

ANNUAL REPORT 2019



ALLIANZ GLOBAL CORPORATE & SPECIALTY SE

Allianz 

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SUPERVISORY BOARD

NIRAN PEIRIS

Member of the Board of Management
Allianz SE, Dept. Global Insurance Lines
& Anglo Markets, Reinsurance, Middle East, Africa
Chairman

DR. HELGA JUNG

former Member of the Board of Management
Allianz SE (retired)
Deputy Chairperson

DR. BRIGITTE BOVERMANN

former Executive Vice President (retired)
Allianz SE

ROBERT FRANSSSEN

former Chief Executive Officer (retired)
Allianz Benelux

BERNADETTE ZIEGLER

Personnel Officer
Employee representative
up to 31 December 2019

JUDITH DOYLE

Underwriter
Employee representative
up to 15 August 2019

NISHMA TATE

Key Account Manager
Employee representative
as of 16 August 2019

BEATE HINZ

Underwriter
Employee representative
as of 1 January 2020

BOARD OF MANAGEMENT

JOACHIM MÜLLER

Chief Executive Officer
Chairman
as of 1 December 2019

CHRIS FISCHER HIRS

Chief Executive Officer
Chairman
up to 30 November 2019

ANDREAS BERGER

Chief Regions & Markets Officer – Region 1
up to 28 February 2019

SINÉAD BROWNE

Chief Regions & Markets Officer – Region 3

CLAIRE-MARIE COSTE-LEPOUTRE

Chief Financial Officer
as of 1 March 2019

BETTINA DIETSCHKE

Chief Operating Officer

NINA KLINGSPOR

Chief Financial Officer
up to 31 March 2019

HARTMUT MAI

Chief Regions & Markets Officer – Region 1
as of 1 April 2019
Chief Underwriting Officer Corporate
up to 31 March 2019

PAUL O'NEILL

Chief Underwriting Officer Specialty
up to 30 September 2019

WILLIAM SCALDAFERRI

Chief Regions & Markets Officer – Region 2

DR. THOMAS SEPP

Chief Underwriting Officer Corporate
as of 1 April 2019

REPORT OF THE SUPERVISORY BOARD

We continuously monitored the Board of Management's conduct of business on the basis of regular reports and we informed ourselves about the state of affairs in several meetings. We have examined the Annual Financial Statements and the Management Report, and concur with the findings of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, which issued an unqualified auditor's certificate for the Annual Financial Statements for fiscal year 2019 and the Management Report presented with it. In its meeting on 27 April 2020, the Supervisory Board approved the Annual Financial Statements prepared by the Board of Management, which are hereby confirmed.

Effective 1 March 2019, the Supervisory Board appointed Ms. Claire-Marie Coste-Lepoutre to the Board of Management. Ms. Coste-Lepoutre is responsible for the CFO Department. Effective 1 April 2019, the Supervisory Board appointed Dr. Thomas Sepp to the Board of Management. Dr. Sepp is responsible for the CUO Corporate Department. Effective 1 December 2019, Mr. Joachim Müller was appointed member of the Board of Management and CEO of the company.

Effective 28 February 2019, Mr. Andreas Berger resigned from his position as member of the Board of Management with the approval of the Supervisory Board. Effective 31 March 2019, Ms. Nina Klingspor resigned from her position as member of the Board of Management with the approval of the Supervisory Board. Effective 30 September 2019, Mr. Paul O'Neill resigned from his position as member of the Board of Management with the approval of the Supervisory Board. Effective 30 November 2019, Mr. Chris Fischer Hirs resigned from his position as member of the Board of Management and CEO with the approval of the Supervisory Board.

Munich, 27 April 2020

For the Supervisory Board:



Niran Peiris

Chairman

MANAGEMENT REPORT

The positive premium development of the company continued this year as well. Moreover, an improvement in the cost ratio was posted. However, due to the higher claims expenses, an underwriting loss exceeding that of last year was reported.

In addition to the renewal of existing business relationships and new business, the positive development in premiums was primarily attributable to higher premium rates, which benefited in particular the insurance lines Other Property Insurance and Marine Insurance. Greater fiscal year losses as well as higher run-off losses resulted in a net loss ratio slightly greater than the prior-year value. After taking the improved cost ratio into account, the resulting combined ratio is, at 105.0% (107.1%), lower in a year-on-year comparison.

Due to the broad diversification of our investments, we were able to generate a positive investment result of € 249.3 mn in 2019 as well. Our investments continue to contain high valuation reserves which have increased over the prior year.

AGCS SE ends the year 2019 with a loss absorption by Allianz SE in the amount of € 11.9 mn. Since the founding of the company in 2006, a total of nearly € 4 bn has been transferred to Allianz SE.

Development overview

The business of AGCS SE includes the national and international corporate business, as well as the international specialty insurance lines Marine, Aviation, Energy and Entertainment, in both the direct and the indirect insurance business.

With our global positioning and our extensive product range, AGCS Global is, at any time, in a position to offer appropriate insurance solutions in combination with comprehensive customer service. This includes competent worldwide service in case of loss events, cross-country solutions in the framework of international insurance programs, captive and fronting services, risk consulting and structured risk transfer solutions. In a market environment characterized by competitive pressures, the company steadfastly pursued its risk-adequate and selective underwriting and reinsurance policy and continued to invest in the global harmonization and optimization of its IT landscape.

Development of gross premiums written by country¹

€ mn	2019	2018	Difference
Germany	1,788	1,735	53
Great Britain	1,190	1,021	169
France	546	521	25
Spain	163	152	11
Singapore	156	150	6
Belgium	153	138	15
Italy	118	109	9
The Netherlands	115	98	17
Hong Kong	105	98	7
Denmark	54	53	1
South Korea	37	31	6
Sweden	36	27	9
Austria	30	31	-1
India	29	5	24
Total	4,520	4,169	351

¹The figures shown in the table have been rounded in line with commercial principles. The rounding may, in individual cases, lead to values in this table which do not up to the exact sum shown.

The company achieved an increase of gross premiums written by 8.4% to € 4.52 (4.17) bn. Our branch office in Great Britain once again contributed significantly to these results, with an increase in premiums of € 169.4 mn, primarily in the insurance lines Other Property Insurance as well as Marine and Aviation Insurance. The second-largest increase amounting to € 52.9 mn was posted at our head office and involved, in particular, the insurance lines Marine and Fire Insurance.

The increase in the net premiums earned of 13.4% to € 1.50 (1.32) bn essentially followed the development of the gross premiums written.

Gross expenses for insurance claims increased against the prior year by € 0.84 to reach € 3.50 (2.66) bn. This was due to gross claims expenses from fiscal year losses in the amount of € 3.14 (2.77) bn and run-off losses of € 0.36 (profit of 0.12) bn. This resulted in a higher balance sheet loss ratio year-on-year of 77.3 (66.0)%. After large parts of the gross claims expenses were transferred to the reinsurer, the net loss ratio increased only slightly in comparison, namely from 75.9 to 76.1%. Net fiscal year losses posted an increase of € 106.9 mn to reach € 1.08 (0.98) bn and run-off losses climbed to € 55.2 (loss 25.9) mn.

Although gross expenditure for the insurance business experienced a rise in the amount of € 57.3 mn to reach € 984.1 (926.8) mn, the robust premium development resulted in a lower gross cost ratio of 21.7 (23.0)%. Of the gross expenditure for the insurance business, € 828.1 (787.7) mn are attributable to acquisition costs and € 156.0 (139.1) mn to administrative expenses. Taking into account the reinsurers' participation in expenditure for the insurance business, the net cost ratio improved to 28.9 (31.1)%.

The claims equalization reserves and similar reserves required withdrawals of € 11.7 (withdrawal of 99.2) mn.

Overall, this led to an underwriting loss for own account of € 82.1 (loss of 7.4) mn.

In the following presentation, direct insurance and reinsurance assumed are discussed separately. Gross premium income in the direct insurance business increased in the reporting year by € 283.0 mn to € 2.42 (2.13) bn, while premiums in the indirect insurance business rose

by € 67.3 mn to € 2.10 (2.04) bn. The positive premium development in Other Property Insurance at our branch office in Great Britain as well as in Marine and Aviation Insurance at our branch office in Great Britain and at our headquarters in Germany exerted a particularly strong influence on the increase in premium volume in direct and indirect insurance business.

An analysis of the gross loss ratio shows an increase in direct insurance business to reach 84.3 (69.3)% and in indirect insurance business to 69.8 (62.6)%. This rise was shaped by run-off losses involving both the direct insurance business at € 226.5 (profit 79.7) mn and the direct insurance business at € 137.8 (profit 35.9) mn.

As a whole, underwriting loss for own account was essentially determined by lower income in direct insurance to € 105.1 (loss of 5.8) mn while a profit in the amount of € 23.0 (loss of 1.7) mn was generated in the indirect business.

The following comments on business developments are based on gross sales figures, and the underwriting results are stated for own account.

DIRECT INSURANCE BUSINESS

Premium income in **Personal Accident Insurance** fell by € 2.2 mn to € 6.8 (9.0) mn. Gross claims expenses in the amount of € 0.4 (expenses of 1.7) mn were influenced by run-off gains to the tune of € 3.5 (1.6) mn. As such, an improved loss ratio of 4.3 (19.6)% was achieved despite higher expenditure for fiscal year losses which amounted to € 3.9 (3.3) mn. The underwriting profit of € 2.6 (profit of € 2.3) mn was above the prior year level.

Liability Insurance posted an increase in gross written premiums amounting to € 35.3 to 950.7 (915.4) mn during the reporting year. Due to an increase in gross claims expenses in the amount of € 279.5 to 968.1 (688.6) mn, essentially resulting from a gain in fiscal year losses, the loss ratio climbed to 104.3 (78.9)%. A withdrawal from the equalization reserve and similar reserves of € 1.9 (withdrawal of € 38.3) mn gave rise to an underwriting loss of € 62.2 (profit 21.3) mn.

Premium income in the insurance lines **Automotive Liability Insurance** and **Other Automotive Insurance** decreased by € 0.8 mn from the prior year to € 22.1 (22.9) mn. As in the previous years, this business was mainly written by the Hong Kong branch office. Claims expenses declined from € 34.3 mn in the prior year to € 21.5 mn in the fiscal year, thereby resulting in an improvement in the loss ratio to 100.2 (144.5)%. The insurance line achieved an underwriting profit amounting to € 1.8 (loss 4.6) mn.

Gross premium income in the insurance line **Fire Insurance** and **Other Property Insurance** rose by € 140.8 mn, resulting in a total premium volume of € 703.9 (563.1) mn. Fire Insurance contributed towards this result with premium growth of € 39.6 to 238.8 (199.2) mn. The gross loss ratio fell to 87.7 (97.0)% mn while gross claims expenses experienced a decline in the amount of € 5.2 to 187.3 (192.5) mn. After an allocation to the equalization reserve and similar reserves of € 19.3 (withdrawal of € 61.8) mn, the insurance line posted an underwriting loss of € 24.3 (loss of € 8.0) mn. Other Property Insurance posted premium growth of € 101.2 to € 465.1 (363.9) mn, to which the branch office in Great Britain made a substantial contribution. As such, this resulted in an improved loss ratio of 55.5 (58.6)% despite an increase in claims expenses of € 50.6 mn to reach € 256.8 (206.2) mn year-on-year. After an allocation to the equalization reserve and similar reserves of € 0.3 (allocation of 0.1) mn, Other Property Insurance posted a loss of € 16.0 (loss of 20.3) mn. Overall, the insurance line Fire Insurance and

Other Property Insurance ended the year with an underwriting loss of € 40.3 (loss of 28.3) mn. The allocation to the equalization reserve and similar reserves amounted to € 19.6 (withdrawal of € 61.7) mn.

Premium income in **Marine and Aviation Insurance** increased to € 536.1 (447.4) mn in the reporting year. Marine Insurance contributed towards this increase with gross premium income amounting to € 287.0 (243.5) mn. Substantially influenced by the development of the fiscal year losses, gross claims expenses climbed to € 258.7 (172.7) mn and resulted in a gross loss ratio of 89.3 (73.9)%. The insurance line closed the reporting year with an underwriting loss of € 18.2 (loss of 7.8) mn after a withdrawal from the equalization reserve and similar reserves amounting to € 25.7 (allocation of 12.9) mn. Aviation Insurance recorded an increase in premium income by € 45.3 mn to € 249.1 (203.8) mn. Gross claims expenses experienced a increase, primarily due to a deterioration of the run-off result of € 132.1 to 187.7 (55.6) mn. Following a withdrawal from the equalization reserve and similar reserves in the amount of € 3.4 (allocation of 5.4) mn, the insurance line posted an underwriting loss of € 1.0 (profit of 6.6) mn. Overall, the insurance line Marine and Aviation Insurance registered an underwriting loss of € 19.2 (loss of 1.2) m after a withdrawal from the equalization reserve and similar reserves amounting to € 29.1 (allocation of 18.3) mn.

In the insurance line **Other Insurances**, gross premium income increased by € 19.3 mn to € 191.5 (172.2) mn. Gross claims expenses climbed by € 39.8 to 97.8 (58.0) mn, as a result of which the low loss ratio grew to 57.3 (42.6)%. After an allocation of € 0.3 (allocation of 0.01) mn to the equalization reserve and similar reserves, an underwriting profit of € 14.2 (profit of € 9.7) mn was posted.

REINSURANCE BUSINESS ASSUMED

Personal Accident Insurance posted premium growth of € 0.4 to 6.8 (6.4) mn during the fiscal year. As in the prior year, run-off gains in the amount of € 4.3 (profit of € 1.4) mn resulted in returns from claims expenses of € 2.1 (returns of € 0.1) mn, which led to a loss ratio of -29.4 (-1.2)%. Personal Accident Insurance generated underwriting profits in the amount of € 5.8 (profit of 2.8) mn.

Gross premium income in **Liability Insurance** came to € 568.0 (636.1) mn in the reporting year, which was lower than the value for the prior-year period by € 68.1 mn. The increase in gross claims expenses by € 329.7 to 667.7 (338.0) mn was essentially the result of higher prior-year claims expenses at the German head office. This led to a gross loss ratio of 110.3 (56.7)%. Large portions of the gross claims expenses were, however, passed on to the reinsurer. Following a withdrawal from the equalization reserve and similar reserves in the amount of € 36.5 (allocation of 47.7) mn, the underwriting loss year-on-year was reduced to € 4.8 (loss of 48.4) mn.

Gross premium income in Fire Insurance and Other Property Insurance increased by € 73.8 to 1,007.6 (933.8) mn, of which Fire Insurance generated gross premium growth of € 21.8 to 379.8 (358.0) mn. At the same time, gross claims expenses were reduced by € 355.1 to 52.0 (407.1) mn, primarily due to lower fiscal year losses. As a result, the gross loss ratio improved to 13.9 (116.0)%. An allocation to the equalization reserve and similar reserves of € 8.9 (withdrawal of € 28.7) mn resulted in an underwriting profit of € 40.3 (loss of 3.5) mn. Gross premium income from Other Property Insurance attained a level of € 627.8 (575.7) mn. A increase in gross claims expenses in the amount of € 131.1 to 411.8 (280.7) mn resulted in a higher loss ratio of 63.9

(49.9)%. After an allocation to the equalization reserve and similar reserves amounting to € 18.2 (withdrawal of 31.7) mn, the insurance line posted an underwriting loss of € 35.2 (profit of 37.3) mn. Overall, the insurance line Fire Insurance and Other Property Insurance ended the year with an underwriting profit of € 5.1 (profit of 33.8) mn, after an allocation to the equalization reserve and similar reserves in the amount of € 27.1 (withdrawal of 60.4) mn.

Marine and Aviation Insurance generated gross premium income of € 344.1 (292.0) mn. In the insurance line Marine Insurance, premium income at € 168.4 (119.1) mn was below the prior year level of € 49.3 mn. Gross claims expenses increased by € 27.3 mn to reach € 94.2 (66.9) mn. After an allocation to the equalization reserve and similar reserves in the amount of € 2.0 (withdrawal of 1.0) mn, the underwriting loss in this insurance line fell to € 3.5 (loss of 14.6) mn year-on-year. In Aviation Insurance, gross premium income amounted to € 175.7 (172.9) mn. Gross claims expenses of € 210.7 (76.4) mn were above the prior year level. This value was materially impacted by higher fiscal year losses, particularly at the German head office. This led to an increase in the gross loss ratio to 109.9 (44.6)%. Given that large portions of the gross claims were passed on to reinsurers, an underwriting profit of € 9.3 (profit of 5.2) mn was posted following an allocation to the equalization reserve and similar reserves in the amount of € 6.8 (withdrawal of 3.5) mn. Overall, the insurance line's underwriting result closed the reporting year with a profit of € 5.8 (loss of 9.4) mn following an allocation to the equalization reserve and similar reserves in the amount of € 8.8 (withdrawal of 4.5) mn

Gross premiums written in **Other Insurance** rose above the prior-year level to reach € 178.1 (169.1) mn. Gross claims expenses gained € 6.2 mn to 84.2 (78.0) mn. Following a withdrawal from the equalization reserve and similar reserves in the amount of € 0.2 (withdrawal of 0.4) mn, the insurance line generated an underwriting profit of € 11.1 (profit of 19.5) mn.

REINSURANCE BUSINESS CEDED

In the fiscal year, the company once again ceded parts of its insurance business to certain Group companies and external reinsurers.

Depending on risk tolerance or available capacity, the reinsurance strategy calls for the placement of a part or all of the individual risks in the reinsurance market through facultative reinsurance. The business remaining with AGCS SE after these facultative cessions is protected by a global coverage program that consists of various proportional and non-proportional contractual reinsurance covers based on individual risks as well as accumulation cover. The reinsurance structure was maintained in 2019 with few changes.

The entire direct and assumed business at our German head office has, since 1 January 2015, been covered by a quota reinsurance contract, under the terms of which 100% of this portfolio is ceded to Allianz SE. This contract was renewed in 2019.

The largest part of the business ceded to other Group companies was assumed by Allianz SE. In addition, the company ceded premium volume to external companies as well, predominantly to European reinsurers.

The development of the gross premiums written which were ceded to the reinsurers followed the trend set by the gross premiums written and was, at € 2.99 (2.78) bn, above the previous-year level. With respect to premiums written, the retention ratio increased to 33.1 (32.8)%. The reinsurance balance reported lower returns, thus amounting to € 118.0 (return of 536.4) mn in favor of the reinsurers.

FURTHER INFORMATION ON THE MANAGEMENT REPORT

The various insurance lines and types offered are presented in detail on [page 45](#).

INVESTMENT STRATEGY

AGCS SE continued its investment strategy in 2019. The company's objective is to generate as high a return as possible while limiting the risk. By spreading investments over many different investment segments and currencies, it was possible to stabilize investment income in 2019 as well.

Due to the company's financial liabilities from the insurance business, the predominant part its portfolio is invested in fixed-interest securities. The average maturity of the fixed-interest investments remained unchanged in a year-on-year comparison. Fixed-income investments are concentrated on corporate bonds as well as international government and bank bonds. In accordance with the liabilities from the insurance business, these are broadly diversified internationally.

To ensure an attractive return on its investment portfolio over the long-term, the company continues to maintain the broad diversification of its portfolio. At the end of the year, the share of corporate bonds in the overall portfolio was 30.6 (31.9)% (based on market values). 12.0 (9.3)% were invested in bonds from emerging countries. In addition, 9.4 (9.2)% of the portfolio were invested in government and corporate bonds in Singapore and Hong Kong to cover liabilities of the local branch offices. New investments in the area of direct loans increased by € 63.5 mn net. Real estate investments increased by € 50.7 mn net, of which € 47 mn were new investments. At the end of fiscal year 2019, the share of stocks in the portfolio was 13.8 (11.7)% (based on market value), taking into account hedging provisions and stock futures.

The risk situation with respect to the capital base as well as the coverage of the financial liabilities with qualified investments is assessed from three perspectives: external and regulatory requirements on the one hand and internal risk capital requirements on the other. For both areas, stress test models which are integrated into an early warning system are used. These model calculations are performed on an ongoing basis and the company's investments passed all of them without exception in the reporting year.

AGCS SE pursues a matching-cover investment strategy in foreign currencies.

DEVELOPMENT OF THE INVESTMENTS AND OF THE INVESTMENT RESULT

Development of the investments and of the investment result

€ mn

	2019	2018
INVESTMENT PORTFOLIO		
Investments in affiliated enterprises and participations	2,489.3	2,375.5
Directly held properties	75.7	76.7
Stocks, investment fund units and other variable income securities	2,403.2	2,445.0
Bearer bonds	2,178.2	2,063.3
Mortgage loans	52.0	71.8
Other loans	168.0	176.0
Deposits with credit institutions	84.7	37.9
Deposit receivables	75.5	80.6
Total	7,526.6	7,326.8
NET INVESTMENT INCOME/LOSS		
Current investment income	165.4	194.5
Gains on the disposal of investments	79.8	95.2
Losses on the disposal of investments	0.7	9.1
Gains from write-ups on investments	29.0	13.7
Value adjustments on investments	5.5	28.5
including bearer bonds	3.6	26.2
Investment management expenses and interest expenses	20.4	10.0
Gains from profit transfer agreements	3.0	1.5
Costs of loss absorption	1.4	0.0
Total	249.2	257.2
VALUATION RESERVES ON INVESTMENTS		
Valuation reserves	1,347.0	815.0
Unrealized losses	3.7	4.6
Investments in affiliated enterprises and participations	501.4	408.8
Directly held properties	66.4	45.4
Stocks, investment fund units and other variable income securities	637.5	284.1
Bearer bonds	123.2	63.3
Mortgage bonds	2.7	1.7
Other loans	12.2	7.0
Total	1,343.3	810.4

Compared to the outlook, the net investment income saw a considerable improvement in 2019. This is essentially attributable to higher gains from the disposal of investments and greater write-ups. Within the current income, the dividends generated from affiliated enterprises were higher than planned; at the same time, distributions from special funds resulted in lower gains than expected.

The reserve ratio, i.e. the percentage of valuation reserves in relation to the book value of total investments, stood at 17.8 (11.2)% at the end of the year.

As an essential component of financial planning in general, liquidity planning is based on liquidity flows which primarily comprise expected premiums, claim payments, costs, capital gains, taxes as well as profit transfers and dividends. Strategic and tactical investment planning as well as own-fund planning also constitute material elements. Liquidity flows from both operational business and investments.

OTHER NON-UNDERWRITING BUSINESS

Other non-underwriting business generated a loss of € 131.6 (65.6) mn, which was primarily due to exchange rate developments of the US Dollar and the British Pound with respect to the Euro.

The overall result of the non-underwriting business thus amounted to € 117.7 (191.6) mn.

OVERALL RESULTS

Tax charges for the reporting year (including intra-group charges) came to € 47.5 (94.2) mn.

On the whole, business developed less favorably in 2019 than in the prior year. The overall result after taxes is a loss in the amount of € -11.9 (profit of € 89.9) mn. This loss is compensated for by Allianz SE based on the existing control and profit transfer agreement.

CORPORATE AGREEMENTS

Allianz SE is the sole shareholder of AGCS SE, and a control and profit transfer agreement is in place between the two companies.

BRANCH OFFICES

AGCS SE maintains branch offices in:

- London, Great Britain
- 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.

Outsourcing of functions

TRANSFER OF RESPONSIBILITIES

Accounting functions are primarily provided to the company by the CFO - Accounting unit at the Munich location.

The accounting functions of the foreign branch offices are handled by the company in part locally and in part centrally in Munich. In addition, support activities are performed in Bucharest.

The collection functions are primarily provided to the company at the Munich location, as well as in London, Paris, Antwerp and Trivadrur (India).

For the branch office in Milan, these functions are rendered by the local Allianz company.

INVESTMENTS AND ASSET MANAGEMENT

Investment and asset management functions have been transferred to the following based on pertinent service level agreements:

- Allianz Deutschland AG, Munich

- Allianz Investment Management SE, Munich,

as well as certain sub-areas to the following, amongst others:

- PIMCO Deutschland GmbH, Munich
- PIMCO LLC, Newport Beach, USA
- Allianz Global Investors Kapitalanlagegesellschaft mbH, Frankfurt/Main
- Allianz Global Investors Singapore Ltd, Singapore
- Allianz Real Estate GmbH, Munich, and
- Allianz Capital Partners GmbH, Munich.

INFORMATION TECHNOLOGY

Computing center services as well as printing and IT services are provided to AGCS SE by Allianz Technology SE.

Employees

Personnel management at AGCS SE is strictly aligned with the strategic objectives of the Allianz Group.

AGCS SE places particular focus on the communication of new ideas, technology and modes of conduct gleaned from the "Working World 4.0" to the individual teams, and on the preparatory tasks in relation to the challenges of new working tasks. With comprehensive training offers, workshops and self-learning tools, as well as a series of high-profile events and management training sessions, the first important steps were taken towards preparing employees and managers for the new working world. In addition, a new change-agent network has been set up in Germany, Austria and Switzerland. As advisors to the managers, the change agents will be providing support during the pending change processes in the future. We are convinced that, with these measures - in combination with our many efforts in the area of recruiting (see below) as well the additional initiatives in the region, our employees are being well-prepared to meet the challenges of the future working world.

As part of our leadership principles, we have committed ourselves to offering our employees a flexible and inspiring working environment, which allows them to develop their talents while combining their work and private lives. In order to support our employees in their health and well-being, we also offer an extensive range of resilience-training initiatives, which are, in particular, used within the scope of team development measures. Within the framework of our annual employee survey, we regularly review the well-being of our employees and initiate appropriate measures. We use these and other measures to make employees aware of the mindful use of their personal resources. Following a longer pilot phase, we were able to conclude a Central Works Council/Employer Agreement on mobile working at the end of 2018 in order to provide our employees with the necessary flexibility to combine their professional and personal lives. This offer is now in place at all locations and is well received by the employees.

We were also able to step up our recruiting initiatives in 2019. In this conjunction, the focus lay on the active use of social networks and the expansion of the Employee Referral Program, which included a new recruiting webinar on "Social Media Recruiting" for managers. Moreover, processes were continuously optimized and simplified in order to ensure increased efficiency in terms of recruiting and onboarding. A unified global Allianz career website and the constant further

development of our attractive web presence in order to win over new talents created a conducive environment, such that we are now well-equipped when competing for talents on the market. In addition to the already existing global Talent Management with sponsorship and mentoring programs, we strengthened our cooperation with external partners in 2019 to attract young talents to AGCS SE and support young high-potential individuals in leadership positions. Via several in-house events and trade fair visits within the scope of marketing in further education institutions, we were able, once again, to win over promising new talents for the company. In addition, our BA student program has been a permanent fixture in our talent recruiting drives.

We also set particular store by a diverse workforce. Under the motto "Diversity of Minds", we promote diversity throughout AGCS SE in a targeted manner and ensure that nobody is discriminated against in the company, particularly not for reasons of origin, religion, gender, disability, age or sexual orientation. The Diversity & Inclusion Council, which convenes regularly, deliberates on measures and initiatives for all target groups. Most recently, the focus was trained on, amongst others, training offers for long-serving employees.

AGCS SE uses the instrument of regular surveys of all employees and managers worldwide (Allianz Engagement Survey) to identify the need for optimization and to define and implement the measures required.

At the end of 2019, AGGC SE had a total of 2,625 employees.

Facts and figures

	2019	2018
Employees²	2,625	2,555
including full-time staff	2,556	2,501
including other employees (temps and interns)	69	54
Share of women %	49	48
Share of men %	51	52
Share of full-time staff %	86	87
Share of part-time staff %	14	13
Age (average in years)	42.7	43.0
Time with the Group (average in years)	11.5	11.8
<small>2_including dormant employee contracts</small>		

Statement on Corporate Management pursuant to § 289a (4) in conjunction with (2) no. 4 HGB

To implement the German Act on Equal Participation of Women and Men in Executive Positions in the Private and the Public Sector, AGCS has set the following objectives for the proportion of women. The deadline for achieving all of these objectives has been set uniformly as of 31 December 2021.

- The objective for the proportion of women on the Supervisory Board is 30% (actual proportion at 31 December 2019: 67%).
- The objective for the proportion of women on the Board of Management is 30% (proportion at 31 December 2019: 43%).

- The objective for the proportion of women at the first management level below the Board of Management is 20% (proportion at 31 December 2019: 22%).
- The objective for the proportion of women at the second management level below the Board of Management is 24% (proportion at 31 December 2019: 30%).

The primary concern of AGCS SE in this respect is not just meeting statutory requirements. The company can be successful over the long term only if it provides equal career opportunities to women and promotes women to leadership positions based on their performance. AGCS SE made a commitment to promoting diversity within the company early on. A corresponding framework in place has already been put in place, and HR processes adjusted accordingly. Various measures have also been implemented in this conjunction. Besides measures to allow employees to strike a better balance between work and family life, these schemes range from a global talent management initiative featuring sponsorship and mentoring programs to training sessions on "unconscious bias".

Statement concerning the non-financial report pursuant to § 289b (2) sentence 3 HGB

Allianz SE and the Allianz Group meet the legal requirement for filing a non-financial report and a non-financial group report pursuant to § 289b (1) and 315b (1) HGB by publishing a combined separate non-financial report for Allianz SE and the Allianz Group pursuant to § 289b (3) and 315b (3). This report can be found in the 2019 Annual Report for the Allianz Group (www.allianz.com/annualreport).

The publication of this combined non-financial report dispenses AGCS SE from publishing its own report according to § 341a (1a) sentence 3 and 289b (2) sentence 1 HGB.

RISK REPORT

Assuming and managing risk is part of the business model of AGCS SE. Well-developed risk awareness and the careful weighing of opportunities and risks are therefore an integral part of the company's business processes. The key elements of the risk management of AGCS SE are:

- a strong risk management culture, promoted by a solid risk organization and effective risk governance,
- comprehensive risk capital calculations with the objective of protecting the capital base and supporting effective capital management,
- the integration of capital needs and risk considerations into the decision-making and management process.

This comprehensive approach makes sure that risks are adequately identified, analyzed and evaluated. The risk propensity is described in the risk strategy and made operational by the limit system contained therein. In addition, further limits are substantiated and detailed in specific standards and directives. Strict risk control and the corresponding reports ensure the early detection of any possible deviations from the risk tolerance.

Based on AGCS SE's current risk assessment, there are no risks that threaten the company's existence. AGCS SE sees opportunities if these risks do not materialize.

Opportunities

The combination of financial soundness and continuous productivity growth as well as process optimization makes AGCS SE more resilient, thereby enabling it to benefit from new opportunities, even in a business environment that is in a state of rapid flux:

- Thanks to its global network, AGCS SE is one of the very few global insurers to focus exclusively on the needs of global corporate and specialty clients. The network comprising Allianz offices in over 70 countries as well as network partners at other locations allows us to serve clients in more than 200 countries and jurisdictions around the globe.
- AGCS SE finds itself among the highest ranking industrial insurers according to international rating agencies. (S&P: AA, AM Best: A+). A particular strength of the company lies in its portfolio-wide diversification in terms of regions and risk types; it allows AGCS SE to make available capacities for the highest and most complex of risks.
- When it comes to risk assessment and portfolio steering, we rely on our sound knowledge of the industry and technical insurance expertise. AGCS SE aims to expand its risk-assessment skills with innovative data analysis and artificial intelligence in order to be able to better identify and assess future risks with the aid of predictive modeling.
- AGCS SE will also be systematically using new forms of technology such as machine learning, artificial intelligence, the Internet of Things or distributed ledgers (Blockchain) at the interface to customers as well in order to simplify and expedite the exchange of information and operative workflows.

- When it comes to the greatest business risk of the digital era, namely cyber-attacks and IT failures, AGCS SE offers a series of insurance solutions, which includes independent specialized cyber insurances with access to a number of services in a crisis situation, as well as cyber insurance elements as part of traditional P&C insurance. Other new risks such as reputation are also covered by the innovative solutions provided by AGCS SE.

In a constantly developing market environment, which also includes ever-changing customer requirements, our extensive knowledge of the industry, innovative insurance solutions and in-depth know-how in the areas of risk transfer and management offer immense opportunities to create customer-oriented solutions and to continue to establish ourselves as one of the leading providers on the industrial insurance market.

STRUCTURE OF THE RISK ORGANIZATION

The responsibility for risk management within the Board of Management lies with the Chief Financial Officer (CFO). The Chief Risk Officer (CRO), who reports to the CFO, monitors the risks assumed both intentionally and unintentionally, and regularly informs the Board of Management of AGCS SE about risk-relevant developments, the current risk profile and capital adequacy. In addition, the CRO makes sure that appropriate measures are taken, for instance in cases where the reduction or avoidance of a risk position is required, and the CRO is responsible for the continued development of the risk management processes.

As an independent risk control function, the Risk Management Department systematically monitors identified risks by means of qualitative and quantitative risk analyses and evaluations and ensures the regular or – if necessary – spontaneous reporting of essential risks to the Board of Management and to Allianz SE.

Headed by the Chief Financial Officer, the AGCS SE Risk Committee examines all relevant risks on a quarterly basis and agrees on measures for risk mitigation and the continued development of the risk management processes. The Chief Executive Officer, the Chief Financial Officer, the Chief Underwriting Officer Corporate, the Chief Underwriting Officer Specialty, the Chief Operating Officer and the Chief Regions and Market Officer - Region 1 who are members of the Board of Management, are also members of the AGCS SE Risk Committee, which ensures close cooperation and interaction between risk control and the Board as a whole. The Chief Risk Officer is a member of all of the company's key committees: Portfolio Board, Local Investment Management Committee, Loss Reserve Committee, Underwriting Committee, Risk Committee as well as the Reinsurance Committee.

The risk management of AGCS SE is tied into the risk control system of the Allianz Group. Its binding guidelines are the Group Risk Strategy and the Group Risk Policy set down by Allianz SE as well as additional directives for risk management and the modeling of internal risk capital requirements. The controlling body for the risk management of AGCS SE is the Group Risk unit of Allianz SE. Other internal and external control functions are vested in the Supervisory Board, Legal & Compliance as well as Internal Audit.

RISK STRATEGY AND RISK REPORTING

The AGCS Risk Policy defines the risk categories at AGCS SE to be monitored. The risk strategy based on this is described by the company's risk tolerance, which is quantified in the risk strategy via the target capitalization ratios. Detailed separate limits for each risk category are then set in further guidelines to which the risk strategy refers.

The quarterly Risk Report provides information about risk indicators defined within the framework of the limit system and the corresponding threshold values and is used by management for the systematic control of the current risk profile. On the basis of this information, the AGCS Risk Committee decides on the implementation of risk mitigation measures. After its review by the AGCS SE Risk Committee, the Risk Report is circulated to the Board of Management, senior management and Allianz SE.

To determine the risk capital requirements according to Solvency II, AGCS SE uses the Allianz Group's internal model, which was approved by the German Supervisory Authorities on 18 November 2015.

The company is in full compliance with current regulatory requirements (Solvency II). The current risk situation is within the company's risk-bearing capacity.

The solvency ratio remains comfortably within the company's risk tolerance throughout the entire planning period. In planning the future development of the company, AGCS SE takes into account a three-year time horizon.

RISK CATEGORIES AND CONTROL MEASURES

The German Federal Financial Supervisory Authority (BaFin) defines binding requirements with regard to risk management. For grouping its risks, AGCS SE uses internal categories which comply with the requirements within the framework of Solvency II. As a basic principle, the risks of AGCS SE are monitored by means of structured identification and assessment processes. This comprehensive approach makes sure that risks are adequately identified, analyzed, assessed and managed. In order to assess the risks qualitatively, various scenarios such as pandemics, business interruptions and stock-market crashes are considered in terms of their potential impact on AGCS SE.

In particular, AGCS SE monitors and controls:

- Underwriting risk, which is subdivided into premium, i.e. the risk that insurance premiums will not be sufficient to cover future losses, and reserve risk, i.e.; the risk that existing losses will result in run-off losses with respect to the loss reserves constituted. Premium risk is further subdivided into risk of natural catastrophes, terror risk as well as other premium risks.
- Market risks, i.e. the risk of market value fluctuations differentiated by type of investment. The material risks are interest risk, currency risk, stock risk and credit spread risk.
- Credit risks (including country risks) such as the counterparty risk arising from the insolvency or liquidity shortages of reinsurers, policy holders, insurance brokers and security issuers, as well as reliability risks due to losses stemming from debtors' impaired creditworthiness.
- Operational risk: Risk that arises from inadequate or failed internal processes and controls. It may be caused by technology, employees, the organization or by external influences as well as legal and compliance risks.

Non-quantifiable risks are monitored by means of a structured identification and assessment process. These risks are:

- Liquidity risk, which is defined as the risk that payment obligations cannot be met when they become due.
- Strategic risk: Risk resulting from strategic business decisions. This includes risks caused by business decisions that are not adapted to a changed economic environment.
- Reputational risk: The risk that arises from possible damage to an undertaking's reputation as a consequence of negative public perception.

Premium risks are controlled by means of underwriting guidelines, among others. These underwriting guidelines limit the insurance or liability amount per contract. To take into account the volatility of the different insurance lines, the underwriting guidelines vary as a function of the insurance line concerned.

Reinsurance plays an important role in controlling the premium risk. In accordance with existing underwriting ceiling, limits and retention management principles, which reflect the risk tolerance of AGCS SE and are regularly reviewed, peak risks are ceded by way of facultative reinsurance and treaty reinsurance. In addition, premiums are based on specially developed rates, which make use of current experience and actuarial methods.

All three partial models of premium risk take into account underwriting ceilings and the existing reinsurance protection.

Event losses caused by natural catastrophes, which concern several risks, represent a special challenge for risk management. To control such risks and estimate their potential impact, we use special modeling techniques based on probability. These involve the correlation of information on the portfolios – for example the geographic risk distribution as well as the value and nature of the insured objects – with simulated natural disaster scenarios to estimate potential damages. This approach makes it possible to determine possible damage impacts and frequencies. The underlying models, which are mainly supplied by external providers, are regularly upgraded, while AGCS SE internally extends the coverage of modeled scenarios to the extent possible and continually improves the level of detail and the quality of the underlying data. Where such models do not yet exist or are not licensed, risk model assumptions are made on the basis of the ensured exposures or the existing loss experience. The exposure to natural catastrophes is controlled by means of a global limit system, the visualization of accumulations and the control of possible effects of damage. The insights gained this way are used to optimize the portfolios and, if possible, to limit the underwritten risk or to calculate the capital efficiency of a risk transfer toward the reinsurance market.

Other event risks caused by humans as well as the terrorism risk are modeled with the help of scenarios on the basis of existing exposures, while the model for other losses is based on the expected business volumes in combination with the company's own loss models.

Reserve risks concern the settlement of already existing claims. This includes both the settlement of claims already known as well as late claims not yet known. By means of actuarial models based on the claims history observed, which are also used to determine expected payouts, the degree of insecurity in the reserves estimate is determined.

Market risks: The investments of AGCS SE are centrally managed by the specialists of Allianz Investment Management SE. The investment strategy is aligned with the needs of the asset-liability management of AGCS SE. The investment strategy is implemented by Allianz Investment Management SE within the framework of an investment risk and limit system established by AGCS SE. This risk and limit system is adjusted annually and adopted by the AGCS SE Risk Committee.

The efficient implementation of the investment strategy also involves the use of derivatives and structured products to a limited extent.

The investments of AGCS SE are broadly diversified according to type of investment (shareholdings, stocks, fixed-income securities, real estate), solvency and countries. A continuous risk analysis is performed by investment management. AGCS SE holds a well diversified investment portfolio within clearly defined risk limits. By means of various stress scenarios, AGCS SE regularly monitors the sensitivity of the portfolio with respect to market changes.

Market risks from derivatives are assessed and controlled by means of up-to-date value-at-risk calculations, stress tests and the setting of limits.

Due to the international orientation of the business of AGCS SE, large parts of the reserves are constituted in foreign currencies. Overall, the foreign currencies of the insurance reserves including unearned premiums amount to approximately 51.2%. The primary exposures are in USD (28.3%) and GBP (17.3%). AGCS SE actively controls the currency risks resulting from this situation. This process takes into account all balance sheet items subject to currency conversion. This includes provisions as well as all receivables and liabilities and investments in foreign currencies. In addition to using foreign investments to hedge currency exposure, the company also uses FX derivatives within precisely defined limits to obtain an effective and timely minimization of currency risks. Currency risks are controlled on the basis of monthly data.

To be able to cope with possible liquidity risks that might arise nonetheless, AGCS SE invests a large part of its investments in highly liquid government bonds, and the insurance commitments are to a large extent backed by funds with matching maturities. Constant surveillance is ensured through rolling wave planning of short-, medium- and long-term liquidities and by continuous liquidity and cash-flow analyses.

Credit risks: The issuers of the fixed-income investments of AGCS SE are predominantly governments and banks. The company has set limits with respect to minimum rating classes and in view of concentration risks. Of the total investments, 41.6 (42.7)% are fixed-income investments in government bonds. Corporate bonds account for 42.5 (43.1)%. 91.3 (92.6)% of the investments are made in the investment grade area. Investments in different currency areas are determined by the structure of the liabilities.

Credit limits are centrally controlled by Allianz SE, and the compliance in this respect is monitored by AGCS SE. AGCS SE assigns credit limits on the basis of the economic capital, taking into account the risk-bearing capacity.

For the quantification of the credit risk resulting from reinsurance, the company uses information on ceded reserves compiled Group-wide. To minimize the credit risk with respect to reinsurance partners, only business partners that offer excellent collateral are considered. At 31 December 2019, approximately 61% of the reserves of AGCS SE

were ceded to reinsurers within the Allianz Group, and the rest to external reinsurers. The reinsurers' credit ratings are monitored on a continuous basis. The reinsurance exposure is reviewed twice annually (based on the exposures as per the end of June and end of December respectively), most recently in September 2019 based on the exposure data as per 30 June 2019. It showed that 80% of the company's reserves were ceded to reinsurers that had been assigned at least an "A" rating by Standard & Poor's. Setting aside captives and pools, which, for the most part, have no ratings of their own, 92% of the reserves were ceded to reinsurers with at least an A rating. Since pools have no ratings of their own, cessions are made only after a special investigation has determined that the participating reinsurers meet the Allianz-internal minimum requirements for reinsurance partners and explicit approval by a team of experts has been obtained. In addition, letters of credit, deposits and other financial measures to further minimize the credit risk may be requested.

At 31 December 2019, total third-party receivables with due dates exceeding 90 days amounted to € 208.9 mn (not including explicit write-offs for impairment). The average default rate for the past three years was 0.4%.

Operational risks: The Allianz Group, including AGCS SE, defines operational risks as unexpected losses which arise because of inadequate or faulty internal business processes, inappropriate human behavior or errors, or due to external events. This definition covers legal risks, compliance risks and financial reporting risks. It does not, however, 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. Contrary to most of the other risk types, they materialize suddenly and unexpectedly and can have significant impact on the balance sheet, profits, business objectives, business activities or the reputation of AGCS SE.

The risk management system for operational risks is based on the Three-Lines-of-Defense model of the Allianz Group. The employees of AGCS SE are, as a basic principle, aware of potential operational risks, and they support the control and management of these risks by taking them into account in their daily business. In the framework of a positive risk and control culture, it is assumed that specifically the decision makers will make transparent all identified weaknesses and risks so that the necessary countermeasures can be taken in due time.

The AGCS SE risk management system for operational risks was specifically developed to learn from past risk event and to avoid future surprises from operational risks, i.e. to prevent the occurrence of operational risks outside of the risk tolerance of AGCS SE.

First of all, one needs to gain an understanding of what could possibly go wrong. This is done in two respects:

- In retrospective, operational risk events are continually analyzed and their causes are determined. This also takes into account external operational loss data made available by Allianz SE.
- Looking forward, concrete scenarios with potentially negative effects are analyzed and assessed in expert working groups on an annual basis.

Operational risks are reduced via a series of appropriate and effective permanent counter-measures, i.e. via controls for the respective risks.

Such controls are defined as “key controls” if the actual risk were significantly greater without the key controls.

Due to the importance of key controls, their quality is assessed in a structured manner, i.e. key controls are regularly tested in order to ensure that (1) they are properly designed to mitigate the intended risks, and (2) they are effectively implemented. This is done within the framework of the AGCS SE internal control system.

The internal risk capital model of AGCS SE determines the risk capital for operational risks. This capital functions as a buffer for the company in the event of extreme financial losses from unexpected operational risk events such as the failure of key controls. In addition, for important operational risks, indicators and limits were developed to determine the risk tolerance of AGCS SE.

Major IT projects are analyzed and steered with regard to their risks with the aid of a structured assessment technique in line with the requirements set forth by Allianz SE. In this conjunction, both the implementation phase and possible consequences following implementation are taken into consideration. Material results are also reported within the context of the AGCS top risks. Some of these projects are also aimed at replacing legacy systems in the USA and the continued implementation of the target IT architecture. A dedicated committee steers the risks in connection with the replacement of legacy systems.

Important activities supplement and support the risk management system of AGCS SE for operational risks. These are controlled by functions outside of risk management and include:

- compliance initiatives covering anti-fraud, anti-corruption, anti-trust, economic sanctions, regulations for (non-permissible) cross-border business, capital-market compliance, money laundering and terrorism financing, sales compliance and data protection
- emergency management
- AGCS SE procurement activities, including outsourcing
- information security initiatives.

Other, non-quantifiable risks such as strategic and **reputational risks** are assessed and evaluated in qualitative terms as part of a Top Risk Assessment at least once a year. In addition to monitoring risks stemming from the present economic context, the assessment also made sure that strategic business decisions were effectively implemented.

Reputational risks are controlled by AGCS SE by including all potentially concerned functions such as Underwriting, Communications, and the Legal Department. To avoid risks resulting from possible damage to the company’s reputation due to negative public perception of the company’s actions, isolated critical cases are subject to a rigorous review process that actively involves the Communication Department as well as Risk Management, if required.

OWN RISK AND SOLVENCY ASSESSMENT (ORSA)

An essential component of the risk management system of AGCS SE is the company’s own risk and solvency assessment.

The company’s risk and solvency situation is summarized as least once per year in a separate report, which, in addition to the results of the regular risk reporting, includes in particular the company’s assessment of the:

- appropriateness of the risk strategy for the business strategy,
- permanent assurance of solvency,
- sensitivity of the solvency quota to external shocks,
- suitability of the internal model for determining solvency capital requirement,
- efficiency of the internal control system,
- capitalization of subsidiaries subject to separate reporting requirements.

The risk and solvency situation is not only assessed at the end of the year, but the assessment also covers the entire three year planning period. The solvency ratio remains above the target capitalization throughout the entire planning period. The AGCS risk management function saw no need to issue a recommendation to take measures to the Board of Management.

In addition, an extraordinary risk report must be established if individual events substantially alter the risk situation. In 2019, there was no cause to establish a corresponding separate report.

As decided by the Board of Management, the regular report on the risk and solvency situation was submitted on time to the BaFin supervisory authority and made available to the Allianz Group Risk Unit.

OUTLOOK

Economic outlook¹

Global growth is expected to weaken in 2020, as the outbreak of COVID-19 takes its toll on economic activity. Monetary policies have to deal with a fourfold series of disturbances, i.e. pandemic and political risks, an external shock on trade, and structural issues related to ecological transition. Monetary policy only is particularly ill-equipped to tackle these kinds of shocks, which have long-lasting impacts. Global growth is likely to recover in the second half of 2020 but overall we expect the GDP to further decelerate in 2020 at + 2.4 % from + 2.5 % in 2019. If, however, the COVID-19 outbreak cannot be contained quickly, negative effects might become much more pronounced.

US-China trade tensions should neither escalate nor de-escalate much further in 2020. The deal is not a game changer, but it announces slightly lower uncertainty as a tariff escalation is unlikely in a U.S. electoral year.

Monetary policies will remain a safety net for growth and markets. We expect monetary policies to remain very accommodative in 2020. The U.S. Federal Reserve will continue easing its monetary policy, with additional rate cuts to cope with the impact of COVID-19. The European Central Bank is likely to implement another deposit rate cut of 10 basis points in the first half of 2020 as well to - 0.6 %. Monthly Quantitative Easing purchases will be maintained at the current pace of € 20 bn per month until the end of the year.

On the markets, pandemic and political risks will remain the main volatility driver. In a context of wait-and-see posture of investors linked to U.S. elections and progressive erosion of profits, the global equity market is expected to register an inflexion in its upward (monetary driven) trend.

Insurance industry outlook

On the surface, 2020 promises to be very similar to 2019, with moderate premium growth despite continuing headwinds such as the outbreak of COVID-19, low yields, high political uncertainty, and weak global growth and trade. Under the surface, however, three fundamental changes are about to gather speed. First, the pivot to Asia: Asia's rising middle class emerges as the consumer of last resort with huge pent-up demand, reflecting weak social security systems and protection gaps in natural catastrophes, health, retirement, and mortality. Second, the pivot to digital ecosystems for better customer interaction, accelerating the shift from pure risk management to risk prevention and from single products to comprehensive solutions. Key for success, in particular in Europe, will be that regulation and supervision keep pace with the business transformation. Third, the pivot to higher claim costs, reflecting climate change (natural catastrophes), social change (litigation and class action) and technology change (connec-

tivity), ushering in a new era of cost cutting (automatization) and consolidation. The flip side of these changes, however, is that the topic of sustainability moves mainstream in public debates, creating new opportunities for insurance.

In the **non-life sector**, premium growth is expected to remain more or less stable. As in previous years, emerging markets are the main driver of growth. Overall, we expect global premium growth of around 4 % in 2020 (in nominal terms and adjusted for foreign currency translation effects). The two opposing effects of higher rates on the one, but rising claims (cue: social inflation) and low investment income on the other hand point toward unchanged industry profitability.

Business outlook

The gross premium income of AGCS SE for 2020 is expected to be well below the extraordinarily high level of 2019 (€ 4.5 bn). This is primarily due to the initiated and planned portfolio measures aimed at restoring profitability, as well as lower forecasts for fronting income. For the 2020 fiscal year, gross premium income in the amount of € 3.9 bn and a net combined ratio of just under 100% are predicted.

AGCS SE's gross premium income of € 4.5 bn in 2019 clearly exceeded the prior year outlook (€ 3.6 bn). The decisive factors for this positive development were essentially new business and the expansion of existing business relations in the Property, Aviation, Financial Lines und Marine lines. This premium development was supported by an increase in the fronting business, particularly in the Allianz Risk Transfer line. In addition, significant rate increases were generated throughout the entire portfolio.

With a net combined ratio of 105.0% in 2019, profitability was far worse than anticipated in the prior year outlook (99%). The main reason for this development lies primarily in the Financial Lines. Marine and Engineering lines. Profitability in 2019 was, in principle, impaired by substantially higher net payouts from losses in the current year, particularly in the areas of major claims and attritional losses. AGCS SE posted less claims than expected with regard to natural catastrophes. Run-off losses from the previous years also impacted profitability.

In general, the profitability of industrial insurers has been under an immense amount of pressure over the last few years, and AGCS expects the market to react accordingly in 2020 with portfolio measures and profitability initiatives. As such, the hardening of the market as recently observed is expected to continue; we hence assume rate development to improve significantly throughout the portfolio.

The proportional reinsurance contract with Allianz SE, which has been in place since 2015, for the business of the German head office has been renewed for 2020. The global reinsurance structure, which was introduced in 2016 and includes all AGCS branch offices worldwide, was also renewed for 2020, albeit with a few amendments. A material amendment in this conjunction is the reduction of the retained portion to a standard € 75 mn (in lieu of variable retention amounts

¹ The information presented in the sections "Economic outlook", "Insurance industry outlook", and "Asset management industry outlook" is based on our own estimates.

ranging between € 75 mn and € 100 mn - as was the case in 2019). As with the previous year, the majority of non-proportional reinsurance contracts were placed with Allianz Re Dublin dac.

AGCS SE is going to pursue its safety-oriented investment strategy. In this respect, AGCS SE will continue to rely on the Allianz Group's wealth of experience with investments in Germany and other countries. In order to reduce our dependence on capital market developments and to further diversify the investment portfolio of AGCS SE, we are planning to continue the expansion of investments in infrastructures, renewable energies and real estate both in equity and in the area of debt financing.

The investment income plans of AGCS SE are based on the assumption that the capital markets will remain stable. Since the average return on investment of the portfolio is expected to be lower than the interest on debt, the expected interest income will continue to drop next year. Overall, a clearly lower investment result is expected for 2020. This is, in particular, attributed to lower expected income from affiliated enterprises.

AGCS SE is prepared for all possible Brexit scenarios following the end of the transition period on 31 December 2020. It will be able to continue to offer the existing services to its customers without interruption. This applies to both the provision of insurance cover and to claims processing. Together with all its European branch offices as well as its branch office in London, AGCS SE has of all the licenses required for every Brexit scenario, and will thus be able to continue to underwrite UK related insurance business. This applies, for example, to German enterprises with subsidiaries in the UK which have insurance cover with AGCS SE within the scope of an international insurance program. We will also be able to provide adequate insurance cover for British enterprises with risks in the European Economic Area.

The statements are subject to the reservation that natural catastrophes, adverse developments on the capital markets and other factors could impair the forecasts to varying degrees.

Since the balance sheet date, the spread of COVID-19 has developed into a global pandemic. Significant, particularly economically induced, losses in terms of gross premium income as well as loss events particularly in the Entertainment and Financial Lines are expected. Given the reserves available in the special funds, we do not expect net investment result for 2020 to be substantially impacted by the current market upheavals triggered by the COVID-19 epidemic. In general, this jeopardizes the validity of the assumptions made, the accuracy of the forecasts contained in this Management Report and the achievement of the planned targets.

Munich, 20 March 2020

Allianz Global Corporate & Specialty SE
The Board of Management



Müller



Browne



Coste-Lepoutre



Dietsche



Mai



Scaldaferrì



Dr. Sepp

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ANNUAL FINANCIAL STATEMENTS

BALANCE SHEET AS AT 31 DECEMBER 2019

€ thou	2019	2019	2019	2018
ASSETS				
A. Intangible assets				
I. Self-produced industrial property rights and similar rights and assets		132,212		65,492
II. Licenses acquired against payment, industrial property rights and similar rights and assets as well as licenses for such rights and assets		115,620		158,443
			247,832	223,935
B. Investments				
I. Real estate, real property and equivalent rights including buildings on land not owned by AGCS		75,707		76,667
II. Investments in affiliated enterprises and participations		2,489,336		2,375,494
III. Other investments		4,886,121		4,794,016
IV. Funds held by others under reinsurance business assumed		75,525		80,609
			7,526,688	7,326,786
C. Receivables				
Accounts receivable from direct insurance business				
1. Policy holders	4,958			38,502
2. Insurance brokers	662,447			521,353
including from affiliated enterprises: € 1,436 (2018: 6,647) thou				
		709,405		559,855
II. Accounts receivable on reinsurance business		858,189		794,711
including from affiliated enterprises: € 340,216 (2018: 260,824) thou				
III. Other receivables		417,463		229,647
including taxes of: € 73,602 (2018: 29,381) thou				
including from affiliated enterprises: € 203,552 (2018: 79,162) thou				
			1,985,057	1,584,213
D. Other assets				
I. Fixed assets		15,044		17,878
II. Cash with banks, checks and cash on hand		125,213		106,026
III. Miscellaneous assets		24,512		27,694
			164,769	151,598
E. Deferred income and prepaid expenses				
I. Accrued interest and rent		23,059		22,913
II. Other deferred income		9,101		16,391
			32,160	39,304
F. Excess of plan assets over pension liabilities/pensions provisions			3,088	4,530
Total assets			9,959,594	9,330,366

€ thou

	2019	2019	2019	2018
EQUITY AND LIABILITIES				
A. Shareholders' equity				
I. Capital stock		36,741		36,741
II. Capital reserves		1,099,141		1,099,141
III. Retained earnings				
1. Other retained earnings		8,355		8,355
			1,144,237	1,144,237
B. Insurance reserves				
I. Unearned premiums				
1. Gross amount	1,391,467			1,369,887
2. Less: Share for the reinsurance business	683,377			713,316
		708,090		656,571
II. Reserve for loss and loss adjustment expenses				
1. Gross amount	9,651,575			8,687,207
2. Less: Share for the reinsurance business	6,084,619			5,415,801
		3,566,957		3,271,406
III. Claims equalization reserve and similar reserves		593,049		604,782
IV. Other insurance reserves				
1. Gross amount	69,311			51,514
2. Less: Share for the reinsurance business	14,814			13,145
		54,497		38,370
			4,922,593	4,571,129
C. Other accrued liabilities			257,054	278,475
D. Funds held under reinsurance business ceded			2,779,840	2,618,607
E. Other liabilities				
I. Accounts payable on direct insurance business to:				
1. Policyholders	303			17,107
including residual term up to one year: € 303 (2018: 17,107) thou				
2. Insurance brokers	38,070			36,951
including to affiliated enterprises: € 2,744 (2018: 3,250) thou				
including residual term up to one year: € 38,070 (2018: 36,951) thou				
		38,373		54,058
II. Accounts payable on reinsurance business		532,931		375,134
including to affiliated enterprises: € 255,639 (2018: 159,248) thou				
including residual term up to one year: € 532,931 (2018: 375,134) thou				
III. Other liabilities		284,568		288,725
including from taxes: € 55,765 (2018: 54,333) thou				
including to affiliated enterprises: € 22,627 (2018: 32,581) thou				
including residual term up to one year: € 284,568 (2018: 288,725) thou				
including contributions for social security: € 494 (2018: 405) thou				
			855,871	717,917
F. Deferred income			0	0
Total equity and liabilities			9,959,594	9,330,366

INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

€ thou	2019	2019	2019	2018
I. Technical account				
1. Earned premiums, net of reinsurance				
a) Gross premiums written	4,520,499			4,170,162
b) Ceded premiums written	-2,986,730			-2,777,434
		1,533,769		1,392,728
c) Change in unearned premiums - gross	8,225			-141,115
d) Change in unearned premiums ceded - gross	-44,309			69,285
		-36,084		-71,830
			1,497,685	1,320,898
2. Claims incurred, net of reinsurance				
a) Payments for claims				
aa) Gross amount	-2,659,529			-2,550,857
bb) Reinsurers' share	1,756,041			1,818,368
		-903,488		-732,489
b) Change in reserves for loss and loss adjustment expenses				
aa) Gross amount	-842,345			-108,050
bb) Reinsurers' share	606,434			-162,663
		-235,911		-270,713
			-1,139,399	-1,003,202
3. Change in other insurance reserves - net			-807	-777
4. Expenses for profit-dependent and profit-independent premium rebates for own account			-13,856	-10,137
5. Underwriting expenses - net			-433,507	-410,797
6. Other underwriting expenses - net			-3,915	-2,589
7. Sub-total			-93,799	-106,604
8. Changes in the equalization reserve and similar provisions			11,733	99,177
9. Underwriting result, net of reinsurance			-82,066	-7,427
II. Non-technical account				
1. Investment income		277,124		304,887
2. Investment expenses		-27,865		-47,682
			249,259	257,205
3. Other income		168,774		172,482
4. Other expenses		-300,350		-238,098
			-131,576	-65,616
5. Non-technical result			117,683	191,589
6. Profit or loss on ordinary activities			35,617	184,162
7. Taxes on income		-46,260		-93,985
incl. other group companies: € 0 (2018: 12 460) thou				
8. Other taxes		-1,227		-246
			-47,487	-94,231
			-11,870	89,931
9. Income from loss absorption			11,870	-
10. Profits transferred because of a profit or loss transfer agreement			-	-89,931
11. Unappropriated retained earnings			-	-

NOTES TO THE FINANCIAL STATEMENTS

Applicable legal regulations

The company's Annual Financial Statements and the Management Report are prepared in accordance with the regulations contained in the German Commercial Code (HGB), taking into account the Corporation Law (AktG), the Law on the Supervision of Insurance Enterprises (VAG), and the Government Order on the External Accounting Requirements of Insurance Enterprises (RechVersV).

All amounts in the Annual Financial Statements are presented in thousands of Euros (€ thou).

Accounting, valuation and calculation methods

INTANGIBLE ASSETS

Intangible assets are stated at acquisition or production cost less amortization. Self-produced intangible assets are capitalized and amortized on a straight-line basis over a period of 10 years.

Acquired intangible assets are amortized on a straight-line basis over their expected useful lives. The useful life is fixed in each case at 5 or 10 years.

The individual software solutions used at AGCS SE are parameterized and adjusted in order to allow for incorporation into the specific operational environment.

The expenses for the parameterization and adjustments are divided up into capitalizable expenses in order to establish operations, and expenses for other measures which are to be activated only if they constitute measures for the expansion, or substantial improvement, of already activated individual software.

In the event of permanent impairment, unscheduled write-downs are made.

REAL ESTATE, REAL PROPERTY AND EQUIVALENT RIGHTS INCLUDING BUILDINGS ON LAND NOT OWNED BY AGCS

They are carried at cost and depreciated on a straight-line basis over their estimated useful lives. Impairment losses are recognized for expected permanent impairments if the amortized cost exceeds the long-term fair value at the balance sheet date.

SHARES IN AFFILIATED ENTERPRISES

These are valued according to the moderate lower-value principle and carried at amortized cost or a lower long-term fair value.

Write-downs are made if the amortized cost of acquisition at the balance sheet date is higher than the market value or the long-term fair value.

LOANS TO AFFILIATED ENTERPRISES

This item includes bearer bonds, land charge claims, loans and profit participation certificates.

These are valued according to the moderate lower-value principle and carried at amortized cost. Write-downs are made if the amortized cost of acquisition at the balance sheet date is higher than the market value or the long-term fair value.

PARTICIPATIONS

These are valued according to the moderate lower-value principle and carried at amortized cost or a lower long-term fair value.

Write-downs are made if the amortized cost of acquisition at the balance sheet date is higher than the market value or the long-term fair value.

LOANS TO AFFILIATED ENTERPRISES IN WHICH A PARTICIPATING INTEREST IS HELD

This item includes loans.

These are valued according to the moderate lower-value principle and carried at amortized cost. Write-downs are made if the amortized cost of acquisition at the balance sheet date is higher than the market value or the long-term fair value.

OTHER INVESTMENTS

STOCKS OR INVESTMENT FUND UNITS, BEARER BONDS, OTHER FIXED-INCOME SECURITIES AND OTHER VARIABLE INCOME SECURITIES

Securities managed in accordance with the principles of current assets are valued strictly at the lower-value or market and carried at the lower of average acquisition cost or market value.

The investments shown in the balance sheet in accordance with the regulations governing fixed assets are intended to serve business operations on a permanent basis. The intended purpose is allocated when the investment is acquired. The attribution is reviewed when changes in the investment strategy are made or a divestment is considered.

These securities are valued using the moderate lower-value principle and reported at average acquisition costs or a lower long-term fair value. In the case of permanent impairment, write-downs are charged to the income statement.

A write-down option is available for expected temporary impairments. As in the previous year, the option will be exercised in the financial year to the effect that the expected temporary impairments will not be made for economic reasons.

MORTGAGES, LAND CHARGES AND ANNUITY LAND CHARGES

These are valued according to the moderate lower-value principle and carried at amortized cost.

The difference between the acquisition cost and the repayment amount is distributed on a straight-line basis over the term, for the annuity loans in proportion to the remaining debt.

Write-downs are made if the amortized cost of acquisition at the balance sheet date is higher than the market value or the long-term fair value.

REGISTERED BONDS, NOTE LOANS AND LOANS

These are valued according to the moderate lower-value principle and carried at amortized cost.

The difference between the acquisition cost and the repayment amount is recognized and amortized over the remaining term using the effective interest method.

Write-downs are made if the amortized cost of acquisition at the balance sheet date is higher than the market value or the long-term fair value.

BANK DEPOSITS

These items are carried at face value.

STRUCTURED PRODUCTS

AGCS SE reduces the volatility of its annual results with the aid of currency derivatives. These will be individually valued. The upper valuation limits form the costs of acquisition. In the case of negative market values, premium deficiency reserves will be formed.

The portfolio contains structured products in the form of registered bonds, loans, participatory notes and bearer bonds, which are posted uniformly in the balance sheet. They are valued and recognized according to the balance sheet item under which they are recorded.

FUNDS HELD BY OTHERS UNDER REINSURANCE BUSINESS ASSUMED

In accordance with § 341c HGB, these items are recorded at face value.

RECEIVABLES AND OTHER ASSETS

In detail:

- Accounts receivable from direct insurance business
- Accounts receivable on reinsurance business
- Other receivables
- Cash with banks, checks and cash on hand

These are valued at nominal value less repayments and less any necessary individual value adjustments. For accounts receivable from direct insurance business, general loss allowances are made to account for the credit risk.

The accounts receivable from reinsurance business are netted separately for incoming and outgoing reinsurance for each contractual partner.

- Tangible fixed assets, inventories and misc. assets

These items are carried at acquisition cost scheduled depreciation on straight-line basis over their expected useful lives. Low-value assets worth up to € 250 are written off immediately. A compound item for tax purposes was formed in accordance with § 6 (2a) of the German Income Tax Act (EStG) for assets from € 250 to € 1 000. This item is released with profit-decreasing effect in the year of formation and in the subsequent four years, by one fifth in each year.

DEFERRED INCOME

Deferred interest and rent are generally stated at their nominal amounts and other deferred income is stated at nominal value.

DEFERRED TAX ASSETS

In accordance with § 274 HGB, the company does not use its capitalization option to constitute a deferred tax asset on the temporary dif-

ference between the accounting valuation of assets, liabilities and deferred income / prepaid expenses and their tax-based valuation, if these differences will result in tax relief in the following years.

EXCESS OF PLAN ASSETS OVER PENSION LIABILITIES/PENSIONS PROVISIONS

In accordance with § 253 (1) HGB, assets are recognized at fair value and offset against liabilities in conjunction with § 246 (2) HGB.

If the liabilities exceed the fair value, the excess amount is reported under provisions. If the fair value exceeds the amount of the liabilities, the excess amount is shown under the item "Excess of plan assets over pension liabilities/pensions provisions".

The accounting and valuation method of the excess of plan assets corresponds to that described in the section Other accrued liabilities (Equity and liabilities C.).

INSURANCE RESERVES

UNEARNED PREMIUMS

In the direct insurance business, unearned premiums are predominantly determined according to the daily calculation method. Engineering Insurance is an exception in this connection: Unearned premiums are accrued as a function of the risk experience for each contract. Payments to agents and other acquisition expenses were deducted as non-transferable portions according to tax guidelines. For reinsurance business assumed, unearned premiums are determined on the basis of the information provided by the ceding insurers. The reinsurers' share deducted from the gross unearned premiums is predominantly determined according to the daily calculation method, with deduction of non-transferable portions.

In respect of quotashare charges with participation in the original costs, the proportional unearned premiums were accordingly deducted from the quotashare of the reinsurer.

RESERVE FOR LOSS AND LOSS ADJUSTMENT EXPENSES

The **gross reserve for direct insurance business** consists of the following partial reserves:

Reserves for known insured losses (not including annuities) are generally determined individually for each insured event on a per case basis according to the expected payout. In the coinsurance business, the reserves are determined on the basis of the tasks of the leading insurers. The provision for **claims settlement expenses** that can be **allocated to known insurance claims** is formed in the course of individual case provisions in accordance with the expected payments. The partial loss reserve for **non-allocable claims settlement expenses** is derived using a lump-sum approach from historical claims settlement expenses, measured on the basis of claims payments and reserve changes. For already incurred or caused but not yet reported losses, **late claims reserves** are set up on the basis of the experience from previous years. For individual claims which are not yet known, a provision for claims adjustment expenses is calculated using the same actuarial methods as the provision for claims incurred but not reported. **Receivables from subrogation, claim recoveries and distribution agreements** are deducted in the amount of their realizability as determined.

For the gross provision for **assumed reinsurance business**, the provisions for known cases are set according to the duties of the cedents.

The corresponding late claims reserves are calculated on the basis of actuarial analyses.

For the **reinsurance business ceded**, the reinsurers' share of the provisions for known cases is determined in accordance with the contractual agreements. The corresponding late claims reserves are calculated on the basis of actuarial analyses.

CLAIMS EQUALIZATION RESERVE AND SIMILAR RESERVES

The claims equalization reserve and the reserves for nuclear, pharmaceutical and terrorist risks are calculated for the net retention portion according to § 341h HGB in conjunction with §§ 29 and 30 of the Government Order on the External Accounting Requirements of Insurance Enterprises (RechVersV).

OTHER INSURANCE RESERVES

Reserve for cancellations

The reserve for cancellations is determined on the basis of the previous years' experience with direct insurance business.

Reserve for anticipated losses

The assessment is based on expected premium income as well as loss and cost developments for the respective line of business. The reserve is calculated taking into account proportional interest income from the underwriting reserves for the deductible portion only. The reserve is calculated for both the direct insurance business and for reinsurance assumed. It was not necessary to set up such a reserve during the reporting year.

Provision for profit-dependent premium refunds

The calculation of the provision for profit-independent premium refunds is based on the premium, claims and cost development of one or more insurance contracts for the current business year, insofar as a premium refund is the subject of contractual agreements. If these relate to an observation period of several years, the provision is formed as a precautionary measure for amounts prior to the expiry of this period. In the business year, the provision comprises amounts from reinsurance business accepted.

OTHER ACCRUED LIABILITIES

In principle, other accrued liabilities are stated in the required amounts payable on maturity.

The pension provisions are calculated on the basis of actuarial principles. The conversion expenses resulting from the first-time application of the Accounting Law Modernization Act (BilMoG) in 2010 were already recognized in full as an extraordinary expense in the past.

Provisions for jubilee payments, phased-in retirement and early retirement benefits are valued according to actuarial principles and recognized as liabilities in the full amount.

According to § 253 HGB, provisions for retirement benefit obligations are to be discounted at the average market interest rate from the past ten financial years and for other personnel obligations from the past seven financial years. § 253 (6) sentence 2 HGB states that a positive difference resulting from the valuation of pension obligations at the seven-year average interest rate compared with the valuation at the ten-year average interest rate is subject to a distribution ban. This

distribution ban does not block the transfer of profits if there is a transfer-of-profit agreement.

In determining the discount rate, the company applies the simplification rule pursuant to § 253 (2) sentence 2 HGB (residual term of 15 years), whereby, as in the previous year, an interest rate predicted as of the balance sheet date was used as the basis.

The effect resulting from the change in the discount rate is reported under Other Non-Technical Result.

Further information on the recognition of pensions and similar obligations can be found in the Notes to the Financial Statements under "Supplementary information on equities and liability" and "Contingent liabilities".

LIABILITIES

In detail:

- Funds held under reinsurance business ceded
- Accounts payable on direct insurance business
- Accounts payable on reinsurance business
- Liabilities to banks
- Other liabilities

These liabilities are stated at the amounts payable on maturity.

Settlement liabilities from reinsurance business are netted separately for incoming and outgoing reinsurance for each contractual partner.

APPROXIMATION AND SIMPLIFICATION METHODS

To the extent that calculations from ceding insurers are not received in time for the fiscal year, the corresponding amounts are estimated on the basis of past experience, taking into account current developments.

CURRENCY CONVERSION

As a general rule, all transactions are recorded in the original currency and are converted into euros based on the applicable daily rate (mean rate of exchange).

On the balance sheet date, receivables and liabilities denominated in foreign currencies are translated at the mean rate of exchange and valued in accordance with the rules of commercial law for currency translation. For residual terms of one year or less, gains and losses from the translation are recognized in the income statement in accordance with § 256a HGB.

Provisions denominated in foreign currencies are calculated on the cut-off date for the annual financial statements and revalued before being converted based on the mean rate of exchange.

The acquisition or production costs of the basic assets, as well as the acquisition costs of the loans and mortgage receivables, are determined at the average spot exchange rate at the time of acquisition. Fluctuations in value due to changes in exchange rates are recognized in the income statement as of the balance sheet date (strict lower-value or market principle taking into account the acquisition and realization principles).

For the valuation of investments denominated in foreign currencies, the fair value in the original currency is translated into euro mean rate of exchange on the balance sheet date.

In the case of affiliated enterprises and participations, the moderate lower value principle is applied when comparing the acquisition costs in Euro with the fair value in Euro, taking into account the acquisition costs and realization principle.

For the other investments, the strict lower value principle is applied, taking into account the acquisition and realization principles, with the exception of investments with a remaining term of one year or less.

The following applies to all investments: currency gains and losses are recorded independently, but not separately in the currency translation result.

The net effect of exchange rate changes and fluctuations in value in the original currency is recognized in write-ups, write-downs and realized gains and losses on these asset classes and reported in the investment result.

In the case of investments carried at amortized cost, changes in exchange rates are recognized in write-ups and write-offs and in realized gains and losses on these investment categories and shown in the investment result, unless there is a credit-related write-off.

REQUIREMENT TO REINSTATE ORIGINAL VALUES AND WRITE-UPS

Assets which were written down to a lower market value in previous years have to be written up if a higher value is once again attached to these assets on the balance sheet date

The write-up is made either up to amortized cost or to a lower long-term or market value.

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SUPPLEMENTARY INFORMATION ON ASSETS

Change of assets A., B.I. through B.III. for fiscal year 2019

	Balance sheet value 31.12.2018	
	€ thou	%
A. Intangible assets		
1. Self-produced industrial property rights and similar rights and assets	65,492	
2. Licenses acquired against payment, industrial property rights and similar rights and assets as well as licenses for such rights and assets	158,443	
Total A.	223,935	
B.I. Real estate, real property and equivalent rights including buildings on land not owned by AGCS	76,667	1.1
B.II. Investments in affiliated enterprises and participations		
1. Shares in affiliated enterprises	2,201,367	30.4
2. Loans to affiliated enterprises	105,160	1.5
3. Participations ¹	46,140	0.6
4. Loans to affiliated enterprises in which a participating interest is held	22,827	0.3
Total B.II.	2,375,494	32.8
B.III. Other investments		
1. Stocks, investment fund units and other variable income securities	2,445,029	33.7
2. Bearer bonds and other fixed-income securities	2,063,294	28.5
3. Mortgages, land charges and annuity land charges	71,795	1.0
4. Other loans		
a) Registered bonds	67,968	0.9
b) Note loans and loans	108,025	1.5
5. Bank deposits	37,906	0.5
Total B.III.	4,794,016	66.2
Total B.I. through B.III.	7,246,177	100.0
Total	7,470,112	

¹ Reclassification of shares in affiliated enterprises and participations into shares in investment funds based on the definition of investment fund pursuant to § 1 of the German Capital Investment Act (KAGB) in conjunction with the Act implementing the AIFM Directive.

² Reclassification into "Fixed assets", which is not shown here

Intangible assets (Assets A.)

This balance sheet position essentially comprises the capitalized expenses in connection with a long-term distribution agreement with Standard Chartered Bank (€ 66,489 thou). In addition, it mainly comprises capitalized expenses for the system integration of own and third-party software.

The total amount of the research and development costs for self-produced intangible assets in fiscal year 2019 is € 44,375 thou, of which € 42,273 thou were capitalized.

The production costs of self-produced intangible assets cover optional components pursuant to § 255 (2) sentence 3 of the German Commercial Code (HGB).

The development costs are included in the production costs as soon as the feasibility check has been successfully concluded.

Real estate, real estate rights and buildings, including buildings on land not owned by AGCS (Assets B.I)

The carrying amount of directly held properties is € 75,707 thou. No land or buildings of this portfolio are used for our own business activities.

Additions	Reclassifications	Disposals	Write-ups	Depreciation	Net change	Balance sheet value 31.12.2019	
€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	%
42,273	38,071			13,624	66,720	132,212	
18,139	-38,579			22,383	-42,823	115,620	
60,412	-508 ²			36,007	23,897	247,832	
738		54		1,644	-960	75,707	1.0
117,574	-21,464	16,408	255	138	79,820	2,281,186	30.6
46,574		12,940		108	33,526	138,685	1.9
6,937	-5,890	2,315			-1,268	44,873	0.6
1,764					1,764	24,591	0.3
172,849	-27,354	31,663	255	246	113,842	2,489,336	33.4
177,565	27,354	246,784	3		-41,862	2,403,167	32.3
732,799		642,466	28,187	3,608	114,912	2,178,205	29.2
70		19,825			-19,755	52,040	0.7
11		5,710	565		-5,134	62,833	0.8
5,000		7,839			-2,839	105,186	1.4
46,784					46,784	84,690	1.1
962,229	27,354	922,624	28,755	3,608	92,106	4,886,121	65.6
1,135,815		954,341	29,010	5,486	204,986	7,451,164	100.0
1,196,227	-508	954,341	29,010	41,506	228,884	7,698,996	

Investments in affiliated enterprises and participations (Assets B.II)

List of participations in accordance with § 285 no. 11 HGB

	Share	Equity	Net income		Share	Equity	Net income
	%	€ thou	€ thou		%	€ thou	€ thou
AGCS Infrastrukturfonds GmbH, Munich ⁹	100.00	29,042	-	Assurance France Aviation S.A., Paris	100.00	38	138
AGCS International Holding B.V., Amsterdam ²	100.00	1,257,886	805	Autobahn Tank & Rast Gruppe GmbH & Co. KG, Bonn	1.06	372,238	852
AGCS Marine Insurance Company, Chicago ³	100.00	143,012	2,223	Barings European Private Loan Fund II, Luxemburg	0.67	-	-
AGCS Resseguros Brasil S.A., São Paulo	100.00	253,304	11,101	Brookfield Infrastructure Fund IV (ER) SCSP, Hamilton	0.04	-	-
AGCS-Argos 76 Vermögensverwaltungsgesellschaft mbH, Munich ⁹	100.00	53,788	-	Brunei National Insurance Company Berhad Ltd., Bandar Seri Begawan ⁷	25.00	11,980	2,087
AGCS-Argos 86 Vermögensverwaltungsgesellschaft mbH, Munich ⁹	100.00	42,705	-	Caroline Berlin S.C.S., Luxemburg	3.80	183,048	3,014
AIM Underwriting Limited, Toronto ⁸	100.00	-	-	Chicago Insurance Company Corp., Chicago ³	100.00	58,020	-52
Alida Grundstücksgesellschaft mbH & Co. KG, Hamburg	4.73	398,486	10,657	Core Senior Lending Fund (A-A) L.P., Toronto	4.50	-	-
Allianz Aviation Managers LLC, Burbank ⁸	100.00	-191	5	Crescent European Specialty Loan Fund II SCSP, Luxemburg	0.95	-	-
Allianz Debt Fund SCSP SICAV-SIF, Luxemburg	0.96	946,663	3,285	CRG Partners IV - Parallel Fund "C" (Cayman) L.P., Grand Cayman	4.67	-	-
Allianz EM Loans S.C.S., Luxemburg	11.11	169,030	10,440	Darby Latin American Private Debt Fund III L.P., Toronto	1.36	-	-
Allianz Finance VIII Luxemburg S.A., Luxemburg	20.00	858,790	3,005	EF Solutions LLC, Wilmington	100.00	-9,139	-32
Allianz Fire and Marine Insurance Japan Ltd, Tokyo ^{1,5}	100.00	29,156	3,356	EISAF II LP, Singapore	1.12	-	-
Allianz Global Corporate & Specialty do Brasil Participações Ltda., Rio de Janeiro ⁶	100.00	255,050	11,595	EQT Infrastructure III (No. 2) SCSP, Luxemburg	0.08	-	-
Allianz Global Corporate & Specialty of Africa (Proprietary) Ltd., Johannesburg ⁴	100.00	10,664	1,311	Fireman's Fund Financial Services LLC, Dallas	100.00	1,341	-
Allianz Global Corporate & Specialty of Bermuda Ltd., Hamilton ⁸	100.00	-	-	Fireman's Fund Indemnity Corporation, Liberty Corner	100.00	13,323	249
Allianz Global Corporate & Specialty SE Escritório de Representação no Brasil Ltda., Rio de Janeiro ⁶	100.00	28	8	Fireman's Fund Insurance Company Corp., Los Angeles	100.00	1,148,829	28,684
Allianz Global Corporate & Specialty South Africa Ltd., Johannesburg ⁴	100.00	10,656	1,309	Global Infrastructure Partners III-C, L.P., New York	0.09	-	-
Allianz Global Risks US Insurance Company Corp., Chicago ³	83.00	1,687,467	15,369	Global Infrastructure Partners IV-C2 SCSP, Luxemburg	0.05	-	-
Allianz Infrastructure Luxemburg Holdco II S.A., Luxemburg	10.10	667,839	35,284	GSO European Senior Debt Fund II EEA Feeder SCSP, Luxemburg	0.57	-	-
Allianz Infrastructure Luxemburg Holdco IV S.A., Luxemburg	10.10	65,358	-23	HPS Offshore Mezzanine Partners 2019 L.P., Cayman Islands	0.22	-	-
Allianz Jewel Fund ICAV, Dublin	5.00	154,196	-9,667	Hunt Capital Partners Tax Credit Fund 2011-4 LP, Sherman Oaks	9.70	-	-
Allianz Marine (UK) Ltd., London ²	100.00	10,656	38	I Squared Transportation Europe L.P., Grand Cayman	0.93	-	-
Allianz Real Estate Trust II (1), Sydney	2.99	1,229	-193	Interstate Fire & Casualty Company, Chicago	100.00	63,476	1,511
Allianz Real Estate Trust II (2), Sydney	2.99	8	-40	ISQ Global Infrastructure Fund II (EU) L.P., Wilmington	0.20	-	-
Allianz Renewable Energy Fund II S.A. SICAV-SIF, Senningerberg	10.78	293,430	5,997	Kelso Investment Associates VIII LP, New York	6.67	-	-
Allianz Renewable Energy Partners of America LLC, Wilmington ⁹	33.33	708,364	-37,858	Macquarie Asia Infrastructure Fund 2 LP, Singapore	0.19	-	-
Allianz Risk Consultants Inc., Los Angeles	100.00	-733	14	Missouri Affordable Housing Fund XVI L.P., Missouri City	12.92	-	-
Allianz Risk Consulting GmbH, Munich	100.00	2,378	182	National Surety Corporation, Chicago ³	100.00	66,094	582
Allianz Risk Transfer (Bermuda) Ltd., Hamilton ³	100.00	105,126	21,380	Oaktree Opportunities Fund X L.P., Los Angeles	0.25	-	-
Allianz Risk Transfer (UK) Limited, London ²	100.00	1,344	13	Oaktree Opportunities Fund Xb, L.P., Cayman Islands	0.25	-	-
Allianz Risk Transfer AG, Schaan	100.00	532,005	59,573	Oaktree Real Estate Opportunities VII L.P., New York	1.54	-	-
Allianz Risk Transfer Inc., New York ⁸	100.00	75,393	8,580	Ontario Limited, Toronto	100.00	44	-
Allianz Services (UK) Limited, London ²	100.00	6,529	189	Professional Agencies Reinsurance Limited, Hamilton ⁹	14.28	-	-
Allianz Underwriters Insurance Company Corp., Burbank ³	100.00	53,994	1,357	Prologis European Logistics Fund FCP-FIS, Luxemburg	0.26	-	-
American Automobile Insurance Company Corp., Earth City ³	100.00	69,857	1,126	Q207 S.C.S., Luxemburg	10.00	86,924	2,930
AS Gasinfrastruktur Beteiligung GmbH, Vienna	10.00	338,635	39,439	Sirius S.A., Luxemburg	10.32	352,062	56,059
Asia Cube Telecom Holdings LLC, Grand Cayman	0.71	-	-	SpaceCo S.A., Paris	100.00	758	711
Associated Indemnity Corporation, Los Angeles ³	100.00	80,368	1,199	Specialty Loan Fund 2016 L.P., George Town	2.25	-	-

	Share	Equity	Net income
	%	€ thou	€ thou
SPREF II Pte. Ltd., Singapore	2.50	95,672	-1,782
T&R GP Management GmbH, Bonn	1.06	22	-3
T&R MLP GmbH, Bonn	1.06	20	-3
T&R Real Estate GmbH, Bonn	1.06	140,814	-13
The American Insurance Company Corp., Cincinnati ²	100.00	59,804	830
The FIZZ Student Housing Fund S.C.S., Luxemburg	4.46	169,999	11,160
TPG Real Estate Partners III EU AIV B SCSp, Luxemburg	0.16	-	-
TPG Real Estate Partners III L.P., Wilmington	0.16	-	-
Triskelion Property Holding Designated Activity Company, Dublin	2.50	-196	-200

	Share	Equity	Net income
	%	€ thou	€ thou
Wm. H McGee & Co. (Bermuda) Ltd., Hamilton ⁸	100.00	-	-
Wm. H McGee & Co. Inc., New York ⁸	100.00	1,298	-31

All figures from 2018

1. Fiscal year from April to March; figures as per March 2019

2. Converted from GBP into EUR closing rate 31.12.2019: 0.84735

3. Converted from USD into EUR closing rate 31.12.2019: 1.12250

4. Converted from ZAR into EUR closing rate 31.12.2019: 15.69650

5. Converted from JPY into EUR closing rate 31.12.2019: 121.98770

6. Converted from BRL into EUR closing rate 31.12.2019: 4.51550

7. Converted from BND into EUR closing rate 31.12.2019: 1.50935

8. No annual financial statements are prepared based on local regulations.

9. The annual results are set at zero due to a control and profit transfer agreement

Interests in investment funds in accordance with § 285 no. 26 HGB

€ thou

Fund name	Investment objective	Return period for fund units	Balance sheet value 31.12.2019	Market values of fund units 31.12.2019	Reserves 31.12.2019	Distributions for the fiscal year
Mixed funds						
ALLIANZ GLR FONDS	mixed funds	on every trading day	1,130,968	1,560,855	429,887	731
Allianz Renewable Energy Fund II, S.A.S	mixed funds	not on every trading day	35,292	35,765	472	435
Total			1,166,260	1,596,620	430,360	1,166
Bond funds						
ALLIANZ GLRS FONDS	Bond funds	on every trading day	746,715	870,305	123,590	456
ALLIANZ GLU FONDS	Bond funds	on every trading day	264	487	223	59
ALLIANZ GRGB FONDS	Bond funds	on every trading day	297,616	342,353	44,736	208
Total			1,044,595	1,213,145	168,549	723
Total			2,210,856	2,809,765	598,909	1,889

Fair value of investments

€ thou

	2019	2018
B. I. Real estate, real estate rights and buildings, including buildings on land not owned by AGCS	14,075	122,097
B. II. Investments in affiliated enterprises and participations		
1. Shares in affiliated enterprises	2,765,771	2,594,917
2. Loans to affiliated enterprises	146,035	111,387
3. Participations	51,333	55,202
4. Loans to affiliated enterprises in which a participating interest is held	27,565	22,827
B. III. Other investments		
1. Stocks, investment fund units and other variable income securities	3,040,650	2,729,169
2. Bearer bonds and other fixed-income securities	2,301,387	2,126,619
3. Mortgages, land charges and annuity land charges	54,740	73,469
4. Other loans		
a) Registered bonds	67,866	70,874
b) Note loans and loans	112,377	112,071
5. Bank deposits	84,690	37,906
B. IV. Funds held by others under reinsurance business assumed	75,525	80,609
Total investments	8,870,014	8,137,146

VALUATION METHODS TO DETERMINE FAIR VALUE

The fair value of land and buildings is valued as of 31 December 2019, using the discounted cash flow method.

The fair value of shares in affiliated enterprises and participations are determined by different methods depending on the purpose and

the size of the enterprise. Insurance companies and similar enterprises are valued by means of the German income approach or based on proportional equity. For asset holdings, the look-through principle is used to determine the fair value. In this method, those assets that are

used to determine net assets are valued by different valuation methods such as the net-asset value method, stock values and the discounted cash-flow method. Individual shares in affiliated enterprises were carried at acquisition cost in the first year of investment. Non-essential companies are valued at book value. The respective intrinsic value is considered in individual cases.

The fair values of stocks, interests in investment funds and other variable-rate securities were determined on the basis of the stock exchange price quoted on the last trading day of the year, if available. For special funds, the value communicated by the investment company was used.

The fair values of exchange-listed fixed-term securities such as bearer bonds and other fixed-rate securities were determined on the basis of the stock exchange price quoted on the last trading day of the year.

For non-quoted fixed-term investments (other loans), the fair value was determined on the basis of evaluations by independent pricing services or according to the discounted cash-flow method. For this, the effective interest rate was used.

For Asset Backed Securities (ABS), the market values are supplied by independent commercial banks. With the exception of a small number of cases, these were calculated with valuation models based on readily observable market data.

Unrealized losses

The fixed asset investments carried at acquisition cost less cumulated depreciation include unrealized losses in the amount of € 3 682 thou.

The following table shows the composition of the unrealized losses in the 2019 fiscal year:

Distribution of unrealized losses

€ thou

	Book value	Fair value	Unrealized losses
Shares in affiliated enterprises	9,392	8,631	761
Loans to affiliated enterprises	9,543	9,079	464
Participations	10,259	8,707	1,552
Stocks, investment fund units and other variable income securities	0	0	0
Annuity land charges	0	0	0
Registered bonds	9,209	8,304	905
Note loans and loans	0	0	0
Total	38,402	34,720	3,682

No write-down to fair value was made because an analysis according to standardized methods found that the long-term market value of the investments concerned exceeded their fair value.

Miscellaneous assets (Assets D.III.)

This position mainly involves options on Allianz SE shares, which are used to hedge company risks in connection with Allianz Equity Incentives.

Deferred tax assets

Based on the capitalization option of § 274 (1) sentence 2 HGB, the surplus of deferred tax assets over deferred tax liabilities will not be recognized.

The main differences between accounting and tax-based valuation arise from the balance sheet items investments and pension provisions, which result in deferred tax assets.

Deferred tax assets in Germany are valued with a tax rate of 31% and in other countries with the applicable local tax rate.

Excess of plan assets over pension liabilities/pensions provisions (Assets F.)

A portion of the pension obligations is covered via indirect insurances and offsettable plan assets. Since the assets are based on a different interest rate than the rate used for the calculation of the settlement amount of the pension obligations, a part of the pension plans show an excess of plan assets over pension liabilities/pensions provisions.

In addition, an excess of plan assets over pension liabilities/pension provisions also results from the offsetting of payment obligations against the offsettable plan assets in relation to phased-in early retirement obligations.

This results in the recognition of an excess of plan assets over pension liabilities/pension provisions in the amount of € 3,210 thou (2018: 4,530 thou).

Distribution ban

The amount barred from deduction according to § 268 (8) HGB in connection with § 301 AktG amounts to € 133,985 (65,671) thou and relates in the amount of € 132,213 (65,492) thou the recognition of self-produced intangible assets and in the amount of € 1,772 (179) thou to the valuation of assets at fair value pursuant to § 253 (1) HGB. The amount barred from deduction is fully covered by freely available equity components.

Valuation units

To hedge stock-based compensation plans (Allianz Equity Incentive plans), forward transactions (hedge RSUs) are contracted with Allianz SE. These forward transactions are combined with the corresponding underlying transactions if they are linked by a direct hedging relationship. The underlying transactions are recorded under Other provisions while the hedging transactions are recorded under Miscellaneous assets.

For the valuation units formed, a micro-hedge approach is used to completely exclude price fluctuation risks stemming from market-price fluctuations.

The prospective and retrospective effectiveness of the valuation units for the equity-based remunerations plans which will expire at the latest in 2023 is determined by means of the critical term match method.

At the balance sheet date, the underlying transactions, which consist of benefits to be provided at a future date, amounted to a total of € 22,375 (26,610) thou. Valuation units are accounted for by means of the “freezing” method. The valuation units are used to hedge risks in the form of changes in value in the amount of € 12,041 (7,290) thou.

SUPPLEMENTARY INFORMATION ON EQUITY AND LIABILITIES

Shareholders' equity (Equity and liabilities A.I.)

The shareholders' capital in the amount of € 36,741 thou comprised, as per 31 December 2019, 36,740,661 fully paid-up registered no-par value shares at a computed value of € 1. These shares can be transferred only with the company's consent. Allianz SE is the sole shareholder of AGCS SE.

Gross insurance reserves (included in Equity and liabilities B.)

ACCORDING TO INSURANCE LINES, INSURANCE BRANCHES AND TYPES OF INSURANCE

	Total		incl. gross reserves for loss and loss adjustment expenses		incl. claims equalization reserve and similar reserves	
	2019	2018	2019	2018	2019	2018
Direct insurance business						
Personal Accident Insurance	10,759	13,072	6,830	7,601	-	-
Liability Insurance	4,025,952	3,550,553	3,682,903	3,233,487	15,057	16,954
Automotive Liability	17,834	21,957	16,140	19,592	-	-
Other Automotive	30,361	21,480	23,650	16,237	-	-
Fire and Property	1,231,057	1,116,084	819,811	761,088	67,633	48,033
including:						
Fire Insurance	448,911	402,748	306,920	306,202	66,964	47,675
Other Property Insurance	782,146	713,336	512,891	454,886	670	357
Marine and Aviation Insurance	1,066,160	1,003,324	926,664	830,103	75,134	104,202
Other insurances	233,748	233,741	125,516	149,799	415	77
Total¹	6,619,934	5,961,578	5,604,587	5,018,370	158,240	169,266
Reinsurance business assumed	5 085 469	4,751,813	4,046,989	3,668,836	434,809	435,517
Insurance business total	11 705 402	10,713,391	9,651,575	8,687,207	593,049	604,782

¹In addition to the insurance lines, insurance branches and types of insurance listed above individually, the total also includes amounts for the insurance branches Health, Assistance, Legal Protection as well as Credit & Surety with gross premiums of less than € 3,000 thou each that are not essential for the overall business of AGCS SE.

Other accrued liabilities (Equity and Liabilities C.)

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

AGCS SE has made pension commitments for which pension provisions are constituted. Part of these pension commitments are secured by a "Contractual Trust Arrangement" (Methusalem Trust e.V.). These trust assets constitute offsettable plan assets, with the asset value/market value being used as the fair value.

The settlement amount is calculated on the basis of the projected unit credit method (this refers to a PUC method based on the part accrued) and/or reported as the cash value of the entitlements acquired. For securities-linked commitments, the fair value of the underlying assets is used.

Calculation parameters

	2019	2018
Discount rate (10-year average)	2.71	3.21
Discount rate (7-year average)	1.97	2.32
Pension trend	1.50	1.70
Assumed salary increase (incl. average career trend)	3.25	3.25

In derogation of the above, a part of the pension commitments are based on a guaranteed rate of pension increase of 1% per year.

The biometric base for calculations is the current RT2005G mortality tables of Dr. Klaus Heubeck, which have been adjusted with respect to mortality, disability and fluctuation to reflect company-specific circumstances. The company-specific adjustments were introduced in 2010 and reviewed and redefined in 2018.

The retirement age applied is the retirement age provided for in the contract/the age limit resulting from the 2007 German Pension Insurance Retirement Age Adjustment Act (*RV-Altergrenzenanpassungsgesetz*).

Supplementary information

€ thou	2019	2018
Acquisition costs of the offset assets	111,985	98,738
Fair value of the offset assets	113,948	98,724
Settlement amount of the offset liabilities	115,762	98,730

The provisions for pensions and similar obligations during the fiscal year amounted to € 4,967 (3,763) thou.

There is no provision amount that has not been recognized pursuant to Art. 67.2 of the Introductory Act to the German Commercial Code (EGHGB).

The settlement amount of the netted liabilities calculated using the 7-year average interest rate as of 31 December 2019 amounts to € 124,485 thou. As such, an amount of € 8,724 is barred from distribution pursuant to § 253 (6) sentence 2 of the German Commercial Code (HGB), which includes a difference of € 4,639.

TAX RESERVES

In the reporting year, tax reserves in the amount of € 31,126 (58,910) thou were constituted essentially in the branch offices in Italy, the Netherlands, Singapore and Germany.

OTHER PROVISIONS**JUBILEE AND PHASED-IN EARLY RETIREMENT COMMITMENTS AND ALLIANZ LONG-TERM CREDIT ACCOUNT**

AGCS SE has obligations resulting from jubilee payments, a long-term credit account and phased-in early retirement/early retirement agreements, which are reported under "Other provisions".

The assets held as a reserve to secure the phased-in early retirement and long-term credit account obligations at Methusalem Trust e.V. constitute offsettable plan assets, with the asset value/market value being used as the fair value.

These obligations are essentially calculated in the same way as the pension obligations by using the same actuarial assumptions (with the exception of the interest rate).

Supplementary information

€ thou	2019	2018
Acquisition costs of the offset assets	6,950	6,395
Fair value of the offset assets	7,548	6,588
Settlement amount of the offset liabilities	9,341	8,767

The Other provisions for fiscal 2019 include the following positions:

Composition of Other provisions

€ thou	2019	2018
Long-term distribution agreement with Standard Chartered Bank	81,627	65,078
Remunerations not yet definitely determined	34,185	36,635
Invoices not yet received	33,747	36,596
Allianz Equity Incentives	17,333	19,770
Restructuring	15,341	26,541
Holidays and flexible working hours	12,962	12,294
Premium deficiency reserve	11,466	-
Other	9,569	14,092
Employee jubilees	4,731	4,797
Total	220,961	215,802

PLAN ASSETS

The historical cost of the offset assets amounts to € 118,935 (105,133) thou and the fair value of these assets is € 121,496 (105,312) thou. The settlement amount of the offset liabilities is € 123,188 (107,497) thou.

Funds held under reinsurance business ceded (Equity and Liabilities D.)

This item essentially contains premiums from the net quota share agreement with Allianz SE.

SUPPLEMENTARY INFORMATION ON THE INCOME STATEMENT

Supplementary information on insurance lines, insurance branches and types of insurance

€ thou

	Gross premiums written		Gross earned premiums		Net premiums earned	
	2019	2018	2019	2018	2019	2018
Direct insurance business						
Personal Accident Insurance	6,843	9,038	8,406	8,904	3,735	4,619
Liability Insurance	950,668	915,359	927,844	872,608	432,947	374,688
Automotive Liability	5,080	7,866	5,766	9,520	457	266
Other Automotive	17,066	15,052	15,732	14,232	380	-243
Fire and Property	703,945	563,084	676,003	550,321	189,129	178,786
including:	-	-	-	-	-	-
Fire Insurance	238,837	199,224	213,625	198,524	38,485	56,075
Other Property Insurance	465,108	363,860	462,378	351,797	150,644	122,710
Marine and Aviation Insurance	536,109	447,358	543,041	444,334	205,279	160,202
Other insurances	191,549	172,213	170,578	136,225	48,608	40,805
Total¹	2,415,828	2,132,782	2,351,895	2,038,320	880,518	759,070
Reinsurance business assumed	2,104,671	2,037,380	2,176,829	1,990,727	617,166	561,828
Insurance business total	4,520,499	4,170,162	4,528,724	4,029,047	1,497,684	1,320,898

¹ This total cannot be derived from the insurance branches listed above because it also contains non-essential amounts for the insurance branches Health, Assistance, Legal Protection and Credit & Surety with gross premiums of less than € 3,000 thou each that are not listed individually.

Gross premiums incurred for direct insurance business according to area of origin

€ thou

	Germany		EU		Other countries	
	2019	2018	2019	2018	2019	2018
Personal Accident Insurance	1,861	2,416	1,636	2,780	3,346	3,841
Liability Insurance	288,722	298,119	516,070	477,422	145,876	139,818
Automotive Liability	-	-	-	-	5,080	7,866
Other Automotive	10	-10	-1	1	17,057	15,061
Fire and Property	164,454	160,646	451,921	325,357	87,570	76,080
including:						
Fire Insurance	49,783	46,320	149,765	121,781	39,289	31,122
Other Property Insurance	114,671	114,326	302,156	203,576	48,281	45,958
Marine and Aviation Insurance	176,117	146,620	270,784	235,480	89,209	65,258
Other insurances	51,884	43,162	103,271	90,063	36,394	38,988
Total¹	683,094	650,945	1,343,673	1,131,111	389,061	350,727

¹ This total cannot be derived from the insurance branches listed above because it also contains non-essential amounts for the insurance branches Health, Assistance, Legal Protection and Credit & Surety with gross premiums of less than € 2,000 thou each that are not listed individually.

Gross expenditure for insurance claims		Gross expenditure for insurance business		Reinsurance balance		Underwriting result, net of reinsurance		Number of insurance contracts with at least a 1-year period	
2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
358	1,743	2,759	2,414	-2,701	-2,435	2,597	2,315	8,224	8,577
968,140	688,623	179,306	160,227	156,030	-40,126	-62,181	21,293	25,381	26,270
4,022	19,309	2,808	4,268	1,373	11,594	309	-2,463	35,742	31,478
17,515	15,014	6,164	5,179	9,422	3,853	1,474	-2,108	-	-
444,055	398,656	135,900	112,187	-113,982	-128,029	-40,278	-28,347	25,330	25,997
187,278	192,504	38,348	35,139	8,610	-39,847	-24,244	-7,998	7,142	7,156
256,777	206,152	97,552	77,048	-122,592	-88,183	-16,034	-20,349	18,188	18,841
446,430	228,357	129,507	108,397	-15,014	-89,997	-19,160	-1,188	34,162	35,896
97,776	57,982	28,468	23,849	-29,125	-44,938	14,247	9,714	5,022	4,720
1,983,521	1,412,120	488,353	421,877	8,088	-289,432	-105,049	-5,755	133,990	133,080
1,518,353	1,246,787	495,735	504,942	-126,071	-246,990	22,982	-1,672		
3,501,873	2,658,906	984,089	926,819	-117,983	-536,422	-82,067	-7,427		

Run-off result

The net run-off losses in the amount of € 55,242 (loss of 25,936) thou were predominantly attributable to Liability Insurance and Other Property Insurance. It amounted to -1.7 (-0.9)% of the reserve for loss and loss adjustment expenses formed for this purpose during the previous year.

Underwriting expenses - net (Income Statement I.5.)

€ thou

	2019	2018
a) Gross expenditure for the insurance business	984,089	926,819
b) Less: Reinsurance commissions and profit participation	550,581	516,022
Total	433,507	410,797

Of the gross expenditure for the insurance business, acquisition expenses made up for € 828,143 (787,677) thou and administrative expenses for € 155,946 (139,142) thou.

Commissions and other remuneration of insurance agents, personnel expenses

€ thou

	2019	2018
a) Commission of any kind for insurance agents within the meaning of § 92 HGB for direct insurance business	250,453	200,336
b) Other remuneration of insurance agents within the meaning of § 92 HGB	24	9
c) a) Salaries and wages	238,899	235,585
d) Social security contributions and other social contributions	45,624	40,487
e) Expenses for retirement provision	20,957	20,950
Total	555,957	497,367

Investment income (Income Statement II.1.)

€ thou	2019	2018
a) Income from investments	165,360	194,536
a) Income from participations	74,776	15,513
including in affiliated enterprises € 73 910 (2018: 14 893) thou		
aii) Income from other investments	90,584	179,023
aa) Income from real estate, real property and equivalent rights, including buildings on land not owned by AGCS	5,440	5,235
bb) Income from other investments	85,114	173,789
b) Income from write-ups	29,012	13,656
c) Gains on the realization of investments	79,796	95,169
d) Income from profit pooling, profit transfer and partial profit transfer agreements	2,956	1,525
Total	277,124	304,887

Investment expenses (Income Statement II.2.)

€ thou	2019	2018
a) Investment management expenses, interest payable and other charges for investments	20,361	10,045
b) Value adjustments on investments	5,499	28,504
c) Losses on the disposal of investments	655	9,102
d) Costs of loss absorption	1,350	31
Total	27,865	47,682

Value adjustments on investments

Unscheduled write-downs pursuant to § 253 (3) sentence 5 HGB were made in the amount of € 246 (551) thou for shares in and loans to affiliated enterprises. Unscheduled write-downs pursuant to § 253 (4) HGB were made in the amount of € 3,596 (26,213) thou for bearer bonds as well as stocks, investment fund units and other variable income securities.

Write-downs on intangible assets

Scheduled write-downs pursuant to § 253 (3) HGB amounting to € 36,007 (35 181) thou were made during the fiscal year in relation to intangible fixed assets under consideration of the respective useful life.

Other income and other expenses (Income Statement II.3/4)

The following are included in Other income and other expenses:

€ thou	Pensions and similar obligations	Other obligations
	2019	2019
Income / expenses from the fair value of the offset assets	-3,027	15
Calculated interest on the settlement amount of the offset liabilities	3,980	93
Effect resulting from the change in the discount rate for the settlement amount	704	31
Net amount of the offset income and expenses	1,658	139

In addition, other income includes currency losses in the amount of € 102,021 (loss of 52,669) thou.

Income taxes (Income Statement II.7.)

For AGCS SE, the lower taxable income in the foreign branch offices compared with the previous year, as well as the losses posted at the German head office and at the branch office in the United Kingdom mainly result in lower income taxes of € 46,260 (93,985) thou.

Appropriation of earnings

Before the transfer of profit, the loss for fiscal year 2019 amounts to € 11,870 thou, which was compensated for by Allianz SE under the terms of the existing transfer-of-profit agreement.

OTHER INFORMATION

CONTINGENT LIABILITIES

There are contingent liabilities in connection with company pension plans. The company pensions for employees of the German subsidiaries who joined the company on or before 31 December 2014 are based, as a rule, on membership of Allianz Versorgungskasse VVaG (AVK) which, as a legally independent and regulated pension fund, is subject to supervision by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* = BaFin). The benefits provided by AVK are financed according to the lump-sum contribution system under which the member companies make payments to the fund based on salary conversion.

In addition to Allianz SE, the member companies include Allianz Deutschland AG, Allianz Versicherungs-AG, Allianz Lebensversicherungs-AG and, among others, AGCS SE.

AGCS SE has a legal obligation to make employer contributions and to cover the administrative costs of AVK on a pro-rated basis if required.

Furthermore, the sponsoring organizations make contributions to Allianz Pensionsverein e.V. (APV) for the employees who joined the company on or before 31 December 2014.

Due to the substantially lower discount rate, the plan assets of APV as of 31 December 2019 are lower than its pension commitments. The missing amount as of 31 December 2019 is € 19,625 (17,302) thou.

The company made use of its option right according to Article 28 (1) sentence 2 EGHGB to not constitute a provision for contingent liabilities in this respect because the legally required adjustment of pensions to the consumer price index is financed by means of additional contributions to APV.

Both AVK and APV were closed to new entrants effective 1 January 2015.

For new entrants since 1 January 2015, the company pension plan was uniformly reorganized. For new entrants since 1 January 2015, the company pays a monthly contribution to a direct insurance plan with Allianz Lebensversicherungs-AG, which is financed by the employee in the framework of deferred compensation.

What is more, an employer contribution is granted monthly in the form of a direct commitment.

Allianz SE has assumed joint and several liability for part of the pension commitments of AGCS SE. The latter reimburses the cost, and Allianz SE has undertaken to fulfill these commitments. For this reason, the pension commitments are reported by Allianz SE and not by AGCS SE.

With effect from 1 January 2017, the companies shall reimburse only the work service costs to its employees. No reimbursements made for risks relating to interest, inflation and biometrics.

Supplementary information

€ thou

	2019	2018
Settlement amount of the offset liabilities	71,796	69,661
Joint liability and/or rights of rights of relief against Allianz SE	71,796	69,661

As a result of changes in the financing of the Pensions-Sicherungs-Verein VVaG pension fund in 2006 there is a joint and several liability of € 25 (38) thou, which is not shown in the company's balance sheet because this liability is matched by rights of relief for the same amount against Allianz SE.

Liabilities can also arise from co-insurance and management clauses and from related hedging agreements.

AGCS SE has issued a directly enforceable guarantee for the unpaid share of AGCS Holding International B.V., Amsterdam, in the equity of Allianz Risk Transfer AG, Schaan, amounting to € 78.9 mn.

AGCS SE enters into contingent liabilities only after careful consideration of the risks involved. On the basis of a continuous evaluation of the risk situation of the contingent liabilities entered into and taking into account the knowledge gained up to the preparation date, it can be assumed that the obligations underlying the contingent liabilities can be met by the respective principal debtors.

AGCS SE therefore does not consider the risk of a claim to be probable for all the liability relationships listed.

STATUTORY OBLIGATIONS

Legal 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.

Other financial obligations

At the balance sheet date, no liens on capital investments were granted in connection with group-internal cessions, and no such liens were granted to affiliated enterprises. € 376,833 (320,587) thou were deposited in trust accounts, including € 354,635 (300,148) thou in favor of affiliated enterprises. These contingent liabilities will only be claimed if AGCS SE is unable to fulfill its obligations from the reinsurance business. In view of the solid capitalization and the adequate reserves of AGCS SE the risk of such a claim is considered to be very low.

Other liabilities from purchasing contracts amount to € 56,154 (59,173) thou and in particular from real estate purchasing contracts in the amount of € 14,972 (19,124) thou.

Payment obligations under long-term leases amount to € 54,296 thou, of which € 47,629 thou is due to affiliated enterprises.

There are residual payment obligations of € 52.6 mn to Allianz Risk Transfer AG, Schaan, for shares not fully paid up.

Information on the members of the executive bodies

The information required by § 285 no. 10 HGB on the members of the Supervisory Board and Executive Board can be found on [page 3](#). Also listed on [page 3](#) are all current members of the Supervisory Board and those who retired in the fiscal year, as well as current members of the Board of Management and those who retired in the fiscal year.

Remuneration of the Board of Management and the Supervisory Board

The total remuneration of the Board of Management amounted to € 8,085 thou in the reporting year. The remuneration for former members of the Board of Management and their surviving dependents amounted to € 641 thou in the reporting year.

The pension obligations vis-à-vis former members of the Board of Management/managing directors or their surviving dependents are as follows:

Pension obligations vis-à-vis former members of the Board of Management/managing directors

€ thou

	2019	2018
Fair value of the offset assets	11,590	5,103
Settlement amount of the offset liabilities	13,197	6,628
Pension reserves / excess of plan assets over pension liability	1,608	1,525

1_The settlement amount of the offset liabilities calculated with the 7-year average interest rate as per 31 December, 2019 amounts to €14,143 thou. As such, an amount of € 946 thou is barred from distribution pursuant to § 253 (6) sentence 2 of the German Commercial Code (HGB).

A total of 9,058 restricted stock units were issued to the members of the Board of Management. The fair value of these instruments at the date of grant amounts to € 1,403 thou.

The total remuneration of the Supervisory Board of AGCS SE amounted to € 60 thou.

Average number of employees

Excl. Board members, trainees, interns, employees in the passive phase of phased-in early retirement and in early retirement, on parental leave or in voluntary military service/federal voluntary service

	2019	2018
Full-time staff	2,167	2,131
Part-time staff	279	283
Total	2,446	2,414

Services provided by the auditor of the annual financial statements

PricewaterhouseCoopers GmbH WPG performed the audit on the annual financial statement and the Solvency Overview of AGCS SE as well as on the annual financial statements of various subsidiaries. In respect of the overall Group audit and the Group Solvency Overview, limited reviews of half-year statements as well as the audit of Group packages were conducted. In addition, other permissible non-audit services were rendered to a minor extent.

Total remuneration of the auditor pursuant to § 285 (17) HGB

The total remuneration of the auditor is reported in the corporate financial statements of Allianz SE, Munich.

Group affiliation

Allianz Global Corporate & Specialty SE is a member of the Allianz Group headed by Allianz SE, Munich. The Allianz SE Consolidated Financial Statements and the Management Report are published in that company's Annual Report in March and published in the German Electronic Federal Gazette subsequent to the Allianz SE Annual General Meeting in May. They can be consulted there or are available upon request from our company. The Annual Report is also available on the website of Allianz SE.

AGCS SE is incorporated into Allianz SE Consolidated Financial Statements and Management Report. The Consolidated Financial Statements and the Management Report legally dispense our company from any other reporting obligations so that AGCS SE does not establish Consolidated Financial Statements and a Management Report of its own.

Registration

AGCS SE is headquartered at Königinstrasse 28 in Munich and is listed in the Commercial Register B of the Munich District Court under the number HRB 208312.

Significant events after the end of the fiscal year

There were no significant events after the end of reporting period.

ASSURANCE BY THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles, we hereby assure that the annual financial statements of Allianz Global Corporate & Specialty SE give a true and fair view of the assets, liabilities, financial position and profit or loss of the company. The management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Munich, 19 February 2020

Allianz Global Corporate & Specialty SE
The Board of Management



Müller



Browne



Coste-Lepoutre



Dietsche



Mai



Scaldaferrì



Dr. Sepp

INDEPENDENT AUDITOR'S REPORT

To Allianz Global Corporate & Specialty SE, München

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

We have audited the annual financial statements of Allianz Global Corporate & Specialty SE, Munich, which comprise the balance sheet as at 31 December 2019, and the income statement for the financial year from 1 January to 31 December 2019, and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Allianz Global Corporate & Specialty SE for the financial year from 1 January to 31 December 2019. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § [Article] 289f Abs. [paragraph] 4 HGB [Handelsgesetzbuch: German Commercial Code] (disclosures on the quota for women on executive boards).

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2019 and of its financial performance for the financial year from 1 January to 31 December 2019 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with

the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2019. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. Measurement of shares in affiliated enterprises and participations
2. Measurement of reserve for loss and loss adjustment expenses

Our presentation of these key audit matters has been structured in each case as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matters:

1. Measurement of shares in affiliated enterprises and participations
 1. In the Company's annual financial statements, shares in affiliated enterprises and participations amounting to € 2,326 million (23.4% of total assets) are reported under the "Investments in affiliated enterprises and participations" balance sheet item. Shares in affiliated enterprises are measured at the lower of cost or fair value in accordance with German commercial law. The earnings model is used to determine the fair value of all material entities with operating activities, since neither quoted nor other market prices are available. Net asset value or the earnings model is used for material asset management companies. In this context, the executive directors must make judgments, estimates and assumptions in particular regarding future business development and changes in macroeconomic factors. Minor changes to those assumptions or to the methods used may have a material impact on the measurement of shares in affiliated enterprises and participations. On the basis of the values determined, write-downs and reversals of write-downs were required in a non-material amount. Due to the material significance of the amounts of shares in affiliated enterprises and participations for the assets, liabilities and financial

performance of the Company as well as the considerable scope for judgment on the part of the executive directors and the related uncertainties in the estimations made, the measurement of shares in affiliated enterprises and participations was of particular significance in the context of our audit.

2. Given the significance of shares in affiliated enterprises and participations, as part of our audit we assessed the measurement methods used by the Company and the assumptions made by the executive directors. The assessment was based on our industry expertise and experience, among other things. We also assessed the measurement process including the design and effectiveness of the established controls. On this basis, we conducted tests of detail on the measurement of selected shares in affiliated enterprises and participations. We selected these on a risk-oriented basis with respect to their size and significance for the Company's annual financial statements, as well as in instances where there were specific indications that impairment was permanent. Our tests of detail relating to the earnings model included assessing the selected measurement methodology and the mathematical correctness of the procedure applied. We also examined the appropriateness of the assumptions underlying the calculation (in particular the budget, derivation of the discount rate and assumptions regarding perpetuities). Where net asset values were used, we assessed the appropriateness of the measurement methods as well as the financial statements and other business records of the asset management companies and the carrying amounts derived from it. Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors for the purpose of measuring the shares in affiliated enterprises and participations are substantiated and sufficiently documented.

3. The Company's disclosures on the measurement of shares in affiliated enterprises and participations are included in section "Investments in affiliated enterprises and participations (Assets B.II)" of the notes to the financial statements.

2. Measurement of reserve for loss and loss adjustment expenses

1. In the annual financial statements, the Company reports € 9,652 million gross and € 3,567 million net (35.8% of total equity and liabilities) under the "Reserve for loss and loss adjustment expenses" balance sheet item (so called claims provisions). Insurance companies are required to recognize claims provisions to the extent necessary in accordance with reasonable business judgment to ensure that they can meet their obligations from insurance contracts on a continuous basis. Defining assumptions for the purpose of measuring the claims provisions requires the Company's executive directors, in addition to complying with the requirements of commercial and regulatory law, to make estimates of future events and to apply appropriate measurement methods. The methods used to determine the amount of the claims provisions and the calculation parameters are based on judgments and assumptions made by the executive directors. In particular the lines of business with long claims settlement periods, low loss frequency or high individual losses are usually subject to increased estimation uncertainties and consequently require a high degree of judgment by the Company's executive directors. Minor changes to those assumptions or to the methods used may have a material impact on the measurement of the claims provisions. Due to the material significance of the

amounts of these provisions for the assets, liabilities and financial performance of the Company as well as the scope for judgment on the part of the executive directors and the associated uncertainties in the estimations made, the measurement of the claims provisions was of particular significance in the context of our audit.

2. Given the significance of the claims provisions for the Company's overall business, as part of our audit we worked with our internal valuation specialists to assess the assumptions made by the executive directors and used by the Company. In doing so, we based our assessment on our industry expertise and experience, among other things, and considered recognized methods. We also evaluated the design and effectiveness of the controls established by the Company for the purpose of calculating and recording claims provisions. On that basis, we carried out tests of detail relating to the measurement of the claims provisions. Among other things, we also reconciled the data on which the calculation of the settlement amount was based with the underlying documents. In this context, we assessed the results of the Company's calculations of the amount of the provisions with reference to the applicable legal requirements and evaluated the consistent application of the measurement methods and the accrual basis of accounting. Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors for the purpose of measuring the claims provisions are substantiated and sufficiently documented.

3. The Company's disclosures on the measurement of the reserve for loss and loss adjustment expenses can be found under "Reserve for loss and loss adjustment expenses" in section "Accounting, valuation and calculation methods" of the notes to the financial statements.

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to § 289f Abs. 4 HGB (disclosures on the quota for women on executive boards).

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited annual financial statements, the audited management report and our auditor's report.

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken

on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as auditor by the supervisory board on 23 May 2019. We were engaged by the supervisory board on 14 October 2019. We have been the auditor of Allianz Global Corporate & Specialty SE, Munich, without interruption since the financial year 2018.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Christine Keller.

Munich, 20. March 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Richard Burger

Wirtschaftsprüfer
(German Public Auditor)

Christine Keller

Wirtschaftsprüferin
(German Public Auditor)

INSURANCE LINES COVERED

Direct insurance business

HEALTH INSURANCE

Health insurance written on a non-life basis

PERSONAL ACCIDENT INSURANCE

Aviation personal accident, test persons, automotive personal accident, other general personal accident

LIABILITY INSURANCE

Private liability, public and professional liability, environmental liability, financial loss liability, radiation and nuclear liability, neighbor's liability fire, liability for land vehicles without mandatory coverage, other liability insurance (including cyber risk)

AUTOMOTIVE INSURANCE

Automotive Liability Insurance, Other Automotive

AVIATION INSURANCE

Aircraft - own damage, spacecraft - own damage

LEGAL EXPENSES INSURANCE

FIRE INSURANCE

Industrial fire, other fire

MARINE INSURANCE

Hull (including hulls of sea-going, inland waterway and river-going vessels, building risk), goods in transit, valuables (commercial), film property, risk of war, liability in traffic cases, other transport

CREDIT AND SURETYSHIP INSURANCE

BUSINESS INTERRUPTION INSURANCE

Fire business interruption, engineering, other business interruption

ASSISTANCE INSURANCE

AVIATION AND AEROSPACE LIABILITY INSURANCE

Aviation liability, aerospace liability

OTHER PROPERTY INSURANCE

Burglary insurance, water pipe insurance, glass breakage insurance, storm insurance, engineering insurance, extended coverage insurance for fire and interruption to business, business interruption insurance

OTHER PROPERTY INSURANCE

Other property damage (including nuclear plant property), other economic loss (including machine guarantee, loss of license, check cards),

as well as other combined insurance (including dynamic property insurance), other types of other property and casualty insurance

Reinsurance business assumed

PERSONAL ACCIDENT INSURANCE

LIABILITY INSURANCE

AUTO INSURANCE

AVIATION INSURANCE

FIRE INSURANCE

MARINE INSURANCE

BUSINESS INTERRUPTION INSURANCE

AVIATION AND AEROSPACE LIABILITY INSURANCE

OTHER PROPERTY INSURANCE

OTHER PROPERTY INSURANCE

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up to 31 March 2019

Stephanie Thiem
as of 1 April 2019

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Chalat Balaraman Murali

