committee meets on a regular basis to discuss the material operational risks to which AGCS SE is exposed, in accordance with the risk appetite defined.

Operational risks are not transferred to special purpose vehicles. No other operational risks from off-balance sheet obligations were identified.

C.5.2 Risk concentration

All relevant functions of AGCS SE are regularly involved in both operational risk assessment and operational risk event analysis. For this reason, possible structural weaknesses that could affect the company as a whole and possibly indicate a concentration of operational risks are identified in good time. Depending on need, appropriate countermeasures are taken as part of the risk management system.

Risk sensitivity

In addition to the selection of categories, two parameters influence the operational risk capital model: the frequency, in other words, the expected number of a category’s risks events during one year and the severity, or the highest expected individual loss incurred in a category within a period of 20 years. Both parameters are analyzed as part of the risk capital calculation, representative for the respective categories. The model is particularly sensitive to changes in the severity, while changes in the frequency have a minor impact. These model specifics are discussed with experts as part of the parameterization of the internal risk capital model to ensure that the experts are familiar with the model specifics and that the model behaves in line with the risk profile of AGCS SE.

C.5.3 Risk mitigation

AGCS SE’s risk management system for operational risks was developed to prevent the occurrence of operational risk events outside AGCS SE’s risk tolerance. An effective and efficient Non-Financial Risk Management (NFRM) system requires a high level of risk and control awareness among employees in their day-to-day activities. Operational risks are reduced through a series of appropriate and permanent countermeasures, i.e. through key controls. The effectiveness of key controls is regularly reviewed as part of the control tests. This review determines whether the controls are designed to mitigate relevant risks effectively and are being implemented as intended. Control weaknesses, the occurrence of operations events and losses, and the associated measures, are reported regularly to the Board of Management.

Although operational risk events, by definition, often occur as a result of errors, AGCS SE’s operational risk management system does not focus solely on errors. Instead, it promotes a culture of risk transparency and treats mistakes as opportunities for improvement, in order to avoid potential similar losses in future.

C.6 OTHER MATERIAL RISKS

C.6.1 Strategic risk

Strategic risk is the risk of an unexpected negative change in the value of the company as a result of management decisions with a negative impact on business strategy and its implementation.

Strategic decisions are discussed in the Board of Management and in various committees at Board of Management level (for example, AGCS Risk Committee, Underwriting Committee, Reinsurance Committee). The assessment of the risks concerned is a core element of these discussions.

Strategic risks are also discussed as part of the annual strategic dialog and the planning dialog in close coordination with Allianz SE, the sole shareholder.

The most significant strategic project currently impacting AGCS SE is the "Allianz Commercial" project, which was launched in 2023. This project will enable AGCS to expand its focus on mid-sized companies and implement a uniform market presence in the commercial insurance business, in collaboration with the local Allianz Property & Casualty companies in the Allianz Group. The resulting risk is managed as part of the general project risk management process. As of the end of 2023, the implementation of the "Allianz Commercial" project is proceeding according to plan.

From a risk management perspective, strategic risks continue to be evaluated in our annual Top Risk Assessment process. As of the end of 2023, there was not a single strategic risk identified as a top risk.

C.6.2 Reputational risk

A number of criteria influence the perception of AGCS SE as a respected and responsible provider of insurance services: Product quality, corporate governance, financial strength, customer service, innovation, people management, intellectual property and corporate responsibility. Reputational risk refers to a possible loss of reputation of AGCS SE, as a result of which there could be an unexpected decline in the share price of Allianz SE or a decline in future business volume.

Reputational risks arise as a result of adverse events, that can lead to a negative perception of the company. However, they also arise from the business strategy. In particular, the focus is currently on sustainability criteria and risks, which represent a central aspect of risk assessment. These include environmental, social, and criteria for legally and morally impeccable corporate governance.

The integration of sustainability issues is a fundamental aspect of AGCS SE's business model. For this reason, AGCS has enhanced its capabilities and organizational structure in this area to integrate corresponding concepts across all lines of business and functions through a collaborative approach. AGCS SE has established two teams to address sustainability aspects of governance and product issues in the insurance business. This will enable the decarbonization of the AGCS portfolio. Another team was established with the objective of achieving climate neutrality in our own business operations.

AGCS SE is working with customers and across all insurance sectors to develop solutions and products that will both minimize risks and exploit opportunities in the current transition to a climate-friendly economy. The company's strategy is to capitalize on market opportunities in the areas of renewable energies, low-carbon technologies, and sustainable construction methods and transportation.

At the same time, there is a well-established process for identifying and assessing reputational and sustainability risks at the business level. This must be taken into account in all business decisions and provides for an assessment on a predefined scale with clear threshold values. In the event that the established limits are exceeded, a transparent internal review process is in place to assess the associated risks.

C.7 OTHER INFORMATION

Please refer to the preceding notes for a detailed overview of the risk profile of AGCS SE, which includes all relevant disclosures.

VALUATION FOR SOLVENCY PURPOSES

D

This section presents the valuation of assets, technical provisions and other liabilities for solvency purposes, describes the essential principles, methods and main assumptions and explains material differences to the valuation in the commercial balance sheet according to the HGB.

Table 23: Assets

€ thousand

	Solvency II	HGB	Difference
ASSETS			
1. Intangible assets	0	16	-16
2. Deferred tax assets	165,746	0	165,746
3. Pension benefit surplus	14,819	199	14,620
4. Property, plant and equipment held for own use	32,159	8,980	23,179
5. Investments (other than assets held for index-linked and unit-linked contracts)	10,251,249	9,502,363	748,886
5.1. Real estate (other than for own use)	130,180	65,834	64,346
5.2. Shares in affiliated enterprises, including participations	3,310,089	5,800,772	-2,490,683
5.3. Equities	0	0	-
5.3.1 Equities – unlisted	0	0	-
5.4. Bonds	3,415,252	3,407,112	8,140
5.4.1 Government bonds	1,556,507	1,545,140	11,367
5.4.2 Corporate bonds	1,726,060	1,729,931	-3,871
5.4.3 Collateralised securities	132,685	132,041	644
5.5. Collective investment undertakings	3,344,767	190,494	3,154,273
5.6. Derivatives	1,540	0	1,540
5.7. Deposits other than cash equivalents	49,421	38,151	11,270
6. Loans and mortgages	562,623	559,643	2,980
6.1. Other loans and mortgages	562,623	559,643	2,980
7. Amounts recoverable from reinsurance contracts of:	6,790,109	8,617,742	-1,827,633
7.1. Non-life insurance and health insurance conducted on a non-life basis	6,790,109	8,617,742	-1,827,633
7.1.1. Non-life insurance excluding health insurance	6,743,179	8,547,339	-1,804,160
7.1.2 Health insurance operated on a non-life basis	46,930	70,404	-23,474
8. Deposit receivables	183,680	183,680	-
9. Receivables from policyholders and intermediaries	878,854	1,927,404	-1,048,550
10. Reinsurance receivables	513,887	535,348	-21,461
11. Receivables (trade, not insurance)	547,807	456,132	91,675
12. Cash and cash equivalents	314,525	314,525	-
13. Other assets not reported elsewhere	3,893	3,860	33
Total assets	**20,259,351**	**22,109,893**	**-1,850,542**

Table 24: Liabilities

€ thousand

	Solvency II	HGB	Difference
LIABILITIES			
14. Technical provisions – non-life insurance	11,159,968	14,322,697	-3,162,729
14.1. Technical provisions – non-life insurance (except health insurance)	11,104,133	14,239,981	-3,135,848
14.1.1. Best estimate	10,848,687	14,239,981	-3,391,294
14.1.2. Risk margin	255,447	-	255,447
14.2. Technical provisions – health insurance (by type of non-life insurance)	55,834	82,716	-26,882
14.2.1. Best estimate	55,322	82,716	-27,394
14.2.2. Risk margin	513	-	513
15. Other technical provisions	-	708,240	708,240
16. Provisions other than technical provisions	229,312	263,651	-34,339
17. Pension payment obligations	119,982	12,040	107,942
18. Deposits retained on ceded business	2,783,716	2,695,450	88,266
19. Deferred tax liabilities	83,907	-	83,907
20. Derivatives	52,983	-	52,983
21. Financial liabilities other than liabilities to banks	25,385	-	25,385
22. Liabilities to policyholders and intermediaries	474,939	896,654	-421,715
23. Liabilities to reinsurers	934,412	1,340,874	-406,462
24. Liabilities (trade, not insurance)	180,289	163,759	16,530
25. Other liabilities not shown elsewhere	561,595	562,283	-688
Total liabilities	**16,606,487**	**20,965,649**	**-4,359,162**
Excess of assets over liabilities	**3,652,864**	**1,144,244**	**2,508,620**

The solvency statement has been prepared in € thousand, unless otherwise stated. Due to rounding, there may be minor discrepancies in totals and the calculation of percentages.

Section D.1 deals with the assets side and sections D.2 and D.3 with the liabilities side of the solvency statement. Where alternative valuation methods are used by AGCS SE for certain assets in the solvency statement, these are explained in section D.4 "Alternative valuation methods".

International Financial Reporting Standards (IFRS) provide the framework for the recognition and measurement of assets and liabilities. The IFRS rules serve as a sufficient approximation for the valuation under Solvency II; however, the specific Solvency II rules under the Omnibus II Directive (Directive 2014/51/EU) and the Solvency II Regulation take precedence.

D.1 ASSETS

In accordance with Art. 75(1)(a) of the Solvency II Regulation,[1] assets must be valued in the solvency statement in the amount at which they could be exchanged between knowledgeable, willing parties in an arm's length transaction.

The valuation hierarchy pursuant to Article 10 of the Solvency II Regulation is used to value the assets:

- AGCS SE values assets using market prices quoted in active markets for identical assets and liabilities.
- If this is not possible, AGCS SE measures the assets using market prices quoted on active markets for similar assets and liabilities.
- If no quoted market prices in active markets are available, AGCS SE uses alternative valuation methods. These are discussed in more detail in section D.4.

A market is considered active if transactions occur with sufficient frequency and volume for price information to be continuously available. The following cumulative conditions must be met:

- The products traded on the market are homogeneous,
- Willing buyers and sellers can usually be found at any time and
- The prices are available to the public.

A financial instrument is considered to be quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer or broker, industry group, price service agency or regulatory authority and those prices represent actual and regularly occurring market transactions as between independent third parties (arm's length principle).

An active market is no longer present if market liquidity can no longer be determined due to the complete and long-term withdrawal of buyers and/or sellers from the market. In this case, no binding prices are quoted for a longer period of time and market transactions cannot be observed. If transactions can be shown to result exclusively from forced transactions, forced liquidations or distress sales, this is also an indication of a market that is no longer active.

For assets measured at amortized cost under IFRS and for which the difference between market value and amortized cost is intangible, the IFRS value approach has been used for the valuation in the solvency statement.

D.1.1 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. If intangible assets can be sold separately and the insurance undertaking can demonstrate that a market value exists for these or comparable assets, recognition at market value is possible in the Solvency II solvency statement. Otherwise, intangible assets must be valued at zero under Solvency II valuation principles in accordance with Art. 12(2) of the Solvency II Regulation.

Under HGB, intangible assets are stated at production or acquisition cost less write-downs permitted by commercial law.

AGCS SE's balance sheet item includes capitalized licenses for standard software in the amount of € 17 (54) thousand.

Their market values cannot be determined, as no transactions of comparable assets are observable in the market and they cannot be sold separately. Therefore, they are not taken into account in Solvency II in accordance with Art. 12 of the Solvency II Regulation.

D.1.2 Deferred tax assets

Deferred tax assets are assets that can be used to reduce income tax expense in future periods. Deferred taxes are not discounted.

They result from deductible temporary differences between the Solvency II market value balance sheet and the tax balance sheet, as yet unused tax loss carryforwards and unused tax credits (Article 15 Solvency II Regulation). Deferred taxes, with the exception of unused tax losses or profits carried forward, are calculated on the temporary differences between the Solvency II solvency statement and the tax balance sheet. Temporary differences between the Solvency II values of assets and liabilities and their corresponding tax values are determined on a case-by-case basis in accordance with International Accounting Standard 12 (IAS 12). The calculation of deferred taxes takes into account the tax regulations for certain assets and liabilities in the respective jurisdictions. Deferred taxes are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The most significant differences in terms of amount between the market value balance sheet and the tax valuations result from the balance sheet items shares in special funds and bonds as well as claims reserves (technical provisions), other (non-technical) provisions and other assets, each of which leads to deferred tax assets. In addition, deferred taxes of € 140,7171 (347,643) thousand are recognized on tax loss carryforwards at the branch offices in the United Kingdom, Denmark, Italy, South Korea, Singapore, India, Hong Kong, Sweden, France and Austria. The loss carryforwards are deemed to be recoverable. In Germany, no deferred tax assets are recognized. In Germany, deferred taxes are calculated at a tax rate of 31%. In other countries, the applicable tax rate is determined by the local tax authority. According to HGB, the capitalization option pursuant to §274 (1) HGB was not exercised.

In accordance with IAS 12.72, deferred tax assets and deferred tax liabilities to the relevant tax authorities are recognized on a net basis. The foreign branch offices of AGCS SE result in both deferred tax assets and deferred tax liabilities being recognized.

Tax rate changes that have already been adopted as at December 31, 2023 have been taken into account.

[1] Directive 2009/138/EC of the European Parliament and of the Council of November 25, 2009 relating to the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) as amended on April 28, 2015.

The following table shows the origin of the recognition of deferred tax assets:

Table 25: Deferred tax assets

€ thousand

	2023
Financial assets measured at fair value in the income statement	-
Financial investments	407,010
Deferred acquisition costs	-
Other assets	1,445,062
Intangible assets	5
Tax loss carryforwards	168,548
Technical provisions	539,980
Reserves for pensions and similar obligations	26,955
Other liabilities	77,337
Netting	-2,499,151
Total after netting	**165,746**

No deferred taxes are recognized in relation to the valuation differences of participations and shares in affiliated enterprises.

The AGCS SE deferred tax closing process under Solvency II is integrated, consistent and aligned with the IFRS closing process. Deferred taxes on temporary differences in the market value balance sheet result from the sum of the deferred taxes booked in IFRS and the deferred taxes on valuation differences of the individual balance sheet items between IFRS and Solvency II. The difference in deferred tax assets compared to IFRS results from temporary differences due to the revaluation of assets and liabilities for market value accounting. The main reason for the discrepancy is the differing valuation of technical provisions and special funds.

In accordance with § 274 (1) HGB, the company has elected not to recognize deferred tax assets on temporary differences between the carrying amounts of assets, liabilities and prepaid expenses in the financial statements and their tax bases. This is provided that these differences will result in tax relief in the following years.

D.1.3 Property, plant and equipment held for own use

Property, plant and equipment held for own use are measured at their market value in accordance with the revaluation method under supervisory law. The value in the solvency statement is identical to the fair value to be recognized under IFRS in accordance with IAS 16. An alternative valuation method (capitalized earnings value method) is used to calculate the market values. Alternative valuation methods are described in section D.4.

Under commercial law, property, plant and equipment are stated at acquisition or production cost, less scheduled and non-scheduled depreciation.

In the commercial balance sheet, lease payments are recognized exclusively in profit or loss, whereas under Solvency II (in accordance with IFRS 16) the present value of the contractually agreed future payment obligations is recognized under liabilities and the benefit derived therefrom is recognized under other assets

D.1.4 Investments

D.1.4.1 Real estate (other than for own use)

The balance sheet item (valuation difference € 64,346 thousand) includes direct investments in six German properties. The fair value of the real estate assets was determined as of December 31, 2023 in accordance with IAS 40 and Article 16 of the Solvency II Regulation (fair value model / discounted cash flow method). Please refer to section D.4 for a more detailed explanation of this alternative valuation method.

Under HGB, real estate used by third parties is stated at acquisition and/or production costs less accumulated depreciation and impairment losses.

The difference between regulatory and commercial law arises from the different valuation methods, as currently the market values are significantly higher than the acquisition or production costs reduced by depreciation.

The Solvency II value takes into account valuation reserves, which are mainly attributable to real estate in Berlin and Munich.

D.1.4.2 Shares in affiliated enterprises, including participations

Shares in affiliated enterprises are valued at the proportionate excess of assets over liabilities from their solvency statement at the parent company (adjusted equity method).

Participations, i.e. under Article 13(20) of the Solvency II Regulation, the direct holding or holding by way of control of 20.0% or more of the voting rights or capital of an undertaking, are valued under supervisory law at market prices quoted on active markets (for example, stock exchange prices). If a valuation with quoted market prices is not possible due to the lack of a stock exchange listing, the participations must also be valued at the proportionate excess of assets over liabilities from their solvency statement at the parent company (adjusted equity method Article 13 (1b) Solvency II Regulation). This alternative valuation method is explained in more detail in section D.4. If a valuation using quoted market prices or the adjusted equity method is not possible, the IFRS equity method (Article 13(5) of the Solvency II Regulation) is used. In this case, the pro rata IFRS equity, reduced by possible goodwill as well as intangible assets, is used as value. AGCS SE uses the equity method for non-insurance subsidiaries, as these do not prepare a market value balance sheet. Undertakings exempted from group supervision under Article 214(2a) of the Solvency II Regulation or deducted from own funds under Article 229 of the Solvency II Regulation must be valued at zero.

Under commercial law, shares in affiliated enterprises and other participations are valued according to the moderate lower of cost or market principle and carried at amortized cost or the lower fair value on a permanent basis. Write-downs are made if the amortized cost exceeds the market value and the long-term fair value at the balance sheet date. Furthermore, special funds amounting to € 3,067,862 thousand are shown under this item in accordance with the HGB, which are shown under the item "Undertakings for collective investment" in accordance with Solvency II. In general, special funds are investment funds that are not designed for the general capital market but are launched for specific institutional investors or investor groups. Often there is only one investor in a special fund, which means that the investor's interest is fully taken into account.

The difference between regulatory and commercial law arises from the different valuation methods. The market values of the affiliated enterprises and participations are currently higher than the corresponding amortized cost, which is recognized as the upper value limit under commercial law.

The following overview illustrates the material shares in affiliated enterprises, including participations, as well as their valuation differences as of December 31, 2023:

Table 26: Significant shares in affiliated enterprises and participations

€ thousand

	Solvency II	HGB	Difference
AGCS International Holding B.V., Amsterdam	2,353,758	1,854,824	498,934
Allianz Finance VIII S.A., Luxembourg	315,383	251,441	63,942
Allianz Risk Transfer AG, Schaan	199,395	115,872	83,523
Allianz Fire and Marine Insurance Japan Ltd., Tokyo	15,097	16,502	-1,405
Other	426,456	3,562,133	-3,135,677
Total	**3,310,089**	**5,800,772**	**-2,490,683**

D.1.4.3 Equities

This category generally includes unlisted equities. Participations are excluded from this. Under Solvency II, unlisted equities are valued using price valuations provided by fund and portfolio managers; this alternative valuation method is described in section D.4. In accordance with commercial law, the valuation of equities is dependent on their type and investment strategy (holding period). Equities are valued either according to the strict (current assets) or moderate (non-current assets) lower of cost or market principle. They are carried at the average acquisition cost, the lower market value, or a lower long-term fair value.

As of the balance sheet date, AGCS SE had no investments in equities.

D.1.4.4 Bonds

This category includes government and corporate bonds as well as collateralized securities.

Government bonds are bonds issued by public authorities, such as central governments, supranational government institutions, regional governments or local governments.

Corporate bonds include bonds issued by corporations and covered bonds backed by cash flows from mortgages or public sector bonds. Collateralized securities comprise securities whose value and payment entitlements are derived from a portfolio of underlying assets. They include asset-backed securities, mortgage-backed securities and collateralized mortgage obligations.

In accordance with IFRS 9, government and corporate bonds, as well as collateralized securities, are measured at their fair value in the market value balance sheet. The fair value is determined using alternative valuation methods, which are explained in section D.4.

In accordance with commercial law (§253 in conjunction with §341b and c of the HGB), bonds are valued either according to the strict or the moderate lower of cost or market principle depending on their type and investment strategy (holding period). They are recognized at amortized cost or at the lower market value or a lower non-current fair value.

The differing valuation bases result in disparate valuations for Solvency II and HGB. The difference between the market value balance sheet and the HGB balance sheet as of the reporting date is € 8,140 thousand.

The market price is primarily influenced by the current level of interest rates, which has resulted in a decline in the market value of individual securities. The market values are still higher than the corresponding amortized cost, which is the upper limit for valuation under commercial law.

D.1.4.5 Collective investment undertakings

In accordance with Solvency II, the value of investment funds is identical to the fair value to be recognized under IFRS in accordance with IFRS 9. The value communicated by the investment company was utilized. In accordance with HGB, investment funds are recognized at amortized cost or at a lower fair value, in accordance with the moderate lower of cost or market principle. This corresponds to the value communicated to us by the investment companies, whereby the acquisition costs represent the upper limit. The valuation difference arises from the current low interest rate level, which has the effect of increasing the market value. The market values of the funds are therefore generally higher than the corresponding amortized cost, which is recognized as the upper value limit under commercial law.

This item also includes special funds (€ 2,988,885 thousand), which are reported under the item participations in accordance with HGB. These are valued at the proportionate excess of assets over liabilities as stated in the solvency statement of the parent company (adjusted equity method). Please refer to section D.4 for a more detailed explanation of this alternative valuation method. Under commercial law, special funds are valued according to the moderate lower of cost or market principle. The market values of the funds are therefore generally higher than the corresponding amortized cost, which is recognized as the upper value limit under commercial law.

D.1.4.6 Derivatives

The balance sheet item includes forward exchange transactions concluded for currency hedging purposes.

In accordance with Solvency II, they are measured at their market value in accordance with IFRS 9, whereas under commercial law the carrying amount is measured at the lower of cost or fair value in accordance with §253 (3) HGB.

As a consequence of the capital market development, the fair value of the derivatives exceeds the acquisition costs under HGB by € 1,540 thousand.

D.1.4.7 Deposits other than cash equivalents

Deposits other than cash equivalents comprise deposits other than transferable securities. In other words, they cannot be used as payment before a specified maturity date and cannot be converted into currency or readily convertible deposits without significant restriction or penalty. These short-term investments are valued at nominal value, as this is considered to be a reliable indicator of fair value, in accordance with the principles of materiality and proportionality.

In accordance with IFRS 9, all financial assets are measured at fair value in the market value balance sheet. The fair value of short-term deposits, other than cash equivalents, is determined by the nominal value. In all other cases, the fair value is calculated using the capitalized earnings value method.

The discrepancy between the values under commercial law and those reflected in the market value balance sheet (€ 11,270 thousand) is largely attributable to differing valuations of subscription rights to Allianz SE shares vis-à-vis the parent company, with the objective of mitigating market value risks as part of the hedging of share-based remuneration plans.

D.1.5 Loans and mortgages

The balance sheet item (valuation difference € 2,980 thousand) includes investments made by a lender to a borrower in the form of secured or unsecured financial resources.

In accordance with Solvency II, these items are recognized at fair value based on valuations provided by independent data providers or determined using the discounted cash flow method. The effective interest of comparable debt instruments is used for this. This alternative valuation method is explained in more detail in section D.4.

In accordance with HGB (§253 (3) sentence 3 and §341c HGB), the balance sheet is drawn up at amortized cost, and the difference between the acquisition cost and the repayment amount is distributed over the remaining term using the effective interest method. Write-downs are made if the amortized cost exceeds the market value and the long-term fair value on the balance sheet date.
There is currently no active market for loans and mortgages that are traded. The valuation in the solvency statement differs from the commercial balance sheet due to the lower interest rate level compared to the previous year and the associated increase in market values. The market values exceed the corresponding amortized cost, which represents the upper limit under HGB.

D.1.6 Amounts recoverable from reinsurance contracts

For further information on this balance sheet item, please refer to section D.2.

D.1.7 Deposit receivables

Deposits retained on assumed reinsurance derive from monetary collateral provided by AGCS SE as reinsurer to a ceding company.

Applying the materiality principle, these are recognized at nominal value under Solvency II, as the expected future interest payments essentially correspond to the market interest rate.

The valuation at nominal value corresponds to the valuation under commercial law in accordance with §341c HGB.

D.1.8 Receivables from policyholders and intermediaries

This item includes overdue receivables from policyholders, insurance brokers and cedants, mainly for outstanding premium payments.

Under Solvency II, these receivables are valued at the nominal amount less repayments made. In specific cases with foreseeable default risks, individual value adjustments are made. In the case of receivables from direct insurance business, general allowances are also made to take account of the general credit risk. This corresponds to the valuation approach in the commercial balance sheet.

In contrast to Solvency II, under HGB, reserves for reinstatement premiums are classified as part of receivables from policyholders and intermediaries, rather than as future cash inflows within technical provisions. This results in a variance of € 14,967 thousand.

The discrepancy to the commercial balance sheet in the amount of € 1,048,550 results from the reclassification of receivables due to technical provisions.

D.1.9 Reinsurance receivables

This balance sheet item includes overdue receivables from outwards reinsurance.

In accordance with Solvency II and HGB, these receivables are valued at the nominal amount, less repayments made. In the event of disputes regarding the scope of reinsurance cover or foreseeable payment difficulties on the part of the reinsurer, specific valuation allowances are made.

The discrepancy to the commercial balance sheet in the amount of € 21,461 thousand arose from the reclassification of receivables due to claims reserves.

D.1.10 Receivables (trade, not insurance)

In accordance with Solvency II, these items (valuation difference € 91,675 thousand) are valued at the nominal amount less repayments made, adjusted for the counterparty's probability of default.

In accordance with HGB, these are valued at the nominal amount less repayments made.

In accordance with Solvency II, this balance sheet item includes, among other things, the decentralized recognition of the plan assets of the pension provisions (€ 76,243 thousand) as a receivable from Allianz SE. In accordance with HGB, pensions are reported centrally at Allianz SE.

D.1.11 Cash and cash equivalents

These items are carried at face value. There are no valuation differences between Solvency II and commercial law.

D.1.12 Other assets not reported elsewhere

Other assets not reported elsewhere comprise assets that are not included in the other balance sheet items. These primarily consist of prepaid expenses, but also include other assets. As of December 31, 2023 the corresponding value in the market value balance sheet amounted to € 3,893 (3,248) thousand. In accordance with Solvency II and HGB, these are typically measured at fair value or at nominal value, adjusted for the counterparty's probability of default. The nominal value represents – applying the principles of materiality and proportionality – a good approximation of the fair value (Article 9 (4) Solvency II Regulation).

D.1.13 Material changes with respect to the previous reporting period

In comparison to the previous reporting period, the assets from options on Allianz SE shares are no longer reported in the market value balance sheet under "Derivatives". Instead, they are now included under "Deposits other than cash equivalents". There were no other significant changes.

D.2 TECHNICAL PROVISIONS

The technical provisions under Solvency II are made up of three components: premium reserve, claims reserves and risk margin.

The premium reserve is defined as the discounted best estimate of those future cash flows (claims payments, costs, premiums) that relate to obligations from future loss events under contracts existing at the valuation date. Claims reserves are defined as the discounted best estimate of future cash flows (claims payments, costs, and premiums) relating to loss events that occurred prior to the valuation date. The risk margin is defined as the amount that a third party acquiring the liabilities at the measurement date would require in excess of the best estimate to settle the transaction.

The valuation of premium and claims reserves at AGCS SE is initially undiscounted in each case. In a second step, an adjustment for the present monetary equivalent of the cash flow (discounting) is calculated from the future cash flows – in each case separately for premium and claims reserves as well as for the gross reserve and the amounts recoverable from reinsurance contracts. The risk margin is determined on a flat-rate basis using a cost of capital approach including discounting.

The use of the transitional measures "consideration of a temporary risk-free interest rate curve" pursuant to Article 308c Solvency II Regulation or §351 VAG (interest transitional measure) as well as "consideration of the temporary deduction" pursuant to Article 308d Solvency II Regulation or §352 VAG (provision transitional measure) is waived.

The following sections describe the calculation of the individual components: In each case, the undiscounted best estimate is calculated for the gross premium and claims reserves and after reinsurance, the associated discounting and the risk margin. The resulting insurance reserves under Solvency II as of December 31, 2023 are then presented, together with the approaches used to calculate the reserve uncertainty. Finally, the technical provisions according to Solvency II are compared with the corresponding reserves under HGB. The material differences in the measurement are described and quantified and presented as of December 31, 2023 .

D.2.1 Premium reserve

The premium reserve includes all expected claims payments under the policies in force on the balance sheet date, insofar as they relate to loss events that did not occur until after the balance sheet date. In addition, it also takes into account premiums and commissions due on or after the balance sheet date for contracts already in existence on the balance sheet date that we have not yet received. The provision also includes the expected future costs for contract administration, claims settlement and investment management arising from these contracts. All overdue payments for premiums and commissions at the balance sheet date are shown in the balance sheet under receivables and liabilities in accordance with the technical implementation standards for regular Solvency II reporting, annex II, S02.01 and are not shown as part of the incoming and outgoing payment flows in the premium reserve.

As a first step in calculating the gross premium reserves, the unearned premium components are determined as an exposure measure for all policies that are active on the balance sheet date. This is irrespective of whether the premiums were already due before the balance sheet date (and are therefore already shown as premiums under HGB) or whether the premiums are not due until after the balance sheet date. The corresponding deferred premium components are referred to below as Solvency II unearned premiums.

The undiscounted best estimates for the individual components of the premium reserves are calculated separately on this basis.

The expected claims ratio (excluding internal and external claims settlement costs) is applied to the Solvency II unearned premiums to determine the expense for future claims. In addition, future costs are calculated from the following components:

- Shares of agent, broker and management commissions not yet due for existing contracts;
- Internal and external claims settlement costs; to determine the expected costs, the expected claims settlement cost ratio is applied to the Solvency II unearned premiums in a manner analogous to the approach used for the indemnification amounts;
- Administrative expenses; here, too, the expected administrative expense ratio is applied to the Solvency II unearned premiums in order to determine the expected future administrative expenses for contracts already in existence on the balance sheet date;
- Premium refunds and profit commissions not yet due.

In addition to these expected cash outflows, premiums from existing contracts that are not recognized until after the balance sheet date are also taken into account as expected cash inflows. Exceptions are active treaty reinsurance, which is retroceded as far as possible, and some smaller portfolios from legacy systems, especially in the aviation sector, where the calculation of premiums not yet due cannot be easily evaluated due to the system. Assuming a combined ratio of almost 100% on future premiums, the effect on technical provisions as the sum of the not yet due portions of agent, broker and management commissions for existing contracts and administrative costs is negligible.

Where applicable, the premium reserve also includes other expected incoming payment flows, in particular from recourse, salvage and sharing agreements.

The calculation of the undiscounted premium reserves for outwards reinsurance is analogous to the gross reserves.

D.2.2 Claims reserves

The undiscounted best estimates for the individual components of the claims reserves are calculated separately.

The undiscounted best estimates for the cash outflows for future payments in connection with losses already incurred at the balance sheet date are derived from the totals of the reserves for individual cases and incurred but not reported reserves (IBNR) determined in accordance with IFRS.

In accordance with the reporting requirements under Solvency II, the claims reserve for indemnity payments is determined separately from that for internal and external claims settlement expenses and separately from the claims reserve for future recoveries, salvages and sharing agreements.

In addition, a partial claims reserve is formed separately for future premiums relating to loss events prior to the balance sheet date, in particular contractually agreed reinstatement premiums for losses reserved at the balance sheet date.

- Incurred losses: Correspond to the sum of individual and IBNR reserves (both excluding claims settlement expenses);
- Future costs and other outgoing cash flows: Resulting as the sum of the individual case and IBNR reserves for external claims settlement costs and the reserves for internal claims settlement costs;
- Future premiums: Contractual recovery premiums for reserved claims;
- Future income from recourse, salvages and sharing agreements for losses that have already occurred as of the balance sheet date.

The calculation of the undiscounted premium and claims reserves for outwards reinsurance is analogous to the gross reserves.

D.2.3 Discounting

Premium and claims reserves are discounted by loss year, line of business, region and currency, separately for the cash flows described above.

The following variables are used to calculate the present value:

- Undiscounted premium and claims reserve per loss year, line of business, region and currency;
- Expected payment pattern per reserve type, division and region;
- Risk-free yield curve per currency plus volatility adjustment per currency and maturity.

The following principles are applied:

- The yield curves for the various currencies are prescribed by EIOPA and made available by the Allianz Group to all Group companies;
- Discounting is calculated separately for premium and claims provisions, as well as by claims year, reservation segment, and currency.
- The cash flow forecast is based on payment patterns determined for each reservation segment as part of the annual reserve analysis;
- For the sake of simplicity, it is assumed that disbursements from the claims and premium reserves are made on average in the middle of the year;
- The amounts recoverable from reinsurance contracts are calculated in the same way as gross reserves. In addition, the balance sheet item of recoverable amounts under Solvency II includes an adjustment for counterparty default risk;
- The same duration is used for technical provisions and the adjustment for possible bad debts.

AGCS SE applies a volatility adjustment for discounting in accordance with §82 VAG, with the approval of BaFin. In comparison to the use of yield curves with no volatility adjustment, this resulted in a reduction of € 74,598 thousand in technical provisions in the reporting year. Consequently, the company's basic own funds increased by € 23,149 thousand, an amount that is fully eligible for the Solvency Capital Requirement. The Solvency Capital Requirement decreased by € 25,546 thousand as a result of the application of the volatility adjustment.

Concurrently, the eligible own funds for the Minimum Capital Requirement increased by € 29,767 thousand, while the Minimum Capital Requirement decreased by € 3,559 thousand.

D.2.4 Risk margin

There is no observable market value for insurance reserves. Instead, the amount that would have to be paid to sell the liabilities to an independent “reference company” is estimated. For this purpose, a risk or market value margin (MVM) is applied in addition to the best estimate as the expected discounted cash flow. The MVM represents the cost of the capital that the acquiring company would have to hold during the liquidation.

The starting point for the capital costs applied is the Solvency Capital Requirement (SCR) under Solvency II, which, however, only covers the respective capital requirement over a period of one year. A time series of future SCRs must therefore be estimated for the MVM. The cost of capital rate to be applied has been set at 6% in accordance with Art. 39 of the Solvency II Regulation, estimated as the cost of capital of the reference undertaking. Although the Allianz Group has adopted the approach recommended by the CRO Forum, it has adapted it to the company’s circumstances and model environment. The approach was then made available to the subsidiaries in the form of a guideline and a calculation tool.

AGCS SE largely follows this recommendation, deviating from it by updating the risks for each quarterly statement to reflect the current trend of all risks.

The MVM is first calculated for AGCS SE as a whole and then allocated to the lines of business prescribed under Solvency II. The respective totals of the discounted risk time series of the insurance risks and, for small segments, also the technical provisions are used as weights. Within the lines of business, a breakdown is made between the claims and the premium reserve using the respective undiscounted reserves as weights. In the final step, both parts are further allocated and assigned to reporting segments and regions, with the respective reserves under IFRS serving as weights.

D.2.5 Overview of insurance reserves

As the internal calculations are performed at the level of reserving segments, which differ from Solvency II segments, the latter are based on an appropriate allocation. The table in the appendix presents the technical provisions for non-life as of December 31, 2023, in accordance with the Solvency II segmentation.

D.2.6 Risk of change in technical provisions

In the first quarter, AGCS SE conducts an annual review of the risk of change to which the technical claims reserves are subject. This ensures that the calculation of the claims reserves and the analysis of the risk of change are based on the same principles: In 2023, claims settlement triangles for the fourth quarter of 2022 were used to analyze the reserve uncertainty. The previous reserve analysis was based on data from the second quarter of 2022. To ensure consistency in the analysis of risk of change and the calculation of loss reserves, the same database was utilized, albeit for different points in time. The triangles were reconciled to avoid any data inconsistencies and the most consistent segmentation possible used. Every effort was made to ensure the use of the most consistent segmentation possible. The settlement pattern is also selected on the same basis: In both cases gross or gross after optional reinsurance.

In the context of technical provisions, the term “risk of change” is used to describe possible deviations between actual future expenses and those forecast today. In the area of claims reserves, the main drivers for negative deviations are subsequent notifications of claims or subsequent increases in expenses for already known claims, especially in long-tail lines of business, beyond the expected scope taken into account in the actuarial projection. These effects are modeled as reserve risk in the risk capital calculation. For example, on a probability of 90%, the amount of actual payouts after settlement of all claims will not exceed the reported reserve value (i.e. the current forecast) by more than 15.4% net.

In the case of the premium reserves, deviations arise from the "premium risk," which is the risk that premiums already agreed upon will not be sufficient to cover the associated expenses in the future. For example, a major flood or an unforeseen increase in the company’s internal costs could lead to a deviation from the expenses currently forecast and included in the agreed premiums. These effects are also estimated as part of the risk capital calculation. For example, on a probability of 90% the amount of actual future expenses associated with the agreed premiums will not exceed the current forecast by more than 14.9% net. Expected profits included in future premiums (EPIFP) are calculated as future premiums less related expected costs and claims expenses. The latter are also subject to premium risk. In addition, sensitivity analyses are conducted to quantify the degree of uncertainty. A sensitivity analysis indicates that an increase of 10% in future claims expenses for unearned business would result in an increase of 16.5% in AGCS SE’s gross undiscounted premium reserves, assuming no change in premiums. The high percentage value is due to the low base value used as the denominator, resulting from a high proportion of premiums that are due but not yet overdue. It is not due to a high absolute change in the undiscounted gross premium reserve. This represents a more significant relative increase than with the future claims expenses themselves, particularly given that the base value is lower due to future premiums. At the same time, EPIFP would decrease by 15.4%. AGCS SE's premium reserve is not materially affected by lapse rates. In general, there may be deviations from the forecast expenses due to the delayed payment of claims and the associated interest on investments from provision items. Based on internal calculations, a one percentage point decline in market interest rates would result in an increase of approximately 3.3% in the technical provisions currently reported. Another potential cause of discrepancies between the current expense forecast and actual expenses may be future management decisions, such as those related to reinsurance.

D.2.7 Explanation of the main differences between Solvency II and the German Commercial Code (HGB) with regard to the valuation of technical provisions and recoverable amounts from reinsurance contracts

While Solvency II and IFRS are based on the principle of the best estimate, HGB is subject to the principle of prudence. To determine a market value, future cash flows are discounted under Solvency II. The following section describes the main differences in the valuation of technical provisions between Solvency II and HGB.

D.2.7.1 Premium reserve

When calculating the premium reserve, there are two main differences between Solvency II and HGB – apart from the discounting that only takes place under Solvency II: Firstly, the different recognition of future premium payments not yet due and, secondly, the different determination of the provision for future claims and expenses. In both cases, the expected share of the profit from the insurance contract relating to the part of the contract term after the balance sheet date is not yet realized under HGB, but is shown as part of the premium reserve. Under Solvency II, on the other hand, only the actually expected future cash flows are taken into account for the premium reserve within the framework of a market value approach.

Under HGB, a premium reserve is only created for the portion of unearned premiums from existing insurance contracts, for which the premium is already due on the balance sheet date. For example, expected future premium income that is not yet due (for example, installment payments) is not shown in the HGB balance sheet. Under Solvency II, on the other hand, all future claims and costs that AGCS SE is contractually obliged to pay at the balance sheet date are recognized. In line with this valuation, the expected future contractually agreed premium payments less the expected acquisition costs not yet due are also taken into account to reduce the provision.

In Solvency II and HGB, the provision for expected future claims and expenses (excluding acquisition costs) is based on unearned premiums, i.e. the portion of premiums that relates to insurance benefits after the balance sheet date. As a rule, the contributions are distributed pro rata temporis over the term of the corresponding cover.

Under Solvency II, the Solvency II unearned premiums are multiplied by the expected claims ratio and the expected cost ratios for claims settlement, administrative expenses and cost of capital to determine the undiscounted expected future losses and expenses.

Under HGB, on the other hand, the premium reserve is derived directly from the transferable premiums deferred over the term of the contract. In contrast to IFRS, however, the premiums are reduced by a large part of the commissions paid, since these are premium components that cannot be transferred under HGB, for which the associated expense has already been incurred when the commission is paid, and may also not be spread over the term (cost deduction of 85% of the commissions in direct business and 92.5% in assumed business).

D.2.7.2 Claims reserves

There are effectively no differences between the individual case reserves under IFRS/Solvency II and HGB. However, reserves for reinstatement premiums for open claims under an excess of loss treaty are shown under Solvency II as negative individual case reserves, whereas under HGB they are shown as reinsurance recoverables or (in the case of outwards reinsurance) as reinsurance liabilities.

Due to the principle of prudence, IBNR reserves are generally higher under HGB than under Solvency II. In particular, no negative IBNR reserves are calculated under HGB. The IFRS IBNR reserves serve as the foundation for calculating the IBNR reserves under HGB. In a first step, these are increased for the relevant segments with the 75% percentile of the reserve risk available from the internal risk capital model. To guarantee that no negative values are set despite the increase, a second step involves maximizing to zero or the calculated value. The HGB reserves per segment are therefore always greater than the corresponding IFRS values.

In contrast to the HGB, which does not permit discounting except for pension provisions, the Solvency II directive applies the present value principle. This means that all future cash flows are discounted using the discounting curves (including volatility adjustment) specified by EIOPA.

This results in a further reduction of € 512,799 thousand in the technical provisions under Solvency II compared with HGB.

D.2.7.3 Counterparty default risk

For events that are already known (for example, in the event of a dispute regarding the scope of cover), the claims reserves under HGB includes an adjustment for bad debt from reinsurers.

In accordance with Solvency II, the provision for already known events is calculated in addition to the adjustment for counterparty default risk for events not yet known. This is done in accordance with the simplified approach set out in Article 61 of the Solvency II Regulation. This adjustment amounted to € 3,839 thousand in 2023.

D.2.7.4 Risk margin

In accordance with Solvency II, the risk margin reflects the cost of capital that arises as part of the fair value in a theoretical transfer of obligations to a third party from the uncertainty in the run-off of technical provisions. Solvency II assumes a cost of capital of 6%.

Under HGB, there is no provision for a risk margin beyond the safety margins implicitly included in the technical provisions. The equalization provision serves a comparable function.

D.2.7.5 Special HGB requirements

The following HGB reserves are not provided for under Solvency II as they are not consistent with a market value balance sheet:

- Equalization provision in accordance with §29 RechVersV: This reserve serves to compensate for fluctuations in claims volumes over time. In good years, reserves are made for a possible above-average claims volumes in subsequent years.
- Reserves similar to the equalization provision pursuant to §30 RechVersV are designed to cover potential future losses from certain major risks, such as those associated with nuclear plants.

The equalization provisions, which must be established in accordance with HGB, account for a significant portion of the discrepancy between the technical provisions under HGB and Solvency II as of December 31, 2023. This did not affect all lines of business since equalization provisions per HGB line of business may only be set up under certain conditions.

The reconciliation of technical provisions from HGB to Solvency II is indicated in the notes.

D.2.7.6 Material changes with respect to the previous reporting period

The actuarial methods used to calculate the technical provisions are effectively unchanged since the previous reporting period. For the Inherent Defects Insurance (Décennale) segment, the detailed external analysis of the provisions from the previous year was carried forward to the current year, taking into account the claims development of the previous year.

In addition to the IBNR reserves determined by the standard methods and the aforementioned approaches, lump-sum reserves were identified and booked based on an external study to cover the higher impact of inflation on prior year-claims. For the financial year losses, increased inflation was factored into the expected loss ratios. Further scenarios were analyzed to identify potential financial year losses that may not be adequately reflected in our data. Lump-sum provisions were calculated and recognized for this purpose.

D.3 OTHER LIABILITIES

Liabilities are recorded at their estimated transfer or settlement value between informed and willing parties in an arm's-length transaction. Below, the principles, methods and main assumptions used for the valuation for solvency purposes are described separately for each material group of other liabilities, and the main differences to HGB are explained:

D.3.1 Provisions other than insurance reserves

These provisions are uncertain in terms of their maturity or amount. These include, in particular, provisions for anniversaries, partial retirement and early retirement obligations, working time accounts, provisions for share-based payment plans (AEI), provisions for commissions, bonuses and profit-sharing yet to be invoiced, provisions for expenses for the reorganization of the corporate structure.

Under supervisory law, recognition is in line with IFRS in accordance with IAS 37 at the amount that is reasonably required to settle the obligation at the balance sheet date (best estimate). For provisions with a term of more than one year, a present value approach is required insofar as discounting has a material effect on the carrying amount. In accordance with IAS 37, the discounting of these provisions is based on a market interest rate that reflects current market conditions.

In accordance with commercial law, provisions are generally recognized at the settlement amount deemed necessary by prudent business judgment. In accordance with §253 (2) HGB, provisions with a remaining term of more than one year must be discounted at the average market interest rate of the past seven financial years, corresponding to their remaining term.

The various types of provisions are discussed in more detail below.

Table 27: Provisions other than technical provisions

€ thousand

	Solvency II	HGB	Difference
Remunerations not yet definitively determined	82,767	82,767	-
Invoices not yet received	64,505	64,503	2
Restructuring	10,664	10,664	-
Allianz Equity Incentives	27,214	18,252	8,962
Holidays and flexible working hours	15,440	15,440	-
Employee anniversaries	3,677	3,864	-187
Premium deficiency reserve	-	52,983	-52,983
Other	25,045	15,179	9,866
Total	**229,312**	**263,651**	**-34,339**

AGCS SE is responsible for fulfilling obligations related to anniversary payments, working time accounts, and partial and early retirement agreements. Provisions are created for these obligations, i.e. the obligation is offset against any existing offsetable cover or plan assets for the respective commitments.

As a general rule, the amounts shown in the solvency statement are those under IFRS. The valuation of the gross obligations mentioned above essentially follows that of the pension commitments on the basis of the same accounting assumptions. The only difference in the calculation of the actuarial interest rate is due to the shorter duration. Otherwise, the methodology is the same as for pension commitments. As of December 31, 2023, the ratio is 3.2%, which is comparable to the pension commitments.

The valuation of gross liabilities in the commercial balance sheet is based on the same principles, methods, and assumptions used in Solvency II. The only exception is the discount rate of 1.76% to be applied under commercial law. According to the commercial law provisions, this is determined by averaging the residual term over seven years, resulting in a flat-rate term of 15 years.

For further information on the principles, methods and assumptions under supervisory and commercial law, we also refer to the item "Pension payment obligations."

The valuation differences under commercial and supervisory law result from the different discount rates.

D.3.1.1 Provisions for share-based payments

The € 8,962 thousand valuation difference is due to the differing valuation methods employed. The valuation at fair value in accordance with Solvency II is comparable to the valuation under commercial law at the necessary settlement amount at the time of issuance.

D.3.2 Pension payment obligations

The pension payment obligations, hereinafter called pension provisions, contain the net obligations from the company pension plan, i.e. the pension obligation is offset against the cover or plan assets subject to offsetting, if such assets exist for the pension plan. If the cover or plan assets to be netted exceed the pension obligations, no pension provision is formed; a surplus from pension benefits is reported instead.

AGCS SE has made pension commitments for which pension provisions have been created. Part of these pension commitments is secured within the framework of a contractual trust arrangement (Methusalem Trust e.V.) and a distinction is made between different pension plans. For some of these, cover or plan assets to be netted exist in the form of reinsurance policies or in the form of a capitalization product, in each case with Allianz Lebensversicherungs-AG.

The amounts according to IFRS are included in the solvency statement, whereby all existing pension commitments must be classified as defined benefit plans within the meaning of IAS 19.

Pension obligations are measured for regulatory purposes in accordance with the requirements of IAS 19 and on the basis of the following accounting assumptions, among others:

Table 28: Accounting assumptions for the measurement of pension obligations
%

Pension trend per year from 2022 to 2024	5.50%
Pension trend from 2025	2.00%
Assumed salary increase (incl. average career trend)	3.25%

In line with IFRS, the actuarial interest rate under supervisory law is calculated as the market interest rate for high quality corporate bonds (i.e. minimum rating of AA) as of the balance sheet date and amounts to 3.20% for pension obligations. Notwithstanding the aforementioned assumptions, a portion of the pension commitments is based on the guaranteed pension trend of 1.00% per annum. The bio-metric calculations are based on the Heubeck RT2018G mortality tables, which have been adjusted to reflect the company's specific mortality, morbidity and fluctuation rates. The retirement age is determined by the terms of the pension contract or by the 2007 Pension Insurance Retirement Age Adjustment Act (RV-Altersgrenzenanpassungsgesetz).

Trust assets, which represent offsetable plan assets, are recognized at asset value or market value.

For the valuation of the gross liabilities under commercial law, essentially the same bases, methods and assumptions are used as under supervisory law. The only difference is the actuarial interest rate to be applied. For the discount rate under HGB, the simplification rule in §253 (2) sentence 2 HGB (residual term of 15 years) is used.

As a result of a change in the law in 2016, the actuarial interest rate for pension obligations has since been calculated as a ten-year average instead of the previous seven-year average.

This amendment only applies to the valuation of pension obligations. As of the balance sheet date, a flat interest rate of 1.83% was applied.

The valuation discrepancies between commercial and supervisory law are a consequence of the disparate discount rates.

In addition, for a pension plan that is shown centrally at Allianz SE in the commercial law and IFRS balance sheet, only AGCS SE shows a pension provision in the amount of the IFRS DBO (defined benefit obligation) and a reimbursement claim against Allianz SE in the same amount in the solvency statement.

By contrast, no pension provisions have been formed under HGB for another pension plan, as this is an indirect obligation and the company generally makes use of the option under Article 28 (1) sentence 2 of the Introductory Act to the German Commercial Code (EGHGB) not to form a provision for uncertain liabilities, even though the plan assets may be lower than the pension obligation. In the solvency statement, however, the underfunding resulting from the statutory adjustment of pensions under §16 of the Company Pension Act (Betriebsrentengesetz) to the consumer price index in accordance with IAS 19 is shown.

The alternative valuation method for pension payment obligations is explained in more detail in section D.4.

D.3.3 Deposits retained on ceded business

Deposits retained on ceded business arise from collateral for reinsurance cover retained by AGCS SE or ceded to AGCS SE by a reinsurer. The value of deposits retained on ceded business is determined in accordance with the Solvency II regulations. This value is calculated as the sum of the discounted future interest payments and the nominal value of the collateral, distributed over the term of the agreement in accordance with the contractual terms.

AGCS SE's deposits retained on ceded business are primarily sourced from a cash deposit under quota share reinsurance treaties with Allianz SE. This deposit is subject to an annual adjustment of the interest rate to the market rate. Due to the fluctuation in interest rates, the deposit liability under Solvency II had to be adjusted by € 110,807 thousand. The € 28,919 thousand liability was reclassified as a deposit liability.

In accordance with HGB, deposits retained on assumed reinsurance are typically valued at their nominal amount.

D.3.4 Deferred tax liabilities

Deferred tax liabilities represent future tax burdens resulting from temporary differences between the commercial and tax balance sheet valuations. The deferred tax liabilities under Solvency II of € 83,907 thousand are primarily attributable to deferred tax liabilities from the special funds of € 113,751 (€ 148,617) thousand transferred to the Solvency II balance sheet, as well as adjustments to technical provisions.

There are no temporary differences in the commercial balance sheet that would give rise to future tax burdens overall in accordance with §274 (1) HGB. The following table illustrates the sources of recognition of deferred tax liabilities.

Table 29: Deferred tax liabilities
€ thousand

	2023
Financial assets measured at fair value in the income statement	-
Financial investments	287,510
Deferred acquisition costs	-
Other assets	451,410
Intangible assets	133
Technical provisions	1,650,417
Reserves for pensions and similar obligations	281
Other liabilities	193,307
Netting	-2,499,151
Total after netting	**83,907**

D.3.5 Derivatives

For further information on the definition and valuation of derivative financial instruments, please refer to section D.1.4.6 Derivatives.

AGCS SE uses currency derivatives to reduce the volatility of its annual results. These are individually valued. Under HGB, the cost of purchase forms the upper value limits. In the case of negative market values, premium deficiency reserves are formed under HGB.

The disparate valuation methodologies prescribed by Solvency II and HGB have resulted in a discrepancy of € 52,983 thousand.

D.3.6 Financial liabilities other than debts owed to credit institution

In the commercial balance sheet, lease payments are recognized exclusively in profit or loss, whereas under Solvency II (in accordance with IFRS 16) the present value of the contractually agreed future payment obligations is recognized under liabilities and the benefit derived therefrom is recognized under other assets.

D.3.7 Liabilities to policyholders and intermediaries

In accordance with Solvency II regulations, liabilities to policyholders and intermediaries are measured at fair value. This is done in line with IFRS9 and Article 14 of the Solvency II Regulation, without taking into account changes in own default risk. In accordance with the terms of the contract, receivables and liabilities are netted when permitted. Due to the short-term nature of the outstanding liabilities, discounting is not applied within the scope of the authoritative principle; therefore, as under HGB, liabilities to policyholders and intermediaries are recognized at the settlement amount.

In accordance with Solvency II regulations, liabilities are not reclassified to technical provisions.

D.3.8 Reinsurance payables

In accordance with Solvency II, liabilities to reinsurers are also generally measured at fair value in accordance with IFRS and Article 14 of the Solvency II regulation, without taking into account changes in the Group's own default risk. In accordance with the terms of the contract, receivables and liabilities are netted when permitted. Due to the short-term nature of the outstanding liabilities, they are not discounted, so that the liabilities to reinsurers are recognized at the settlement amount, as under HGB.

In accordance with Solvency II regulations, reinstatement premiums are included in the technical provisions as future outgoing payments. However, under HGB, these are reported as part of the liabilities to reinsurers. This results in a variance of € 29,268 thousand.

The discrepancy to the commercial balance sheet of € 406,462 thousand results from the reclassification of liabilities due to technical provisions.

D.3.9 Payables (trade, not insurance)

In accordance with Solvency II, these are measured at fair value in accordance with IFRS9 and Article 14 of the Solvency II Regulation, without taking into account changes in own default risk. In accordance with the terms of the contract, receivables and liabilities are netted when permitted.

Under HGB, liabilities are stated at the amounts payable on maturity.

D.3.10 Other liabilities not shown elsewhere

Other liabilities comprise all other liabilities not shown elsewhere that are not covered by the other balance sheet items, in particular liabilities from profit transfers and tax allocations.

Under Solvency II, they are generally measured at fair value or at nominal value adjusted for the counterparty's probability of default, not taking into account adjustments for own default risk.

In accordance with commercial law, other liabilities are carried at their settlement amount.

Dividend payments made by trading partnerships during the year are recognized under Solvency II and shown as liabilities under HGB.

D.3.11 Material changes with respect to the previous reporting period

There were no material changes compared to the previous reporting period.

D.4 ALTERNATIVE VALUATION METHODS

The fair value of an asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date. When determining fair value, more or less extensive estimates may be required depending on the proportion of unobservable input factors. AGCS SE aims to rely on as many observable input factors as possible in determining fair value and to minimize the use of unobservable input factors. Whether or not the value of an input is observable is influenced by a number of factors, including the type of asset, the existence of a market for the instrument, specific transaction characteristics, liquidity and general market conditions.

Estimates and assumptions are particularly important when determining the fair value of assets and liabilities for which at least one significant input factor is not based on observable market data. The availability of market data is determined by the trading activity of identical or similar instruments in the market. The focus is on data from actual market transactions or binding price quotes from brokers or dealers. If sufficient market data is not available, management's best estimate of a particular input factor is used to determine the value. For assets and liabilities measured at fair value that are not quoted in active markets, AGCS SE uses standard valuation methods that are consistent with the three approaches set out in the Solvency II Regulation:

Market-based method: Valuation by means of prices and other relevant data arising from market transactions involving identical or comparable assets or liabilities.

Income-based approach: Conversion of future cash flows or expenses and income into a monetary equivalent on the balance sheet date. The fair value reflects current market expectations. The income-based approach includes, for example, the present value method and option pricing models.

Cost-based or current replacement cost-based approach: Amount that would currently be required to replace the performance capacity of an asset (replacement cost).

The appropriateness of the alternative valuation methods is reviewed regularly. In this context, the parameters on which the valuation model is based are subject to a regular review. The updating frequency depends on the type of asset. For example, the parameters in the real estate sector are usually reviewed annually and adjusted if necessary; in the case of alternative assets, this is usually done on a quarterly basis. The yield curves used are updated daily. The parameters are updated in cooperation with our investment partners, our appraisers and auditors. In addition, each relevant company within the Allianz Group confirms the correctness of the procedures used to the parent company on a quarterly basis.

The fair values of the following balance sheet items of AGCS SE are determined using valuation models:

The capitalized earnings value method (income-based approach) is used to determine the fair values of investment property, as experience has shown this to be the most appropriate method. The valuation approach is based on a deterministic model of discounted cash flows.

The main influencing factors are the letting situation, the contractual rental amount, the operating costs and the applicable property interest rate. Valuation uncertainties lie in the determination of future cash flows, which are based on estimates of individual parameters such as the letting situation and local changes in rents.

Affiliated enterprises must be valued at market prices for identical assets on active markets. As there are no market prices quoted for the shares in affiliated enterprises, including participations of AGCS SE, these were valued using the adjusted equity method, the equity method or the book value deduction method in accordance with Art. 13 of the Solvency II Regulation.

Under the adjusted equity method, the market value results from the proportionate excess of assets over liabilities within the affiliated enterprise. In the case of fully consolidated entities for which a corresponding balance sheet is available, this method is very accurate and well established in the market.

For affiliated enterprises other than insurance or reinsurance enterprises, the equity method may also be used if the adjusted equity method is not practicable. In this case, intangible assets and goodwill must be deducted from the value of the affiliated enterprise.

For participations or entities that are not fully consolidated, for which a valuation using quoted market prices or the adjusted equity method is not possible, one of the above-mentioned alternative valuation methods is used. In general, this is the income-based approach. The investment value is therefore based on the two main assumptions for the expected cash surpluses and the discount rate.

In the case of the adjusted equity method, when the assets within the investments are themselves valued using models, the uncertainties generally inherent in valuation models are present. If the capitalized earnings value method is used to value the investment, there are uncertainties in determining the cash surpluses and in determining the discount rate.

For the valuation of unlisted equities, price valuations by fund and portfolio managers are used. Valuation uncertainties arise due to inactive markets.

Prices from price providers are used to value exchange-traded government bonds, corporate bonds and collateralized securities. There may be valuation uncertainties due to inactive markets.

For non-exchange-traded bonds, the income-based approach is used as experience has shown that this is the most appropriate method. The assumptions regarding yield curves, issuer-specific spreads and cash flows are essential when calculating market value here. Valuation uncertainties lie in the own assessment of issuer-specific spreads due to creditworthiness risks and the own assessment of liquidity risks.

For the real estate funds included in the collective investment undertakings, the income-based approach is used to calculate the market prices as experience has shown that this is the most appropriate method.

The main influencing factors are the letting situation, the contractual rental amount, the operating costs and the applicable property interest rate.

Valuation uncertainties lie in the determination of future cash flows, which are based on estimates of individual parameters such as the letting situation and local changes in rents.

For the special funds included in the undertakings for collective investment, the adjusted equity method is applied, which means that the market value results from the proportionate excess of assets over liabilities within the special fund. In the case of the adjusted equity method, if the assets within the special funds are themselves valued using models, the uncertainties generally inherent in valuation models are present.

The fair value of derivatives is determined using the income-based approach based on present value methods and the Black-Scholes Merton model. In the valuation, the volatilities usually observable on the market, the yield curves usually observable on the market and risk premiums observable on the market represent the most important inputs.

Valuation uncertainties lie in the determination of future cash flows. In addition, the use of yield curves affects the calculation of market value.

The income-based approach is used to value loans and mortgages, as experience has shown this to be the most suitable method. The market value is therefore based on the assumptions for yield curves, issuer-specific spreads and cash flows. Valuation uncertainties arise due to inactive markets.

The defined calculation parameters for the pension payment obligations included in the balance sheet value are essentially the actuarial interest rate, the pension trend, the salary trend and biometric calculation bases as long-term assumptions, the validity of which must be reviewed regularly. The Global Actuary at Allianz SE documents the accounting assumptions (and also determines them). The fair value of the plan assets at the balance sheet date must be recognized for the assets.

The figures included in the solvency overview in accordance with IAS 19 are expected values in the sense of a "best estimate", i.e. they do not include any safety margins.

This is a model valuation using a deterministic method based on annually defined valuation assumptions and a calculation method specified in the standard (projected unit credit method).

There is no active market for receivables from insurance companies and intermediaries, and for reinsurance receivables, which is why the calculation is made using the income-based approach. As these items essentially only include short-term receivables, no discounting is applied and therefore the value to be recognized generally corresponds to the nominal value. Valuation uncertainties therefore only exist with regard to the counterparty's probability of default.

D.5 OTHER INFORMATION

All essential information on valuation for solvency purposes is already included in section D.1 to D.4 inclusive.

CAPITAL MANAGEMENT

E

E.1 OWN FUNDS

E.1.1 Objectives, policies and processes

The capital resources of AGCS SE are an important prerequisite for sustainable business operations and corporate governance. For this reason, AGCS SE pursues the goal of ensuring that the capital resources of the company and its branch offices are adequate at all times, both quantitatively and qualitatively, in view of the statutory requirements. At the same time, the objective is to achieve the most efficient capitalization possible in order to optimize profits in relation to the capital employed.

To achieve these objectives, the company manages its capital through the risk appetite defined in the risk strategy and the objectives, management principles and processes set out in the AGCS Global Capital Management Policy. The risk strategy is part of the risk management system and defines the risk appetite of AGCS SE (see section B.3). The AGCS Global Capital Management Policy describes the roles, responsibilities and processes designed to ensure that the company is adequately capitalized at all times. The capital management processes are in turn an integral part of the ORSA process (see section B.3).

For the implementation of the risk strategy, AGCS SE defines its risk appetite with regard to its capitalization by means of a target and a minimum capitalization, among other things. These internal control parameters each include a buffer above the statutory minimum coverage ratio of 100% of the Solvency Capital Requirement in order to be able to compensate for negative capital market developments and other, non-financial risks such as significant losses from the insurance business. This is intended to ensure sufficient capital resources – even if defined stress scenarios occur. At the same time, strategic priorities such as growth markets or orientation towards customer expectations are taken into account when setting the target capitalization.

Capital resources are monitored and evaluated regularly during the year – at least once a quarter. The drivers that may have led to a deviation of the capitalization from the target capitalization are identified for the valuation. The anticipated impact of future developments and measures on capitalization is also considered in the valuation. All results, valuations and capital management measures are initially reported to the Chief Financial Officer of AGCS SE. The management is then regularly informed and, if necessary, capital management measures are submitted to it for a decision. If the capitalization is below the minimum capitalization, this will lead to measures being examined to bring the capitalization back to the target capitalization.

Target and minimum capitalization are reviewed annually as part of the capital and dividend plan within the scope of the planning process, redetermined as necessary and approved by management as part of the risk strategy. The business plan is drawn up with particular regard to its impact on capital resources; the aim is to maintain the target capitalization over the planning horizon of three years.

The integrated capital management approach of the parent company Allianz SE provides that surplus capital exceeding the target capitalization is transferred to Allianz SE. The latter then manages the own funds centrally in order to maximize their efficient use and fungibility. Allianz SE maintains a liquidity buffer that is available for potential capital increases.

In the capital management of AGCS SE, there were no changes to the objectives or the procedures applied in the reporting period.

E.1.2 Reconciliation of equity under commercial law to the excess of assets over liabilities in the market value balance sheet

The market value balance sheet shows an excess of assets over liabilities of € 3,652,864 thousand. Conversely, the excess of assets over liabilities in the commercial balance sheet (equity) was €1,144,244 thousand. The discrepancy between the excess of assets over liabilities under Solvency II (basic own funds) and equity under HGB is a result of the differing recognition and valuation rules in the two regimes. Please refer to section D of this report for a detailed explanation of the valuation differences of individual balance sheet items. The following overview shows the main items in which the valuation rules of commercial law accounting differ from Solvency II. The table shows the reconciliation of equity under commercial law to basic own funds under Solvency II.

Table 30: Reconciliation of equity under commercial law to the excess of assets over liabilities in the market value balance sheet:

€ thousand

HGB equity	**1,144,244**
Investments	3,186,585
Participations	-2,490,682
Adjustments for technical provisions (net)	1,591,055
Risk margin	-255,959
Elimination of equalization provisions or similar reserves	708,240
Elimination of intangible assets	-16
Revaluation of other assets and liabilities	-312,442
Change in deferred taxes	81,839
Solvency II revaluation total	**2,508,620**
Solvency II basic own funds	**3,652,864**

E.1.3 Basic own funds and available own funds

Own funds amounting to € 3,652,864 thousand consisted exclusively of basic own funds. These figures matched the excess of assets over liabilities as shown on the market value balance sheet. There were no additional funds or deductions that reduced the available funds.

The total amount of own funds in quality class 1 (Tier 1) is € 3,487,118 thousand, while the total amount of own funds in quality class 3 (Tier 3) is € 165,746 thousand. Own funds that met the requirements of Tier 1 consisted of the following: € 36,741 thousand from the paid-in share capital, € 537,434 thousand from the issue premium attributable to the share capital and € 2,912,943 thousand from a reconciliation reserve. The reconciliation reserve consisted of the retained earnings in the amount of € 8,355 thousand, the capital reserve in the amount of € 561,707 thousand and valuation differences between commercial and supervisory law. Own funds were not restricted and could be used without restriction to cover losses. Own funds that met the requirements of Tier 3 corresponded to the value of the deferred tax assets. The following table shows in detail the components of the basic own funds and the corresponding classification into quality classes in detail:

Table 31: Composition of basic own funds

€ thousand

	Total	Tier 1 not restricted	Tier 3
Paid-in share capital	36,741	36,741	
Issue premium related to share capital	537,434	537,434	
Reconciliation reserve	2,912,943	2,912,943	
Amount equal to the value of deferred tax assets	165,746		165,746
Basic own funds	**3,652,864**	**3,487,118**	**165,746**

A control and profit transfer agreement exists with Allianz SE. This agreement resulted in liabilities from the profit transfer included in AGCS SE's balance sheet. A deduction of foreseeable dividends was therefore not made.

E.1.4 Eligible own funds

The classification into quality classes follows the criteria described in Articles 93 to 96 and Articles 69 to 78 of the Solvency II Regulation. The following are classified as Tier 1: the share capital, the issue premium attributable to the share capital and the reconciliation reserve; the amount equal to the value of the deferred tax assets is classified as Tier 3 own funds.

The eligible own funds are calculated by applying the quantitative tier limits to the available own funds. As of December 31, 2023, this had no impact on the amount or structure of eligible own funds.

The total basic own funds available to meet the Solvency Capital Requirement (SCR) were € 3,652,864 thousand. The minimum capital requirement (MCR) was met through the use of tier 1 basic own funds, which amounted to € 3,487,118 thousand.

Table 32: Composition of eligible own funds

€ thousand

	Total	Tier 1 not restricted	Tier 2	Tier 3
Eligible own funds to SCR	3,652,864	3,487,118	-	165,746
Eligible own funds to MCR	3,487,118	3,487,118	-	-
-				

E.1.5 Change in own funds

Eligible own funds increased by € 441,918 thousand (14%) from € 3,210,946 thousand at year-end 2022 to € 3,652,864 thousand at the end of the year under review. The main reason for this is a € 557,771 thousand increase in the reconciliation reserve, while deferred tax assets declined by € 135,853 thousand. The eligible own funds continued to be largely comprised of quality class 1 own funds.

Table 33: Change in own funds

€ thousand

		2023	2022
Tier 1	Paid-in share capital	36,741	36,741
	Issue premium related to share capital	537,434	537,434
	Reconciliation reserve	2,912,943	2,335,172
Tier 3	Amount equal to the value of deferred tax assets	165,746	301,600
Total	**Own funds**	**3,652,864**	**3,210,946**

The increase in the equalization reserve by € 577,771 thousand (20%) is largely attributable to the rise in the market value of special fund investments and fixed-interest securities resulting from underlying financial market developments, the higher investment value of AGCS International Holding B.V., and profits of AGCS SE. The liabilities resulting from the profit transfer to Allianz SE partially offset these. The reduction in deferred tax assets was primarily attributable to a decline in unrealized losses in the bond portfolio, reflecting a decrease in interest rates in 2023 and an enhanced profitability of the majority of branch offices.

AGCS SE’s asset-liability management provides for the largely congruent coverage of all underwriting liabilities with assets with regard to their duration and currency structure. This reduces the fluctuation of the reconciliation reserve.

Detailed explanations on the management of market risks can be found in section C.2 of this report. The potential volatility that may be reflected in the reconciliation reserve stems primarily from exchange rate fluctuations from the company’s strategic participations and market risks that are deliberately entered into to a limited extent for return considerations.

AGCS SE is not planning any fundamental changes in the composition of its own funds components.

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

E.2.1 Solvency Capital Requirement as of the end of 2023

AGCS SE employs the Allianz Group internal model, which was unconditionally approved by BaFin in November 2015, to calculate the Solvency Capital Requirement.

The diversified risk capital after tax totaled € 2,105,479 (2,006,897) thousand as at December 31, 2023. The material risk contributions were derived from market and underwriting risks.

The collective market risk for the individual markets increased by 4% in 2023. This was primarily driven by the increases in the strategic investments in AGR US and ART AG due to the positive business developments and the associated currency and share risks for AGCS SE. This was offset by the lower interest rate risk despite higher interest rates over the course of the year. The decline is attributable to a reduction in the dollar duration of the investments and a simultaneous increase in the dollar duration of the technical provisions.

The collective underwriting risk for the year 2023 increased by 6% compared to the previous year. This can be attributed to the positive business development and the resulting increase in volumes in the risk calculation. The update to the model parameters also contributed to the increase. The mapping of quota share reinsurance treaties of the AGCS SE branch office in the United Kingdom had a positive impact on risk management at the end of the year.

In summary, total diversified risk capital increased by 5% compared to the end of the previous year. The solvency ratio at the end of the reporting period was 173%, representing a 14% increase in own funds over the same period. This represents a 13 percentage point increase compared with the previous year. The volatility adjustment has a positive effect of 3 percentage points on the solvency ratio.

Table 34: Solvency Capital Requirement

€ thousand

	2023	2022
Market risk	2,337,216	2,241,758
Credit risk	192,628	175,233
Longevity	5,618	9,357
Underwriting risk (non-life insurance)	1,839,069	1,729,253
Business risk	120,090	83,924
Operational risk	165,139	134,635
Capital requirements before diversification	4,659,761	4,374,160
Diversification	-2,543,228	-2,356,778
Diversified capital requirement before taxes	2,116,533	2,017,382
Tax effect	-11,054	-10,503
Diversified capital requirements incl. taxes	**2,105,479**	**2,006,879**

The Minimum Capital Requirement is calculated in accordance with the regulatory requirements dependent on the Solvency Capital Requirement and amounted to € 676,554 thousand at the end of the reporting period. This resulted in a ratio of 515%. Technical provisions are of critical importance to AGCS SE in calculating the Minimum Capital Requirement. The year-on-year increase in the Minimum Capital Requirement is due to an increase in technical liabilities, which arise from business growth.

There were no material changes in the calculation of the Solvency Capital Requirement and the Minimum Capital Requirement at AGCS SE during the reporting period. Risk-bearing capacity was ensured at all times.

E.3 USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

In transposing the directive into national law, Germany did not make use of the option to allow the use of a duration-based sub-module for the equity risk.

Hence, the Allianz Group internal model used by AGCS SE to calculate the Solvency Capital Requirement does not include a duration-based sub-module for the equity risk. It is therefore not relevant for AGCS SE.

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODELS USED

The internal model is used for various purposes, in particular to estimate and compare different risk categories and segments. It is a fundamental component of risk-based and forward-looking management. In addition, the risk capital calculated on the basis of the internal model reflects more accurately the underlying business compared with the standard Solvency II formula.

This section provides an overview of the internal model and the underlying methodology, followed by an explanation of the methods for aggregating risk categories. It also offers an overview of the differences between the internal model and the standard formula.

The internal risk capital model of Allianz Group and AGCS SE covers all business segments. As defined in the Risk Policy, it encompasses market risk, credit risk, underwriting risk, business risk and operational risk. The model is based on a value at risk (VaR) approach using a Monte Carlo simulation. The starting point for determining risk is the market value balance sheet (solvency overview) and the allocation of individual items to the relevant risk categories. A bond, for example, is included in the respective market risk categories such as interest rate risk, credit spread risk and currency risk, as well as the credit risk category.

Risk capital is defined as the change occurring in the economic value over the planned time period, based on the distribution assumptions for each risk factor. To the extent possible, the distributions are calibrated on the basis of market data or our own internal historical data, for example, in order to determine actuarial assumptions. In addition, recommendations are taken into account from the insurance industry, supervisory authorities and actuarial associations.

In line with this approach, the maximum loss of the portfolio value of the transactions is determined within the scope of the model within a specified timeframe (holding period) and probability of occurrence (confidence level). The risk capital is calculated as the 99.5 per cent value-at-risk from the profit and loss distribution for a holding period of one year, whereby in each scenario the change in economic value is derived from the joint realization of all risk factors. This 200-year event is modeled as an immediate loss shock for all balance sheet items.

The internal model contains various risk categories, which in turn can be subdivided into different risk types. For each level, the internal model provides the risk indicators on a stand-alone basis, i.e. before diversification to other risk types or categories, but also at an aggregated level taking the diversification into account (see section C on aggregation). For a more detailed description of the individual risk categories, please refer to section C. Risk profile

A simplified illustration of the structure of the internal model used by AGCS SE and the standard model can be found in the notes to this report.

A standard industry approach, the Gaussian copula approach, is used for the aggregation of risks. The dependency structure between the risks of the copula is represented by a correlation matrix. Where possible, the correlation parameter for each pair of market risks is determined by statistically evaluating historical market data based on quarterly observations over several years. To the extent that historical market data or other portfolio-specific observations are not available or are insufficient, correlations are determined according to a clearly defined, Group-wide process by the Correlation Settings Council, which brings together the expertise of risk and business experts. This Council generally sets the correlation parameters with the aim of presenting the joint movement of risks under adverse conditions.

To calculate the diversified risk capital, the change in economic value for the 200-year event is determined – based on the joint realization of risks – using the methodology described in the previous section.

The key methodological difference between the standard formula and the internal model is that the standard formula uses factor-based shocks. In contrast, the internal model derives the risk capital by simulating each risk carrier (and its respective economic outcome impact) based on the assumed distribution of and dependence on other risk drivers.

The table “Differences between the standard formula and the internal model by risk module” presented in the notes provides an overview of the differences between the standard formula and the internal model per risk category/type.

For market risk, in addition to the differences mentioned in the table above, there is a structural difference between the internal model and the standard formula with regard to the consideration of volatility risk. Interest rate and equity volatility risk are explicitly taken into account in the internal model, while the standard formula includes these risk types only implicitly in the calibration of the shocks. However, these risk categories exert very little influence on the risk capital of AGCS SE.

In contrast to the standard formula, the internal model also takes into account the inflation risk that may result from the possible impact of the volatility of consumer price indices on the underwriting risks.

For non-life underwriting risk, the difference between the risks of the internal model and the standard formula is very limited. The main categories are reflected in both models; similarly, there is no material risk that is covered by the standard formula but not by the internal model. The crucial difference lies in the modeling.

The longevity risk for pension obligations (for AGCS SE as a property and casualty insurer, it is limited to the longevity risks of the pension liabilities built up for the employees) and the business risk are covered exclusively by the internal model, but not by the standard formula. All other risk categories of the internal model are at least implicitly covered by the standard formula.

Contrary to the counterparty default risk module of the standard formula, the credit risk module of the internal model covers the entire bond and loan portfolio, as well as credit insurance risks (the latter are not relevant for AGCS SE). This approach allows diversification and concentration effects to be modeled across all credit-risk-related investments.

The operational risk capital for the standard formula is calculated using a factor-based approach and in the internal model is based on Group-wide operational risk management (described in section C.5); this leads to adequate risk coverage.

Different data sources are used for the input data of the internal model and for the calibration of parameters (see also previous sections, in particular section B). Where appropriate, the input data is identical to the data used for other purposes, for example, for local or IFRS and market value-based accounting. The adequacy of this data is reviewed internally on a regular basis.

E.5 NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

Monitoring of the compliance of AGCS SE with the Minimum Capital Requirement and the Solvency Capital Requirement is an integral part of the capital management. Compliance is monitored regularly and reported once every quarter or on an ad-hoc basis to the Board of Management as required.

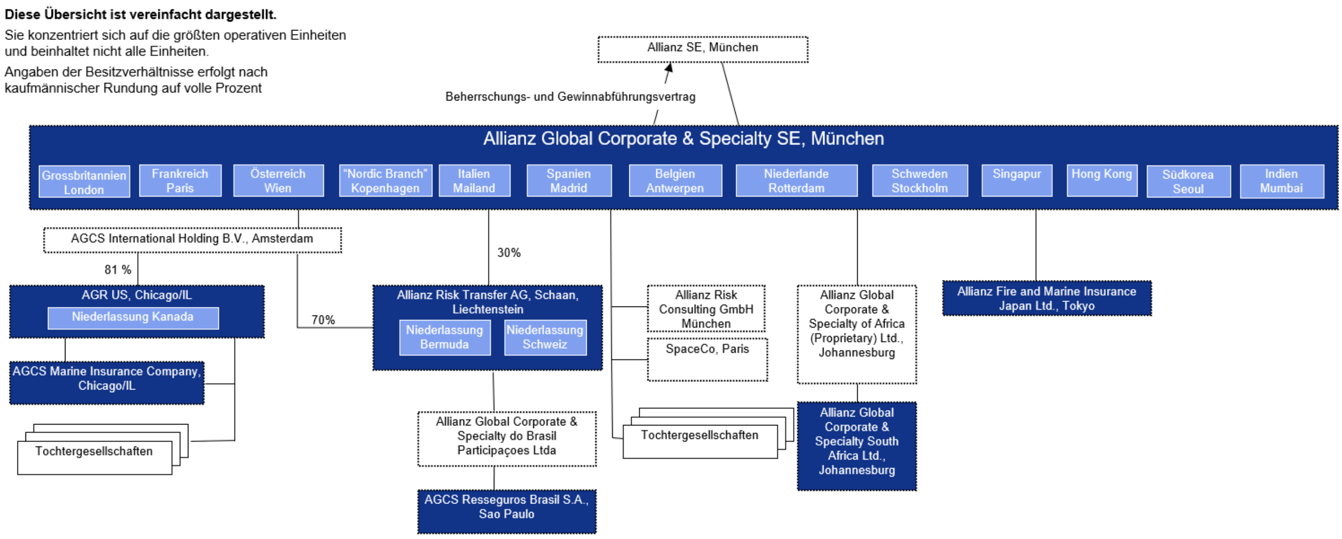
AGCS SE's Minimum Capital Requirement and Solvency Capital Requirement were met during the entire reporting period.

E.6 OTHER INFORMATION

All relevant disclosures on the capital management of AGCS SE are included in the preceding notes.

NOTES

Graph 2: Simplified overview of the structure of AGCS SE



Graph 3: ORSA process

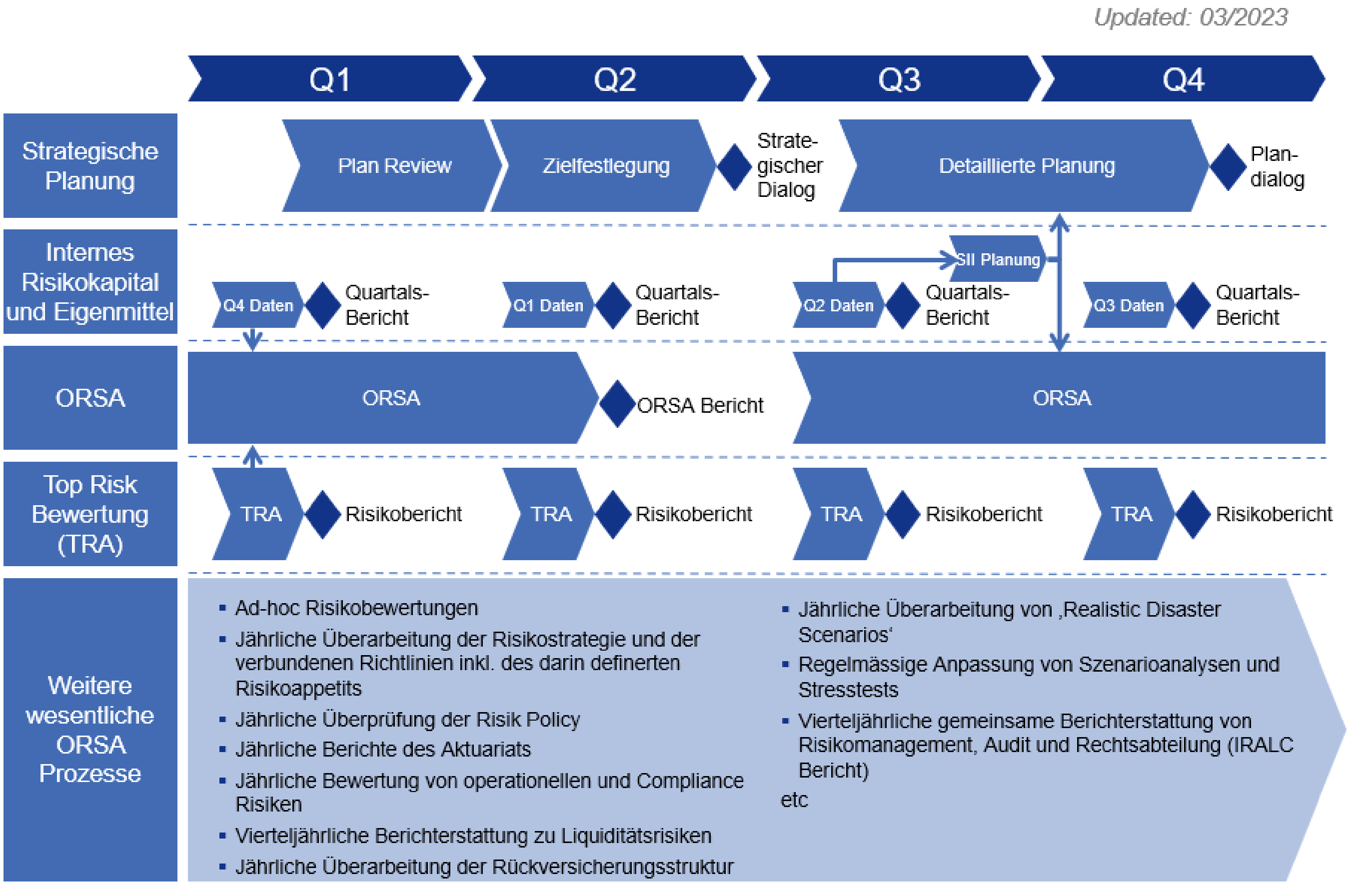


Table 35: Technical provisions

	Best estimate		
	Premiums reserves		
	Gross	Amounts recoverable from reinsurance	Net
Direct business			
General liability insurance	148,230	265,843	-117,613
Fire and other property insurance	230,348	217,078	13,270
Marine, aviation and transport insurance	-20,269	28,419	-48,688
Miscellaneous financial losses	53,684	-157,113	210,797
Other insurances	32,850	30,994	1,856
Subtotal	444,843	385,221	59,622
Proportional reinsurance accepted			
General liability insurance	78,956	83,702	-4,746
Fire and other property insurance	122,370	129,344	-6,973
Marine, aviation and transport insurance	-10,977	12,495	-23,472
Miscellaneous financial losses	13,267	-74,765	88,033
Other insurances	2,975	2,560	415
Subtotal	206,592	153,335	53,257
Non-proportional reinsurance accepted			
Non-proportional health reinsurance	-	-	-
Non-proportional property reinsurance	-25,332	-38,619	13,287
Non-proportional liability reinsurance	27,959	21,070	6,889
Non-proportional marine, aviation and transport reinsurance	-42,445	8,096	-50,541
Subtotal	-39,818	-9,453	-30,365
Total	**611,617**	**529,103**	**82,514**

Best estimate							
Claims reserves							
Gross	Amounts recoverable from reinsurance	Net	Total gross	Total net	Risk margin	Net technical provisions
3,947,335	2,183,172	1,764,162	4,095,564	1,646,550	129,654	1,776,204
1,346,947	684,543	662,404	1,577,295	675,674	23,337	699,011
701,278	445,361	255,917	681,009	207,229	8,722	215,951
420,504	301,802	118,702	474,188	329,499	4,229	333,728
38,590	35,046	3,543	71,439	5,399	499	5,898
6,454,653	3,649,924	2,804,728	6,899,496	2,864,350	166,442	3,030,791
1,600,173	1,104,660	495,513	1,679,129	490,767	52,446	543,213
1,068,266	726,714	341,551	1,190,636	334,578	16,800	351,378
420,786	318,043	102,742	409,809	79,271	5,045	84,316
306,138	236,622	69,515	319,405	157,548	2,705	160,253
14,790	10,611	4,178	17,765	4,594	211	4,805
3,410,151	2,396,651	1,013,500	3,616,743	1,066,757	77,206	1,143,964
-	-	-	-	-	-	-
230,141	122,750	107,392	204,809	120,678	5,364	126,042
181,818	119,980	61,838	209,777	68,727	6,078	74,805
20,183	-24,758	44,941	-22,262	-5,599	870	-4,730
432,143	217,972	214,171	392,325	183,806	12,312	196,118
10,296,946	**6,264,547**	**4,032,399**	**10,908,563**	**4,114,913**	**255,959**	**4,370,873**

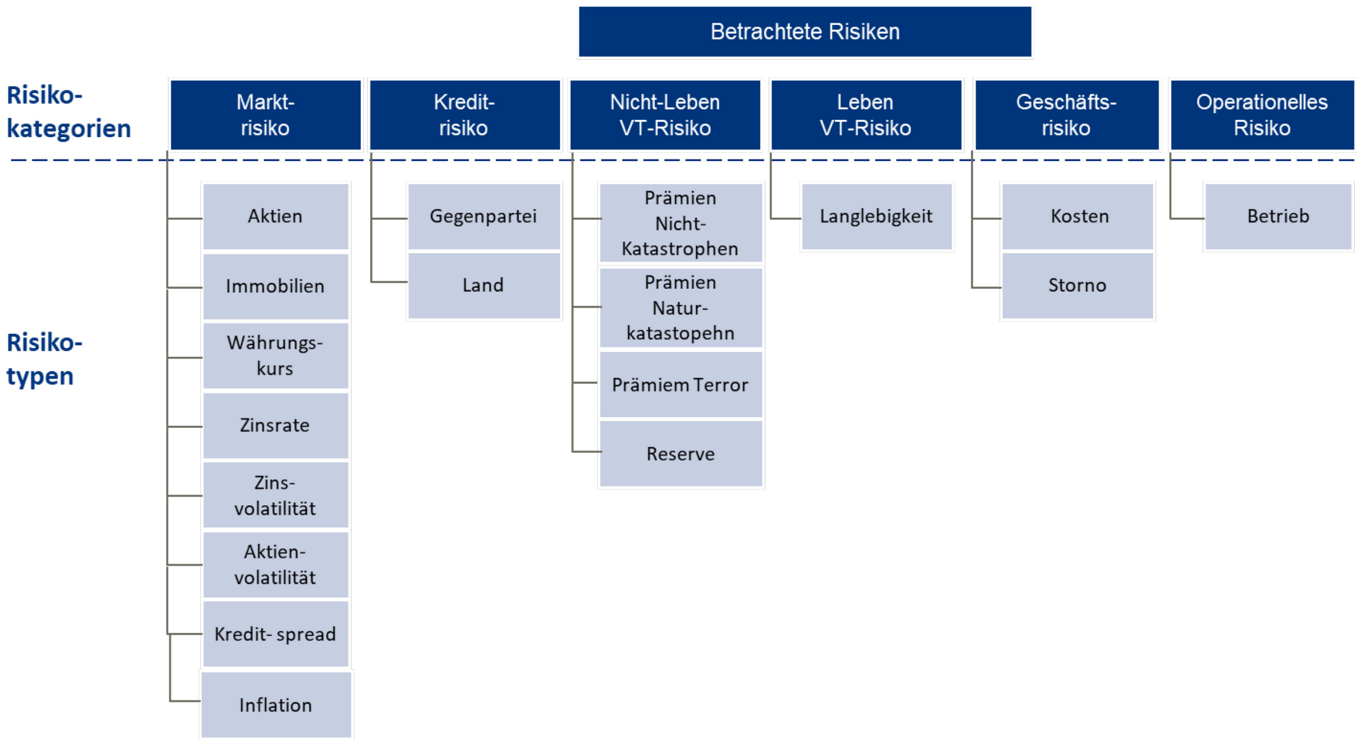
Table 36: Main differences between Solvency II and the German Commercial Code (HGB) with regard to the valuation of the technical provisions and recoverable amounts from reinsurance contracts

€ thousand

	Technical provisions under HGB	Reclassification	Revaluation of the premium reserve (undiscounted)
Direct business			
Medical expenses insurance	6,711	- 140	- 104
Workers' compensation insurance	-	-	-
Income protection insurance	605	- 97	- 215
Motor vehicle liability insurance	2,705	- 0	530
Other motor insurance	1,016	12	44
Marine, aviation and transport insurance	474,208	-92,980	7,273
Fire and other property insurance	1,187,253	-217,391	6,820
General liability insurance	2,466,744	-221,585	-79,163
Legal expenses insurance	-	-	-
Assistance insurance	9	-	4
Credit and suretyship insurance	-	-	-
Miscellaneous financial losses	214,637	168,407	-13,445
Subtotal	4,353,887	-363,774	-78,256
Proportional reinsurance accepted			
Medical expenses insurance	5,898	- 92	- 903
Workers' compensation insurance		0	0
Income protection insurance	48	227	- 109
Motor vehicle liability insurance	-	-	-
Other motor insurance	- 1	-	-
Marine, aviation and transport insurance	220,604	-30,080	-5,714
Fire and other property insurance	700,581	-41,709	-163,102
General liability insurance	806,849	-36,850	-13,891
Assistance insurance	-	-	-
Miscellaneous financial losses	132,998	69,386	734
Subtotal	1,866,977	-39,116	-182,984
Non-proportional reinsurance accepted			
Non-proportional health reinsurance	-	-	-
Non-proportional liability reinsurance	116,226	-24,399	116,226
Non-proportional marine, aviation and transport reinsurance	51,403	-43,214	51,403
Non-proportional property reinsurance	203,652	-14,034	203,652
Subtotal	371,282	-81,648	371,282
Total	**6,592,146**	**-484,538**	**-322,343**

Revaluation of the claims reserves (undiscounted)	Discounting the future cash flows	Adjusted for the counterparty default risk	Risk margin under Solvency II	Claims reserves and similar reserves under HGB	Net technical provisions under Solvency II	Lower provisions under Solvency II compared to HGB
- 782	- 417	32	287	- 949	4,638	2,073
-	-	-	-	-	-	-
- 33	- 36	-	15	-	238	367
182	- 231	6	80	-	3,273	- 568
- 182	156	6	116	-	1,167	- 151
-23,807	-18,769	300	8,722	-140,177	217,770	259,438
-69,129	-88,106	430	23,337	-136,448	706,766	480,487
-215,628	-253,412	1,697	129,654	-27,864	1,800,444	666,300
-	-	-	-	-	-	-
-	- 3	-	-	-	11	-
-	-	-	-	-	-	-
-14,578	-12,267	65	4,229	-9,573	337,475	-122,838
-323,957	-373,084	2,536	166,442	-315,012	3,068,781	1,285,106
- 471	- 570	0	203	-	4,064	1,834
-	-	-	-	-	-	-
56	3	-	8	-	234	- 186
-	-	-	-	-	-	-
-	-	-	-	-	- 1	- 0
-10,360	-8,706	187	5,045	-92,167	78,809	141,795
-23,990	-34,154	434	16,800	-113,422	341,437	359,144
-57,264	-62,133	426	52,446	-155,050	534,533	272,316
-	-	-	-	-	-	-
-8,418	-8,261	74	2,705	-32,588	156,632	-23,633
-100,447	-113,820	1,121	77,206	-393,228	1,115,709	751,268
-	-	-	-	-	-	-
-7,478	-10,971	123	6,078	-	76,197	40,029
-3,717	-2,668	-	870	-	-3,845	55,248
-17,557	-12,256	59	5,364	-	114,027	89,625
-28,751	-25,894	182	12,312	-	186,379	184,902
-453,155	**-512,799**	**3,839**	**255,959**	**708,240**	**4,370,869**	**2,221,277**

Graph 4: Structure of the internal model



Graph 5: Structure of the standard model

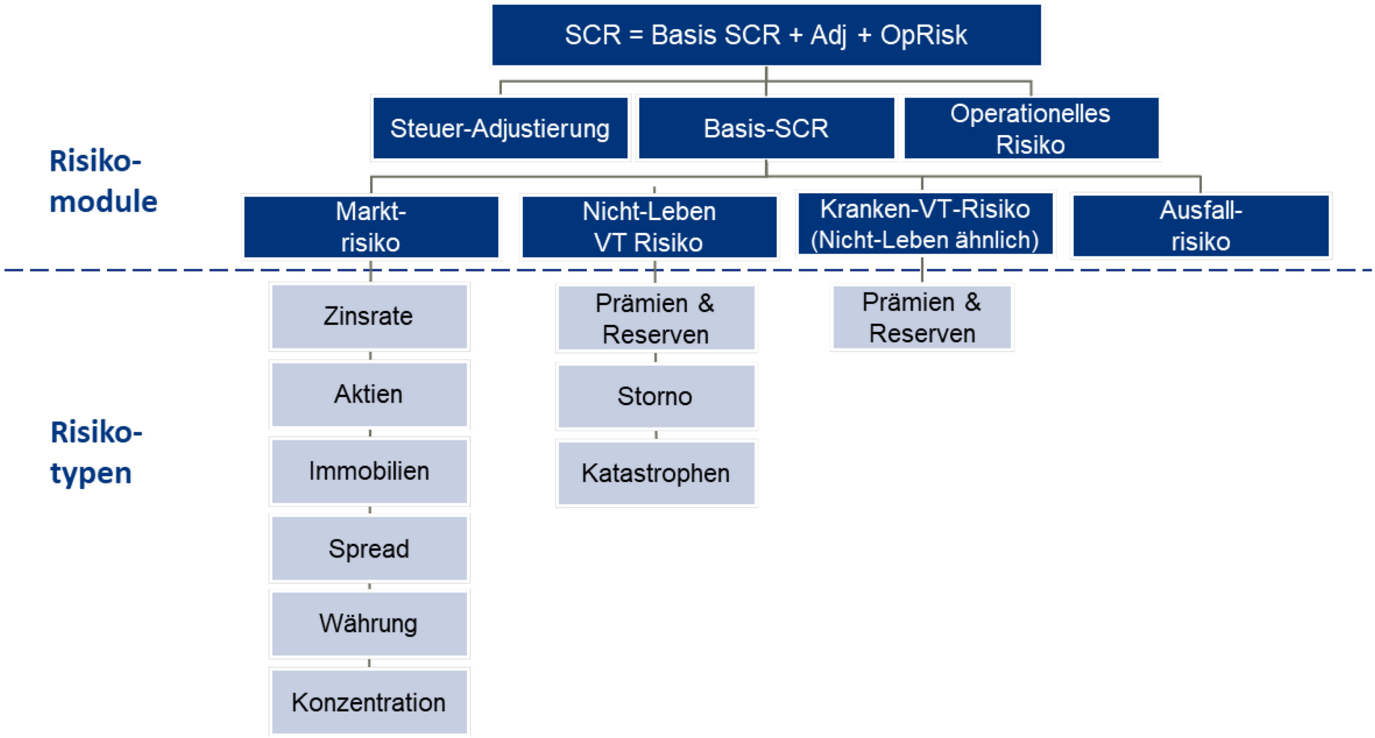


Table 37: Differences between the standard formula and the internal model by risk module

Risk category/type	Standard Formula [1]	Internal Model [1]
Equity	Several standardized equity shocks, depending on the classification of the share investments – 39% for shares listed in EEA or OECD countries (type 1). – 49 % for other share investments, commodities and alternative investments (type 2). – Application of a symmetric adjustment to the base shock of 39 % or 49 % depending on the ratio between the current and the historical market level. – Strategic participation with a risk exposure of 22%. – Other reduced capital charge for qualified infrastructure (corporate) and long-term participations. – Aggregation of equity shocks based on a simplified correlation assumption of 0.75 between Type 1 and the rest.	The distribution applied for each modeled equity risk factor is calibrated using market data. – Traded equity indices (approx. 35% - 60%, depending on the index) – Non-traded equity indices (up to 49%, depending on the index and the risk classification). – – Strategic participations (35 %). – Application of volatility stress tests. – The aggregation is based on the correlation between risk factors, calibrated using market data and expert judgment.
Interest rate	- Predefined shocks for interest rate increases and decreases as a percentage change in EIOPA's risk-free yield curve, varying between 20 % and 75 % depending on the remaining term. Minimum interest rate increase of 100 basis points. – The worst case scenario of interest rate increase or decrease defines the capital requirement. - Downward shocks in the form of negative interest rates are not allowed.	– The distribution applied for support points of the yield curve are calibrated for each modeled yield curve using market data. – Interests rate shocks for a maximum of ten nodes are modeled stochastically; no application of a minimum/maximum shock. – Application of volatility stress tests. – Adjusted log-normal model allows downward shocks for negative interest rates.
Real estate	– 25% for all properties	– 15% - 33% for country-specific real estate indices
Credit spread	The spread risk is divided into three categories for bonds and loans, securitizations and credit derivates. The shock impact is calculated using a predetermined methodology for each category and aggregated to obtain the total capital requirements for the spread module. – The shock factors for bonds, loans and securitizations depend on the respective modified duration and a credit rating. No spread risk for specific bonds and loans, such as EEA government bonds denominated and issued in the home currency. – Credit derivatives: shock factors for an increase in spreads depend on the credit rating of the underlying. Shock for a credit spread decline of 75 % for all ratings. The shock is then determined by the resulting higher capital requirement. – If approved by the supervisory authority, EIOPA's volatility adjustment is applied as a constant discount rate for the valuation of technical provisions.	Modeling of various spreads, differentiated by, for example, sector, rating, country/region. The distribution applied for each modeled spread is calibrated using market data. The main differences are: – Government bonds for EEA countries, government bonds for non-EEA countries rated AAA or AA; supranational bonds and mortgage loans for residential real estate are not excluded from spread risk. –Shocks for securitizations that are calibrated in the internal model are generally lower than the standard formula shock, which can be as high as 100% – Where approved by the supervisory authority, EIOPA's volatility adjustment is applied for the valuation of technical provisions. In addition, the volatility adjustment is also modeled dynamically as part of the risk capital calculation. The contribution of the dynamic component to the value of technical provisions is determined on the basis of own portfolios movements caused by simulated changes in credit spreads in the risk capital calculation.
Currency	– +/- 25% for each currency, except for currencies pegged to the EUR – Worst-case scenario is selected for each currency – No diversification/netting of cross currencies	– 10% - 33% for individual currencies against the EUR – Diversification/netting between individual currencies
Inflation	– Not explicitly covered	– Expected inflation rates are modeled using explicit risk factors calibrated to market data.
Concentration	– Formula based on the exposure, the rating and the total assets held.	– Implicitly covered by the credit risk models and by diversification in market risk modules
Credit risk / counterparty default risk	Application scope: limited to certain risk exposures. – Type 1: In particular reinsurance agreements, derivates, demand deposits with banks, deposits with ceding companies and letters of undertaking. – Type 2: In particular receivables, policyholder accounts receivable, mortgage loans. – The bond portfolio and credit insurance are not included in the counterparty default risk module. – Methodology: formula-based approach to determine potential losses from unexpected counterparty default for commitments falling within the scope of the module. – Parameters: Allocation according to Delegated Regulation (for example PDs, LGDs). PDs are predominantly based on ratings from external rating agencies.	Application scope: significantly broader, including: – Investment portfolio: fixed-income investments, demand deposits, derivates, securities lending and structured transactions, receivables, off-balance-sheet exposure (for example warranties and letters of undertaking). – Exposures to reinsurance companies. – Exposures from credit insurance. – Methodology: Portfolio model with Monte Carlo simulation and coverage of default and migration risk. Loss distribution is determined taking into account dependencies and risk concentrations. – Parameters: mainly on the basis of own estimates (for example PDs, LGDs). Ratings are determined using an internal approach based on long-term ratings from rating agencies.
Underwriting risk Life and health	[not relevant for AGCS SE] – Mortality risk: 15% increase in mortality rates, 0.15% mortality calamity – Longevity risk: 20% decline in mortality rate – Morbidity risk: 35% increase in the first year, thereafter 25% – Termination risk: 50% up/down shock and 70%/40% mass termination shock dependent on business type (private clients / corporate customers) – Cost risk: 10% increase in costs +1% increase in cost inflation	[Only the longevity risk is relevant for AGCS SE for modeling the German pension commitments] – Mortality risk: Based on company experience, 0.15% mortality calamity – Longevity risk: Modified Lee-Carter model – Morbidity risk: Based on company experience – Termination risk: Shocks are calibrated from historical data. Standard mass termination shock equates to the higher of the two-fold annual termination rate or 20%; country-specific calibration possible – Cost risk: As standard formula but entity-specific calibration possible. In addition, the internal model includes new business risk, which is not modeled in the standard formula

Risk category/type	Standard formula	Internal model
Non-life underwriting risk	– Factors applied to volume – Separate volatility factors defined for premiums and reserves and for different insurance lines – Correlation between insurance lines defined by EIOPA – Geographical diversification prescribed based on 18 regions – Termination shock – 40% termination ratio of the contracts exposed to a termination risk – Catastrophe risks – factor-based, broken down into four modules: Natural catastrophes, non-proportional building reinsurance, man-made and other – Separate approach for the health-catastrophe risk (mass accident, concentrated accident, pandemic module)	– Premium and reserve risk is calculated on the basis of actuarial models and reflects the company-specific situation significantly better – Reinsurance modeling for catastrophe and non-catastrophe risk is much more advanced in the internal model – Different aggregation methods: Gaussian Copula approach with aggregation of the different distributions – Catastrophe risk is calculated using probabilistic models based on scientific approaches – Termination risk focuses on covering the costs – Cost risk is the risk of not underwriting sufficient business to cover the acquisition costs
Loss-absorbing capacity of taxes	– The adjustment is equal to the change in value of deferred taxes resulting from an immediate loss of an amount equal to the Basic SCR + operational risk + adjustment for the loss-absorbing capacity of technical provisions	– Adjustment is calculated using the same approach as with the standard formula, albeit with a different direct shock. – The amount is limited to net deferred tax liabilities plus tax loss carryforwards.
Loss-absorbing capacity of the technical provisions	[not relevant for AGCS SE] – Ensures that there is no multiple use of Future Discretionary Buffers (FDB) for participating business – BSCR (Basic Solvency Capital Requirement) is calculated with and without allowance for FDB and the difference is limited to the current value of the FDB	– Risk capital is calculated directly on a net basis; hence no adjustment is made
Intangible asset risk	[not relevant for AGCS SE] – 80% of intangible assets recognized	– Intangible asset risk is not covered by the internal model
Operational risks	– Factor-based approach based on earned premiums and technical provisions	– Scenario-based risk model – Risk identification within each operating entity – Model based on the aggregation of loss frequency and loss severity distributions
Aggregation	– Simple correlation approach	– Central parameter setting – (correlations/geographical hierarchy, risk capital add-ons, risk measurement and aggregation keys) – Correlation matrix algorithm aggregation model (Copula approach) – Aggregation hierarchy

APPENDIX

QRT SE.02.01.02

Balance sheet
€ thousand

		Solvency II value
		C0010
ASSETS		
Intangible assets	R0030	-
Deferred tax assets	R0040	165,746
Pension benefit surplus	R0050	14,819
Property, plant and equipment held for own use	R0060	32,159
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	10,251,249
Real estate (other than for own use)	R0080	130,180
Shares in affiliated enterprises, including participations	R0090	3,310,089
Equities	R0100	-
Equities – listed	R0110	-
Equities – unlisted	R0120	-
Bonds	R0130	3,415,252
Government bonds	R0140	1,556,507
Corporate bonds	R0150	1,726,060
Structured notes	R0160	-
Collateralised securities	R0170	132,685
Collective investment undertakings	R0180	3,344,767
Derivatives	R0190	1,540
Deposits other than cash equivalents	R0200	49,421
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	-
Loans and mortgages	R0230	562,623
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	562,623
Amounts recoverable from reinsurance contracts of:	R0270	6,790,109
Non-life insurance and health insurance similar to non-life insurance	R0280	6,790,109
Non-life insurance excluding health insurance	R0290	6,743,179
Health insurance similar to non-life insurance	R0300	46,930
Life insurance and health insurance similar to life insurance, excluding health insurance and index-linked and unit-linked insurance	R0310	-
Health insurance similar to life insurance	R0320	-
Life insurance excluding health insurance and index-linked and unit-linked insurance	R0330	-
Life insurance, index-linked and unit-linked	R0340	-
Deposit receivables	R0350	183,680
Receivables from policyholders and intermediaries	R0360	878,854
Reinsurance receivables	R0370	513,887
Receivables (trade, not insurance)	R0380	547,807
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	314,525
Other assets not reported elsewhere	R0420	3,893
Total assets	**R0500**	**20,259,351**

€ thousand

		Solvency II value
		C0010
LIABILITIES		
Insurance reserves – non-life insurance	R0510	11,159,968
Technical provisions – non-life insurance (except health insurance)	R0520	11,104,133
Technical provisions calculated as a whole	R0530	-
Best estimate	R0540	10,848,687
Risk margin	R0550	255,447
Technical provisions – health insurance (similar to non-life insurance)	R0560	55,834
Technical provisions calculated as a whole	R0570	-
Best estimate	R0580	55,322
Risk margin	R0590	513
Technical provisions – life insurance (excluding index-linked and unit-linked insurance)	R0600	-
Technical provisions – health insurance (similar to life insurance)	R0610	-
Technical provisions calculated as a whole	R0620	-
Best estimate	R0630	-
Risk margin	R0640	-
Technical provisions – life insurance (excluding health and index-linked and unit-linked insurance)	R0650	-
Technical provisions calculated as a whole	R0660	-
Best estimate	R0670	-
Risk margin	R0680	-
Technical provisions – index-linked and unit-linked insurance	R0690	-
Technical provisions calculated as a whole	R0700	-
Best estimate	R0710	-
Risk margin	R0720	-
Other technical provisions	R0730	-
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	229,312
Pension payment obligations	R0760	119,982
Deposits retained on ceded business	R0770	2,783,716
Deferred tax liabilities	R0780	83,907
Derivatives	R0790	52,983
Liabilities to banks	R0800	-
Financial liabilities other than debts owed to credit institution	R0810	25,385
Insurance & intermediaries payables	R0820	474,939
Reinsurance payables	R0830	934,412
Payables (trade, not insurance)	R0840	180,289
Subordinated liabilities	R0850	-
Subordinated liabilities not in basic own funds	R0860	-
Subordinated liabilities in basic own funds	R0870	-
Other liabilities not shown elsewhere	R0880	561,595
Total liabilities	R0900	16,606,487
Excess of assets over liabilities	**R1000**	**3,652,864**

QRT S.04.05.21

Premiums, claims and expenses by country
€ thousand

			Country of origin		Top five countries – non-life obligations		
					Australia		France
			C0010		C0021		C0022
Gross premiums written							
Gross premiums written (direct business)	R0020		670,886		11,083		462,844
Gross premiums written (proportional reinsurance)	R0021		116,003		140,308		24,928
Gross premiums written (non-proportional reinsurance)	R0022		26,591		5,349		4,782
Gross premiums earned							
Gross premiums earned – Direct business	R0030		653,074		10,756		457,535
Gross premiums earned (proportional reinsurance)	R0031		111,561		136,426		24,335
Gross premiums earned (non-proportional reinsurance)	R0032		26,501		3,756		4,755
Gross claims incurred							
Claims incurred (direct business)	R0040		437,265		4,718		257,112
Claims incurred (proportional reinsurance)	R0041		33,350		69,456		15,792
Claims incurred (non-proportional reinsurance)	R0042		7,267		12,550		42
Gross expenses incurred							
Gross expenses incurred (direct business)	R0050		95,297		2,237		52,472
Gross expenses incurred (proportional reinsurance)	R0051		17,290		22,769		2,729
Gross expenses incurred (non-proportional reinsurance)	R0052		1,645		538		413

Top five countries – non-life obligations						Total - top five countries
United Kingdom		Liechtenstein		U.S.		
C0023		C0024		C0025		C0020
653,199		159		464,395		159,1679
46,506		168,221		460,575		840,538
54,300		16,741		294,365		375,537
650,978		158		429,457		1,548,885
44,784		165,213		447,449		818,208
56,341		15,821		306,244		386,917
485,464		-		93,427		840,722
6,639		73,136		94,120		259,142
9,727		5,479		27,022		54,819
111,986		19		48,588		215,301
11,881		31,992		74,918		144,290
25,552		1,258		17,241		45,001

QRT S.05.01.02

Premiums, claims and expenses by line of business

€ thousand

		Line of business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**		
		Medical expenses insurance	Income protection insurance	Workers' compensation insurance
		C0010	C0020	C0030
Premiums written				
Gross – Direct business	R0110	100,840	3,105	-
Gross – Proportional reinsurance accepted	R0120	5,700	-47	-
Gross – Non-proportional reinsurance accepted	R0130			
Reinsurers' share	R0140	105,859	1,824	-
Net	R0200	681	1,233	-
Premiums earned				
Gross – Direct business	R0210	89,628	3,169	-
Gross – Proportional reinsurance accepted	R0220	5,444	-360	-
Gross – Non-proportional reinsurance accepted	R0230			
Reinsurers' share	R0240	92,707	1,321	-
Net	R0300	2,365	1,488	-
Claims incurred				
Gross – Direct business	R0310	63,585	860	-
Gross – Proportional reinsurance accepted	R0320	9,782	-33	-
Gross – Non-proportional reinsurance accepted	R0330			
Reinsurers' share	R0340	70,330	916	-
Net	R0400	3,036	-89	-
Change in other technical provisions				
Gross – Direct business	R0410	-	-	-
Gross – Proportional reinsurance accepted	R0420	-	-	-
Gross – Non-proportional reinsurance accepted	R0430			
Reinsurers' share	R0440	-	-	-
Net	R0500	-	-	-
Expenses incurred	**R0550**	**-4,500**	**848**	**-**
Other expenses	**R1200**			
Total expenses	**R1300**			

		Line of business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**			
Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other property insurance	General liability insurance	Credit and suretyship insurance
C0040	C0050	C0060	C0070	C0080	C0090
23,843	6,055	579,931	1,254,133	1,400,534	-
-	-	196,361	1,084,844	539,476	-
23,841	6,116	475,932	1,710,783	1,366,698	-
2	-61	300,359	628,194	573,312	-
15,939	12,911	562,462	1,183,090	1,394,130	-
-	-	196,582	1,083,193	552,653	-
17,721	11,788	462,496	1,689,997	1,343,681	-
-1,782	1,123	296,548	576,286	603,102	-
9,086	2,945	289,192	644,223	960,939	-
-4	-1	139,588	493,547	337,516	-
9,604	2,553	278,825	802,098	900,795	-
-522	391	149,955	335,672	397,661	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-1,531	**531**	**130,107**	**191,886**	**228,754**	**-**

€ thousand

2023		Line of business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**		
		Legal expenses insurance	Assistance	Miscellaneous financial losses
		C0100	C0110	C0120
Premiums written				
Gross – Direct business	R0110	-	998	282,067
Gross – Proportional reinsurance accepted	R0120	-	-	206,029
Gross – Non-proportional reinsurance accepted	R0130			
Reinsurers' share	R0140	-	999	366,034
Net	R0200	-	-2	122,063
Premiums earned				
Gross – Direct business	R0210	-	994	284,844
Gross – Proportional reinsurance accepted	R0220	-	-	207,724
Gross – Non-proportional reinsurance accepted	R0230			
Reinsurers' share	R0240	-	996	370,930
Net	R0300	-	-3	121,638
Claims incurred				
Gross – Direct business	R0310	-	405	284,561
Gross – Proportional reinsurance accepted	R0320	-	-	121,392
Gross – Non-proportional reinsurance accepted	R0330			
Reinsurers' share	R0340	-	405	332,538
Net	R0400	-	-	73,414
Change in other technical provisions				
Gross – Direct business	R0410	-	-	-
Gross – Proportional reinsurance accepted	R0420	-	-	-
Gross – Non-proportional reinsurance accepted	R0430			
Reinsurers' share	R0440	-	-	-
Net	R0500	-	-	-
Expenses incurred	**R0550**	**-**	**65**	**38,379**
Other expenses	**R1200**			
Total expenses	**R1300**			

Line of business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**				Total
Health	Accidents	Marine, aviation and transport insurance	Property	
C0130	C0140	C0150	C0160	C0200
				3,651,506
				2,032,362
-	75,151	84,686	451,186	611,023
-	51,296	38,680	294,021	4,442,085
-	23,855	46,006	157,165	1,852,806
				3,547,167
				2,045,236
-	77,642	84,459	460,644	622,744
-	51,656	39,273	292,866	4,375,433
-	25,986	45,186	167,778	1,839,715
				2,255,795
				1,101,786
-	-6,315	2,097	128,439	124,221
-	6,840	-11,061	40,333	2,434,177
-	-13,155	13,158	88,105	1,047,626
				-
				-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	**100**	**-384**	**27,099**	**611,355**
				-
				-

€ thousand

		Line of business for: **life insurance obligations**		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance
		C0210	C0220	C0230
Premiums written				
Gross	R1410	-	-	-
Reinsurers' share	R1420	-	-	-
Net	R1500	-	-	-
Premiums earned				
Gross	R1510	-	-	-
Reinsurers' share	R1520	-	-	-
Net	R1600	-	-	-
Claims incurred				
Gross	R1610	-	-	-
Reinsurers' share	R1620	-	-	-
Net	R1700	-	-	-
Change in other technical provisions				
Gross	R1710	-	-	-
Reinsurers' share	R1720	-	-	-
Net	R1800	-	-	-
Expenses incurred	**R1900**	**-**	**-**	**-**
Other expenses	**R2500**			
Total expenses	**R2600**			

		Line of business for: **life insurance obligations**	Life reinsurance obligations		Total
Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations (other than health insurance obligations)	Health reinsurance	Life reinsurance	
C0240	C0250	C0260	C0270	C0280	C0300
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	**-**	**-**	**-**	**-**	**-**

QRT S.12.01.12

Technical provisions in life insurance and in health insurance similar to life insurance
This notification sheet is not relevant for AGCS SE

QRT S.17.01.02

Technical provisions – non-life insurance

€ thousand

		Direct business and proportional reinsurance accepted			
		Medical expenses insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance
		C0020	C0030	C0040	C0050
Technical provisions calculated as a whole	**R0010**	**-**	**-**	**-**	**-**
Total amounts recoverable from reinsurance/due to special purpose vehicles and financial reinsurers, after adjustment for expected losses from counterparty defaults for technical provisions calculated as a whole	R0050	-	-	-	-
Technical provisions calculated as the sum of best estimate and risk margin					
Best estimate					
Premiums reserves					
Gross	R0060	26,323	410	-	5,123
Total amounts recoverable from reinsurance/due to special purpose vehicles and financial reinsurers, after adjustment for expected losses from counterparty defaults	R0140	24,647	972	-	4,804
Best estimate (net) for premium reserves	R0150	1,676	-563	-	319
Claims reserves					
Gross	R0160	25,801	2,788	-	11,476
Total amounts recoverable from reinsurance/due to special purpose vehicles and financial reinsurers, after adjustment for expected losses from counterparty defaults	R0240	18,955	2,355	-	11,038
Best estimate (net) for claims reserves	R0250	6,845	434	-	438
Best estimate total – gross	**R0260**	**52,123**	**3,198**	**-**	**16,599**
Best estimate total – net	**R0270**	**8,521**	**-129**	**-**	**757**
Risk margin	**R0280**	**490**	**23**	**-**	**80**
Extent of transitional measures on technical provisions					
Technical provisions calculated as a whole	R0290	-	-	-	-
Best estimate	R0300	-	-	-	-
Risk margin	R0310	-	-	-	-
Technical provisions – total					
Technical provisions – total	R0320	52,613	3,221	-	16,680
Amounts recoverable from reinsurance/due to special purpose vehicles and financial reinsurers, after adjustment for expected losses from counterparty defaults – total	R0330	43,603	3,327	-	15,842
Technical provisions less the amounts recoverable from reinsurance/due to special purpose vehicles and financial reinsurers – total	R0340	9,011	-106	-	838

Direct business and proportional reinsurance accepted				
Other motor insurance	Marine, aviation and transport insurance	Fire and other property insurance	General liability insurance	Credit and suretyship insurance
C0060	C0070	C0080	C0090	C0100
-	**-**[0]	**-**[0]	**-**[0]	**-**
-	-[0]	-[0]	-[0]	-
3,330	-31,249	353,395	226,966	-
3,084	49,603	346,891	349,545	-
246	-80,852	6,504	-122,578	-
12,877	1,122,063	2,415,212	5,542,953	-7
12,274	763,404	1,411,257	3,284,892	-7
603	358,659	1,003,955	2,258,061	-
16,207	**1,090,814**	**2,768,607**	**5,769,919**	**-7**
849	**277,807**	**1,010,459**	**2,135,482**	**-**
116	**13,767**	**40,137**	**182,100**	**-**
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
16,323	1,104,581	2,808,744	5,952,019	-7
15,358	813,007	1,758,148	3,634,436	-7
965	291,574	1,050,596	2,317,583	-

€ thousand

		Direct business and proportional reinsurance accepted		
		Legal expenses insurance	Assistance	Miscellaneous financial losses
		C0110	C0120	C0130
Technical provisions calculated as a whole	**R0010**	**-**	**-**	**-**
Total amounts recoverable from reinsurance/due to special purpose vehicles and financial reinsurers, after adjustment for expected losses from counterparty defaults for technical provisions calculated as a whole	R0050	-	-	-
Technical provisions calculated as the sum of best estimate and risk margin				
Best estimate				
Premiums reserves				
Gross	R0060	-	48	66,952
Total amounts recoverable from reinsurance contracts/due to special purpose vehicles and financial reinsurers, after adjustment for expected losses from counterparty defaults	R0140	-	46	-231,878
Best estimate (net) for premium reserves	R0150	-	1	298,829
Claims reserves				
Gross	R0160	-	444	726,641
Total amounts recoverable from reinsurance/due to special purpose vehicles and financial reinsurers, after adjustment for expected losses from counterparty defaults	R0240	-	441	538,424
Best estimate (net) for claims reserves	R0250	-	2	188,217
Best estimate total – gross	**R0260**	**-**	**492**	**793,593**
Best estimate total – net	**R0270**	**-**	**4**	**487,047**
Risk margin	**R0280**	**-**	**-**	**6,934**
Extent of transitional measures on technical provisions				
Technical provisions calculated as a whole	R0290	-	-	-
Best estimate	R0300	-	-	-
Risk margin	R0310	-	-	-
Technical provisions – total				
Technical provisions – total	R0320	-	492	800,527
Amounts recoverable from reinsurance/due to special purpose vehicles and financial reinsurers, after adjustment for expected losses from counterparty defaults – total	R0330	-	488	306,547
Technical provisions less the amounts recoverable from reinsurance/due to special purpose entities and financial reinsurers – total	R0340	-	4	493,981

€ thousand

Direct business and proportional reinsurance accepted				Total non-life obligations
Non-proportional health insurance	Non-proportional liability reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
C0140	C0150	C0160	C0170	C0180
-	**-**	**-**	**-**	**-**
-	-	-	-	-
-	28,771	-42,442	-26,009	611,617
-	21,070	-593	-39,088	529,103
-	7,701	-41,848	13,080	82,514
-	181,818	20,183	230,141	10,292,391
-	119,980	-24,758	122,750	6,261,006
-	61,838	44,941	107,392	4,031,385
-	**210,589**	**-22,258**	**204,133**	**10,904,008**
-	**69,539**	**3,093**	**120,471**	**4,113,899**
-	**6,078**	**870**	**5,364**	**255,959**
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	216,667	-21,389	209,496	11,159,968
-	141,050	-25,351	83,661	6,790,109
-	75,617	3,963	125,835	4,369,859

QRT S.19.01.21

Claims from non-life insurance

Total non-life business

Damage year/underwriting year	Z0020	Damage year

Gross claims paid (not accumulated) – (absolute amount)

€ thousand

												Development year
	Year	0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Before	R0100											136,727
N-9	R0160	320,391	743,333	576,361	118,355	94,131	88,778	80,953	26,296	20,945	27,731	
N-8	R0170	419,195	603,967	379,205	253,362	170,140	130,729	77,195	121,129	68,141		
N-7	R0180	293,230	1,000,996	333,062	238,865	206,966	194,351	78,178	67,106			
N-6	R0190	356,695	1,219,624	556,012	297,973	87,835	229,337	97,585				
N-5	R0200	328,157	864,667	477,201	268,934	227,371	184,628					
N-4	R0210	390,138	766,625	546,234	259,094	269,349						
N-3	R0220	449,943	865,213	272,011	290,009							
N-2	R0230	427,346	628,323	442,339								
N-1	R0240	263,193	747,489									
N	R0250	314,587										

€ thousand

		In the current year	Total years (accumulated)
		C0170	C0180
Before	R0100	136,727	136,727
N-9	R0110	27,731	2,097,274
N-8	R0170	68,141	2,223,065
N-7	R0180	67,106	2,412,753
N-6	R0190	97,585	2,845,061
N-5	R0200	184,628	2,350,959
N-4	R0210	269,349	2,231,440
N-3	R0220	290,009	1,877,176
N-2	R0230	442,339	1,498,008
N-1	R0240	747,489	1,010,682
N	R0250	314,587	314,587
Total	**R0260**	**2,645,691**	**18,997,732**

Best estimate (gross) for undiscounted claims reserves – (absolute amount)
€ thousand

												Development year
	Year	0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Before	R0100											969,126
N-9	R0160	2,255,122	1,730,650	904,957	602,996	411,864	335,522	232,337	223,203	217,454	190,632	
N-8	R0170	2,295,642	1,687,327	1,118,636	803,410	667,942	491,147	431,725	339,871	333,401		
N-7	R0180	2,393,913	1,674,636	1,184,031	930,868	748,185	575,446	489,248	456,129			
N-6	R0190	2,913,861	2,075,760	1,359,441	980,035	894,282	604,215	401,537				
N-5	R0200	2,328,539	1,683,973	1,286,176	982,487	686,222	542,804					
N-4	R0210	2,523,110	1,927,086	1,412,564	1,176,345	921,582						
N-3	R0220	2,656,983	1,715,863	1,457,337	1,090,634							
N-2	R0230	2,480,773	1,839,958	1,311,829								
N-1	R0240	2,992,518	2,057,499									
N	R0250	3,026,076										

€ thousand

		Year end (discounted data)
		C0360
Before	R0100	894,503
N-9	R0110	177,765
N-8	R0170	306,271
N-7	R0180	410,976
N-6	R0190	358,053
N-5	R0200	477,693
N-4	R0210	839,033
N-3	R0220	1,003,980
N-2	R0230	1,194,743
N-1	R0240	1,884,221
N	R0250	2,749,709
Total	**R0260**	**10,296,946**

QRT S.22.01.21

Impact of long-term guarantees and transitional measures
€ thousand

		Amount with long-term guarantees and transitional measures	Impact of transitional measures on technical provisions	Impact of transitional measures on interest rates	Impact of reducing the volatility adjustment to zero	Impact of reducing the matching adjustment to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	11,159,968	-	-	74,598	-
Basic own funds	R0020	3,652,864	-	-	-23,149	-
Eligible own funds to meet SCR	R0050	3,652,864	-	-	-23,149	-
SCR	R0090	2,105,479	-	-	25,546	-
Eligible own funds to meet MCR	R0100	3,487,118	-	-	-29,767	-
Minimum Capital Requirement	R0110	676,554	-	-	3,559	-

QRT S.23.01.01

Own funds
€ thousand

		Total	Tier 1 not restricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sectors within the meaning of Article 68 of Delegated Regulation (EU) 2015/35						
Share capital (without deduction of own shares)	R0010	36,741	36,741		-	
Issue premium related to share capital	R0030	537,434	537,434			
Initial funds, members' contributions or the equivalent basic own fund item with mutual and mutual-type undertakings	R0040	-	-		-	
Subordinated mutual member accounts	R0050	-		-	-	-
Surplus funds	R0070	-	-			
Preference shares	R0090	-		-	-	-
Issue premium related to preference shares	R0110	-		-	-	-
Reconciliation reserve	R0130	2,912,943	2,912,943			
Subordinated liabilities	R0140	-		-	-	-
Amount equal to the value of net deferred tax assets	R0160	165,746				165,746
Other own fund items approved by supervisory authority as basic own funds not specified above	R0180	-	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	-				
Deductions						
Deductions for participations in banks and other financial institutions	R0230	-	-	-	-	
Total basic own funds after deductions	**R0290**	**3,652,864**	**3,487,118**	**-**	**-**	**165,746**
Ancillary own funds						
Unpaid and uncalled share capital callable on demand	R0300	-			-	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item with mutual and mutual-type undertakings, callable on demand	R0310	-			-	
Unpaid and uncalled preference shares callable on demand	R0320	-			-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-			-	-
Letters of credit and guarantees under Article 96(2) of Directive 2009/138/EC	R0340	-			-	
Letters of credit and guarantees other than under Article 96(2) of Directive 2009/138/EC	R0350	-			-	-
Supplementary members calls under subparagraph 1 of Article 96(3) of Directive 2009/138/EC	R0360	-			-	
Supplementary members calls other than under subparagraph 1 of Article 96(3) of Directive 2009/138/EC	R0370	-			-	-
Other ancillary own funds	R0390	-			-	-
Total ancillary own funds	**R0400**	**-**			**-**	**-**

€ thousands

		Total	Tier 1 not restricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Eligible own funds						
Total eligible own funds to meet the SCR	R0500	3,652,864	3,487,118	-	-	165,746
Total eligible own funds to meet the MCR	R0510	3,487,118	3,487,118	-	-	
Total eligible own funds to meet the SCR	R0540	3,652,864	3,487,118	-	-	165,746
Total eligible own funds to meet the MCR	R0550	3,487,118	3,487,118	-	-	
Solvency Capital Requirement	**R0580**	**2,105,479**				
Minimum Capital Requirement	**R0600**	**676,554**				
Ratio of eligible own funds to SCR	**R0620**	**173%**				
Ratio of eligible own funds to MCR	**R0640**	**515%**				

€ thousand

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	3,652,864
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	-
Other basic own fund items	R0730	739,921
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	R0740	-
Reconciliation reserve	**R0760**	**2,912,943**
Expected profits		
Expected profits included in future premiums (EPIFP) – life business	R0770	-
Expected profits included in future premiums (EPIFP) – non-life business	R0780	428,020
Total expected profits included in future premiums (EPIFP)	**R0790**	**428,020**

QRT S.25.01.21

Solvency Capital Requirement – for companies using standard formula

€ thousand

		Basic Solvency Capital Requirement (gross)	Simplification
		C0110	C0120
Market risk	R0010	1,767,876	-
Counterparty default risk	R0020	699,214	-
Life underwriting risk	R0030	-	-
Health underwriting risk	R0040	1,591	-
Non-life underwriting risk	R0050	1,542,594	-
Diversification	R0060	-1,001,945	-
Intangible asset risk	R0070	-	-
Basic Solvency Capital Requirement	R0100	3,009,331	-

Calculation of the Solvency Capital Requirement

€ thousand

		Value
		C0100
Operational risk	R0130	327,266
Loss-absorbing capacity of the technical provisions	R0140	-
Loss-absorbing capacity of deferred taxes	R0150	-
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency Capital Requirement excluding capital add-on	R0200	3,336,597
Capital add-on already set	R0210	-
Capital surcharges already determined thereof– Article 37(1) Type A	R0211	-
Capital surcharges already determined thereof– Article 37(1) Type B	R0212	-
Capital surcharges already determined thereof– Article 37(1) Type C	R0213	-
Capital surcharges already determined thereof– Article 37(1) Type D	R0214	-
Solvency Capital Requirement	R0220	3,336,597
Other information on SCR		
Capital requirement for the equity duration risk sub-module	R0400	
Total amount of notional Solvency Capital Requirement for remaining part	R0410	
Total amount of notional Solvency Capital Requirement for ring-fenced funds	R0420	
Total amount of notional Solvency Capital Requirement for matching-adjustment portfolios	R0430	
Diversification effects due to notional Solvency Capital Requirement for ring-fenced funds aggregation in accordance with Art. 304	R0440	

Tax rate approach

		Yes/No
		C0109
Average tax rate method	R0590	Yes

Calculating the loss-absorbing capacity of deferred taxes (LAC DT)
€ thousand

		LAC DT
		C0130
Amount/estimate of the LAC DT	R0640	-
Amount/estimate of the LAC DT due to reversal of deferred tax liabilities	R0650	-
Amount/estimate of the LAC DT due to probability of future taxable profits	R0660	-
Amount/estimate of the LAC DT due to carry-back, current year	R0670	-
Amount/estimate of the LAC DT due to carry-back, future years	R0680	-
Amount/estimate of the maximum LAC DT	R0690	-

QRT S.25.05.21

Solvency Capital Requirement - for companies using an internal model (partial or full)

in € thousands

		Solvency Capital Requirement	Modeled amount	USP	Simplifications
		C0010	C0070	C0090	C0120
Total diversification	R0020	-891,174	-	-	-
Total diversified risk after tax	R0030	2,116,533	-	-	-
Total diversified risk before tax	R0040	2,105,479	-	-	-
Total market and credit risk	R0070	2,529,844	-	-	-
Market and credit risk (diversified)	R0080	1,285,146	-	-	-
Risk of a credit event not recognized in market and credit risk	R0190	-	-	-	-
Risk of a credit event not recognized in market and credit risk - diversified	R0200	-	-	-	-
Total business risk	R0270	120,090	-	-	-
Total business risk (diversified)	R0280	105,003	-	-	-
Total net non-life underwriting risk	R0310	1,839,069	-	-	-
Total net non-life underwriting risk - diversified	R0320	1,303,577	-	-	-
Total life and health underwriting risk	R0400	5,618	-	-	-
Total life and health underwriting risk - diversified	R0410	5,618	-	-	-
Total operational risk	R0480	165,139	-	-	-
Total operational risk - diversified	R0490	165,139	-	-	-
Other risks	R0500	-	-	-	-

Calculation of the Solvency Capital Requirement

in € thousands

		C0100
Total undiversified components	R0110	2,996,653
Diversification	R0060	-891,174
Adjustment due to aggregation of notional SCR of special associations/MAP	R0120	-
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency Capital Requirement excluding capital add-on	R0200	2,105,479
Capital add-ons already set	R0210	-
Capital surcharges already determined– Article 37(1) Type A	R0211	-
Capital surcharges already determined– Article 37(1) Type B	R0212	-
Capital surcharges already determined– Article 37(1) Type C	R0213	-
Capital surcharges already determined– Article 37(1) Type D	R0214	-
Solvency Capital Requirement	R0220	2,105,479
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	-
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	-11,054
Capital requirement for the equity duration risk sub-module	R0400	-
Total amount of notional Solvency Capital Requirement for remaining part	R0410	-
Total amount of notional Solvency Capital Requirement for ring-fenced funds	R0420	-
Total amount of notional Solvency Capital Requirement for matching-adjustment portfolios	R0430	-
Diversification effects due to notional Solvency Capital Requirement for ring-fenced funds aggregation in accordance with Art. 304	R0440	-

Tax rate approach

		Yes/No
		C0109
Average tax rate method	R0590	Yes

Calculating the loss-absorbing capacity of deferred taxes (LAC DT)
€ thousand

		LAC DT
		C0130
Amount/estimate of the LAC DT	R0640	-11,054
Amount/estimate of the LAC DT due to reversal of deferred tax liabilities	R0650	-11,054
Amount/estimate of the LAC DT due to probability of future taxable profits	R0660	-
Amount/estimate of the LAC DT due to carry-back, current year	R0670	-
Amount/estimate of the LAC DT due to carry-back, future years	R0680	-
Amount/estimate of the maximum LAC DT	R0690	-

QRT S.28.01.01

Minimum Capital Requirement – only life or only non-life or reinsurance business

Component of the linear formula for non-life and reinsurance obligations
€ thousands

		C0010
MCR_{NL} result	R0010	676,554

€ thousand

		Best estimate (after deduction of the reinsurance/special purpose vehicle) and technical provisions calculated as a whole	Premiums written (after deduction of reinsurance) in the last 12 months
		C0020	C0030
Medical expenses insurance and proportional reinsurance	R0020	8,521	676
Income protection insurance and proportional reinsurance	R0030	-	1,228
Workers' compensation insurance and proportional reinsurance	R0040	-	-
Motor vehicle liability insurance and proportional reinsurance	R0050	757	3
Other motor vehicle insurance and proportional reinsurance	R0060	849	-
Marine, aviation and transport insurance and proportional reinsurance	R0070	277,807	294,810
Fire and other property insurance and proportional reinsurance	R0080	1,010,459	597,920
General liability insurance and proportional reinsurance	R0090	2,136,505	566,023
Credit and suretyship insurance and proportional reinsurance	R0100	-	6
Legal expenses insurance and proportional reinsurance	R0110	-	-
Assistance and proportional reinsurance	R0120	4	-
Miscellaneous financial losses insurance and proportional reinsurance	R0130	487,046	112,138
Non-proportional health reinsurance	R0140	-	-
Non-proportional liability reinsurance	R0150	69,539	20,784
Non-proportional marine, aviation and transport reinsurance	R0160	3,093	39,982
Non-proportional property reinsurance	R0170	120,471	139,077

Component of the linear formula for life and reinsurance obligations
€ thousands

		C0040
MCR_L result	R0200	-

€ thousands

		Best estimate (after deduction of the reinsurance/special purpose vehicle) and technical provisions calculated as a whole	Total risk capital (after deduction of the reinsurance/special purpose vehicle)
		C0050	C0060
Obligations with profit participation – guaranteed benefits	R0210	-	
Obligations with profit participation – future profit participation	R0220	-	
Obligations arising from index-linked and unit-linked insurance	R0230	-	
Other obligations arising from life (re)insurance and health (re)insurance	R0240	-	
Total risk capital for all life (re)insurance obligations	R0250		-

Calculating the total MCR
€ thousands

		C0070
Linear MCR	R0300	676,554
SCR	R0310	2,105,479
MCR cap	R0320	947,466
MCR floor	R0330	526,370
Combined MCR	R0340	676,554
Absolute floor of the MCR	R0350	4,000
Minimum Capital Requirement	**R0400**	**676,554**