ANNUAL REPORT 2020

ALLIANZ GLOBAL CORPORATE & SPECIALTY SE

Allianz

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Disclaimer regarding roundings
Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

TO OUR SHAREHOLDERS

A

SUPERVISORY BOARD REPORT

Ladies and Gentlemen,

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 the 2020 financial year and the management report presented with it. In its meeting on 26 April 2021, the Supervisory Board approved the annual financial statements prepared by the Board of Management, which are hereby confirmed.

MEMBERS OF THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

Effective 1 March 2020, the Supervisory Board appointed Mr. Henning Haagen to the Board of Management. Mr. Haagen is responsible for the CRMO Region 1 Department. Effective 1 July 2020, the Supervisory Board appointed Mr. Tony Buckle to the Board of Management. Mr. Buckle is responsible for the CUO Corporate Department. Effective 1 October 2020, the Supervisory Board appointed Dr. Renate Strasser to the Board of Management. Dr. Strasser is responsible for the CUO Specialty Department. Dr. Thomas Sepp, previously responsible for CUO Corporate, is responsible for the re-established Claims Board of Management Department.

Effective 30 June 2020, Ms. Sinéad Browne and Mr. Hartmut Mai both resigned from their positions as members of the Board of Management with the approval of the Supervisory Board.

Munich, 26 April 2021

For the Supervisory Board:

Christopher Townsend
Chairman

SUPERVISORY BOARD AND BOARD OF MANAGEMENT

NIRAN PEIRIS
Member of the Board of Management
Allianz SE, Dept. Global Insurance Lines
& Anglo Markets, Reinsurance, Middle East, Africa
Chairman
up to 31 December 2020

CHRISTOPHER TOWNSEND
Member of the Board of Management
Allianz SE, Dept. Global Insurance Lines
& Anglo Markets, Reinsurance, Middle East, Africa
Chairman
as of 1 January 2021

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 FRANSSEN
former Chief Executive Officer (retired)
Allianz Benelux

NISHMA TATE
Key Account Manager
Employee representative

BEATE HINZ
Underwriter
Employee representative
up to 31 December 2020

HARALD BASLER
Senior Account Technician
Employee representative
as of 1 January 2021

JOACHIM MÜLLER
Chief Executive Officer
Chairman

SINÉAD BROWNE
Chief Regions & Markets Officer – Region 3
up to 30 June 2020

TONY BUCKLE
Chief Underwriting Officer Corporate
as of 1 July 2020

CLAIRE-MARIE COSTE-LEPOUTRE
Chief Financial Officer

BETTINA DIETSCHE
Chief Operating Officer

HENNING HAAGEN
Chief Regions & Markets Officer – Region 1
as of 01 July 2020
Chief Underwriting Officer Specialty
as of 1 March 2020 up to 30 September 2020

HARTMUT MAI
Chief Regions & Markets Officer – Region 1
up to 30 June 2020

WILLIAM SCALDAFERRI
Chief Regions & Markets Officer – Region 2

DR. THOMAS SEPP
Chief Claims Officer
as of 1 July 2020
Chief Underwriting Officer Corporate
up to 30 June 2020

DR. RENATE STRASSER
Chief Underwriting Officer Specialty
as of 1 October 2020

MANAGEMENT REPORT OF AGCS SE

B

DEVELOPMENT OVERVIEW

Economic environment 2020[1]

2020 was the year of the Covid-19 pandemic, which claimed almost two million lives globally last year and brought entire economies to a standstill. As a result, the world gross domestic product slumped by around 4 %, by far the worst performance since the Second World War. (By comparison, the Financial Crisis caused a drop of only 0.1 % in 2009.) The blow from the pandemic on livelihoods could be cushioned, however – first and foremost in advanced economies – by unprecedented fiscal policy measures: Governments' outlays totaled more than € 10 tn globally. This staggering level of support helped people and companies to endure lockdowns, trade disruptions, and social distancing – at least economically. Corporate insolvencies, for example, even declined by around 10 % globally in 2020, defying economic logic in the face of a severe recession. The flip side of generous fiscal support is rapidly escalating public debt It reached around 130 % of world gross domestic product in advanced economies in 2020.

The big fall in global economic activity conceals an unusually large dispersion of performance in large economies. Reflecting diverging strategies as well as their differing success in combating the pandemic, the growth gap between China (+ 2.3 % in 2020) and the Eurozone (-6.8 % in 2020) amounted to nine percentage points; the gross domestic product of the United States declined by 3.5 % in 2020.

Capital markets initially reacted with panic to the outbreak of Covid-19; even the U.S. sovereign bond market, the backbone of the global financial system, was not immune to dislocations. But as central banks quickly stepped in, offering provisions of liquidity of unparalleled scale, functionality was restored. As a consequence of the ongoing monetary support, markets enjoyed a strong recovery since the March turbulences, even setting new records in some areas such as corporate bond issuance or initial public offers. Most equity markets concluded 2020 in positive territory, with the U.S. market, measured by the market-wide index S&P 500, setting the pace with a plus of 16 %. On the other hand, interest rates and yields dropped to new record lows: The 10-year U.S. Treasury yield declined from 1.9 % to 0.9 %, while the 10-year Bund yield dropped from -0.2 % to -0.6 % at the end of 2020.

Business environment 2020 for the insurance industry

Initially, Covid-19 impacted both sides of the balance sheets of insurance companies. Strong, well-capitalized balance sheets and the rapid market recovery helped them manage the temporary losses on the asset side. On the liabilities side, however, underwriting losses were incurred in particular due to cancellations of travel and events, and in association with credit risk and business interruption insurance. At the same time, the widespread freezing of activities during the lockdowns reduced claims frequencies in some lines of business. Global insurance losses caused by natural disasters rose sharply in 2020, mainly due to severe storms and wildfires in the United States.

The industry also had to cope the operational challenge of maintaining business continuity despite lockdown measures and social distancing: The acceleration of digitalization was the answer to continuing serving customers during the pandemic, maintaining operations and protecting employees at the same time.

The industrial insurance segment within Property and Casualty Insurance operated in an ambivalent environment with persistently high pressure on competition and profitability. On the one hand, the impact of Covid-19 related claims and declines in premium income had to be absorbed and the industry continued to suffer from a constant decline in investment income in the low interest rate environment. On the other hand, though, market hardening in industrial insurance continued in 2020. According to Marsh's Global Insurance Market Index, industrial insurance prices rose 22% in the fourth quarter of 2020. This is the highest increase since the index was launched in 2012.

Business development of AGCS SE

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

With our global focus and our extensive product range, AGCS SE is in a position to offer appropriate insurance solutions combined with comprehensive customer service. This also includes an expert, worldwide service in the event of a claim, cross-border solutions within the framework of international insurance programs, captive and fronting services, risk consulting and structured risk transfer solutions.

The company's underwriting result in financial year 2020 was impacted by the Covid-19 pandemic. The pandemic led to a high net claims expenses and thus to an increase in the combined ratio.

The decrease in the investment result in financial year 2020 was primarily due to higher write-downs, higher losses on the disposal of investments and lower dividends from affiliated enterprises. Although the valuation reserves were down on the previous year, they remained at a high level nonetheless.

AGCS SE ends the year 2020 with a loss absorption by Allianz SE amounting to € 518.2 mn. Since the company was founded in 2006, a total of nearly € 3.5 bn has been transferred to Allianz SE.

1 At the time of publishing this report, not all of the general market data for 2020 used in the chapter "Development overview" had been finalized. We also wish to point out that the information provided in this chapter is based on estimates made by Group Economic Research of the Allianz Group.

AGCS SE's results under commercial law were as follows:

Condensed income statement
€ mn

	2020	2019
Gross premiums written	4,538	4,520
Premiums earned (net)	1,425	1,498
Gross expenditure for insurance claims	-4,385	-3,502
Gross expenditure for insurance business	-905	-984
Reinsurance balance	278	-118
Underwriting result before equalization reserve and similar provisions[1]	-589	-94
Change in equalization reserve and similar provisions[2]	80	12
Underwriting result for own account	**-509**	**-82**
Investment result	-74	249
Other non-underwriting result	93	-132
Profit or loss on ordinary activities	**-489**	**36**
Taxes	-29	-47
(-) Transfer of profit / (+) Loss absorption	518	12
Net income	**0**	**0**
KEY FIGURES	%	%
Loss ratio	113.3	76.1
Expense ratio	25.0	28.9
Combined ratio	**138.2**	**105.0**

1_ The total underwriting result before equalization reserves and similar provisions cannot be derived from the above items of the income statement.

UNDERWRITING RESULT

Gross premiums generated by AGCS SE were on a par overall with the prior-year value. AGCS SE repositioned its portfolio in the 2020 financial year by implementing targeted underwriting measures and a comprehensive transformation program. This was reflected differently in the individual business lines and branch offices.

Gross premiums written by country
€ mn

	2020	2019	Change
Germany	1,710	1,788	-78
United Kingdom	1,234	1,190	44
France	538	546	-8
Spain	196	163	33
Belgium	161	153	8
Singapore	155	156	-1
Hong Kong	124	105	19
Italy	116	118	-2
Netherlands	113	115	-2
Other countries[1]	191	187	4
Total	**4,538**	**4,520**	**17**

1_Countries with gross premiums written of less than € 100 million are shown aggregated.

The increase in premiums was mainly due to premium gains in our branch offices in the United Kingdom, Spain and Hong Kong. However, it was largely offset by a decline in premiums in our German head office.

Gross premium income in the direct insurance business increased to € 2 513,1 (2 415,8) mn, due in particular to an increase in Other Property Insurance in the United Kingdom. On the other hand, the indirect insurance business posted a decline in premium income to € 2 024,8 (2 104,7) mn. This was mainly attributable to Transport and Aviation Insurance at our German head office.

In contrast to gross premiums written, net premiums earned showed a downward trend. This was mainly due to the quota share reinsurance contracts that were introduced in the financial year in General Liability Insurance.

The higher net claims burden was marked by an increase in claims for the financial year to € 1 422,9 (1 084,2) mn, especially in Other Insurances. This was mainly due to losses totalling € 249.8 mn from the Covid-19 pandemic. AGCS SE's net claims expenses from catastrophe losses remained at a low level, as in the previous year. Together with a higher loss from the settlement of prior-year claims of € 191.0 (negative result of 55.2) mn, particularly in Liability Insurance, the net loss ratio on the balance sheet rose to 113.3% (76.1%). However, excluding the charges from the Covid-19 pandemic, the loss ratio would have been 95.7%.

In the financial year under review, the net cost ratio improved to 25.0% (28.9%). Net expenditure for the insurance business included acquisition costs of € 204.2 (275.1) mn and administrative expenses of € 151.3 (158.4) mn.

The company reported a net underwriting loss before equalization reserves of € 589.3 (negative result of 93.8) mn. Due to the high claims burden in several business lines, € 80.1 (withdrawal of € 11.7) mn was withdrawn from the equalization reserve and similar provisions.

REINSURANCE BUSINESS CEDED

The reinsurance structure was essentially maintained in the 2020 financial year. Depending on risk tolerance or available capacity, the reinsurance strategy provides for the placement of all or part 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. Several new quota share reinsurance contacts were concluded in Liability Insurance, which led to an increase in premiums written which were ceded to the reinsurers.

In the financial year, the company once again ceded parts of its insurance business to certain Group companies and external reinsurers. Since 1 January 2015, the entire direct and assumed business at our German head office is covered by a quota share reinsurance contract with Allianz SE, our largest reinsurer, through which 100% of the business is ceded. This contract was renewed in 2020 with a reduced commission rate.

A protective cover insurance policy for frequency losses concluded in the reporting year was terminated and commuted as of 31 December 2020.

With respect to premiums written, the retention ratio was down on the previous year at 31.9 (33.1)%. Unlike the previous year, the reinsurance balance – influenced by the high claims burden – reported a loss that was borne by the reinsurers.

DIRECT INSURANCE BUSINESS[2]

Personal Accident and Health Insurance
€ mn

	2020	2019	Change
Gross premiums written	16	9	7
Net premiums earned	3	4	0
Net expenditure for insurance claims[1]	1	0	1
Net expenditure for the insurance business	-1	-1	0
Underwriting result before equalization reserve and similar provisions	**3**	**3**	**0**

1_ A run-off gain that is higher in a reporting year than the expense for claims in the reporting year results in net income for insurance claims.

The bulk of increase in gross premiums in Personal Accident and Health Insurance was generated by Health Insurance, which portfolio was written mainly by our Asian branch offices. The performance of net premiums remained largely unaffected by this as this business was to a large extent ceded as fronting business. The underwriting result improved mainly due to lower financial year losses in Casualty Insurance.

Liability insurance
€ mn

	2020	2019	Change
Gross premiums written	1,030	951	79
Net premiums earned	400	433	-33
Net expenditure for insurance claims	-527	-415	-112
Net expenditure for the insurance business	-45	-82	36
Underwriting result before equalization reserve and similar provisions	**-172**	**-64**	**-108**

Liability Insurance recorded an increase in gross premium volume in the reporting year, especially at our branch offices in the United Kingdom and France. Influenced by reinsurance cessions under quota share reinsurance contracts, net premiums earned decreased year on year. Due to higher claims expenses, mainly as a consequence of a poorer run-off result, the underwriting loss was significantly higher than in the previous year.

Motor Liability Insurance, Other Motor Insurance
€ mn

	2020	2019	Change
Gross premiums written	22	22	-1
Net premiums earned	0	1	-1
Net expenditure for insurance claims[1]	2	-1	3
Net expenditure for the insurance business	1	2	-1
Underwriting result before equalization reserve and similar provisions	**3**	**2**	**1**

1_ A run-off gain that is higher in a reporting year than the expense for claims in the reporting year results in net income for insurance claims.

As in previous years, the portfolio of Motor Liability Insurance and Other Motor Insurance was written mainly by our Hong Kong branch as fronting business and showed a slight downward trend in the reporting year. As a result of a run-off gain, the insurance line achieved an underwriting profit as in the previous year.

Fire Insurance and Other Property Insurance
€ mn

	2020	2019	Change
Gross premiums written	813	704	109
Net premiums earned	243	189	54
Net expenditure for insurance claims	-253	-145	-108
Net expenditure for the insurance business	-41	-62	21
Underwriting result before equalization reserve and similar provisions	**-60**	**-21**	**-39**

In the insurance line Fire Insurance and Other Property Insurance, slight gross premium losses were incurred in Fire Insurance, while the gross premium volume in Other Property Insurance increased significantly. The main contributors to the increase were the branch office in the United Kingdom and our German head office. Due to the changes in financial year losses, claims expenses increased in both business lines. The underwriting loss of the insurance line was thus higher than in the previous year.

Transport and Aviation Insurance
€ mn

	2020	2019	Change
Gross premiums written	496	536	-40
Net premiums earned	169	205	-36
Net expenditure for insurance claims	-117	-187	70
Net expenditure for the insurance business	-66	-66	0
Underwriting result before equalization reserve and similar provisions	**-14**	**-48**	**34**

The decline in premium income in Transport and Aviation Insurance mainly affected our branch office in the United Kingdom and was attributable to both business lines. The insurance line improved its underwriting result compared with the previous year, primarily due to a lower claims burden for the financial year in the two business lines, but also because of a positive run-off result in Transport Insurance.

Other Insurances
€ mn

	2020	2019	Change
Gross premiums written	136	192	-56
Net premiums earned	23	49	-26
Net expenditure for insurance claims	-190	-24	-166
Net expenditure for the insurance business	-7	-9	2
Underwriting result before equalization reserve and similar provisions	**-176**	**15**	**-191**

Other Insurances posted a decline in premium income, mainly at our branch office in the United Kingdom. Claims expenses were significantly higher compared with the previous year, especially due to an increase in financial year losses as a result of the Covid-19 pandemic. This resulted in an extraordinarily high net loss in this financial year.

2_ The total underwriting result before equalization reserves and similar provisions cannot be derived from the above items of the income statement.

REINSURANCE BUSINESS ASSUMED[3]

Casualty Insurance
€ mn

	2020	2019	Change
Gross premiums written	6	7	-1
Net premiums earned	4	5	-1
Net expenditure for insurance claims[1]	0	3	-3
Net expenditure for the insurance business	-2	-2	1
Underwriting result before equalization reserve and similar provisions	**3**	**6**	**-3**

1_ A run-off gain that is higher in a reporting year than the expense for claims in the reporting year results in net income for insurance claims.

Casualty Insurance recorded a decline in premiums, especially at our branch office in the United Kingdom. The premium trend, together with a lower profit from the settlement of prior year claims, reduced the underwriting result.

Liability Insurance
€ mn

	2020	2019	Change
Gross premiums written	543	568	-25
Net premiums earned	161	167	-5
Net expenditure for insurance claims	-182	-122	-60
Net expenditure for the insurance business	-52	-82	30
Underwriting result before equalization reserve and similar provisions	**-76**	**-41**	**-35**

Gross premium income in Liability Insurance in the reporting year was lower than in the comparable period last year, especially at our head office in Germany. The ongoing high financial year claims losses together with a higher run-off loss from previous year's claims further reduced the result.

Fire Insurance and Other Property Insurance
€ mn

	2020	2019	Change
Gross premiums written	1,000	1,008	-7
Net premiums earned	286	278	8
Net expenditure for insurance claims	-195	-159	-36
Net expenditure for the insurance business	-95	-77	-18
Underwriting result before equalization reserve and similar provisions	**-33**	**32**	**-65**

A decline in gross premiums written in Fire Insurance was largely offset by higher premiums in Other Property Insurance so that the premiums of the insurance line Fire Insurance and Other Property Insurance remained more or less constant in a year on year comparison. Higher claims incurred from higher financial year losses resulted in Fire Insurance and Other Property Insurance reporting an underwriting loss for the year.

3_ The total underwriting result before equalization reserves and similar provisions cannot be derived from the above items of the income statement.

Transport and Aviation Insurance
€ mn

	2020	2019	Change
Gross premiums written	270	344	-74
Net premiums earned	84	97	-13
Net expenditure for insurance claims	-53	-49	-4
Net expenditure for the insurance business	-33	-32	-1
Underwriting result before equalization reserve and similar provisions	**-3**	**15**	**-18**

Gross premium income in Transport and Aviation Insurance decreased equally in both insurance lines, especially at our German head office. Together with higher prior-year claims expenses in Aviation Insurance, the decline in premiums led to a deterioration in the underwriting result.

Other Insurances
€ mn

	2020	2019	Change
Gross premiums written	206	178	28
Net premiums earned	51	71	-20
Net expenditure for insurance claims	-99	-39	-60
Net expenditure for the insurance business	-14	-21	7
Underwriting result before equalization reserve and similar provisions	**-62**	**11**	**-73**

Our German head office accounted for the largest share of the gross premium growth in Other Insurance. Due to the quota share reinsurance contract with Allianz SE, net premiums earned did not benefit from the increase in our German branch office. Claims expenses were influenced in particular by higher financial year claims expenses and were the reason for the underwriting loss in this financial year.

FURTHER INFORMATION ON THE MANAGEMENT REPORT

The various insurance lines and types offered are presented in detail on page 48.

INVESTMENT STRATEGY

AGCS SE continued its investment strategy in 2020, which is based on spreading investments widely over many different investment segments and currencies. AGCS SE pursues a matching-cover investment strategy in foreign currencies. The portfolio's equity holdings were temporarily sold in 2020. This reduced the portfolio risk and substantially increased the liquidity position in the short term to ensure sufficient liquid funds were held to cover potential losses.

To cover the financial obligations arising from the insurance business, an overwhelming portion of the company's portfolio was invested in fixed-interest securities. The duration of the investments fell by 0.5 to 4.4 years compared with the previous year due to the higher cash balances held. The fixed-income investments were focused on corporate bonds, government bonds, bank bonds and deposits. These were broadly diversified internationally in line with the obligations arising from the insurance sector.

To secure an attractive return on the investment portfolio in the long term, the company maintained a broad diversification of the portfolio. At the end of the year, corporate bonds accounted for

35.3% (30.6%) of the total portfolio by market value, while 10.8% (12.0%) was invested in emerging market bonds. In addition, 8.7% (9.4%) of the portfolio was invested in government and corporate bonds in Singapore and Hong Kong to cover liabilities of the local branch offices. In the area of direct lending, investment increased by a net € 37.8 mn. New investments of € 16 mn were made in real estate, but investments in real estate fell by net € 2.4 mn overall.

The risk situation with respect to the capital base and the coverage of the financial liabilities with qualified investments is assessed from two perspectives: external and regulatory requirements on the one hand and internal risk capital requirements on the other. Stress test models were used, which are integrated into an early warning system. These model calculations are performed on an ongoing basis and the stress tests were passed without exception in the reporting year.

INVESTMENTS AND THE INVESTMENT RESULT

Investments and the investment result

€ mn

	2020	2019
INVESTMENT PORTFOLIO		
Investments in affiliated enterprises and participations	2,487	2,489
Directly held properties	75	76
Stocks, investment fund units and other variable income securities	2,168	2,403
Bearer bonds	2,295	2,178
Mortgage loans	50	52
Other loans	171	168
Deposits with credit institutions	80	85
Deposit receivables	88	76
Total	**7,413**	**7,527**
INVESTMENT RESULT		
Current investment income	121	165
Gains on the disposal of investments	71	80
Losses on the disposal of investments	104	1
Gains from write-ups on investments	1	29
Value adjustments on investments	149	6
Of which on bearer bonds	34	4
Expenses for the management of investments and for interest expenses	12	20
Income from profit transfer agreements	0	3
Costs of loss absorption	2	1
Total	**-74**	**249**
VALUATION RESERVES ON INVESTMENTS		
Hidden reserves	942	1,347
of which investments in affiliated enterprises and participations	363	501
of which directly held properties	71	66
of which stocks, investment fund units and other variable income securities	373	638
of which on bearer bonds	117	123
of which on mortgage bonds	3	3
of which on other loans	12	12
Unrealized losses	3	4
Total	**939**	**1,343**

The investment result for the financial year 2020, with a negative result of € 74 mn, was significantly lower than the previous year's result and the forecast, even though a significantly lower investment result was expected. The decline was mainly due to higher valuation adjustments on investments. The losses from the disposal of investments, which should be seen in the context of the controlling foreign currency exposure, increased significantly compared with the previous year. Lower dividends generated from affiliated enterprises led to a decrease in current income from investments. At the same time, distributions from special funds resulted in higher income compared with the previous year.

The reserve ratio, which reflects the percentage of valuation reserves relative to the book value of total investments, stood at 12.7 (17.8)% as of the end of the year.

OTHER NON-UNDERWRITING RESULT

Other non-underwriting business generated a profit of € 93.4 (negative result of € 131.6) mn, mainly due to exchange rate trends of the US dollar, Australian dollar and pound sterling vis-a-vis the euro.

The total non-underwriting result thus amounted to € 19.9 (117.7) mn.

OVERALL RESULT

Tax charges for the financial year (including intra-group charges) amounted to € 28.8 (47.5) mn.

On the whole, results of operations in 2020 were less favorable than in the previous year. The overall result after tax was a negative result of € -518.2 (negative result of -11.9) 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, United Kingdom
- 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 carried out for the company at the Munich location, as well as in London, Paris, Antwerp and Trivadrum (India).

For the branch office in Milan, these functions are rendered by Allianz S.p.A.

INVESTMENT AND ASSET MANAGEMENT

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

- Allianz Deutschland AG, Munich
- Allianz Investment Management SE, Munich

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

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

INFORMATION TECHNOLOGY

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

Employees

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

The Covid-19 pandemic has led to significant changes in the working world. Besides the burdens this global crisis undoubtedly entails, it also opens up new opportunities for our employees with regard to new ways of working. AGCS SE will incorporate the positive experiences and impressions of the last months regarding mobile working in the way it works, resulting in a new normal. Specifically, this mean that we want to encourage and support our employees to avail themselves of the opportunities for flexible working, even beyond the pandemic. AGCS SE is striving for a hybrid model that combines mobile working and working in our offices. We are taking a global approach and it is important to us as an international company to take cultural differences in account, as well as our employees' individual circumstances. We will also look into other areas in more detail, such as managing locally distributed and virtual teams, or designing our office space to make it more collaborative in an agile approach.

To support our employees in successfully meeting these new challenges and to be fit for an ever-changing working world, we offer numerous training opportunities to both employees and managers. Particular emphasis was placed this year on the Group-wide management development program **#lead** and the introduction of the online learning platform **AllianzU Learning Platform**. The digitalization of learning content enables us to make training available to every Allianz employee at any time. To encourage the uptake of these programs, our employees and managers are given one hour per week exclusively for their individual development.

Despite the coronavirus pandemic, AGCS SE continued to actively recruit in 2020. In line with the NEW AGCS strategy, new areas such as Global Distribution, Global Process Management and Global Product Management were established, and recruitment for these was very successful. In addition, we are increasingly observing a trend, whereby positions are not necessarily geographically bound, but are being advertised at various locations, including and especially across national borders. This supports in particular the "Global First" orientation of our NEW AGCS strategy.

Our recruiting team had proactively transitioned to a digital process early on with video job interviews and virtual onboarding as a precautionary measure for our applicants and employees. Even prior to coronavirus, we provided digital support for recruitment processes outside Germany and were able to continue this without restriction during the pandemic. Candidate orientation is also particularly important to us in the virtual set-up. Our video telephony solutions are also optimal for use in working from home and are free of charge for our applicants. The pandemic has heightened the importance of digital networking, which is why we are active on Xing, LinkedIn, the Allianz career blog and the review platform Kununu, among others.

To provide support to our employees in the area of well-being, especially during these stressful times, we continue to offer an extensive range of resilience training courses, which are used in particular as part of team development measures. Within the framework of our annual employee survey (Allianz Engagement Survey), we regularly review the well-being of our employees and initiate appropriate measures. This year, we had a separate section, which focused on the particular pressures arising from the coronavirus crisis. We use these and other measures to make employees aware of how to make mindful use of their personal resources. In March, at the start of the coronavirus pandemic, employees were also offered special tools to help them cope with the unexpected dual burden of having to combine childcare and working from home. We extended the framework for working hours, offered special leave and fostered understanding on the management side for the special situation in which many employees now suddenly find themselves. For this purpose, managers were offered training modules such as "Leading through a crisis", which dealt with raising awareness of where special attention is now required.

We 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. To this end, in 2020 we established a new Diversity & Inclusion Council, which comprises various working groups and is no longer primarily chaired by HR but by representatives from the business in order to ensure the measures can be implemented across the board and in all business areas. The ideas and initiatives identified in the regional councils are in turn grouped in a global Diversity & Inclusion Council and reviewed to see to what extent individual measures can be taken up and implemented in other regions too.

At the end of 2020, AGCS SE had a total of 2,611 employees.

Facts and figures

	2020	2019
Employees[1]	**2,611**	**2,625**
including full-time staff	2,535	2,556
including other employees (temps and interns)	76	69
Share of women %	48	49
Share of men %	52	51
Share of full-time staff %	86	86
Share of part-time staff %	14	14
Age (average in years)	42.9	42.7
Time with the Group (average in years)	11.6	11.5

1_including dormant employee contracts

Statement on Corporate Management pursuant to § 289f (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 SE has set the following objectives for the proportion of women. The deadline for achieving all of these objectives has been set uniformly at 31 December 2021.

– The objective for the proportion of women on the Supervisory Board is 30% (actual proportion as of 31 December 2020: 67%).
– The objective for the proportion of women on the Board of Management is 30% (proportion as of 31 December 2020: 38%).
– The objective for the proportion of women at the first management level below the Board of Management is 20% (proportion as of 31 December 2020: 32%).
– The objective for the proportion of women at the second management level below the Board of Management is 24% (proportion as of 31 December 2020: 30%).

AGCS SE's primary concern 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 early on to promoting diversity within the company. A corresponding framework in place has already been put in place, HR processes adjusted accordingly and various measures taken. These range from options to improve the work-life balance, talent management with sponsorship and mentoring programs to unconscious bias training.

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

Allianz SE and the Allianz Group meet the statutory requirements 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) HGB. This report can be found in the 2020 Annual Report for the Allianz Group (www.allianz.com/annualreport).

The publication of this report releases AGCS SE from the obligation to publish its own report pursuant 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 careful consideration of opportunities and risks are therefore an integral part of controlling the business processes. The key elements of AGCS SE's risk management system are:

– A strong risk management culture, promoted by a solid risk management organization and effective risk management principles (risk governance),
– Comprehensive risk capital calculations with the objective of protecting the capital base and supporting effective capital management,
– The integration of capital requirements 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 appetite 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 controls and the corresponding reports allow for 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 that these risks will not materialize.

OPPORTUNITIES

The combination of a global presence, a strong focus on professional excellence in underwriting and claims processing, as well as continuous productivity growth and process optimization makes AGCS SE resilient in the challenging times of the coronavirus pandemic, thereby enabling it to realize new opportunities in a rapidly changing business environment.

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 is one of 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 by 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 management, AGCS SE relies on our sound knowledge of the industry and technical insurance expertise. AGCS SE will continue to invest in the professional excellence of its core underwriting and claims functions. This includes the further development of pricing tools, portfolio management, loss trend analysis, volatility management and actuarial modelling – always on the basis of innovative technologies for data analysis and predictive modelling. In doing so, we are creating the basis for the sustained profitability of our underwriting result.

The new regional structure – reduction from seven to six regions – and the streamlining of management hierarchies will strengthen the AGCS SE's global model with the objective of reducing costs and complexity. The maxim **Global first** also applies to products and processes. The new AGCS Global Product Management function will drive product harmonization and simplification on the basis of a core global product portfolio. The new Global Process Management team will be responsible for end-to-end process optimization. The improved cost position will form the basis for new growth impetus in the medium term.

AGCS SE will offer its brokers and clients enhanced service and industry-specific expertise through a new global sales unit – and also further develop its own business strategy for selected target client segments.

Digitalization also offers AGCS SE great opportunities to consistently increase its own productivity, but also to offer better services to its clients. It is focused on a globally scalable system architecture and on creating a new client portal that brings together all underwriting, claims and risk consultancy offerings.

Through the New Work Model, which promotes the flexible working of employees (for example, the trend towards working from home (WFH)) even more comprehensively, savings can be made on office expenses, efficiency improved by structuring work to individual needs and new talent recruited.

In a continuously evolving market environment, which is currently also impacted by the particular challenges of the Covid-19 pandemic, our client's requirements are constantly changing. Our powerful organizational and sales structure, our in-depth knowledge of the industry, our innovative insurance solutions and our in-depth expertise in risk transfer and management offer great opportunities to create client-oriented solutions and to continue to establish ourselves as one of the leading providers in the industrial insurance market.

STRUCTURE OF THE RISK ORGANIZATION

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 interconnection 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 integrated in the risk control system of the Allianz Group. Its binding guidelines are the Group Risk Strategy and the Group Risk Policy set out by Allianz SE as well as additional directives for risk management and the modelling 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 SE 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. The appetite for risk is estimated 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. With the aid of this information, the AGCS Risk Committee decides on the implementation of risk mitigation measures.

To determine the risk capital requirements under Solvency II, AGCS SE uses the Allianz Group's internal model, which was approved by the Federal Supervisory Authority for Financial Services (BaFin) on 18 November 2015.

In the opinion of the Board of Management, the current regulatory requirements (Solvency II) are met. The current risk situation is within the company's risk-bearing capacity.

RISK CATEGORIES AND CONTROL MEASURES

The Federal Financial Supervisory Authority (BaFin) determines binding requirements with regard to risk management. For the purpose of grouping risks, AGCS SE uses internal categories that meet the requirements under Solvency II. Risks at AGCS SE are recorded by means of structured identification and assessment processes. This comprehensive approach makes sure that risks are adequately identified, analyzed, evaluated and managed. The top risk assessment process is an important process for assessing risks, where it identifies and evaluates the greatest risks to AGCS in an annual process. These are discussed by the Board of Management and measures for reducing risk are defined. Every quarter, the list of top risks is reviewed and new risks added, if necessary. The measures to be taken are also monitored. The top risks include slumps on the financial markets, accumulation risks and HR risks.

AGCS SE also monitors and controls the following risk categories:

– Underwriting risks, subdivided into premium risk, i.e. the risk that insurance premiums will not be sufficient to cover future claims and reserve risk, i.e. the risk that future claims payments from claims that have already occurred will exceed the loss reserves booked for them. Premium risk is further subdivided into natural catastrophe risk, terrorism risk and other premium risks.
– Market risks, i.e. the risk of losses from fluctuations in market value differentiated by type of investment. The material risks are interest rate risk, currency risk, stock risk and credit spread risk.
– Credit risks (including country risks) such as counterparty risk due to the insolvency or liquidity difficulties of reinsurers, policyholders, insurance brokers and security issuers, as well as rating risks due to losses in value caused by the deterioration of debtors' creditworthiness.
– Operational risks, in other words risks that arise due to inadequacies or errors in processes and systems, or because of control failure. They 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 are:

– Liquidity risk, which describes the risk that payment obligations cannot be met at all times.
– Strategic risks, i.e. risks arising from strategic business decisions. This also includes the risk that business decisions are not adapted to a changed economic environment.
– Reputational risks, i.e. risks arising from possible damage to the company's reputation as a result of negative public perception.

Premium risks are controlled by means of underwriting guidelines, among other things. These underwriting guidelines limit the amount of insurance or liability amount per contract. To take into account the volatility of the different insurance lines, the underwriting guidelines vary depending on the insurance line concerned.

Reinsurance also plays an important role in the controlling premium risk. In line with existing underwriting ceilings, 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, the premiums are based on specially developed rates that make use of current empirical values 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, pose a particular challenge to risk management. To control such risks and estimate their potential impact, we use special modelling methods that are based on probability. These involve correlating portfolio data – for example the geographic risk distribution as well as the value and nature of the insured objects – with simulated natural disaster scenarios. This approach makes it possible to determine potential damaging impacts and frequencies. The underlying models, which are mainly supplied by external providers, are regularly upgraded, while AGSC SE internally extends the coverage of modelled scenarios as far as possible and continually improves the level of detail and the quality of the data used. Where such models do not yet exist or are not licensed, assumptions are made in the risk model on the basis of the insured exposure or existing loss experience. Exposure to natural catastrophes is managed by means of a global limit system, the visualization of accumulations and the control of potential damaging impacts. The insights thus gained are used to optimize the portfolio and, if necessary, to limit underwritten risks or to calculate a capital efficiency of a risk transfer toward the reinsurance market.

Other man-made catastrophes as well as terrorism risk are modelled with the help of scenarios based on the existing exposure, while the model for other losses is based on expected business volumes in combination with the company's own loss models.

Reserve risks relate to the settlement of existing claims. This includes both the settlement of claims already known, the claims already known and late claims not yet known. Actuarial models based on observed run-off history, which are also used to determine expected claims payments, are used to determine the degree of uncertainty in the reserves estimates.

Market risks: The investments of AGCS SE are managed centrally by the specialists of Allianz Investment Management SE. The investment strategy is based on the needs of the asset-liability management of AGCS SE. The investment strategy is implemented by Allianz Investment Management SE within the framework of a risk and limit system for investments specified by AGCS SE. The risk and limit system is reconciled annually and approved by the AGCS SE Risk Committee.

Derivatives and structured products are also used to a limited extent for the efficient implementation of the investment strategy and for risk control.

AGCS SE's investments are broadly diversified by investment type (participations, fixed-income securities, real estate and alternative investments), creditworthiness and countries. AGCS SE sold its entire portfolio of listed stocks in March of this year and is therefore no longer exposed to the risk of fluctuating stock markets. A continuous risk analysis is performed by investment management. AGCS SE has a diversified investment portfolio within defined risk limits. By means of various stress scenarios, it regularly monitors the sensitivity of the portfolio 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 focus of AGCS SE's business, large parts of the reserves are constituted in foreign currency. Overall, the share of foreign currencies in the underwriting reserves, including unearned premiums, amounted to approximately 55.8% (51.2%). The primary exposures were in USD 29.9% (28.3%) and GBP 19.4% (17.3%). AGCS SE actively managed the currency risks resulting from this. This process takes into account all balance sheet items subject to currency conversion, including 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 managed on the basis of monthly data.

In order to counter any liquidity risks, AGCS SE invests a large part of its investments in liquid government and corporate bonds, and ensures investments are largely maturity-matched. Continuous monitoring 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, as well as international companies and banks. It has set limits with respect to rating classes and in view of concentration risks. Investments in government bonds account for 37.1% (41.6%) of interest-bearing investments, and corporate bonds for 41.0% (42.5%). 90.2 (91.3)% of interest-bearing investments are made in investment grade territory. Investment in different currency areas is determined by the structure of the liabilities.

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

The aggregate information on ceded exposures is used to estimate the credit risk resulting from reinsurance. To minimize the credit risk vis-à-vis reinsurers, only those business partners that offer excellent collateral are considered. As of 31 December 2020, approximately 51% of the reserves of AGCS SE were ceded to reinsurers within the Allianz Group, and the rest to external reinsurers. The creditworthiness of the reinsurers is monitored on a continuous basis. The reinsurance exposure is reviewed twice a year (based on the exposures as of the end of June and end of December), most recently in September 2020 based on the exposure data as of 30 June 2020. Accordingly, 92% of the exposure ceded to reinsurers was assigned at least an "A" rating by Standard & Poor's. As captives and pools have no ratings of their own, cessions are made only after a special investigation has determined whether all the participating reinsurers meet the Allianz-internal minimum requirements for reinsurance partners and explicit approval by a team of experts has been obtained. An internal rating (internal security rating) is also determined for captives. To further mitigate the credit risk, guarantees, deposits or other collateral may be requested if necessary.

All in all, total third-party receivables with due dates exceeding 90 days amounted to € 216.1 mn as of 31 December 2020 (these did not include explicit write-offs for impairment). The average default rate for the past three years was 0.4%.[1]

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

Operational risks are inherent in all types of products, activities, processes and systems, and cannot be fully avoided. Contrary to most other types of risk, they materialize suddenly and

1_The default rate is calculated on the basis of the individual value adjustments of receivables from direct insurance business relative to gross premiums written less acquisition costs for a period of three years.

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 concept of the Allianz Group. The employees of AGCS SE are fundamentally aware of potential operational risks, and they support the controlling and management of these risks by taking them into account in their daily business. In view of the positive risk and controls culture, AGCS SE assumes that specifically the decision makers will make transparent all identified weaknesses and risks so that the necessary countermeasures can be taken in good time.

The AGCS SE risk management system for operational risks is designed in such a way that past risk events can be monitored and reported, and to identify lessons learned and actions to prevent the occurrence of operational risks outside of the risk tolerance of AGCS SE in the future.

In a first step, we need to gain an understanding of what could possibly go wrong. This is done in two respects:

- In retrospect, operational risk events are continually analyzed and their causes determined. This also takes into account external operational loss data provided by Allianz SE.
- Looking ahead, concrete scenarios with potential negative effects are analyzed and evaluated on an annual basis in expert working groups.

Operational risks are reduced through a series of appropriate and effective permanent countermeasures, i.e. via controls on the respective risks. These are defined as key controls if the risk were significantly higher without the key control.

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

AGCS SE's internal risk capital model determines risk capital for operational risks. It functions as a buffer for the company in the event of extreme financial losses due to unexpected operational risk events such as the failure of controls. Indicators and limits have also been defined for key operational risks in order to determine the risk tolerance of AGCS SE.

Major IT projects are analyzed and managed with regard to their risks with the help of a structured assessment process in line with Allianz SE requirements. In conjunction with this, both the implementation phase and possible post-implementation consequences are considered.

Important activities complement and support AGCS SE's risk management system for operational risk. These are managed by functions outside of the risk management function and include:

- compliance initiatives on anti-fraud, anti-corruption, antitrust, economic sanctions, (unauthorized) cross-border business, capital markets compliance, money laundering and terrorist financing, sales compliance and data protection
- emergency management
- AGCS SE procurement activities including outsourcing
- information security initiatives

Reputational risks are managed by AGCS SE, in particular with a focus on ESG risks, by involving potentially affected areas such as the Underwriting, Communications and the Legal Department. To avoid risks arising from possible damage to the company's reputation as a result of negative public perception, critical individual cases in underwriting are subject to a rigorous coordination process in which the Communications Department is actively involved and, if required, Risk Management. AGCS SE investments also follow strict ESG guidelines.

In addition to the risk categories described, AGCS SE also monitors potential new risks (emerging risks) in a joint process together with the Allianz Group. This ensures that AGCS SE is prepared in advance for these risks takes action where necessary.

However, future macroeconomic developments remain subject to significant uncertainties against the background of the further course of the coronavirus pandemic. Further restrictions imposed on economic activity may slow down economic recovery, which in turn may have potential negative consequences for the situation on financial markets with corresponding impact on the AGCS SE investment portfolio. In addition, the insurance business may still face further claims burdens, for example due to the deferral or cancellation of events.

The economic losses suffered by many policyholders as a result of the pandemic, including the numerous official orders issued in connection with it, have in many cases raised new questions about the interpretation of agreed insurance conditions – in particular of extensions of cover for financial losses, where damage to insured property had not occurred previously. We continuously monitor landmark decisions, such as those handed down by courts in the United Kingdom, South Africa and Australia, and take them into account in the balance sheet by creating appropriate reserves where necessary.

OWN RISK AND SOLVENCY ASSESSMENT

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

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

- alignment of the risk strategy with the business strategy,
- permanent assurance of solvency,
- sensitivity of the solvency ratio to external shocks,
- suitability of the internal model for determining solvency capital requirements,
- 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 also covers the entire three-year planning period. AGCS SE expects capitalization to be in line with the defined risk appetite at all times over the entire planning horizon.

In addition, an extraordinary risk report must be established should individual events materially alter the risk situation. However, there was no reason to prepare such a separate report in 2020.

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

OUTLOOK

Economic outlook[3]

2021 will be the year of the vaccine. The progress being made in the global vaccination campaign will be the decisive factor in paving the way for the economy to recovery from the effects of the pandemic. After a dismal start to 2021 due to renewed Covid-19-related restrictions in Europe and elsewhere, successful vaccination of at-risk groups in the population (20-40% of the total population) should set the stage for a modest economic upturn in the second half of 2021. Crucial to the recovery will be the restoration of confidence, which will help to revive the services sector, release forced as well as precautionary savings and resume investment in businesses. Overall, we expect gross domestic product growth of 4.6% in 2021. China is expected to take the lead (+8.4%), while the United States and the Eurozone are expected to achieve more moderate growth rates of 3.6% and 4.3% respectively.

Meanwhile, the downside risks are considerable. At the forefront are the vaccination hurdles – both on the demand side (vaccination skepticism) and on the supply side (production and distribution bottlenecks) – that could easily bring the hoped-for economic recovery to a standstill. Against this background, the very slow start of vaccination campaigns so far in Europe is not exactly promising. There are other risks too, such as a sudden spike in inflation, early termination of fiscal and monetary support measures, a surge in bankruptcies, and social unrest due to greater inequality and poverty as a result of the pandemic.

Irrespective of this, our baseline scenario assumes that political policymakers will drive supportive measures to avoid economic "scars" and foster the recovery process. The fiscal safety net in Europe could be reinforced even further; similarly, economic stimulus spending in the United States is likely to rise in 2021. At the same time, the central banks' bond purchasing programs will ensure that refinancing conditions remain favorable for the public and private sectors. For now, the US Federal Reserve Bank and the European Central Bank are also likely to keep interest rates at a record low.

On stock markets, much of the confidence had already been priced in at the start of 2021. The high valuations hardly provide much of a cushion in the event of unexpected bad news. On the other hand, investors in the markets for safe haven assets such as government bonds, have taken a somewhat more cautious stance. Our baseline scenario expects slightly higher yields on the back of reflationary expectations as the economic recovery continues.

Insurance industry outlook

The anticipated economic recovery and heightened risk awareness following the pandemic should provide some tailwind for the insurance market in 2021 and lead to higher premiums in some business lines. One of the consequences of the pandemic that will no doubt still be felt into 2021 (and in the coming years) is the acceleration of digitalization. We expect digital processes and sales channels to continue to grow in importance. Further entrenchment of low or even negative interest rates is another, less welcome outcome, so that declining investment returns will impact industry profitability in 2021 and beyond.

In the **Property-Casualty sector** premium growth is likely to return to pre-crisis levels; however, emerging markets, and China in particular, are likely to leave the industrialized nations well behind in this respect. Besides the general recovery, corporate customer business will benefit from further price increases (hard market). On the other hand, investment returns will remain under pressure and Covid-19-related claims are unlikely to abate for now in some business lines. Social inflation and the impact of natural catastrophes are other factors that could lead to soaring claims and thus require careful claims management to maintain underwriting profitability.

3_The information presented in the sections "Economic outlook" and "Insurance industry outlook" is based on estimates of the Allianz Group Economic Research.

Business outlook

In July 2020, AGCS SE launched a comprehensive global transformation program. The "New AGCS" program aims to regain profitability in corporate and specialty insurance. Supported by new management appointments, AGCS SE will strengthen its professional expertise in underwriting and claims, streamline its organization and processes, expand its sales function and invest in digitalization to further develop its core business and customer offering.

Allianz has set clear targets for customer loyalty and employee engagement along with the said focus on customer benefits and to ensure the sustainability of its actions. Customer loyalty is measured with the aid of the Net Promoter Score (NPS), while employee commitment is reflected in the Inclusive Meritocracy Index (IMIX). Allianz has also set itself a number of sustainability targets, such as the reduction of its CO2 footprint and greenhouse gas emissions, as well as a milestone plan to achieve a net zero-compliant capital allocation by 2050 at the latest.

AGCS SE's gross premium income of € 4.5 bn in 2020 significantly exceeded the previous year's forecast of € 3.9 bn. This was primarily due to the extraordinarily positive movement in rates and attendant higher-than-expected growth in Financial Lines and Property. Premium growth was supported by an increase in the fronting business, particularly in the Allianz Risk Transfer line.

With a net combined ratio of 138.2% in 2020, profitability was considerably lower than the prior year outlook of below 100%. The main reason for this development was claims in conjunction with the unexpected outbreak of the Covid-19 pandemic and some large claims in the current year in the Liability and Energy & Construction lines. Claims with regard to natural catastrophes were within expectations for AGCS SE. Run-off losses from previous years also had a negative impact on profitability.

AGCS SE is expected to generate gross premium income of € 4.1 bn in 2021, down significantly on 2020 (€ 4.5 bn). This was mainly due to the planned and initiated portfolio measures to increase profitability in connection with the New AGCS strategy, lower forecasts for fronting revenues as well as the general assessment of macroeconomic developments. A net combined ratio of 100% is expected for 2021, significantly lower than the figure of 138.2% in 2020.

The profitability of industrial insurers has generally been under heavy pressure in recent years. AGCS expects the noticeably positive rate trend recently realized in the market to remain intact in 2021.

The proportional reinsurance contract with Allianz SE, which has been in place since 2015, for the business of the German head office was renewed for 2021. For 2021, the global reinsurance structure, which was introduced in 2016 and includes all AGCS branch offices worldwide, was also renewed unchanged (in mid-2020, the annual retention of € 25 mn for modelled natural hazards in the USA and the Caribbean was reduced to 0; this annual retention does not exist for 2021 either). The retention per claim and/or event is now a standard € 75 mn. As in the previous year, the majority of non-proportional reinsurance contracts were placed with Allianz Re Dublin dac.

AGCS SE will continue to pursue its safety-oriented investment strategy, where it 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 further expand our investments in infrastructure and real estate, in both equity and of debt financing.

AGCS SE's investment planning is based on the assumption that the capital markets will remain stable. All in all, a positive investment result is expected again for 2021, but is predicted to be below the 2019 result at just over € 100 mn. With the portfolio's average reinvestment interest rate likely to be below the book interest rate, expected interest income will continue to decline next year. This decline will be offset by higher expected income from affiliated enterprises.

Based on current estimates, potential additional losses due to the ongoing Covid-19 pandemic will be taken into account in general business activities, for example by structuring risk premiums and implementing measures to reduce portfolio risks (especially in the Entertainment line). AGCS SE therefore sees no need to adjust the planning for 2021 at this point in time.

After the end of the transition period on 31 December 2020, AGCS SE will still be able to continue to offer the existing services to its customers without interruption, despite Brexit. It has qualified for the Temporary Permission Regime that allows the continuation of business operations in the UK until the application is approved, through its application for a third country branch in the UK. This applies both to the granting of insurance cover and to claims processing. AGCS SE, with all its European branch offices as well as its London branch office, has the necessary authorizations to continue underwriting UK-related insurance business in all Brexit scenarios. This applies, for example, to German companies with subsidiaries in the UK that have cover with AGCS SE under an international insurance program. However, we can also continue to provide adequate insurance cover for UK businesses in general.

The legal risks explained in the Risk Report remain largely uncertain. Even though current court rulings did not directly concern insurance contracts involving AGCS involvement, we include them in the regulation for claims reported to us and strive for amicable solutions with our policyholders.

The statements are subject to the proviso that a renewed deterioration of the Covid-19 pandemic, natural catastrophes, adverse developments in capital markets or other factors may have a greater or lesser impact on the forecasts.

Munich, 17 March 2021

Allianz Global Corporate & Specialty SE

The Board of Management

Müller Buckle

Coste-Lepoutre Dietsche

Haagen Scaldaferri

Dr. Sepp Dr. Strasser

FINANCIAL STATEMENTS OF AGCS SE

C

ANNUAL FINANCIAL STATEMENTS

BALANCE SHEET

€ thou

as of 31 December	Notes	2020	2020	2020	2019
ASSETS					
A. Intangible assets	**1, 2**				
I. Self-created industrial property rights and similar rights and assets			**135,015**		**132,213**
II. Licenses acquired against payment, industrial property rights and similar rights and assets as well as licenses for such rights and assets			**59,552**		**115,620**
				194,567	**247,832**
B. Investments	**1, 3 - 8**				
I. Real estate, real estate rights, and buildings, including buildings on land not owned by AGCS SE			**74,633**		**75,707**
II. Investments in affiliated enterprises and participations			**2,487,493**		**2,489,336**
III. Other investments			**4,763,546**		**4,886,121**
IV. Funds held by others under reinsurance business assumed			**87,548**		**75,525**
				7,413,220	**7,526,688**
C. Receivables					
I. Receivables from direct insurance business					
1. Policyholders		42,472			46,958
2. Insurance brokers		781,908			662,447
including from affiliated enterprises: 1,755 (2019: 1436) € thou					
			824,380		**709,405**
II. Accounts receivable on reinsurance business			**903,643**		**858,189**
including from affiliated enterprises: 18 (2019: 77) € thou					
including from affiliated enterprises: 435,930 (2019: 340,062) € thou					
III. Other receivables			**1,255,804**		**417,463**
including taxes of: 63,042 (2019: 73,602) € thou					
including from affiliated enterprises: 0 (2019: 52) € thou					
including from affiliated enterprises: 1,010,258 (2019: 203,500) € thou					
				2,983,826	**1,985,057**
D. Other assets					
I. Tangible fixed assets and inventories			**18,064**		**15,044**
II. Cash with banks, checks and cash on hand			**103,078**		**125,213**
III. Miscellaneous assets	**9**		**23,667**		**24,512**
				144,809	**164,769**
E. Deferred charges and prepaid expenses					
I. Accrued interest and rent			**22,846**		**23,059**
II. Other deferred charges and prepaid expenses			**509**		**9,101**
				23,355	**32,160**
F. Excess of plan assets over pension and similar obligations	**11**			**211**	**3,088**
Total assets				**10,759,989**	**9,959,594**

ANNUAL FINANCIAL STATEMENTS

€ thou

as of 31 December	Notes	2020	2020	2020	2019
EQUITY AND LIABILITIES					
A. Shareholders' equity	**14**				
I. Issued capital			36,741		**36,741**
II. Additional paid-in capital			1,099,141		**1,099,141**
III. Revenue reserves					
1. Other revenue reserves			8,355		8,355
				1,144,237	**1,144,237**
B. Underwriting reserves	**15**				
I. Unearned premiums					
1. Gross		1,386,002			1,391,467
2. less: amounts ceded		708,551			683,377
			677,452		**708,090**
II. Reserve for loss and loss adjustment expenses					
1. Gross		10,888,241			9,651,575
2. less: amounts ceded		6,853,694			6,084,619
			4,034,548		**3,566,957**
III. Equalization reserve and similar provisions			**512,935**		**593,049**
IV. Other underwriting reserves					
1. Gross		114,712			69,311
2. less: amounts ceded		15,708			14,814
			99,004		**54,497**
				5,323,938	**4,922,593**
C. Other provisions	**16**			**263,966**	**257,054**
D. Funds held with reinsurance business ceded	**17**			**3,011,503**	**2,779,840**
E. Other liabilities					
I. Accounts payable on direct insurance business to:					
1. Policyholders		5,367			303
including remaining term up to one year: 5,367 (2019: 302) € thou					
2. Insurance brokers		138,263			38,070
including to enterprises in which a participating interest is held: 4 (2019: 4) € thou					
including to affiliated enterprises: 2,403 (2019: 2,740) € thou					
including remaining term up to one year: 138,623 (2019: 38,070) € thou					
			143,630		**38,373**
II. Accounts payable on reinsurance business			**578,031**		**532,931**
including to affiliated enterprises: 182,686 (2019: 255,639) € thou					
including remaining term up to one year: 578,031 (2019: 532,931) € thou					
III. Other liabilities			**294,685**		**284,568**
including taxes of: 31,613 (2019: 55,765) € thou					
including to enterprises in which a participating interest is held: 282 (2019: 391) € thou					
including to affiliated enterprises: 41 380 (2019: 22 236) € thou					
including remaining term up to one year: 324 894 (2019: 284 568) € THOU					
including contributions for social security: 533 (2019: 494) € thou					
				1,046,555	**855,871**
F. Deferred income				**0**	**0**
Total equity and liabilities				**10,759,989**	**9,959,594**

INCOME STATEMENT FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2020

€ thou

	Notes	2020	2020	2020	2019
I. Technical account					
1. Premiums earned (net)	**18 - 19**				
a) Gross premiums written		4,537,852			4,520,499
b) Ceded premiums written		-3,108,642			-2,986,730
			1,429,210		1,533,769
c) Change in unearned premiums – gross		-71,056			8,225
d) Change in unearned premiums ceded – gross		66,733			-44,309
			-4,323		-36,084
				1,424,887	**1,497,685**
2. Loss and loss adjustment expenses (net)	**20**				
a) Payments for claims					
aa) Gross		-2,751,169			-2,659,529
bb) Reinsurers' share		1,768,083			1,756,041
			-983,085		-903,488
B) Change in the reserve for loss and loss adjustment expenses					
aa) Gross		-1,633,751			-842,345
bb) Reinsurers' share		1,002,983			606,434
			-630,768		-235,911
				-1,613,853	**-1,139,399**
3. Change in other underwriting reserves (net)				**-724**	**-807**
4. Expenses for premium refunds (net)				**-38,981**	**-13,856**
5. Underwriting expenses (net)	**21-22**			**-355,545**	**-433,507**
6. Other underwriting expenses (net)				**-5,125**	**-3,915**
7. Sub-total				**-589,342**	**-93,799**
8. Changes in the equalization reserve and similar provisions				**80,114**	**11,733**
9. Underwriting result for own account				-509,228	-82,066
II. Non-technical account					
1. Investment income	**23**		**193,090**		**277,124**
2. Investment expenses	**24 - 25**		**-266,638**		**-27,865**
				-73,549	**249,259**
3. Other income	**27**		**396,400**		**168,774**
4. Other expenses	**27**		**-302,999**		**-300,350**
				93,401	**-131,576**
5. Non-underwriting result				**19,853**	**117,683**
6. Profit or loss on ordinary activities				**-489,375**	**35,617**
7. Taxes on income	**28**		**-25,838**		**-46,260**
incl. other group companies: 15,889 (2019: 454) € thou					
8. Other taxes			**-2,942**		**-1,227**
				-28,780	**-47,487**
				-518,155	**-11,870**
9. Income from loss absorption	**29**			**518,155**	**11,870**
10. Net income				**0**	**0**

NOTES

BUSINESS ACTIVITY AND BASIS OF PRESENTATION

BUSINESS ACTIVITY

AGCS SE is headquartered at Königinstrasse 28, 80802 Munich and is listed in the Commercial Register of the Munich District Court under the number HRB 208312.

The annual financial statements of AGCS SE are published in the electronic Federal Gazette.

BASIS OF PRESENTATION

The company prepares the annual financial statements and the management report in accordance with the regulations contained in the German Commercial Code (HGB), taking into account the Stock 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).

Unless otherwise stated, the figures in the annual financial statements are in thousands of euro (€ thou).

ACCOUNTING, VALUATION AND CALCULATION METHODS

INTANGIBLE ASSETS

Intangible assets are stated at cost less amortization. Self-created 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 five or ten 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 capitalized 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, write-downs are made.

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

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

INVESTMENTS IN AFFILIATED ENTERPRISES AND PARTICIPATIONS

SHARES IN AFFILIATED ENTERPRISES

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

Write-downs are made if the amortized cost exceeds the market value and the long-term fair value as of the balance sheet date.

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 of cost or market principle and carried at amortized cost. Write-downs are made if the amortized cost exceeds the market value and the long-term fair value as of the balance sheet date.

PARTICIPATIONS

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

Write-downs are made if the amortized cost exceeds the market value and the long-term fair value as of the balance sheet date.

LOANS TO AFFILIATED ENTERPRISES IN WHICH A PARTICIPATING INTEREST IS HELD

This item includes loans.

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

OTHER INVESTMENTS

STOCKS, 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. An allocation of the purpose is made when the investment is received. The allocation is reviewed every time the investment strategy is changed or when sales are planned.

These securities are valued according to the moderate lower-of-cost-or-market principle and carried at the lower of average acquisition cost or 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 of cost or market 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 exceeds the market value and the long-term fair value as of the balance sheet date.

REGISTERED BONDS, NOTES RECEIVABLE AND LOANS

These are valued according to the moderate lower of cost or market 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 exceeds the market value and the long-term fair value as of the balance sheet date.

BANK DEPOSITS

These items are carried at face value.

DERIVATIVES AND STRUCTURED PRODUCTS

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

FUNDS HELD BY OTHERS UNDER REINSURANCE BUSINESS ASSUMED

Pursuant to § 341c HGB these items are carried at face value.

RECEIVABLES AND OTHER ASSETS

In detail:

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

These are valued at face 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 miscellaneous 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 (net) are written off immediately. A compound item for tax purposes was created in accordance with § 6 (2a) of the German Income Tax Act (EStG) for assets from € 250 to € 1,000 (net), which is depreciated by one fifth each year.

DEFERRED CHARGES AND PREPAID EXPENSES

Deferred interest and rents are stated at their nominal amounts and other prepaid expenses at their nominal values.

DEFERRED TAX ASSETS

Pursuant to § 274 HGB, the company does not exercise the option to recognize deferred tax assets on temporary differences between the carrying amounts of assets, liabilities and prepaid expenses in the financial statements and their tax bases, provided these differences will result in tax relief in the following years.

EXCESS OF PLAN ASSETS OVER PENSION OBLIGATIONS

Pursuant to § 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 reported under the asset difference item in the balance sheet.

The accounting and valuation method of the excess of plan assets corresponds to that described in Section 16_Other provisions (Equity and liabilities C.).

INSURANCE RESERVES

UNEARNED PREMIUMS

In the direct insurance business, unearned premiums are predominantly determined according to the daily calculation method. In the case of engineering insurance, the daily accrued premium payments generally reflect the risk experience. This does not apply to insurance contracts with an underwriting year prior to 2015, where a separate accrual is made depending on the risk experience. Commissions to agents and other acquisition expenses are deducted as non-transferable portions according to the 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 the case of quota share cessions with original cost sharing, the pro rata unearned premiums are recognized in accordance with the quota share of the reinsurer.

RESERVE FOR LOSS AND LOSS ADJUSTMENT EXPENSES

The gross reserve for direct insurance business is made up of the following partial reserves:

Reserves for known insured losses (excluding annuities) is measured individually for each claim according to the expected benefit, and in participating business according to the responsibilities 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 settlement expenses measured by claims payments and reserve changes. For losses already incurred or caused but not yet reported late claims provisions are set up on the basis of the experience from previous years. Based on the principle of prudence and building on the negative run-off results in the past, the method for the formation of additional safety margins was adjusted in the financial year compared with the previous year. This applies in particular to more volatile, long-dated lines of business. If the procedure had already been applied in the previous year, it would have resulted in a € 150.0 mn (gross) or € 53.0 mn (net) higher reserve for loss and loss adjustment expenses as of 31 December 2019; expenses for claims in the 2020 financial year would have been reduced accordingly. For individual claims which are not yet known, late claims provisions for claims settlement expenses are calculated using the same actuarial method as for claims provisions for claims expenses. Receivables from subrogation, claim recoveries and distribution agreements are deducted to the extent of their ascertainable or determinable realizability.

For the gross provision for assumed reinsurance business the provisions are created for known cases according to the duties of the cedents. The corresponding late claims provisions 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 provisions are calculated on the basis of actuarial analyses.

EQUALIZATION RESERVE AND SIMILAR PROVISIONS

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

OTHER UNDERWRITING RESERVES

Reserve for cancellations

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

Reserve for anticipated losses

The starting point for the assessment is the 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 expected for the retention only. The reserve is calculated as a total for the direct insurance business and the reinsurance business assumed. No reserve had to be set up in the financial year.

Provision for profit-independent premium refunds

The provision for profit-independent premium refunds is calculated on the basis of 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 created as a precaution for amounts before the end of this period. In the financial year, the provision includes amounts from reinsurance business assumed.

OTHER PROVISIONS

Other accrued liabilities are stated in the amount required to settle the obligation. In the case of a remaining term of more than one year, interest is discounted at an interest rate of the Deutsche Bundesbank appropriate to the term.

The reserves for pensions are calculated according to actuarial principles. The conversion expense resulting from the first-time application of the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz – Bilmog) in 2010 was already recognized in full as an extraordinary expense in the past.

Provisions for employee anniversaries, phased-in early retirement and early retirement benefits are also calculated on the basis of actuarial principles and recognized in full as liabilities.

Pursuant to § 253 HGB, provisions for pension obligations must 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 makes use of the simplification rule pursuant to § 253 (2) sentence 2 HGB (remaining term of 15 years), whereby, as in the previous year, an interest rate predicted as of the balance sheet date was used as a basis.

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

Further explanations on the accounting treatment of pensions and similar obligations can be found in the notes to the financial statements under “Supplementary information on equity and liabilities” and under “Contingent liabilities”.

LIABILITIES

In detail:

- Funds held with reinsurance business ceded
- Accounts payable on direct insurance business
- Accounts payable on reinsurance business
- Other liabilities

These liabilities are stated at the amounts payable on maturity.

The settlement liabilities from the reinsurance business are netted separately for incoming and outgoing reinsurance for each contractual partner.

APPROXIMATION AND SIMPLIFICATION METHODS

To the extent that calculations from are no longer received in time for the financial year, the underwriting entries are estimated on the basis of past experience, taking into account current developments.

CURRENCY CONVERSION

All business transactions are recorded in the original currency and converted into euro at the applicable daily rate (mean spot exchange rate).

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

Provisions denominated in foreign currencies are calculated on the balance sheet date. They are then revalued and translated at the mean spot exchange rate.

The costs of the real estate assets and the costs of the loans and land charge receivables are determined using 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 of cost or market principle, taking into account the historical cost and realization principle).

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

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

For the other investments, the strict lower-of-cost-or-market principle is applied, taking into account the historical cost and realization principle, with the exception of investments with remaining terms of one year or less.

The following applies to all investments: Currency gains and losses are determined separately, but not recognized separately in the foreign currency translation result.

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

For investments carried at amortized cost, changes in exchange rates are recognized in the write-ups and write-downs and realized gains and losses of these investment categories and reported in the net investment result, unless there is a credit rating-related write-down.

REQUIREMENT TO REINSTATE ORIGINAL VALUES, WRITE-UPS

Assets that were written down to a lower market value in previous years must be written up if a higher value is attributed to these assets again as of the balance sheet date.

The write-ups are made up to the amount of the amortized cost to a lower long-term fair value or to a lower market value.

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SUPPLEMENTARY INFORMATION ON ASSETS

1 _ Change of assets A., B.I. through B.III. for financial year 2020

	Balance sheet value 31.12.2019	
	€ thou	%
A. Intangible assets		
1. Self-created industrial property rights and similar rights and assets	132,212	
2. Licenses acquired against payment, industrial property rights and similar rights and assets as well as licenses for such rights and assets	115,620	
Total A.	247,832	
B.I. Real estate, real estate rights, and buildings, including buildings on land not owned by AGCS SE	**75,707**	**1.0**
B.II. Investments in affiliated enterprises and participations		
1. Shares in affiliated enterprises	2,281,186	30.6
2. Loans to affiliated enterprises	138,685	1.9
3. Participations[1]	44,873	0.6
4. Loans to affiliated enterprises in which a participating interest is held	24,591	0.3
Total B.II.	**2,489,336**	**33.4**
B.III. Other investments		
1. Stocks, investment fund units and other variable income securities	2,403,167	32.3
2. Bearer bonds and other fixed-income securities	2,178,205	29.2
3. Mortgages, land charges and annuity land charges	52,040	0.7
4. Other loans		
a) Registered bonds	62,833	0.8
b) Notes receivable and loans	105,186	1.4
5. Bank deposits	84,690	1.1
Total B.II.	**4,886,121**	**65.6**
Total B.I. to B.III.	7,451,164	100.0
Total	7,698,996	

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 _ Intangible assets (Assets A.)

This balance sheet position essentially comprises the capitalized expenses in connection with the system configuration of self-created and purchased software. The long-term distribution agreement, which was material in previous years, was written down at our Hong Kong branch (€25,775 thou) and sold in full at our Singapore branch (€18,088 thou).

The total amount of the research and development costs for self-created intangible assets in financial year 2020 amounted to € 27,391 thou, of which € 21,840 thou was capitalized.

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

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

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

The balance sheet value of directly held properties € 74,633 thou. Of this portfolio, no land or buildings were used for our own purposes in the course of our business activities.

Additions	Reclassifications	Disposals	Write-ups	Depreciation	Net change	Balance sheet value 31.12.2020	
€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	%
21,840				19,038	2,802	135,015	
1,236		18,089		39,215	-56,068	59,552	
23,076		18,089		58,253	-53,266	194,567	
580				**1,654**	**-1,074**	**74,633**	**1.0**
85,630	-9,325	10,893		93,433	-28,020	2,253,166	30.8
67,026	-16,733	17,600	1	4,972	27,723	166,408	2.3
126				3,300	-3,174	41,699	0.6
1,629					1,629	26,220	0.4
154,411	**-26,058**	**28,493**	**1**	**101,705**	**-1,844**	**2,487,493**	**34.0**
368,756	9,325	604,387		8,550	-234,856	2,168,311	29.6
1,026,291		876,440	1,090	34,055	116,886	2,295,091	31.3
9,843		12,061			-2,218	49,822	0.7
5,418		7,524		2,697	-4,803	58,030	0.8
	16,733	9,338			7,395	112,581	1.5
38,773		43,751			-4,978	79,712	1.1
1,449,081	**26,058**	**1,553,501**	**1,090**	**45,302**	**-122,574**	**4,763,546**	**65.0**
1,604,072		1,581,994	1,091	148,661	-125,492	7,325,673	100.0
1,627,148		**1,600,083**	**1,091**	**206,914**	**-178,758**	**7,520,240**	

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

List of participations pursuant to § 285 no.11 HGB

	Owned	Equity	Net earnings
	%	€ thou	€ thou
1739908 Ontario Ltd., Toronto	100.0	45	0
AGCS Infrastrukturfonds GmbH, Munich[9]	100.0	34,042	-
AGCS International Holding B.V., Amsterdam[3]	100.0	1,258,137	12,689
AGCS Marine Insurance Company, Chicago[3]	100.0	141,130	2,472
AGCS Resseguros Brasil S.A., São Paulo	100.0	26,939	8,480
AGCS-Argos 76 Vermögensverwaltungsgesellschaft mbH, Munich[9]	100.0	66,088	-
AGCS-Argos 86 Vermögensverwaltungsgesellschaft mbH, Munich[9]	100.0	67,805	-
AIM Underwriting Limited, Toronto[8]	100.0	-	-
ALIDA Grundstücksgesellschaft mbH & Co. KG, Hamburg	4.7	388,025	10,996
Allianz Aviation Managers LLC, Burbank[8]	100.0	182	-10
Allianz EM Loans S.C.S., Luxembourg	11.1	231,788	13,920
Allianz Finance VIII Luxemburg S.A., Luxembourg	20.0	984,805	19,831
Allianz Fire and Marine Insurance Japan Ltd, Tokyo[1, 5]	100.0	20,814	2,712
Allianz Global Corporate & Specialty do Brasil Participações Ltda., Rio de Janeiro[6]	100.0	268,174	8,069
Allianz Global Corporate & Specialty of Bermuda Ltd., Hamilton[8]	100.0	-	-
Allianz Global Corporate & Specialty SE Escritório de Representação no Brasil Ltda., Rio de Janeiro[6]	100.0	11,371	80
Allianz Global Risks US Insurance Company Corp., Chicago[3]	76.1	1,539,747	-157,506
Allianz Infrastructure Luxemburg Holdco II S.A., Luxembourg	10.1	607,460	4,490
Allianz Infrastructure Luxemburg Holdco IV S.A., Luxembourg	10.1	208,877	-18
Allianz Marine (UK) Ltd., London[2]	100.0	11,371	80
Allianz Renewable Energy Fund II S.A. SICAV-SIF, Senningerberg	10.8	331,679	8,625
Allianz Renewable Energy Partners of America LLC, Wilmington[8]	33.3	891,651	78,830
Allianz Risk Consultants Inc., Los Angeles	100.0	-2,100	-2,851
Allianz Risk Consulting GmbH, Munich	100.0	2,476	98
Allianz Risk Transfer (Bermuda) Ltd., Hamilton[3]	100.0	84,424	10,887
Allianz Risk Transfer (UK) Limited, London[2]	100.0	1,359	15
Allianz Risk Transfer AG, Schaan	100.0	476,645	3,212
Allianz Risk Transfer Inc., New York[8]	100.0	20,047	27,991
Allianz Services (UK) Limited, London[2]	100.0	7,204	-178
Allianz Underwriters Insurance Company Corp., Burbank[3]	100.0	54,578	1,606
American Automobile Insurance Company Corp., Earth City[3]	100.0	72,628	1,237
AS Gasinfrastruktur Beteiligung GmbH, Vienna	10.0	338,981	23,447
Asia Cube Telecom Holdings LLC, Grand Cayman	0.7	-	-
Associated Indemnity Corporation, Los Angeles[3]	100.0	83,544	1,505
Assurance France Aviation S.A., Paris	100.0	2,418	-11
Autobahn Tank & Rast Gruppe GmbH & Co. KG, Bonn	1.1	194,821	-59,419
Autobahn Tank & Rast Management GmbH, Bonn	1.1	24	2
Bain Capital Distressed and Special Situations 2019 (B Master) L.P.	0.3	-	-
Barings European Private Loan Fund II, Luxembourg	0.7	-	-
Blackstone BioMed Life Science Real Estate (Lux) SCSp, Luxembourg	1.4	-	-
Blackstone Real Estate Debt Strategies IV (Feeder Fund) (LUX) SCSp, Luxembourg	0.4	-	-

	Owned	Equity	Net earnings
	%	€ thou	€ thou
Blackstone Real Estate Debt Strategies IV (Feeder Fund) (LUX) SCSp, Luxembourg	0.4	-	-
Brookfield Infrastructure Fund IV (ER) SCSP, Hamilton	0.0	-	-
Brunei National Insurance Company Berhad Ltd., Bandar Seri Begawan[7]	25.0	12,477	2,205
Caroline Berlin S.C.S., Luxembourg	3.8	176,807	2,558
Chicago Insurance Company Corp., Chicago[3]	100.0	59,599	353
Comvest Credit Partners V (Luxembourg) Intermediate Fund SCSp, Luxembourg	1.1	-	-
Core Senior Lending Fund (A-A) L.P., Toronto	4.5	-	-
Core Senior Lending Fund L.P., Toronto	0.6	-	-
Crescent European Specialty Loan Fund II SCSp, Munsbach	1.0	-	-
CRG Partners IV - Parallel Fund "C" (Cayman) L.P., Grand Cayman	4.7	-	-
Darby Latin American Private Debt Fund III L.P., Toronto	1.4	-	-
EF Solutions LLC, Wilmington	100.0	-2,522	4,568
EISAF II LP, Singapore	1.1	-	-
EMZ 9-C S.L.P., Paris	1.9	-	-
EQT Infrastructure III (No. 2) SCSp, Luxembourg	0.1	-	-
EW Special Opportunities Fund III (EUR) LP, Singapore	1.2	-	-
Falcon Private Credit Opportunities VI (Luxembourg) SCSp, Luxembourg	0.8	-	-
Fireman's Fund Financial Services LLC, Dallas	100.0	1,366	-
Fireman's Fund Indemnity Corporation, Liberty Corner	100.0	13,837	269
Fireman's Fund Insurance Company Corp., Los Angeles	100.0	1,151,225	26,171
Global Infrastructure Partners III-C, L.P., New York	0.1	-	-
Global Infrastructure Partners IV-C2 SCSp, Luxembourg	0.0	-	-
GSO European Senior Debt Fund II EEA Feeder SCSp, Luxembourg	0.6	-	-
HPS Offshore Mezzanine Partners 2019 L.P., Cayman Islands	0.2	-	-
Hunt Capital Partners Tax Credit Fund 2011-4 LP, Sherman Oaks	9.7	-	-
I Squared Transportation Europe L.P., Grand Cayman	0.9	-	-
Interstate Fire & Casualty Company, Chicago	100.0	67,233	2,345
ISQ Global Infrastructure Fund II (EU) L.P., Wilmington	0.2	-	-
Kelso Investment Associates VIII LP, New York	6.7	-	-
Macquarie Asia Infrastructure Fund 2 LP, Singapore	0.2	-	-
Missouri Affordable Housing Fund XVI L.P., Missouri City	12.9	-	-
National Surety Corporation, Chicago[3]	100.0	68,659	943
Oaktree European Capital Solutions Fund II SCSp, Luxembourg	0.7	-	-
Oaktree Opportunities Fund X L.P., Los Angeles	0.2	-	-
Oaktree Opportunities Fund Xb, L.P., Cayman Islands	0.2	-	-
Oaktree Real Estate Opportunities VII L.P., New York	1.5	-	-
PAG Loan Fund IV L.P., George Town	0.7	-	-
PIMCO Corporate Opportunities Fund III Lux Feeder SCSp. Luxembourg	0.6	-	-
PIMCO DISCO Fund III Offshore Feeder LP, George Town	0.3	-	-

	Owned	Equity	Net earnings
	%	€ thou	€ thou
Professional Agencies Reinsurance Limited, Hamilton[8]	16.1	-	-
Prologis European Logistics Fund FCP-FIS, Luxembourg	0.3	-	-
Q207 S.C.S., Luxembourg	10.0	88,070	2,935
Sirius S.A., Luxembourg	10.3	336,589	1,328
SpaceCo S.A., Paris	100.0	700	641
Specialty Loan Fund 2016 LP., George Town	2.3	-	-
SPREF II Pte. Ltd, Singapore	2.5	98,481	697
T&R MLP GmbH, Bonn	1.1	15	-5
T&R Real Estate GmbH, Bonn	1.1	140,898	85
The American Insurance Company Corp., Cincinnati[3]	100.0	62,341	1,289
The FIZZ Student Housing Fund S.C.S., Luxembourg	4.5	176,957	10,675
TPG Real Estate Partners III EU AIV B SCSp, Luxembourg	0.2	-	-
TPG Real Estate Partners III L.P., Wilmington	0.2	-	-
Triskelion Property Holding Designated Activity Company, Dublin	2.5	-223	-27
Wm. H McGee & Co. (Bermuda) Ltd., Hamilton[8]	100.0	-	-
Wm. H McGee & Co. Inc., New York[8]	100.0	1,297	24

All figures are from 2019
1_Financial year from April to March; figures as of March 2020
2_Converted from GBP into EUR closing rate 31.12.2020: 0.89510
3_Converted from USD into EUR closing rate 31.12.2020: 1.22355
4_Converted from JPY into EUR closing rate 31.12.2020: 126.32545
5_Converted from BRL into EUR closing rate 31.12.2020: 6.35535
6_Converted from BND into EUR closing rate 31.12.2020: 1.61710
7_No annual financial statements are prepared based on local regulations
8_The annual results are set at zero due to a control and profit transfer agreement

5 _ Loans to affiliated enterprises (Assets B.II.2.)

This item includes five profit participation certificates in the amount of € 82 864 (69 229) thou, which are securitized under Luxembourg law. The profit participation certificates contain a performance-based profit participation related to the underlying investment. There is no obligation to make additional contributions.

6 _ Interests in investment funds pursuant to §285 no. 26 HGB

Interests in investment fund pursuant to § 285 no. 26 HGB

€ thou

Fund name	Investment objective	Return period for fund units	Balance sheet value 31.12.2020	Market value of fund units 31.12.2020	Reserves 31.12.2020	Distributions for the financial year
Mixed funds						
Allianz Renewable Energy Fund II, S.A.S	mixed funds	not on every trading day	29,924	30,740	816	4,110
Total			29,924	30,740	816	4,110
Bond funds						
ALLIANZ GLR FUNDS	bond funds	on every trading day	769,812	959,105	189,292	10,619
ALLIANZ GLRS FONDS	bond funds	on every trading day	751,927	890,762	138,835	3,254
ALLIANZ GRGB FONDS	Bond funds	on every trading day	297,616	336,710	39,093	1,975
Total			1,819,356	2,186,577	367,221	15,848
Total			**1,849,280**	**2,1217,317**	**368,037**	**19,958**

7 _ Fair values of investments

Fair values of investments

€ thou

	2020	2019
B.I. Real estate, real estate rights, and buildings, including buildings on land not owned by AGCS SE	**145,961**	**142,075**
B. II. Investments in affiliated enterprises and participations		
1. Shares in affiliated enterprises	2,601,199	2,765,771
2. Loans to affiliated enterprises	177,740	146,035
3. Participations	44,682	51,333
4. Loans to affiliated enterprises in which a participating interest is held	26,734	27,565
B. III. Other investments		
1. Stocks, investment fund units and other variable income securities	2,541,511	3,040,650
2. Bearer bonds and other fixed income securities	2,411,971	2,301,387
3. Mortgages, land charges and annuity land charges	52,587	54,740
4. Other loans		
a) Registered bonds	63,240	67,866
b) Notes receivable and loans	119,474	112,377
5. Bank deposits	79,712	84,690
B. IV. Funds held by others under reinsurance business assumed	**87,548**	**75,525**
Total investments	**8,352,359**	**8,870,014**

VALUATION METHODS TO DETERMINE FAIR VALUES

The fair value of the land and buildings was determined as of 31 December 2020 using the discounted cash flow method.

The fair values of shares in affiliated enterprises and participations are determined in different ways, depending on the purpose and size of the enterprise. Insurance companies and similar enterprises are valued by means of the capitalized earnings value method or using proportional equity. In the case of asset holdings, the look-through principle is used to determine the fair value. Different valuation methods are used here for the assets used to determine net assets, such as the net asset value method, stock market values and the discounted cash flow method. Individual shares in affiliated enterprises were recognized at cost in the first year of the investment. Immaterial companies are carried at book value. The net asset value is considered in individual cases.

To determine the fair value of stocks, units or shares in investment funds and other non-fixed-income securities, the year-end stock exchange price was used, 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-income securities, were determined using the year-end stock exchange prices.

In the case of unlisted fixed-term investments (other loans), the fair value was determined on the basis of valuations by independent data providers or according to the discounted cash flow method. A yield curve of comparable debt instruments was used for this.

For asset-backed securities (ABS), the market values are supplied by independent commercial banks. These were calculated (except in individual cases to a very small extent) using valuation models that are themselves based on readily observable market data.

8 _ Unrealized losses

The fixed asset investments carried at acquisition cost less cumulated depreciation include unrealized losses in the amount of € 2,968 thou.

The following table shows the composition of the unrealized losses in financial year 2020:

Distribution of hidden losses

€ thou

	Book value	Fair value	Unrealized losses
Shares in affiliated enterprises	33,734	32,927	807
Loans to affiliated enterprises	31,879	31,320	559
Participations	3,513	2,911	602
Registered bonds	8,344	7,344	1 000
Total	**77,470**	**74,502**	**2,968**

No write-down to fair value was made as an analysis based on standardized methods showed that the long-term market value of the investments concerned exceeded their fair value.

9 _ Miscellaneous assets (Assets D.III.)

This item mainly comprises 150,717 options on Allianz SE shares, which are used to hedge company risks within the framework of Allianz Equity Incentives. The acquisition cost of these options amounted to € 22,758 thou.

10 _ Deferred tax assets

In line with the option under §274 (1) sentence 2 HGB, the deferred tax assets that exceed the offsetting amount is not recognized.

The most extensive deviations between the commercial and tax valuations arise from the balance sheet items investments and reserves for pensions, which each result in deferred tax assets.

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

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

A portion of the pension obligations is covered through reinsurance policies or offsettable plan assets. Since the assets are based on a different interest rate than that used to calculate the settlement amount of the pension obligations, a part of the pension plans shows an excess of plan assets over pension liabilities/pension provisions. The pension plan resulted in an excess of plan assets of € 0 (3,088) thou.

In addition, an excess of plan assets over pension liabilities/pension provisions also resulted from the offsetting of the remuneration obligations against the offsettable plan assets with regard to the phased-in early retirement obligations.

This resulted in the recognition of an excess of plan assets over pension liabilities/pension provisions of € 211 (0) thou.

12 _ Distribution ban

The amount banned from deduction pursuant to § 268 (8) HGB in conjunction with § 301 AktG amounted to € 136,937 (133,985) thou and related in the amount of € 135,015 (132,213) thou to the recognition of self-created intangible assets and in the amount of € 1,922 (1,772) thou to the measurement of assets at fair value pursuant to § 253 (1) HGB. The amount banned from deduction was covered in full by freely available equity components.

13 _ Valuation units

To hedge the stock-based compensation plans (Allianz Equity incentive plans), forward transactions (hedge RSUs) are concluded with Allianz SE. These forward transactions are combined with the corresponding underlying transactions as a valuation unit if a direct hedging relationship exists. The underlying transactions are reported under Other provisions and the hedging transactions under Miscellaneous assets.

For the valuation units formed, a micro-hedge is used in order to completely exclude price change risks deriving from market price fluctuations.

The prospective and retrospective effectiveness of the valuation units over the stock-based payment plans expiring in 2024 at the latest is demonstrated by matching the conditions, parameters and risks (critical term match method).

As of the balance sheet date, the included underlying transactions, consisting of benefits presumed to be settled in the future, amounted to € 22 758 (22 375) thou. Valuation units are accounted for under the freezing method. The valuation units were used to hedge risks in the form of changes in value amounting to € 5 846 (12 041) thou.

SUPPLEMENTARY INFORMATION ON EQUITY AND LIABILITIES

14 _ Issued capital (Equity and liabilities A.I.)

The issued capital of €36,741 thou as of 31 December 2020 comprised 36,740,661 fully paid-up registered no-par value shares with a computed value of € 1 each.

The shares may only be transferred with the company's consent. Allianz SE is the sole shareholder of AGCS SE.

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

ACCORDING TO INSURANCE LINES, INSURANCE BRANCHES AND TYPES OF INSURANCE

€ thou

	Total		incl. gross reserves for loss and loss adjustment expenses		incl. claims equalization reserve and similar provisions	
	2020	2019	2020	2019	2020	2019
Direct insurance business						
Personal Accident and Health insurance[1]	13,697	13,024	8,995	8,368	-	-
Liability Insurance	4,491,152	4,025,952	4,123,497	3,682,903	20,246	15,057
Motor Liability Insurance	11,768	17,834	9,481	16,140	-	-
Other Motor Insurance	23,270	30,361	16,489	23,650	659	-
Fire and Property Insurance	1,407,886	1,231,057	1,011,739	819,811	53,028	67,633
including:						
Fire Insurance	395,807	448,911	284,513	306,920	51,655	66,964
Other Property Insurance	1,012,079	782,146	727,226	512,891	1,374	670
Transport and Aviation Insurance	996,704	1,066,160	842,728	926,664	88,981	75,134
Other Insurances	432,828	233,748	334,144	125,516	288	415
Total[2]	7,377,577	6,619,934	6,347,325	5,604,587	163,203	158,240
Reinsurance business assumed	**5,524,314**	**5,085,469**	**4,540,916**	**4,046,989**	**349,732**	**434,809**
Insurance business total	**12,901,890**	**11,705,402**	**10,888,241**	**9,651,575**	**512,935**	**593,049**

1_Health Insurance achieved gross premiums of over € 3,000 thou for the first time this year and is thus reported together with Casualty Insurance in the Personal Accident and Health Insurance line.
2_In addition to the individual insurance lines, insurance branches and types of insurance listed above, the total also includes insignificant amounts for the overall business of AGCS SE for the indemnity insurance, legal expenses insurance and credit and suretyship insurance branches, each with a gross premium of less than € 3,000 thou.

16 _ Other provisions (Equity and liabilities C.)

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

AGCS SE has made pension commitments for which reserves for pensions have been created. Part of these pension commitments is secured within the framework of a "Contractual Trust Arrangement" (Methusalem Trust e.V.). These trust assets constitute offsettable plan assets, whereby the fair value is based on the asset value/market value.

The settlement amount is calculated on the basis of the projected unit credit method (this refers to a projected unit credit method based on the portion accrued) or reported as the present value of the entitlement acquired. For security-linked commitments, the fair value of the offset assets is used.

Calculation parameters

%

	2020	2019
Discount rate (10-year average):	2.30	2.71
Discount rate (7-year average):	1.60	1.97
Pension trend	1.30	1.50
Assumed salary increase (incl. average career trend)	3.25	3.25

In derogation of the above the guaranteed pension dynamic of 1% per year is used as a basis for some of the pension commitments.

The Heubeck mortality tables RT2005G, which have been adjusted with regard to mortality, invalidity and fluctuations to reflect the company-specific circumstances, are used as the biometric calculation basis. 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 or age limit resulting from the 2007 Pension Insurance Retirement Age Adjustment Act (RV-Altersgrenzenanpassungsgesetz).

Supplementary information

€ thou

	2020	2019
Acquisition costs of the offset assets	125,385	111,985
Fair value of the offset assets	127,385	113,948
Settlement amount of the offset liabilities	133,836	115,762

In the financial year, provisions for pensions and similar obligations amounted to € 6,584 (4,967) thou.

Under Article 67(2) of the Introductory Act to the German Commercial Code (EGHGB), there is no unrecognized provision amount.

The settlement amount of the offset liabilities calculated using the 7-year average interest rate as of 31 December 2020 amounted to € 142,953 thou. An amount of € 9,117 thou is barred from distribution pursuant to § 253 (6) sentence 2 HGB.

TAX RESERVES

In the financial year, tax reserves of € 49 886 (31,126) thou were mainly created mainly at the branch offices in France, Belgium, Singapore and India. In the previous year, accruals for risks from tax audits amounting to €13,732 thousand were reported under other liabilities.

OTHER PROVISIONS

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

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

The assets held as a reserve to secure the phased-in early retirement and the long-term credit account obligations in Methusalem Trust e.V. comprise offsettable plan assets, whereby the fair value is based on the asset value/market value.

These obligations are essentially measured in the same way as pension commitments and on the basis of the same accounting assumptions (with the exception of the actuarial interest rate).

Supplementary information

€ thou

	2020	2019
Acquisition costs of the offset assets	5,280	6,950
Fair value of the offset assets	7,591	7,548
Settlement amount of the offset liabilities	8,854	9,341

The Other provisions for financial year 2020 include the following positions:

Composition of Other provisions

€ thou

	2020	2019
Long-term distribution agreement with Standard Chartered Bank	45,203	81,627
Remunerations not yet definitively determined	39,606	34,185
Restructuring	38,141	15,341
Invoices not yet received	36,550	33,747
Allianz Equity Incentives	18,164	17,333
Holidays and flexible working hours	15,168	12,962
Employee jubilees	4,713	4,731
Premium deficiency reserve	2,618	11, 466
Other	7,331	9,569
Total	**207,496**	**220,961**

PLAN ASSETS

The historical costs of the assets (pensions, phased-in early retirement commitments and long-term credit accounts) amounted to € 130,665 (118,935) thou and the fair value to € 134,976 (121,496) thou. The settlement amount amounted to € 142 690 (123 188) thou.

17 _ Funds held with reinsurance business ceded (Equity and Liabilities D.)

This item mainly contains amounts from the net quota share agreement with Allianz SE.

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SUPPLEMENTARY INFORMATION ON THE INCOME STATEMENT

18 _ Information on insurance lines, insurance branches and types of insurance

€ thou

	Gross premiums written		Gross earned premiums		Net premiums earned	
	2020	2019	2020	2019	2020	2019
Direct insurance business						
Personal Accident and Health Insurance[1]	16,406	9,102	16,098	10,695	3,277	3,743
Liability insurance	1,029,785	950,668	1,000,360	927,844	400,357	432,947
Motor Liability Insurance	6,686	5,080	5,946	5,766	-14	457
Other Motor Insurance	14,944	17,066	15,042	15,732	329	380
Fire and Property Insurance	812,850	703,945	806,361	676,003	242,632	189,129
including:						
Fire Insurance	227,516	238,837	240,659	213,625	65,601	38,485
Other Property Insurance	585,334	465,108	565,702	462,378	177,031	150,644
Transport and Aviation Insurance	495,680	536,109	491,135	543,041	169,260	205,279
Other Insurances	135,924	191,549	141,739	170,578	22,816	48,608
Total[2]	2,513,034	2,415,828	2,477,658	2,351,895	838,691	880,518
Reinsurance business assumed	**2,024,818**	**2,104,671**	**1,989,138**	**2,176,829**	**586,196**	**617,166**
Insurance business total	**4,537,852**	**4,520,499**	**4,466,796**	**4,528,724**	**1,424,887**	**1,497,684**

1_Health Insurance achieved gross premiums of over € 3,000 thou for the first time this year and is thus reported together with Casualty Insurance in the Personal Accident and Health Insurance line.

2_This total cannot be derived from the insurance branches listed above as it also contains non-essential amounts for the insurance branches Health, Assistance, Legal Protection and Credit & Suretyship with gross premiums of less than € 3,000 thou each that are not listed individually.

19 _ Gross premiums written for direct insurance business according to area of origin

€ thou

	Germany		EU and EEA[3]		Other countries	
	2020	2019	2020	2019	2020	2019
Personal Accident and Health Insurance[1]	1,855	1,861	2,833	1,645	11, 718	5,597
Liability Insurance	300,907	288,722	580,881	516,070	147,997	145,876
Motor Liability Insurance	-	-	-	-	6,686	5,080
Other Motor Insurance	-	10	-	-1	14,944	17,057
Fire and Property Insurance	216,105	164,454	390,253	451,921	206,492	87,570
including:						
Fire Insurance	60,262	49,783	136,896	149,765	30,359	39,289
Other Property Insurance	155,843	114,671	253,358	302,156	176,133	48,281
Transport and Aviation Insurance	103,269	176,117	324,613	270,784	67,797	89,209
Other Insurances	44,952	51,884	62,078	103,271	28,893	36,394
Total[2]	**667,062**	**683,094**	**1,360,659**	**1,343,673**	**485,313**	**389,061**

1_Health Insurance achieved gross premiums of over € 3,000 thou for the first time this year and is thus reported together with Casualty Insurance in the Personal Accident and Health Insurance line.

2_This total cannot be derived from the insurance branches listed above as it also contains non-essential amounts for the insurance branches Health, Assistance, Legal Protection and Credit & Suretyship with gross premiums of less than € 3,000 thou each that are not listed individually.

3_Our branch office in the United Kingdom generated €745,891 (728,790) thou in gross premiums written in financial year 2020. At € 285,049 (250,836) thou, the main share was recorded in Liability Insurance.

Gross expenditure for insurance claims		Gross expenditure for insurance business		Reinsurance balance		Underwriting result for own account		Number of insurance contracts with at least a 1-year period	
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
6,311	3,114	4,264	3,368	-2,640	-1,608	2,879	2,614	9,508	8,353
1,095,585	968,140	184,723	179,306	107,649	156,030	-177,424	-62,181	21,142	25,381
-1,308	4,022	2,428	2,808	-3,430	1,373	1,396	309	27,340	35,742
2,230	17,515	5,376	6,164	-5,715	9,422	1,062	1,474	-	-
587,393	444,055	137,107	135,900	-132,908	-113,982	-44,853	-40,278	19,952	25,330
						-			
138,317	187,278	39,569	38,348	-87,220	8,610	-10,986	-24,244	5,485	7,142
449,076	256,777	97,538	97,552	-45,688	-122,592	-33,867	-16,034	14,467	18,188
309,432	446,430	118,717	129,507	-76,746	-15,014	-28,259	-19,160	18,000	34,162
396,195	97,776	20,759	28,468	101,276	-29,125	-175,868	14,247	50,259	5,022
2,396,210	1,983,521	475,250	488,353	-13,168	8,088	-422,993	-105,049	149,055	133,990
1,988,710	**1,518,353**	**429,638**	**495,735**	**291,668**	**-126,071**	**-86,235**	**22,982**		
4,384,920	**3,501,874**	**904,888**	**984,089**	**278,500**	**-117,983**	**-509,228**	**-82,067**		

20 _ Run-off result

Net run-off losses of € 190,965 thou (negative result of € 55,242 thou) were mainly attributable to Liability Insurance. This amounted to -5.4 (-1.7)% of the reserve created in the previous year for loss and loss adjustment expenses.

21 _ Underwriting expenses (net) (Income statement I.5.)

€ thou

	2020	2019
a) Gross expenditure for the insurance business	904,888	984,089
b) Less: Reinsurance commissions and profit participation	549,342	550,581
Total	**355,545**	**433,507**

Of the gross expenditure for the insurance business, acquisition expenses made up for, € 745,712 (828,143) thou was attributable to acquisition costs and € 159,176 (155,946) thou to administrative expenses.

22 _ Commissions and other remuneration of insurance agents, personnel expenses

€ thou

	2020	2019
a) Commission of any kind for insurance agents within the meaning of § 92 HGB for direct insurance business	239,573	250,453
b) Other remuneration of insurance agents within the meaning of § 92 HGB	8	24
c) Wages and salaries	239,444	238,899
d) Social security contributions and other social contributions	41,321	45,624
e) Expenses for retirement provision	27,111	20,957
Total	**547,457**	**555,957**

23 _ Investment income (Income statement II.1.)

€ thou

	2020	2019
a) Income from participations including in affiliated enterprises 11,122 (2019: 73,910) € thou	14,481	74,776
b) Income from other investments	106,084	90,584
aa) Income from real estate, real property and equivalent rights, including buildings on land not owned by AGCS	5593	5,440
bb) Income from other investments	100,491	85,114
c) Income from write-ups	1,091	29,012
d) Gains on the disposal of investments	71,434	79,796
e) Income from profit pooling, profit transfer and partial profit transfer agreements	-	2,956
Total	**193,090**	**277,124**

24 _ Investment expenses (Income statement II.2.)

€ thou

	2020	2019
a) Investment management expenses, interest expenses and other charges for investment	12,112	20,361
B) Value adjustments on investments	148,661	5,499
C) Losses on the disposal of investments	103,553	655
d) Costs of loss absorption	2,313	1,350
Total	**266,638**	**27,865**

25 _ Value adjustments on investments

Write-downs pursuant to § 253 (3) sentence 5 HGB were made in the amount of € 101,705 (551) thou for shares in and loans to affiliated enterprises. Write-downs pursuant to § 253 (4) HGB were made in the amount of € 45,302 (3,596) thou for bearer bonds as well as stocks, investment fund units and other variable income securities.

26 _ Write-downs on intangible assets

Write-downs on intangible assets pursuant to § 253 (3) HGB of € 32,478 (36,007) thou were made during the financial year in relation to intangible fixed assets under consideration of the respective useful life.

In addition, the long-term distribution agreement at our Hong Kong branch office was written down by €25,775 thousand.

27 _ 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
Income / expenses from the fair value of the offset assets	-4,437	-135
Calculated interest on the settlement amount of the offset liabilities	3,508	228
Effect from the change in the discount rate for the settlement amount	4,598	27
Net amount of the offset income and expenses	**3,670**	**120**

Also included are currency translation gains of € 196,118 thou (negative result of € 102,021 thou) and interest expenses of € 43,749 thou (27,318 thou) for funds held with respect to reinsurance partners. In the 2020 financial year, extraordinary restructuring expenses of € 28,800 thou were incurred.

28 _ 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 negative results posted at the German head office and at the branch office in France and the United Kingdom mainly resulted in lower income taxes of € 25,838 (46,260) thou.

29 _ Appropriation of earnings

Before the transfer of profit, the negative result for financial year 2020 amounted to € 518,155 (11,870) thou, which was compensated for by Allianz SE under the terms of the existing transfer-of-profit agreement

OTHER INFORMATION

CONTINGENT LIABILITIES

Contingent liabilities exist in connection with the company pension plan. As a rule, the company pension plan for employees of the German Allianz companies who joined on or before 31 December 2014 is based on membership of Allianz Versorgungskasse VVaG (AVK), which, as a legally independent and regulated pension fund, is subject to supervision by BaFin. The benefits provided by AVK are funded under the single-premium system by means of contributions from the sponsoring companies to the fund through deferred compensation.

In addition to Allianz SE, Allianz Deutschland AG, Allianz Versicherungs-AG and Allianz Lebensversicherungs-AG, the sponsoring companies also include AGCS SE.

AGCS SE is legally obliged to cover the administrative costs of AVK on a pro-rata basis and to make employer contributions, if required.

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

Due to the substantially lower discount rate and because the adjustment obligations pursuant to §16 of the German Company Pension Act (BetrAVG) are not covered at the old rate of the APV, the plan assets of the APV were lower than the pension obligations as of 31 December 2020. The shortfall as of 31 December 2020 amounted to € 19 549 (19 625) thou.

The company makes use of the option under Article 28 (1) sentence 2 EGHGB not to create a provision for uncertain liabilities in this respect as the legally required adjustment of pensions to the consumer price index is funded by means of additional contributions to APV.

Both the AVK and the APV were closed to new entrants as of 1 January 2015.

For new entrants from 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 funded by the employee in the framework of deferred compensation.

In addition, 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 costs; Allianz SE has undertaken to fulfil these commitments. The pension commitments are therefore reported by Allianz SE and not by the company.

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

Supplementary information

€ thou

	2020	2019
Settlement amount of the offset liabilities	73,616	71,796
Joint liability and/or rights of rights of relief against Allianz SE	73,616	71,796

As a result of changes in the funding of the Pensions-Sicherungs-Verein VVaG pension fund in 2006, there was a joint and several liability of € 13 (25) thou, which is not shown in the company's balance sheet as 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 concluded that the obligations underlying the contingent liabilities can be met by the respective principal debtors.

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

STATUTORY OBLIGATIONS

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

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

Other financial obligations

As of the balance sheet date, there were no liens on capital investments in connection with Group-internal cessions, and there were no such liens with affiliated enterprises. € 430,465 (376,833) thou were deposited in trust accounts, of which € 408,433 (354,635) thou were in favor of affiliated enterprises. A claim will only be made on these contingent liabilities if AGCS SE is unable to fulfil 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 financial obligations from purchasing contracts amounted to € 162,819 (56,154) thou and in particular from real estate purchasing contracts in the amount of € 47 070 (14,972) thou.

Payment obligations under long-term leases amounted to € 54,210 (54,296) thou, of which € 21,446 (47,629) thousand was due to affiliated enterprises.

There were 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 in the notes to the financial statements. Also listed on page 3 are all current members of the Supervisory Board and those who retired in the financial year, as well as current members of the Board of Management and those who retired in the financial year.

Remuneration of the Management Board and the Supervisory Board

The total remuneration of the Board of Management (including share-based payments granted in the financial year) amounted to € 10,958 (9,488) thou in the reporting year. A total of 7,928 (9,058) restricted stock units were issued to the members of the Board of Management under the share-based remuneration system. The fair value as of the time of granting these units amounted to € 1,820 (1,403) thou.

The remuneration of former members of the Board of Management and their surviving dependents amounted to € 555 (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

	2020	2019
Fair value of the offset assets	20,380	11, 590
Settlement amount of the offset liabilities	22,504	13,197
Reserves for pensions / excess of plan assets over pension liability	2,124	1,608

The total remuneration of the Supervisory Board of AGCS SE amounted to € 61 (60) thou.

Average number of employees

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

Average number of employees

	2020	2019
Full-time employees	2,165	2,167
Part-time employees	284	279
Total	**2,449**	**2,446**

Services provided by the auditor of the annual financial statements

PricewaterhouseCoopers GmbH WPG performed the audit of the annual financial statement and the Solvency Overview of AGCS SE. In respect of the overall Group audit and the Group Solvency Overview, limited reviews of quarterly and half-year statements as well as the audit of Group packages were conducted. In addition, a project-related audit is being carried out for the introduction of a new underwriting data warehouse.

Total remuneration of the auditor pursuant to § 285 no. 17 HGB

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

Group affiliation

AGCS 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 its Annual General Meeting in May. They can be viewed there or can be requested from our company. They will also be made available on the Allianz SE website.

AGCS SE is incorporated in the consolidated financial statements and management report of Allianz SE, which prepares consolidated financial statements for the largest and smallest group of companies. The consolidated financial statements and the management report legally release our company from any other reporting obligations so that AGCS SE does not prepare consolidated financial statements and a management report of its own.

Significant events after the balance sheet date

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

Munich, 17 March 2021

Allianz Global Corporate & Specialty SE

The Board of Management

Müller	Buckle
Coste-Lepoutre	Dietsche
Haagen	Scaldaferri
Dr. Sepp	Dr. Strasser

INDEPENDENT AUDITOR'S REPORT

To Allianz Global Corporate & Specialty SE, Munich

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

AUDIT OPINIONS

We have audited the annual financial statements of Allianz Global Corporate & Specialty SE, Munich, which comprise the balance sheet as at 31 December 2020, and the income statement for the financial year from 1 January to 31 December 2020, 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 2020. 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 2020 and of its financial performance for the financial year from 1 January to 31 December 2020 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 2020. 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 € 2,295 million (21.4 % of total assets) are reported under the "Investments in affiliated enterprises and participations" balance sheet item. Shares in affiliated enterprises and participations are measured at the lower of cost or fair value in accordance with German commercial law. For shares in affiliated enterprises and participations which are neither measured based on quoted nor other market prices the earnings model is used for all material entities with operating activities. For entities whose business purpose is essentially limited to the management of investments (asset holding companies) the determination of the fair value is based on the fair values of the respective underlying investment properties, which are determined using different valuation methods (e.g. net asset value, discounted cash flow method). In this context, the executive directors must make judgments, estimates and assumptions in particular regarding future business development and changes in macroeconomic factors as well as the expected impact of the ongoing Corona crisis on the business activities of affiliated enterprises and participations. 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 and further documentation, write-downs were required for the financial year at an amount of € 97 million. 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, among other things, on our industry knowledge, our investment valuation expertise and our industry experience. We also assessed the entity´s 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 included, among other, assessing the selected measurement methodology, their consistent use and the mathematical correctness of the procedure applied. We also examined the appropriateness of the assumptions underlying the calculation (budget, derivation of the discount rate and assumptions regarding perpetuities). In doing so, we also evaluated the executive directors' assessment of the effects of the Corona crisis on the business activities of the affiliated enterprises and participations and their consideration in the determination of the expected earnings. 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 sections “Accounting, valuation and calculation methods” and "7_Fair value of investments" of the notes to the financial statements.

2. Measurement of reserve for loss and loss adjustment expenses

In the annual financial statements, the Company reports € 10,888 million gross and € 4,035 million net (37.1% of total assets) 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. This also includes the expected impact of the ongoing Corona crisis on the recognition of claims provisions in the affected lines of business. 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 further analytical procedures and 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. In this context, we also evaluated the assessment of the executive directors regarding the effects of the Corona crisis on the affected lines of business. 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 EU-AUDIT REGULATION

We were elected as auditor by the supervisory board on 27 April 2020. We were engaged by the supervisory board on 23 October 2020. 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, 18 March 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Christine Keller	ppa. Marina Haag
Wirtschaftsprüferin (German Public Auditor)	Wirtschaftsprüferin (German Public Auditor)

INSURANCE LINES COVERED

Direct insurance business

HEALTH INSURANCE
Health insurance depending on the type of property insurance

CASUALTY INSURANCE
Aviation personal accident, test persons, motor personal accident, other general casualty insurance

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

MOTOR INSURANCE
Motor liability insurance, other motor insurance

AVIATION INSURANCE
Aircraft - own damage, spacecraft - own damage

LEGAL EXPENSES INSURANCE

FIRE INSURANCE
Industrial fire, other fire

TRANSPORT 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 and 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

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), fidelity insurance, other indemnity insurance

Reinsurance business assumed

CASUALTY INSURANCE

LIABILITY INSURANCE

MOTOR INSURANCE

AVIATION INSURANCE

FIRE INSURANCE

TRANSPORT INSURANCE

BUSINESS INTERRUPTION INSURANCE

AVIATION AND AEROSPACE LIABILITY INSURANCE

OTHER PROPERTY INSURANCE

OTHER PROPERTY INSURANCE

HEAD OFFICE BRANCH OFFICE

Allianz Global Corporate & Specialty SE Head office Germany and registered office of the company

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