

Solvency  
and Financial  
Condition  
Report  
2021

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## At a glance

**Figure 1: Key figures of AGCS SE**

€ thou

	Section	2021	2020	Difference
Gross premiums written	A.2	4,970,758	4,537,852	432,906
Net underwriting result before equalization provision	A.2	59,457	-589,342	648,799
Investment result	A.3	285,037	14,954	270,083
Profit (+) / loss (-) before transfer	A.5	-21,668	-518,155	496,487
Eligible own funds	E.1	3,104,994	2,956,976	148,018
Solvency Capital Requirement	E.2	2,061,500	1,841,451	220,049
Solvency ratio	C	151%	161%	-10%

# SUMMARY

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# SUMMARY

The monetary amounts in this report are presented in thousands of Euros (€ thou) in accordance with Commission Implementing Regulation (EU) 2015/2452. Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

The report on the solvency and financial condition of the company (Solvency and Financial Condition Report, SFCR) covers five subject areas in total, all of which relate to the reporting period from 1 January to 31 December 2021. The preceding summary provides an overview of the key contents of the report, which are presented in detail below. In addition, any material changes in these subject areas in particular are stated.

## A. BUSINESS ACTIVITY AND BUSINESS PERFORMANCE

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

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

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

In 2021, AGCS SE conducted its business from Munich, as well as from the branch offices in London (UK), Paris (France), Vienna (Austria), Copenhagen (Denmark), Milan (Italy), Antwerp (Belgium), Madrid (Spain), Rotterdam (Netherlands), Stockholm (Sweden), Singapore, Hong Kong (China), Seoul (South Korea) and Mumbai (India).

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

The underwriting result was defined by a positive performance of premiums and claims, which resulted in a clearly improved claims ratio. On the claims side, this was due to lower year-on-year claims in the reporting year arising from the Covid-19 pandemic. However, the net cost ratio also rose, mainly because of the lower commission rate for the quota reinsurance contract with Allianz SE that was concluded in the financial year. Overall, the net underwriting result before equalization provision improved significantly to € 59,457 (-589,342) thou and the net combined ratio to 91.9 (138.2) %.

In the financial year 2021, the investment result amounted to € 285,037 (14,954) thou. The positive development is largely due to a higher contribution to results from participations and other interests, and from debt instruments. The main reason for this was a write-up of AGCS International Holding B.V. and net write-ups on bonds.

The other non-underwriting result recorded a loss of € 149,718 (profit 4,899) thou, mainly due to a depreciation of the Euro against the US dollar and the British pound. The total non-underwriting result amounted to € 135,319 (19,853) thou.

Due to a change in the reporting of income and expenses from derivatives, these are no longer reported in investment income, in contrast to the previous year but in other income and expenses; the prior year figures were adjusted accordingly.

Overall, this development resulted in a loss of € 21,668 thou, which was compensated for by Allianz SE under the terms of the transfer agreement.

## B. SYSTEM OF GOVERNANCE

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

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

Furthermore, information is presented about the risk management system, including the company's Own Risk and Solvency Assessment (ORSA), and the internal control system. Our risk management system covers all of AGCS SE's business segments and business units in relation to their risk exposure. Our risk management system includes the necessary strategies, processes and reports to identify, assess, monitor and manage risks. The Board of Management of AGCS SE has overall responsibility for the implementation of a functioning risk management system. Our risk profile is measured and managed on the basis of our internal model, which is approved by the Federal Financial Supervisory Authority (BaFin). Other regular processes for assessing the risk situation, such as Top Risk Assessment, monitoring compliance with limits and assurance of solvency over the planning period, are comprehensively documented once a year in the ORSA report. The most recent ORSA report did not contain any objections or significant recommendations to the Board of Management.

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

Since 1 January 2020, the group-wide AZpire X plan governs the performance-based remuneration of the members of the Board of Management. This consists of a performance-related annual bonus and performance-related equity compensation.

AGCS SE's governance system was reviewed in 2021 and found to be appropriate and effective by the Board of Management of AGCS SE.

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

### C. RISK PROFILE

Section C deals with the risk profile of the company. We measure and manage AGCS SE's risk on the basis of an approved internal model that measures potential adverse developments in own funds. The calculation of the Solvency Capital Requirement on the basis of the internal model comprises the following risk categories: underwriting risk, market risk, credit risk, operational risk and business risk. AGCS SE's overall risk is dominated by underwriting risks, as well as equity and foreign currency risks from the participation in Allianz Global Risks US. There were no model changes in 2021 that significantly impacted the risk capital.

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

The results of the calculation of the Solvency Capital Requirement are covered in [section E.2](#).

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

No risk has been identified in the financial year 2021 that must be additionally considered within the scope of the assessment of the overall solvency requirement (see also [section B.3](#)).

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

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

In this section, the risks are described and assessed according to each risk category, and any risk concentrations presented. Measures to control and mitigate risks are also described, as well as the sensitivity to the risk factors.

Unless otherwise stated in the respective risk category, there were no material changes relating to the risk profile during the reporting period.

### D. VALUATION FOR SOLVENCY PURPOSES

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

with the assets side and sections D.2 and D.3 with the liabilities side of the solvency overview.

Our assets are defined in particular by investments and the amounts recoverable from reinsurance contracts. Within investments, shares in affiliated companies, including participations, and undertakings for collective investment represent the greatest difference in value between the market value balance sheet and the commercial balance sheet. On the liabilities side, financial liabilities and technical provisions represent the balance sheet items with the greatest value differentials.

Under supervisory law, AGCS SE's investments at year-end amounted to € 9,416,294 (€ 8,153,778) thou and the amounts recoverable from reinsurance contracts to € 6,050,324 (5,962,600) thou. The technical provisions at the end of the reporting period amounted to € 10,224,440 (9,529,450) thou. Overall, assets amounted to € 18,225,706 (16,194,218) thou and liabilities to € 15,120,712 (13,237,242) thou, which led to an excess of assets over liabilities of € 3,104,994 (2,956,976) thou. This surplus also represents the regulatory own funds.

Compared to the previous reporting period, there was no reclassification of claims not yet due in the technical provisions for insurance, intermediaries and reinsurance payables. This adjustment was undertaken as the annex of Commission Implementing Regulation (EU) 2015/2450 is currently not applicable and is being revised. Reclassification will be suspended until the new version is published.

The actuarial methods used to calculate the technical provisions have not changed materially since the previous reporting period. However, a detailed reserve analysis was conducted for the inherent defects insurance (Decennale) segment, on the basis of which the provisions were strengthened.

For COVID-19 claims in the liability and financial lines segment, the calculation of the IBNR reserves differed from the previous year under the assumption that all significant claims are already known.

Insofar as alternative valuation methods are used at AGCS SE for specific assets and liabilities in the absence of market values, these are explained in more detail in section D.4.

### E. CAPITAL MANAGEMENT

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

Our eligible own funds have increased compared to the previous year and amount to € 3,104,994 thou as at 31 December 2021 (of which 98% Tier 1 capital and 2% Tier 3 capital). The increase is primarily due to an increase of € 184,259 thou in the reconciliation reserve. This development was mainly driven by the higher participation values in Allianz Risk Transfer AG and AGCS International Holding B.V., as well as by retained corporate profits under IFRS and the transfer of profit of Allianz SE under HGB. Additional information is presented in [section E.1](#).

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

As at the reporting date of 31 December 2021, eligible own funds are matched by a Solvency Capital Requirement of € 2,061,500 thou and a Minimum Capital Requirement of € 624,192 thou. This results in

a Solvency II capital ratio of 151%. Without taking the volatility adjustment into account, it would be 148%. The ratio of own funds to Minimum Capital Requirement resulted in a coverage ratio of 485 (525) % at the end of the reporting period.

Except for the deviating classification of the claims due for the calculation of the Solvency Capital Requirement and the Minimum Capital Requirement at AGCS SE, as described previously under D. and on which the calculation is based, there were no significant changes in the reporting period. AGCS SE met the Minimum Capital Requirement and the Solvency Capital Requirement at all times during the reporting year.

## UKRAINE CONFLICT

The armed conflict between Ukraine and Russia poses potential economic and financial implications for AGCS SE, which, according to current estimates, should not have a significant impact on the financial result. AGCS SE has insurance policies that could be affected in the current situation, and these are currently being reviewed. In addition, a small proportion of bonds from Russian and Ukrainian issuers are held in the investment portfolio. It is a very fluid situation and its effects remain unclear. We will continue to monitor the situation closely and take risk-reducing measures if necessary. As a globally active insurer, we also ensure compliance with new sanctions and regulations in all business areas.

# BUSINESS AND PERFORMANCE

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# A.1 BUSINESS ACTIVITY

## A.1.1 General information on business activities

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

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

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

## A.1.2 Information on the Group structure and affiliated companies

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

A simplified structure of AGCS SE, which includes our affiliated enterprises as of 31 December 2021, can be found in the annex to this report.

**Table 1: Key affiliated enterprises**

Name, legal form	Country	Participation ratio (corresponds to voting-right ratio)
AGCS International Holding B.V., Amsterdam	Netherlands	100.0%
AGCS Marine Insurance Company, Chicago	USA	76.1%
AGR US, Chicago	USA	76.1%
Allianz Fire and Marine Insurance Japan Ltd., Tokyo	Japan	100.0%
Allianz Global Corporate & Specialty Resseguros Brasil S.A., Sao Paulo	Brazil	100.0%
Allianz Risk Consulting GmbH, Munich	Germany	100.0%
Allianz Risk Transfer AG, Schaan	Liechtenstein	100.0%
SpaceCo S.A., Paris	France	100.0%

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

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

## A.1.3 Further Information

### Name and contact details of the competent financial supervisory authority

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

alternatively:  
PO Box 1253  
53002 Bonn

Contact details of the Federal Financial Supervisory Authority:  
Phone: +49 228 / 4108 – 0  
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E-mail: [poststelle@bafin.de](mailto:poststelle@bafin.de)  
or De-mail: [poststelle@bafin.de-mail.de](mailto:poststelle@bafin.de-mail.de)

### Name and contact details of the external auditor

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft  
with its head office in Frankfurt am Main

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

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

### A.2.1 Overall underwriting result

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

The underwriting result of the financial year was defined by a positive performance of premiums and claims, which resulted in a clearly improved claims ratio. On the claims side, this was due to lower claims in the financial year, which were influenced by extraordinarily high claims arising from the COVID-19 pandemic in financial year 2020.

Despite the good performance of net premiums earned, the net cost ratio rose, mainly because of the lower commission rate for the quota reinsurance contract with Allianz SE that was concluded in the financial year. Through this contract, 100% of the total direct and reinsurance business assumed by our German head office is ceded after deduction of facultative and other obligatory reinsurances. Overall, this resulted in a significantly improved combined ratio.

The "Underwriting result" table compares the key figures for 2021 with those for the previous year.

**Table 2: Underwriting result**

€ thou	2021	2021	2021	2021	2020
	Position according to QRT S.05.01.b	Reclassification of expenses for claims settlement and investment management <sup>1</sup>	Items not included in the QRT	HGB	HGB
Gross premiums written	4,970,758	-	-	4,970,758	4,537,852
Net premiums earned	1,549,961	-	-	1,549,961	1,424,887
Other net underwriting profit	-	-	-	-	-
Net incurred claims	-828,402	-120,523	-	-948,924	-1,613,853
Change in other net technical provisions	115	-	-	115	-724
Net expenses for premium refunds	-	-	-62,632	-62,632	-38,981
Net underwriting expenses	-605,485	130,210	-	-475,274	-355,545
Other net underwriting expenses	-	-	-3,789	-3,789	-5,125
Net underwriting result before equalization provision	-	-	-	59,457	-589,342
Net claims ratio				61.2%	113.3%
Net cost ratio				30.7%	25.0%
Net combined ratio				91.9%	138.2%
Investment management expenses reclassified to the non-technical income statement according to HGB		-9 688			

1. In accordance with the requirements of annex I of Commission Implementing Regulation (EU) 2015/2450, annex II, S.05.01, both the expenses for claims settlement and investment management expenses are reported as part of net operating expenses in the QRT. In contrast, in accordance with Article 38 (1) sentence 2 and Article 42 (1) of the Insurance Accounts Directive and their implementation in §41 (2) and §46 (2) RechVersV, claims settlement expenses must be shown as part of the net incurred claims and the expenses for the management of investments within the non-technical account for the financial statements under HGB.

The company reported a marked increase of 9.5% in gross premiums written, resulting in particular in fire and other property insurance, and in general liability insurance. The increase in premiums was defined by higher premiums for alternative risk transfer solutions and financial loss liability insurance. This was offset by declines in premiums in the general liability insurance sub-segments, which were subject to comprehensive portfolio measures in the financial year. Net premiums followed the development of gross premiums written at an increase of 8.8%.

The improved underwriting result was due in particular to a decline in net claims expenses, which was attributable mainly to lower claims in the financial year of € 1,030,293 (1,422,888) thou. These resulted largely in the miscellaneous financial losses business segment, which was particularly affected by the claims resulting from the COVID-19 pandemic. The positive effect of a lower burden overall

from major losses was weakened slightly by a rise in catastrophe losses. Unlike the previous year, net run-off profits of € 81,369 (loss 190,965) thou were reported, mainly in general liability insurance.

Net expenses for premium refunds increased in particular in non-proportional property reinsurance and in general liability insurance at our United Kingdom branch office as part of alternative risk transfer solutions. It resulted in a slightly positive amount from the change in other net technical provisions.

Net underwriting expenses of € 288,408 (204,232) thou were higher than in the previous year, especially in the area of acquisition costs.

The net underwriting result improved significantly over the previous year, so that the reporting year closed with a profit.

## A.2.2 Underwriting result by business segment

**Table 3: Underwriting result by business segment<sup>1</sup>**

€ thou	Gross premiums written		Net underwriting result before equalization provision	
	2021	2020	2021	2020
<b>DIRECT BUSINESS AND PROPORTIONAL REINSURANCE BUSINESS ASSUMED</b>				
Fire and other property insurance	2,016,847	1,574,317	37,614	-106,760
General liability insurance	1,577,161	1,489,784	55,734	-249,819
Marine, aviation and transport insurance	619,500	726,677	9,131	-25,339
Miscellaneous financial losses	354,218	328,944	-99,653	-222,551
Other insurances	53,577	44,948	867	6,728
Subtotal 1	4,621,302	4,164,670	3,694	-597,741
<b>NON-PROPORTIONAL REINSURANCE BUSINESS ASSUMED</b>				
Non-proportional property reinsurance	238,502	251,350	48,918	-680
Non-proportional liability reinsurance	68,135	82,869	16,526	1,226
Non-proportional marine, aviation and transport reinsurance	42,820	38,963	-9,680	7,875
Non-proportional health reinsurance	0	0	0	-23
Subtotal 2	349,457	373,182	55,764	8,399
Total	4,970,758	4,537,852	59,457	-589,342

<sup>1</sup> Business segments with insignificant premium income are excluded from the comments.

In the following section, revenue and earnings figures, in particular gross premiums written and the net underwriting result before equalization provision, are commented on for the individual business segments in a year-on-year comparison.

### A.2.2.1 DIRECT BUSINESS AND PROPORTIONAL REINSURANCE BUSINESS ASSUMED

Gross premiums written in the **fire and other property insurance** business segment rose in almost all branch offices worldwide. The largest increase was achieved at the United Kingdom branch office in alternative risk transfer solutions. Due to the increase in premiums and the lower burden from claims in the financial year compared to the previous year, a net underwriting profit was achieved in the reporting year.

The growth in premiums written in the **general liability insurance** business segment is primarily based on the financial loss liability insurance in the United Kingdom branch office. This increase was offset by extensive portfolio measures in this business segment's sub-segments, which impacted our German head office in particular. While the previous year was burdened by run-off losses from prior-year claims, a run-off profit was achieved in the reporting year, resulting in a net underwriting profit overall.

Gross premiums written in the **marine, aviation and transport insurance** business segment were down on the previous year. The decline was particular evident in cargo insurance in our German head office and in the United Kingdom. Having reported a loss in the previous year, the business segment generated a net underwriting profit, due to the lower claims burden, in particular because of lower claims for the financial year.

In the **miscellaneous financial losses** business segment, the increase in the fronting business in the Belgian branch office contributed in particular to a higher premium volume. There was a marked decline in claims for the financial year, which were burdened significantly by

claims during the COVID-19 pandemic in reporting year 2020. Because of the claims burden that still remained high in the financial year, the business segment closed with a net underwriting loss.

**Other insurances** combine the medical expenses insurance, income protection insurance, workers' compensation insurance, motor vehicle liability insurance, other motor vehicle insurance, credit and suretyship insurance, legal expenses insurance and assistance business segments. Premium growth in the reporting year was mainly due to higher premiums in medical expenses insurance and in motor vehicle liability insurance. As a result of a lower run-off profit from prior-year claims, the net underwriting profit was down on the previous year.

### A.2.2.2 NON-PROPORTIONAL REINSURANCE BUSINESS ASSUMED

Gross premiums written in **non-proportional property reinsurance** fell in the reporting year. This was due to a lower volume of treaty reinsurance business assumed by branch offices in the German head office. Lower net incurred claims, primarily with claims for the financial year resulted in a net underwriting profit in the financial year.

Lower gross premiums written in **non-proportional liability reinsurance** in the reporting year were attributable to the decline in the international program business in Germany, as a result of the aforementioned portfolio measures in the general liability insurance sub-segments. Following a run-off loss in the reporting year 2020, the run-off profit from prior-year claims was decisive for a higher net underwriting profit this year.

Higher reinstatement premiums for the treaty reinsurance business assumed by our US subsidiary led to an increase in gross premiums written in **non-proportional marine, aviation and transport reinsurance**. Because the financial year was burdened by a run-off loss from prior years, an overall net underwriting loss was reported.

## A.2.3 Underwriting result by country

The explanation of business performance by country is most meaningful on the basis of the gross figures of the financial statements prepared in accordance with commercial law, as outwards non-proportional reinsurance in particular can only be allocated to the individual countries using codes. The introduction of a new business warehouse in the financial year improved the allocation of gross income and expenses to the respective countries in relation to the risk location. This may affect the comparability of the data with the previous year in individual segments.

**Table 4: Underwriting performance by country<sup>1</sup>**

€ thou		
	Gross premiums written	Underwriting gross result
<b>2021</b>		
Germany	788,794	285,055
United States of America	892,522	179,576
United Kingdom	720,632	124,285
France	469,881	257,259
China	223,874	30,534
Liechtenstein	179,095	80,836
<b>Total top 6</b>	<b>3,274,798</b>	<b>957,545</b>
Other countries	1,695,960	550,502
<b>Total</b>	<b>4,970,758</b>	<b>1,508,047</b>
<b>2020</b>		
Germany	900,324	128,506
United States of America	749,936	-55,181
United Kingdom	659,583	-383,563
France	427,462	-204,508
China	184,213	24,450
Liechtenstein	144,574	-31,959
<b>Total top 6</b>	<b>3,066,093</b>	<b>-522,255</b>
Other countries	1,471,758	-358,442
<b>Total</b>	<b>4,537,852</b>	<b>-880,697</b>

<sup>1</sup> The allocation to countries is carried out here according to the requirements of Commission Implementing Regulation (EU) 2015/2450, annex II, S 05.02. Appropriate codes have been used for items that cannot be directly allocated (for example, internal costs).

Most of the premiums and expenses for insurance claims in the country of origin Germany related to the head office in Germany, where 100% of the business was ceded under the quota share reinsurance treaty with Allianz SE. There was an overall decline in gross premiums written compared to the previous year. Against the background of the described data migration, this was reflected mainly in fire and other property insurance in favor of other countries of origin. Premiums in general liability insurance also declined due to the portfolio measures in the general liability insurance sub-segments. A lower loss expenses from claims in the financial year significantly improved the result in the country of origin Germany.

In the reporting year, gross premiums written increased for the country of origin United States of America. The higher premium volume in fire and other property insurance is reflected in particular here, largely due to an increase in premiums from alternative risk transfer solutions. Lower prior-year claims reduced the gross claims expenses and together with higher gross premiums earned resulted in a gross underwriting profit.

The growth in premiums in the country of origin United Kingdom was especially evident in the general liability insurance business segment, defined by the positive development of the financial loss liability insurance. Gross claims expenses declined in the reporting year, equally as a result of lower prior-year and financial year claims. The decline in the latter was reflected primarily in miscellaneous financial losses, which was especially impacted by the COVID-19 pandemic claims on the previous year. Unlike the financial year 2020, a run-off profit was achieved, which was mainly evident in fire and other property insurance. As a result, the country of origin United Kingdom reported a gross underwriting profit for the reporting year.

Country of origin France posted a growth in premium volume, due to higher gross premiums in the fire and other property insurance business segment. A decline in the gross claims burden, which was mainly attributable to the lower claims expenses for prior-year claims, resulted in a gross underwriting profit being reported this year.

Compared with the previous year, the gross premium volume, in particular in fire and other property insurance, rose in country of origin China. The gross underwriting profit increase despite higher gross claims expenses, which arose mainly from the development of prior-year claims.

Gross premiums written in country of origin Liechtenstein exceeded the previous year's value. This was primarily due to general liability insurance and fire and other property insurance. A lower gross claims burden, mainly owing to lower expenses for prior-year claims, led to a gross underwriting profit, after the country of origin reported a negative result for the financial year 2020.

In the other countries, the gross premium volume rose due to higher premiums in fire and other property insurance and financial loss liability insurance. After lower gross claims expenses, in particular due to lower prior-year claims expenses in marine, aviation and transport insurance, and in general liability insurance, a gross underwriting profit was achieved in the year under review.

## A.3 INVESTMENT RESULT

The investment report is made up as follows<sup>1</sup>:

**Table 5: Investments**

€ thou	Current income/ expenses (-)	Profit	Loss	Write-ups	Write-downs	Investment result
<b>2021</b>						
<b>Participations and other interests</b>						
Shares in affiliated enterprises and participations	78,073	-	-	79,230	-7,666	149,637
Real estate (other than for own use)	6,557	-	-	-	-1,749	4,808
<b>Debt instruments</b>						
Government bonds	33,746	6,634	-2,415	7,973	-4,338	41,600
Corporate bonds	33,841	6,593	-281	8,688	-6,096	42,745
Collateralized securities	4,728	453	-2,096	690	-	3,775
Other loans and mortgages	3,861	-	-	1,610	-1	5,470
<b>Current and other investments</b>						
Collective investment undertakings	74,004	534	-3	525	-33,322	41,738
Short-term investments	4,794	-	-	-	-	4,794
Current expenses for the management of investments	-9,529	-	-	-	-	-9,529
<b>Total</b>	<b>230,076</b>	<b>14,213</b>	<b>-4,796</b>	<b>98,716</b>	<b>-53,172</b>	<b>285,037</b>
<b>2020</b>						
<b>Participations and other interests</b>						
Shares in affiliated enterprises, including participations	12,168	40	-	-	-96,733	-84,525
Real estate (other than for own use)	5,593	-	-	-	-1,654	3,939
<b>Debt instruments</b>						
Government bonds	28,923	10,669	-5,813	320	-18,637	15,462
Corporate bonds	32,987	8,627	-5,936	769	-19,423	17,023
Collateralized securities	2,348	588	-1,873	2	-2,054	-989
Other loans and mortgages	5,426	-	-	1	-1,610	3,817
<b>Current and other investments</b>						
Collective investment undertakings	23,422	51,510	18	-	-8,550	66,400
Short-term investments	325	-	-	-	-	325
Current expenses for the management of investments	-6,497	-	-	-	-	-6,497
<b>Total</b>	<b>104,695</b>	<b>71,434</b>	<b>-13,605</b>	<b>1,091</b>	<b>-148,661</b>	<b>14,954</b>

<sup>1</sup> In the previous year's report, derivative results were recognized under short-term investments and current expenses. They will be presented in Other non-underwriting result; the prior-year values were adjusted accordingly

In 2021, the total investment result amounted to € 285,037 (14,954) thou. The increase is largely due to a higher contribution to results from participations and debt instruments.

The investment result from participations and other interests rose significantly compared with the 2020. This is due to a € 78,145 thou write-up on AGCS International Holding B.V. on the one hand and to higher current income from the distribution of Allianz Risk Transfer AG on the other. Income from profit and loss transfer agreements and expenses from loss transfers are also shown in net investment income from participations and other interests, and contributed € 12,135 thou to the investment result.

The investment result from debt instruments increased to € 93,589 (35,312) thou. The higher result is mainly attributable to the net write-ups in 2021. The rise in current income and higher realized net profit also contributed to the result.

The investment result from short-term and other investments declined compared with the previous year. The total contribution from undertakings for collective investment has fallen compared with the

previous year, because higher current income was offset in part by lower realized profits and higher write-downs. Current investment management expenses generated a loss of € 9,529 (6,497) thou.

Valuation reserves of AGCS SE investments declined over all to € 877,081 (938,138) thou and comprise undisclosed reserved of € 881,570 (942,107) thou and unrealized losses of € 4,489 (2,968) thou. Valuation reserves on collective investment undertakings fell compared to the previous year to € 244,700 (373,200) thou. The valuation reserves on investments in affiliated enterprises and participations increased to € 408,228 (362,862) thou. In the case of bearer bonds, the valuation reserves rose slightly to € 124,993 (116,880) thou. Directly held properties contributed € 88,452 (71,328) thou to the valuation reserves. For the other loans, the valuation reserves amounted to € 9,244 (12,104) thou while the reserves for mortgage bonds fell slightly to € 1,464 (2,765) thou.

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

There were no gains or losses recognized directly in equity.

### A.3.2 Information on investments in securitizations

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

As of 31 December 2021, exposure to directly held collateralized securities totaled € 193,911 (62,941) thou, all of which have an investment grade rating.

## A.4 OTHER ACTIVITIES

In the financial year 2021, currency translation losses of € 257,592 (profit 196,118) thou arise due to the development of the US dollar and the pound sterling vis-a-vis the Euro. Due to a change in the reporting of income and expenses from derivatives, these are no longer reported in investment income, in contrast to the previous year but in other income and expenses. The corresponding prior-year values were adjusted.

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

## A.5 OTHER INFORMATION

Due to the positive development in claims, € 188,782 (withdrawal 80,114) thou was added to the reconciliation reserve and similar provisions in 2021. This results in an underwriting loss for own account amounting to € 129,325 (509,228) thou. The investment result of € 285,037 (14,954) thou was reduced by other income and expenses of € -149,718 (income 4,899) thou. The latter were influence mainly by the development of the US dollar and pound sterling against the Euro. After deduction of income taxes and other taxes totaling € 27,662 (28,780) thou, a loss of € 21,668 (518,155) was incurred, which was offset by Allianz SE under the terms of the transfer agreement.

Due to a change in the reporting of income and expenses from derivatives, these are no longer reported in investment income, in contrast to the previous year but in other income and expenses. The corresponding prior-year values were adjusted.

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



# GOVERNANCESYSTEM

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B

# B.1 GENERAL INFORMATION ON THE GOVERNANCE SYSTEM

## B.1.1 AGCS Global governance principles

### B.1.1.1 DEFINITIONS

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

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

### MANAGEMENT OF AGCS AT GLOBAL LEVEL

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

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

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

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

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

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

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

### STRUCTURE OF THE BOARD OF MANAGEMENT OF AGCS SE

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

The Board of Management of AGCS SE consisted of eight members as of 31 December 2021. Notwithstanding the overall responsibility of all members of the Board of Management, the business segments are allocated among the individual members of the Board of Management as follows:

**Joachim Müller**, Chief Executive Officer

Responsible for: Audit, Communications, Legal and Compliance, Investment Management

**Tony Buckle**, Chief Underwriting Officer Corporate until 31 December 2021

Responsible for: Underwriting Corporate Lines (Allianz Risk Transfer, Energy and Construction, Financial Lines, Liability, Property), Allianz Risk Consulting, Capital Solutions, Portfolio Management, Global Pricing

**Shanil Williams**, Chief Underwriting Officer Corporate since 1 January 2022

Responsible for: Underwriting Corporate Lines (Allianz Risk Transfer, Financial Lines, Liability, Property), Allianz Risk Consulting, Portfolio Management, Accumulation & Catastrophe Management

**Claire-Marie Coste-Lepoutre**, Chief Financial Officer

Responsible for: Accounting, Treasury & Tax, Actuarial, Catastrophe Risk Management, Finance Solutions, Planning and Performance Management, Reinsurance, Risk Management

**Bettina Dietsche**, Chief Operating Officer

Responsible for: Allianz Multinational, Human Resources, IT, Business Transformation, Global Business Operations, Global Process Management, Global Data, Protection and Resilience, Strategic Sourcing and Procurement

**Henning Haagen**, Chief Regions & Markets Officer Region 1

Responsible for: Central and Eastern Europe, Mediterranean and Africa, Ibero/LatAm, Asia Pacific, Regional Unit London, TCC, One Allianz, Global Broker Management, Global Broker Coordination, Capital Solutions, Global Planning and Reporting

**Bill Scaldaferrri**, Chief Regions & Markets Officer Region 2

Responsible for: North America, Marsh Global Broker Coordination

**Dr. Thomas Sepp**, Chief Claims Officer

Responsible for: Claims, Key Case Management, Performance & Liaison, Systems & Processes, Reports & Analysis

**Dr. Renate Strasser**, Chief Underwriting Officer Specialty Responsible for: Underwriting Specialty Lines (Aviation, Entertainment, Marine, MidCorp, Energy & Construction), Underwriting Integrity & Solutions, Underwriting Academy additionally from 1 January 2022: Underwriting Specialty Line Energy & Construction, Global Pricing

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

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

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

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

Board of Management meetings are usually held monthly. The agenda and the relevant documents are distributed no later than three days before the respective Board meeting. Each member of the Board of Management may request a meeting to subject to the communication of the subject matter in question; likewise, every member of the Board may request for an item to be put on the agenda.

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

## MANAGEMENT STRUCTURE OF SUBSIDIARIES

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

### B.1.1.2 BOARD OF MANAGEMENT AND SUPERVISORY BOARD

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

As a *Societas Europaea* based in Germany, AGCS SE must meet the special requirements for this form of enterprise, as well as the provisions of the German Stock Corporation Act. A two-tier management

system with a Board of Management and a Supervisory Board is therefore essential component of the management of the company.

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

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

### B.1.1.3 PRINCIPLES AND FUNCTION OF THE SUPERVISORY BOARD

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

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

The Supervisory Board oversees the management of the company by the Board of Management and advises it on the management of the company: For example, it examines the annual financial statement documents and deals with the risk strategy, the risk situation and the main areas of activity of the Internal Audit and Compliance departments.

In addition, the Supervisory Board is also responsible for:

- appointing and dismissing members of the Board of Management
- determining the remuneration of the members of the Board of Management
- appointing the auditor of the annual financial statements

The Supervisory Board meets once every calendar half-year. Further meetings are convened if consultation or decision-making so requires. The Supervisory Board takes all decisions based on a simple majority.

The Supervisory Board complies with the regulations of the German Financial Market Integrity Strengthening Act (“*FISG*”) and, in particular, will form an Audit and Risk Committee with effect from 1 January 2022 to perform the tasks assigned to it under the *FISG*.

## B.1.2 Organizational and operational structure

### B.1.2.1 COMMITTEES

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

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

There are three different types of committees within AGCS SE:

- Board Committee
- Functional Committee
- Advisory Committee

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

AGCS SE has a total of four Board Committees.

## REINSURANCE COMMITTEE

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

The non-voting Secretary of the Reinsurance Committee is the Global Head of Reinsurance. Another permanent guest with no voting rights, but who has veto and escalation rights, is the Chief Risk Officer. In addition, the Chief Actuary and the Head of the Anglo Markets & Global Lines business division, Allianz SE are permanent non-voting guests of the Reinsurance Committee.

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

The main tasks of the Reinsurance Committee are

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

## RISK COMMITTEE

The voting members of the AGCS Risk Committee are the Chief Financial Officer (Chair), Chief Executive Officer, Chief Operating Officer, Chief Underwriting Officer Corporate and Chief Underwriting Officer Specialty.

The non-voting Secretary of the AGCS Risk Committee is the Chief Risk Officer. Other non-voting guests are the Chief Actuary, Global Head of Internal Audit, a representative of Allianz Group Risk and the Head of the Anglo Markets & Global Lines business division, Allianz SE and the Senior Country Manager AGCS - Anglo Markets & Global Lines, Allianz SE.

The AGCS Risk Committee meets quarterly and a quorum requires at least five voting members. If consensus cannot be reached, a decision is taken on the basis of a simple majority, provided that a quorum is present.

The main tasks of the AGCS Risk Committee are

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

## UNDERWRITING COMMITTEE

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

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

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

The main tasks of the Underwriting Committee are

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

## PORTFOLIO BOARD

The voting members of the AGCS Portfolio Board are all members of the Board of Management of AGCS SE, with the Chief Operating Officer as Chair.

The non-voting secretary of the AGCS Portfolio Board is the Head of Central Portfolio Office. Other non-voting guests are the Global Head of Product Portfolio Management and the Global Head of Global Performance Steering.

The AGCS Portfolio Board meets quarterly and a quorum requires at least five voting members.

The main tasks of the Portfolio Board are

- Ensuring that all projects in the portfolio are executed in line with agreed AGCS strategic priorities;
- Decision-making regarding the project portfolio and the budget;

- Reviewing new projects and ensuring adequate financing of these projects;
- Reviewing the risks and problems of the portfolio and decision on the necessary remedial action.

In addition, the company has the following functional committees:

### LOCAL INVESTMENT MANAGEMENT COMMITTEE

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

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

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

The essential tasks of the Local Investment Management Committee are

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

### LOSS RESERVE COMMITTEE

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

The non-voting secretary is the Head of Actuarial Reserving & Analysis. Permanent non-voting guests of the Loss Reserve Committee are the Global Head of Accounting, Treasury & Tax, Global Head of Global Performance Steering, Chief Risk Officer AGCS SE, Head of Global Actuarial Closing, AGCS SE, Head of Global Actuarial Analysis, AGCS SE, Chief Actuary AGCS North America, Chief Actuary ART, a

representative of Allianz Group Actuarial and a representative of the Anglo Broker Markets / Global Lines business division of Allianz SE.

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

The essential tasks of the Loss Reserve Committee are

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

### B.1.2.2 COMMITTEES AT LOCAL LEVEL

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

### B.1.2.3 RULES AND REGULATIONS

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

The set of rules and regulations encompasses four levels:

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

### B.1.2.4 THREE LINES OF DEFENSE MODEL

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

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

- The First Line of Defense is maintained by the operative business units, for example, through their daily activities, risk management, and the internal controls. Its key activities are:
  - operational management of risks by assuming or directly influencing the organization, the evaluation and acceptance of risks;
  - drafting and implementation of methods, models, management reports or other controls to steer risks and support expected profits;

- participating in business decisions.
- The Second Line of Defense ensures independent monitoring and reviews the daily risk assumption and control by the First Line of Defense. Its key activities are:
  - defining a higher-level control framework within which the operating business units can act;
  - monitoring compliance with the control framework, reviewing business decisions and similar activities;
  - evaluating the design and effectiveness of the control environment, including evaluation of control models and methods; consulting on risk-minimization strategies and control activities (including the provision of expert opinions) for the operative business units and company management.

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

- independence from reporting, objectives, setting of objectives and responsibilities of the First Line of Defense;
- direct reporting line and unrestricted access to the respective member of the Board of Management (or to another adequate member of the management team);
- the right to veto business decisions on the basis of well-founded reasons in coordination and agreement with the respective global functions within AGCS SE or Allianz SE;
- the right to be involved in material business decisions and to be provided with all relevant information.
- The Third Line of Defense comprises the independent controls of the two first Lines of Defense. This role is performed by Internal Audit. Specifically, the activities include:
  - independently assessing the effectiveness and efficiency of internal controls and the activities of the First Line of Defense and Second Line of Defense;
  - reporting to the responsible departmental board.

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

### B.1.2.5 RECIPROCAL SUPERVISORY ACTIVITIES

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

- In cases where Second Line of Defense control activities are assumed by the First Line of Defense, the assignment of responsibilities is based on clear and documented management decisions.
- The Second Line of Defense and Internal Audit functions are separate; they have no reciprocal right of instruction and no reporting line from one function to the other. The Actuarial, Legal, Compliance and Risk Management functions form part of the Internal Audit program; the adequacy and effectiveness of these functions are assessed regularly. The Head of Internal Audit notifies the

Heads of Actuarial, Legal, Compliance and Risk Management of any findings made during an audit related to their areas of responsibility.

- The Actuarial, Legal, Compliance and Risk Management and Internal Audit functions jointly assess responsibilities and processes at least once a year to ensure that the responsibilities and processes, which are defined in the control framework, are clearly and consistently implemented across the functions. These functions cooperate closely, maintain an intensive exchange of thoughts and ideas and are familiar with the specific tasks and competencies of the sister functions.

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

### B.1.2.6 ACTUARIAL FUNCTION

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

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

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

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

### B.1.2.7 COMPLIANCE FUNCTION

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

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

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

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

### B.1.2.8 RISK MANAGEMENT FUNCTION

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

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

Furthermore, the Risk Management function provides independent support to the operating units, for example by developing a

common risk management framework and monitoring compliance with requirements for methods and processes.

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

### B.1.2.9 INTERNAL AUDIT

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

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

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

### B.1.2.10 GENERAL

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

#### Quantitative information on staffing of key functions

As of the reporting date 31 December 2021, the **actuarial team** – CFO **Actuarial** – has a total of 38 employees, 14 of whom are explicitly assigned to the actuarial function. **Compliance** has a total of 23 employees, of whom 15 are assigned exclusively to the Compliance function. The other eight employees perform additional tasks for the Legal department. The **Risk Management function** has 26 employees. **Internal Audit** has a total of 20 employees at global level, covering AGCS SE as well as its majority-owned subsidiaries.

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

## B.1.3 Remuneration

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

### B.1.3.1 GENERAL

Variable and fixed remuneration components are appropriately balanced. The fixed component takes into account the position as well as the responsibilities of the individual, while considering the market environment. At the same time, it comprises a sufficiently high proportion of total remuneration, so that employees are not dependent of the variable compensation. The variable remuneration share of the total remuneration increases with growing responsibility and ranges from 8 to 70% of the total remuneration. Variable compensation components are designed to incentivize performance without at the same time encouraging risk-taking that may not be compatible with the company's risk profile. The amount of the performance-related variable components results from the evaluation of the individual performance and of the business segment concerned, and the overall result of the company.

### B.1.3.2 REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

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

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

### B.1.3.3 REMUNERATION OF THE MEMBERS OF THE BOARD OF MANAGEMENT

The remuneration of the Board of Management consists of non-performance-related and performance-related components. The non-performance-related remuneration comprises fixed remuneration and additional benefits (essentially company cars and insurance via certain Group insurance policies). The various components of performance-related compensation are described in a Group-wide plan: AZpire x. AZpire x comprises the following two components since 1 January 2020:

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

Allianz Group over a four-year period, which is reflected in the performance of the Allianz share price.

The annual target achievement is decisive in determining the amount of the annual bonus. It also forms the basis for the annual allocation of the RSU. The actual payouts of the three-year bonus (last paid out in 2022 for the 2019 MTB) and the share-based remuneration are dependent on sustainable development over a longer performance period.

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

#### **B.1.3.4 REMUNERATION OF DIRECTORS**

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

#### **B.1.3.5 REMUNERATION OF ALL OTHER SENIOR EXECUTIVES**

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

#### **B.1.3.6 REMUNERATION OF NON-EXECUTIVE EMPLOYEES**

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

#### **B.1.3.7 COMPANY PENSION SCHEME AND COMPARABLE BENEFITS FOR MEMBERS OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD**

##### **Members of the Board of Management**

The aim is at granting competitive and cost-efficient pension benefits (retirement pension, occupational and disability pension, and survivors' benefits) through appropriate pension commitments. To this end, the members of the Board of Member participate in defined contribution pension systems. Allianz Versorgungskasse VVaG and Allianz Pensionsverein e. V. constitute the basic pension plan for members of the Board of Management who joined Allianz before 31 December 2014. These defined contribution commitments cover the company pension benefits for basic salaries up to the contribution assessment ceiling of the statutory pension insurance. Since 1 January 2015, the company has endowed a pension plan, "My Allianz Pension", which guarantees paid-in contributions. The Supervisory Board decides each year

whether and to what extent a budget for allocating contributions is to be made available, taking into account the targeted benefit level. The budget includes an additional risk premium to cover the risk of death, occupational disability or disability. Upon retirement, the accumulated capital is paid out or converted into a lifelong pension benefit. The retirement benefit is payable at the earliest upon reaching the age of 62.

##### **Members of the Supervisory Board**

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

### **B.1.4 Assessment of the adequacy of the governance system**

As a general rule, the governance system is reviewed once a year for effectiveness and appropriateness, and additionally on specific occasions. The review was carried out in 2021 under the leadership of AGCS SE's Global Governance Function, which is based in the Legal department. The results of the review and the measures derived therefrom to further strengthen the governance system were presented to the Board of AGCS SE for final assessment. The Board of Management has assessed the governance system as effective and appropriate overall.



## B.2 REQUIREMENTS OF PROFESSIONAL QUALIFICATION AND PERSONAL RELIABILITY

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

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

#### Members of the Board of Management

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

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

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

#### Members of the Supervisory Board

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

#### Persons holding other key functions

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

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

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

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

qualifications and reliability. It is based, among other things, on self-assessments by the members of the Supervisory Board of their knowledge in the areas of investment, underwriting and accounting. Based on this, a development plan for the Supervisory Board is drawn up and adopted by the Supervisory Board. The self-assessments of the members of the Supervisory Board as well as the adopted development plan must be submitted to the Federal Financial Supervisory Authority.

- If there are indications that a member of the Board of Management or Supervisory Board or a person holding another key function no longer meets the requirements regarding professional qualifications and reliability, an extraordinary review of this individual case must take place.

Finally, all individuals covered by our Fit and Proper Policy are required to keep their knowledge up to date at all times, for example through appropriate training and development measures. With regard to reliability, the responsible compliance departments offer regular training and continuing education measures for the honest and rule-abiding conduct of business. These concern, for example, the areas of anti-corruption and anti-trust. For the members of the Supervisory Board, the company offers special training events in which topics relevant to the work of the Supervisory Board are discussed in depth. In addition, the members of the Supervisory Board have a budget for external training measures.

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

### B.3.1 Risk management system

The organizational and operational structure of risk management at AGCS SE makes it possible to manage local and global risks in an integrated manner. At the same time, it ensures that the risks taken on are compatible with the company's risk-bearing capacity. The risk appetite is defined in the risk strategy. The organizational and operational structure of our Risk Management function follows a top-down approach: The highest control function is exercised by the Supervisory Board, which, together with the Board of Management, takes on responsibility for the risk profile of the company and the bodies involved.

#### SUPERVISORY BOARD OF AGCS SE

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

#### BOARD OF MANAGEMENT OF AGCS SE

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

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

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

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

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

#### B.3.1.1 RISK MANAGEMENT APPROACH

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

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

#### B.3.1.2 BASIC PRINCIPLES OF RISK MANAGEMENT

AGCS SE's risk management analyzes the company's risk-bearing capacity and proposes a risk tolerance that is consistent with the capacity to bear risks. The assessment is based on a uniform understanding of the risks entered into and risk management processes, as well as associated control mechanisms. Risk management follows the following principles:

### **Basic principle 1: Board of Management responsibility for the risk strategy**

The Board of Management of AGCS SE establishes and follows the risk strategy and ensures compliance with the associated risk tolerance, which is regularly aligned with the business strategy. The risk strategy represents the general approach to managing all material risks that arise in the course of business activities and the pursuit of business objectives. The risk tolerance for all material quantifiable and non-quantifiable risks takes into account the expectations of Allianz SE, regulatory requirements and requirements of rating agencies. Both the risk strategy and the risk tolerance are reviewed at least once a year and, if necessary, adjusted and communicated to all affected functions.

### **Basic principle 2: Risk capital as a key management parameter**

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

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

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

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

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

### **Basic principle 4: Consistent risk assessment**

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

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

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

### **Basic principle 5: (Continuous) development of the limit system**

AGCS SE has a consistent limit system that ensures compliance with risk tolerance, regulates the handling of concentration risks and supports capital allocation. It comprises all relevant risk measures and drivers of risk capital and is supplemented by more extensive operational limits. The limit system is regularly reviewed and approved by the Board of Management via the risk strategy and the associated internal guidelines.

### **Basic principle 6: Mitigation of risks that exceed risk tolerance**

If individual risks exceed their limit or the sum of the risks exceeds the risk tolerance, the risk exposures are reduced appropriately. Measures are defined to keep risks within limits while serving the planned risk tolerance at the same time, for example by adjusting the reinsurance solutions, strengthening the control environment, reducing or hedging the risk position.

Risk assumption only takes place within the economic and legal framework.

### **Basic principle 7: Consistent and effective risk monitoring**

Risk tolerance and risk handling have been integrated into a standardized limit definition process that includes all quantifiable risks of AGCS SE and takes into account risk diversification and concentration. Clearly defined and mandatory reporting and escalation processes ensure that measures are taken in order to ensure the targeted risk tolerance is in place in the event of limits being exceeded.

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

### **Basic principle 8: Consistent risk reporting and risk communication**

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

Ad hoc reporting covers events that are unexpected in terms of loss amount or size, or that may have an unexpectedly strong impact on the risk profile of AGCS SE. This impact relates to the income statement, the company's equity base, reputation, business continuity or non-compliance with regulatory or legal requirements.

Ad hoc and regular reporting are subject to consistent materiality limits. Reporting to the Allianz Group Risk Management function takes place on a regular basis through scheduled or ad hoc meetings.

### **Basic principle 9: Integration of risk management in the business processes**

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

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

**Basic principle 10: Comprehensive and timely documentation**

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

**B.3.1.3 REQUIREMENTS FOR PERSONAL RELIABILITY AND PROFESSIONAL QUALIFICATION**

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

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

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

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

**B.3.1.4 RESOURCES**

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

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

**B.3.1.5 RISK STRATEGY**

Besides the risk policy, AGCS SE's risk strategy is the second core element of the risk management framework. It defines the general risk appetite on the basis of specifications for the minimum capitalization of the company or for branch offices and participations of AGCS SE. Risk tolerance is defined taking into account all material, qualitative and quantitative risks of the company. The rules are designed to ensure that all obligations to our customers are met, while at the same time creating sustainable added value for our shareholder.

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

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

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

Additional guidelines address market risks, credit risks, underwriting risks, business risks, operational risks, liquidity risks and reputational risks. They define the risks assumed and set the risk tolerance in these risk categories. This risk tolerance is the basis for the risk-based management of the business. In addition, responsibilities and competencies are defined and measures for risk minimization and escalation are determined if limits are exceeded. The guidelines supplement the requirements and provisions in the overarching Standard on ORSA, the Top Risk Assessment Guideline and the Standard on Model Governance for each risk category.

**B.3.3 Specific material risks for AGCS Global and AGCS SE****B.3.3.1 FRAMEWORK OF THE TOP RISK IDENTIFICATION PROCESS**

The top risk identification process is a regular analysis of all material, quantifiable and non-quantifiable risks, to identify adverse effects on the financial performance and reputation, and to secure the continuity and compliance with strategic objectives.

AGCS SE regularly conducts the top risk identification process in order to recognize and assess all material risks arising from its business model. The top risk identification process uses results from the current risk monitoring processes, involving all key stakeholders, especially top management and key function holders. Specific rules for defining risks are not prescribed; rather, this depends on expert knowledge and assessments and – where relevant – on the results of the internal model. To evaluate each individual risk, the possible loss amount and frequency are estimated.

The selection of top risks is discussed and agreed in the AGCS Risk Committee. Measures are defined for the selected material risks. The members of the Board of Management are responsible for making the risk profile transparent and defining measures to limit the risk if the risk tolerance defined by the Board of Management is exceeded. The results of this risk assessment are reviewed by the Risk Management function on a quarterly basis or on an ad hoc basis as necessary and reported to the AGCS Risk Committee and the Board of Management.

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

## B.3.4 Governance of the Internal Risk Capital Model

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

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

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

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

No material changes were made to the governance of the internal model during the 2021 reporting year.

### B.3.4.1 DESCRIPTION OF THE RISK CATEGORIES

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

**Table 6: Relevant risk categories for AGCS SE**

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

### B.3.4.2 ADEQUACY OF THE INTERNAL RISK CAPITAL MODEL IN TERMS OF BUSINESS PROFILE AND MODEL GOVERNANCE

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

The internal model reflects the risk profile of AGCS SE and is based on the latest risk modeling methods. In order to continuously set the risk profile correctly, all stakeholders are invited to submit

proposals for model changes and improvements, which are considered according to the model governance processes.

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

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

## AGCS STANDARD ON MODEL GOVERNANCE

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

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

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

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

## ANNUAL VALIDATION REPORT

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

## ALLIANZ STANDARD FOR MODEL CHANGE

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

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

immaterial model changes can correspond in total to one major model change.

Within the framework of the governance of the internal model, the respective model managers and the governance and coordination function of the internal model have a special role to play.

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

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

## B.3.5 Own risk and solvency assessment

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

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

- Ensuring consistency between business strategy and risk strategy
- Risk capital calculation: Risk capital is determined in relation to market, credit, underwriting, business and operational risks on the basis of the internal model. The total risk capital corresponds to the sum of the individual categories, less diversification effects and deferred taxes.
- Solvency requirement: The capital requirement arising from the internal model is regularly subject to a critical review in the context of the overall risk profile. In addition, risk are impossible or difficult to quantify, such as strategic or reputational risk, are also included in the overall assessment. This is done through the top risk identification process and using further relevant scenario observations.
- Top risk assessment (TRA): AGCS SE regularly assesses the risk situation and identifies the material risks relating to further management or monitoring.
- Stress scenarios: The sensitivity of the solvency ratio is tested using various stress scenarios, in order to identify and manage significant risk drivers at an early stage.
- Capital management: It is essential for AGCS SE that sufficient capitalization is ensured even in adverse scenarios with regard to regulatory requirements, rating capital requirements and market-specific requirements.
- Risk appetite and limit system: The results of the planning process are analyzed with regard to their impact on capital adequacy and

limits are adjusted for the next financial year if necessary. Compliance with the limits is monitored continuously throughout the year. If necessary, measures are taken to ensure risk exposure within the specified framework.

- Validating the internal model: Reviewing the appropriateness of the internal model and model changes as part of the described validation process.
- Determining the effectiveness of the internal control system: The process of determining the effectiveness of the internal control system includes the current results of control tests, audit reports and third-party reviews and appraisals. For the discussions around the assessment of the effectiveness of the internal controls and thus of the overall system of governance, the ICG (Internal Control and Governance) Advisory Group has been established, consisting mainly of representatives from the four key functions (Risk Management, Actuarial, Compliance and Internal Audit).
- Non-regular ORSA reports: The regular ORSA processes described above are supplemented by non-scheduled assessments of the risk profile as required. A corresponding need is required if the risk profile of AGCS SE changes significantly has or if such changes are expected. Triggers for such extraordinary reports are defined in the internal guidelines and comprise, for example, M&A activities or a significant reduction in the solvency ratio due to loss events incurred. In principle, the Board of Management, Risk Committee or the supervisory bodies may initiate the preparation of a corresponding report at any time.

The overall responsibility for the ORSA process lies with the Board of Management. It plays an active role in designing, conducting and analyzing the results. Stakeholders from all key management functions, such as capital management, actuarial and reinsurance also included in the ORSA process. The results from the ORSA processes taken into account continuously for business decisions.

The main results of and resolved measures from the ORSA processes are summarized in an ORSA report. The risk management function coordinates the preparation of the OSRA report. It includes all risk-related information that are relevant for the result of the ORSA assessment. The report is finalized regularly in the second quarter of the financial year. The final draft of the ORSA report is submitted to the Chief Risk Officer for review. The AGCS Risk Committee discusses the outcome of the ORSA report and recommends its approval by the Board of Management as a whole – provided no changes are necessary. The final ORSA report is made available to all those persons who have a key role in the decision-making processes related to corporate and risk strategy, as well as risk and capital management (e.g. the key function holders of AGCS SE). The annual reporting also takes into account feedback from the latest reviews of previous years' ORSA reports (for example, due adjusted to in external requirements).

The ORSA report for the financial year 2020 did not contain any objections or significant recommendations to the Board of Management. The overall solvency requirement is adequately reflected in the solvency ratio. The ORSA report for financial year 2021 had not yet been completed as of the editorial deadline for this report.

AGCS SE was capitalized at 151% as of 31 December 2021, above the target ratio (management ratio) of 140%. This is a decline of 10 percentage points over the previous year. On this basis, AGCS SE expects to be capitalized in line with the defined risk appetite at all times, also over the planning period.

The timing and interlinking of the most important steps in the process are shown in the "ORSA process" diagram in the annex. The appropriateness of the ORSA processes is reviewed annually.



## B.4 INTERNAL CONTROL SYSTEM

### B.4.1 Key elements of the internal control system

AGCS SE has implemented an internal control system – the integrated risk and control system – that ensures that effective controls or other measures are in place to reduce significant operational risks. The concept of the integrated risk and control system is focused on guaranteeing the following objectives:

- Provide effective support in achieving strategic business goals and ensure the business viability of AGCS SE.
- Ensure governance elements and business processes are effective.
- Ensure applicable laws and supervisory regulations as well as internal guidelines are complied with.
- The processes provide complete and high-quality information for internal and external reporting, especially financial and regulatory reporting.

The integrated risk and control system concentrates on significant risks through consistent prioritization. Risks are considered to significant if they could potentially have a potentially negative impact on the reputation of AGCS SE or one of its legal entities, or have significant negative consequences for the achievement of the financial objectives.

The risks are managed by setting up a series of effective risk mitigation measures (i.e. controls related to the respective risks). Controls are defined as key controls, if the actual risk would be significantly higher without the respective control. Accordingly, the integrated risk and control system is concentrated on the key controls that are necessary to mitigate the significant risks for AGCS SE. As part of the regular risk and control assessment with the areas responsible for process and risk, operational risks are captured, questioned and evaluated, and the corresponding controls identified. This includes traceable documentation that allows the effectiveness of the internal controls to be reviewed regularly and evidenced against external and internal stakeholders.

A prerequisite for an effective and efficient integrated risk and control system is a pronounced awareness of risks and controls among employees in their daily business. Solid risk and control awareness does not prevent the company from entering into risks and conduct business. Instead, it ensures that risks are controlled and treated in full awareness of the expected business and risk potential, which ultimately supports the business objectives of AGCS SE. Business processes assumed by internal or external service providers must be effectively integrated in the internal control system in order to guarantee appropriate monitoring.

Within the scope of the regular review (testing) the controls, the test of design (reviewing the effective mitigation of the risks through controls) and the test of operating effectiveness (reviewing the effective implementation of controls) is carried out to confirm the effectiveness of the controls. Clear and up-to-date documentation of key controls, as well as the availability of evidence, is decisive for efficient control testing. Independent testing of controls is particularly important, to demonstrate to external stakeholders that internal controls are operating

effectively and to maintain the confidence in the reliability of the internal control system.

Lack of key controls that are not adequately established or effectively implemented is considered a control weakness that must be addressed. With the involvement of the risk management function, the materiality of the control weakness is estimated, and a realistic and detailed remediation plan with responsibilities and deadlines is drawn up. Once this plan has been worked through, the control is reviewed one more time.

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

### B.4.2 Compliance function

The compliance function supervises the implementation of the compliance programs for ACSE worldwide, monitors the adherence to regulatory and legal requirements in a risk-oriented manner and is an active advisor on all compliance issues.

#### B.4.2.1 TASKS OF THE COMPLIANCE FUNCTION

The compliance function has the following main responsibilities:

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

the compliance function informs Allianz Group Compliance in case of significant legal changes with a potential impact on the Allianz Group.

- ensuring the adequacy and effectiveness of the controls in connection with the compliance program
- global management of the training for the relevant compliance programs
- drawing up and implementing the compliance plan to be reviewed annually, which covers all compliance relevant activities of AGCS SE and is aligned with the compliance plan of Allianz Group Compliance. The Compliance Plan is reviewed and approved by the Board of Management of AGCS SE.
- In order to perform its duties, the compliance function must have the unrestricted right of access to any information, document or data.

Furthermore, the compliance function has established a compliance management system in line with the risk content and proportionality principle, which it operates in order to fulfill its duties. The compliance management system consists of the main tasks described above and the following additional elements: Compliance culture and integrity, compliance training and communication, compliance principles and processes, investigations and whistleblowing system, as well as regular reporting to the AGCS SE Board of Management and other committees, as appropriate.

#### B.4.2.2 COMPLIANCE ORGANIZATION

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

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

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

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

The AGCS Global Compliance Officer has a reporting line to the AGCS SE Board of Management; the AGCS Global Compliance Officer is accountable to the Supervisory Board as well as to the Group Chief Compliance Officer of the Allianz Group.

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

In organizational terms, the compliance function is assigned to the AGCS SE CEO compliance function.

#### B.4.2.3 REQUIREMENTS FOR PERSONAL RELIABILITY AND PROFESSIONAL QUALIFICATION

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

This also includes in particular knowledge of:

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

#### B.4.2.4 RESOURCES OF THE COMPLIANCE FUNCTION

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

In addition, in line with regulatory requirements, reciprocal oversight is performed between key functions; this also includes the re-sourcing of a function in the overall assessment.

#### B.4.2.5 SIGNIFICANT CHANGES

The compliance function was also involved in several new initiatives in 2021:

- The role of the money laundering officer was moved to the compliance function within the scope of improving the overall management of the program for AGCS.
- A new Code of Conduct was introduced in the first quarter of 2021 through a global campaign, targeted sensitizing training and communication, as well as message from the top management level.
- The function participated in several of Allianz's Group-wide compliance initiatives, including the improvement of the framework and methodology for the compliance review.
- The function also underwent the CARE assessment, the new compliance risk and resilience assessment of the Allianz Group.
- The function also continues to contribute to the new AGCS initiatives and objectives, with a focus on the compliance requirements and controls.
- The gap analysis for the Group's new sales compliance standard was concluded and the necessary steps taken to close the identified gaps. The function is working on providing further guidelines on this topic and on setting up a supervisory framework.

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

## B.5 INTERNAL AUDIT FUNCTION

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

Internal Audit is an independent and objective auditing and advisory function designed to add value and improve the organization's business processes. It supports the organization in achieving its objectives by using a systematic and focused approach to evaluate and help improve the effectiveness of risk management, controls and governance processes.

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

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

Internal Audit works on behalf of the Board of Management and is directly accountable to it. In disciplinary terms, Internal Audit reports to the Chairperson of the Board of Management of AGCS SE and also reports to the Supervisory Board of AGCS SE. The Head of Internal Audit or his or her deputy has direct and unrestricted access to the Chair of the Board of Management and the Supervisory Board (in particular to the Chairperson of the Supervisory Board) and may also be included in the meetings of the Supervisory Board. The Chairperson of the Supervisory Board may also obtain information directly from the Head of Internal Audit.

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

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

The activities of Internal Audit are based on a comprehensive and annually updated audit plan, which covers all significant activities and business areas (audit objects) of AGCS SE and the AGCS Group. As part of the annual planning process, Internal Audit evaluates the audit matters based on risk aspects. Operational planning is derived from the annual planning; on this basis, each audit passes through the phases of audit preparation, audit execution, reporting and follow-up measures.

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

The audit execution phase includes the following activities: Opening discussion, audit activity (fieldwork), documentation of audit activities, determination of audit results, and debriefing/closing discussion. The activities required for this are defined and documented in an Internal Audit document – the audit program. The overwhelming majority of audit reviews in 2021 were conducted without the auditors being physically present on site. The auditors instead used digital technology to carry out the audits.

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

After the audit report has been distributed, Internal Audit monitors whether the agreed measures relating to the findings made have been implemented on schedule by the responsible units specified in the audit report (follow-up).

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

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

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

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

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

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

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

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

Internal Audit conducts its audits with the necessary expertise and due professional care. Internal Audit employees apply the highest level of professional objectivity when collating, evaluating and

communicating information about audited activities or business processes. Revision findings must be based on facts and be supportable by sufficient evidence.

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

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

In addition, in line with regulatory requirements, reciprocal oversight is performed between the key functions in the Internal Control and Governance Group (ICG Advisory Group). This supervision generally includes the resourcing of a function in the overall assessment.

The Head of Internal Audit, who is also the holder of the key Internal Audit function, does not perform any other activities within AGCS SE.

## B.6 ACTUARIAL FUNCTION

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

AGCS Actuarial is divided into the following teams:

- Reserving & Analysis;
- Actuarial Function team, which consists of the following sub-functions:
  - Actuarial Diagnostics;
  - Actuarial Risk Modeling;
  - Pricing Oversight;
  - Reserve Validation.

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

The Actuarial Function team was formed in 2018 to consolidate the functions of the Actuarial Function. To this end, the newly established Pricing Oversight and Reserve Validation functions were combined with the existing Actuarial Diagnostics and Actuarial Risk Modeling functions.

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

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

The same parameters are used to model the underwriting risk that is included in the AGCS SE internal model.

The Reserve Validation function is responsible for all validations relating to technical provisions. This includes the categorization of the reserving models (standard or non-standard model), the classification of the reserving models with regard to their influence on the amount of technical provisions and the review of the segmentation. Validation is carried out at different levels, for example by reviewing existing validations (peer review) or as a management review and documented accordingly.

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

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

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

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

## B.7 OUTSOURCING

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

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

### B.7.1 Significant changes

The AGCS Outsourcing Policy was matched entirely to the Allianz Group Policy in 2021. In order to create a more efficient overview of all outsourcing, the Outsourcing Function started to integrate the initiatives of all outsourcing contracts in the general contract system. This initiative should be concluded in 2022.

The AGCS Risk Function compiled a new risk evaluation process in 2021. This process is arranged and weighed up in order to also identify new risks in the area of security.

### B.7.2 Application and task area

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

Together with the responsible persons and supported by the Protection & Resilience teams, the Outsourcing Function manages and checks that the requirements of the Outsourcing Policy are met.

The outsourcing function is specifically responsible for,

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

The integration of service providers into the internal control system is continually ensured by cooperating with Risk Management in the ERIC system and further supported for significant service providers by a control strategy.

### B.7.3 Major outsourcing agreements made by AGCS SE

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

ABCS SE outsourcing is focused on two main areas:

- Investment management;
- IT network services, the direct area of work and (cloud) processing center.

These services are provided by Group-internal providers:

- Allianz Investment Management SE (AIM SE) for the investment management;
- Allianz Technology SE to cover the core IT services.

By using these two service providers, AGCS can avail of the following benefits:

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

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

In 2021, the “Asset Investment and Management” service agreement with AIM SE continued to be classified as a major outsourcing agreement. The services of AIM SE are of particular importance as it has specialist knowledge which AGCS SE can draw on.

IT service outsourcing, which is offered as a fully managed service by Allianz Technology SE, was recognized and approved as critical outsourcing by the Board of Management in 2020 and 2021.

In 2021, partial outsourcing in claims and underwriting was analyzed and reviews to evaluate the current risk. This analysis showed no increased risk for AGCS SE in 2021 and outsourcing was not assessed as being critical overall.

AGCS SE does not outsource any key functions.

## B.8 OTHER INFORMATION

All key information on the governance system is described in [section B.1](#) up to and including [section B.7](#).

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

# RISK PROFILE

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# C.1 UNDERWRITING RISK

## C.1.1 Risk exposure

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

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

Both reserve and premium risk are mapped in AGCS SE's internal model.

As of 31 December 2021, the undiversified risk capital for the total of premium and reserve risks amounted to € 1,851,052 thou. The main drivers were reserve risk and non-catastrophe premium risk. After diversification, the corresponding total risk capital for these risks amounted to € 1,360,912 thou.

**Table 7: Underwriting risk**

€ thou	2021	2020
Underwriting risk (diversified)	1,360,912	1,119,054
Non-catastrophe risk	622,163	474,706
Catastrophe risk	274,557	309,691
Terrorism risk	42,429	44,311
Reserve risk	911,903	774,691
Longevity risk	18,719	22,901
Business risk (diversified)	76,430	89,888
Lapse risk	34,014	38,191
Cost risk	52,439	62,574

Business risk and cost risk are modeled as business risk. The undiversified risk capital for the sum of these business risks amounted to € 86,453 thou as of the end of the year under review. After diversification, the total risk capital for these risks amounted to € 76,430 thou.

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

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

The most important information is:

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

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

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

### RISK CONCENTRATION

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

The loss potential of various man-made scenarios and their probability of occurrence are analyzed and determined in a specially established working group (Realistic Disaster Scenario Working Group) headed by the risk management function, with a particular focus on identifying possible accumulation loss scenarios. Estimating return periods for particular extreme events is a challenge and ensuring suitable frequency assessments is a topic of the working group.

In 2021, AGCS responded to the COVID-19 pandemic with a change in underwriting guidelines and reduced exposure in this area. Only relatively few pandemic-related losses were therefore recorded in 2021. Exposure to risk in a new pandemic is also discussed and quantified within the framework of the work of the Realistic Disaster Scenario Working Group, and mapped accordingly in the internal model.

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

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

### RISK SENSITIVITY

AGCS SE uses sensitivity analyses to determine the dependence of the solvency ratio on defined stress scenarios. The stress scenario defined for underwriting risks takes into account a combined loss from

premium, reserve, business and operational risks with a return period of one in five years. If a corresponding stress had occurred at year-end 2021, it would have resulted in a decline in AGCS SE's solvency ratio from 151% to 133%.

**Table 8: Risk sensitivity**

€ thou			
Scenario	Own funds	Risk capital	Solvency ratio
Base	3,104,994	2,061,500	151%
Stress	2,734,996	2,061,500	133%

### C.1.1.1 PREMIUM RISK

The premium risk is subdivided into natural catastrophe, terrorism and non-catastrophe risk, with the latter representing by far the largest premium risk.

AGCS SE's total premium exposure as of 31 December 2021, before diversification, amounted to € 939,149 thou. This represents a year-on-year increase of € 11,044 thou or 13%. This change is due to the update of the underlying portfolio and the related reinsurance in conjunction with the updated model parameters. The increase was mainly due to the non-catastrophe risk.

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

### C.1.1.2 RESERVE RISK

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

AGCS SE's total reserve risk as of 31 December 2021 was € 911,903 thou. This represents an increase of € 137,212 thou or 18% compared to 2020. The main reasons for this were an increase in net claims reserves and higher estimated volatilities following the annual model update with a segmentation change.

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

Our operating units regularly monitor the changes in reserves for insurance claims at business level. In addition, the reserve uncertainty is analyzed annually. This analysis serves as the basis for the reserve risk calculations. The Allianz Group conducts regular independent

reviews of these analyses and Group representatives attend meetings of the local reserve committees.

### C.1.1.3 BUSINESS RISK

The undiversified total of AGCS SE's business risks amounted to € 86,453 thou as of the end of the year under review, a decline of € 14,312 thou or 14% on the previous year; this was primarily due to a lower cost risk.

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

### C.1.1.4 LONGEVITY RISK

As of 31 December 2021, AGCS SE's longevity risk amounted to € 18,719 thou, which represents a decline of €4,182 thou or 18%.

The longevity risk arises exclusively from the modeling of the risk from pension liabilities.

## C.1.2 Management of underwriting risk and risk mitigation

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

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

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

## C.2 MARKET RISK

### C.2.1 Risk exposure

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

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

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

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

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

The risk capital for the total undiversified market risk amounted to € 2,238,208 (1,955,126) thou at the end of the year under review. The main driver of total market risk as of year-end 2021 was equity and currency risk. After diversification, the total risk capital for market risks amounted to € 1,146,593 (1,057,596) thou. This represents an increase of € 88,997 thou or 8% compared to 2020. A material reason for this increase is the growth the investment portfolio due to considerably positive capital inflows. The market value of the investment that follow a strategic asset allocation, rose from € 6,909 million as at 31 December 2020 to € 8,164 million as at 31 December 2021.

**Table 9: Risk capital for market risk**

€ thou	2021	2020
Market risk (diversified)	1,146,593	1,286,551
Interest rate risk	258,329	81,179
Inflation risk	181,920	266,108
Equity risk	846,022	798,520
Currency risk	477,306	440,602
Real estate risk	152,820	147,156
Credit spread risk	321,683	221,461
Equity volatility risk	126	100

#### C.2.1.1 EQUITY RISK

AGCS SE is invested in participations and alternative investments that contribute to equity risk. The entire investment portfolio is broadly diversified. This leads to a reduction of risks and allows investments in asset classes with higher long-term returns.

AGCS SE's equity risk capital as of 31 December 2021 amounted to € 846,022 (798,520) thou, an increase of € 47,502 thou or 6% compared with 2020. This is attributable to a higher valuation of the strategic participations and new investments in equities and alternative investments.

##### C.2.1.1.1 RISK CONCENTRATION

The strategic participations in ART AG and AGR US accounted for 81% of AGCS SE's equity risk.

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

##### C.2.1.1.2 RISK SENSITIVITY

Sensitivity analyses showed as of 31 December 2021 that loss in the market value of the investments with an equity risk of 30% (excluding strategic participations) would result in a decrease in the solvency ratio from 151% to 145%.

**Table 10: Sensitivity of equity risk**

€ thou	Own funds	Risk capital	Solvency ratio
Base	3,104,994	2,051,500	151%
Stress	2,953,493	2,035,903	145%

### C.2.1.2 INTEREST RATE RISK

AGCS SE's risk capital for interest rate risk as of the end of the reporting year was €258,329 (81,179) thou, an increase of € 177,150 thou or 218% compared with 2020. Interest rate risk increased from a very low level as at 31 December 2020 due to a higher duration gap (in USD duration). This is driven on the liabilities side by a lower average duration of the technical provisions and on the investment side by a higher investment volume.

AGCS SE manages interest rate risk as part of a comprehensive asset-liability management system. In the property/casualty segment, payment obligations are typically shorter in duration than those of investments. AGCS SE derives the duration target on the assumption that business operations will continue on a permanent basis ("going concern"). This leads to a longer duration of the asset side compared with the liability side. This duration overhang implies sensitivities of the capitalization from rising interest rates and is controlled by sensitivity limits, among other things.

#### C.2.1.2.1 RISK CONCENTRATION

Interest rate risk is secondary risk in the overall context. Within interest rate risk, the US dollar yield curve and the Euro yield curve, with 40% and 19% respectively, contributed mainly to ABCS SE's interest rate risk.

#### C.2.1.2.2 RISK SENSITIVITY

As of 31 December 2021, sensitivity analyses indicated that a 100 basis point increase in interest rates would reduce the solvency ratio from 151% to 145%. A 100 basis point drop in interest rates, on the other hand, would increase the solvency ratio to 155%.

**Table 11: Sensitivity of interest rate risk**

€ thou	Own funds	Risk capital	Solvency ratio
Base	3,104,994	2,061,500	151%
Stress +100bp	2,941,108	2,025,500	145%
Stress -100bp	3,262,108	2,101,864	155%

### C.2.1.3 CREDIT SPREAD RISK

As of year-end 2021, AGCS SE's credit spread risk capital amounted to € 321,683 (221,461) thou. Compared with the previous year, this represents an increase of € 100,222 thou or 45%. The main drivers are new investments in spread products in the course of significant net inflows in 2021 and a lower, dynamic volatility adjustment.

Credit spread risk describes the risk of falling market values due to higher yield premiums compared with the risk-free yield curve. Growing spreads reflect increased risk aversion on the part of market participants. Changes in the credit quality of issuers, on the other hand, are captured by credit risk, which is not part of market risk.

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

### C.2.1.3.1 RISK CONCENTRATION

The credit quality of the AGCS SE portfolio is high. Section C.3 provides a summary of the breakdown of fixed income investments by rating category as of 31 December 2021. The following table provides an overview of the risk contributions to credit spread risk by rating category.

**Table 12: Credit spread risk by rating category**

%	2021
AAA	11%
AA	12%
A	15%
BBB	37%
BB	13%
B	9%
CCC	0%
NR	3%

### C.2.1.3.2 RISK SENSITIVITY

At the end of the year under review, sensitivity analyses show that a rating-dependent stress scenario (rating-dependent increase in spreads by up to 200 basis points) would lead to a decline in the solvency ratio from 151% to 141%.

**Table 13: Sensitivity of credit spread risk**

€ thou	Own funds	Risk capital	Solvency ratio
Base	3,104,994	2,061,500	151%
Stress	2,873,475	2,034,805	141%

### C.2.1.4 INFLATION RISK

AGCS SE's inflation risk capital declined by € 84,188 thou or 32% year on year and amounted to € 181,920 (266,108) thou as at 31 December 2021. This decline is attributable to a lower average duration of the technical provisions.

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

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

#### C.2.1.4.1 RISK CONCENTRATION

Inflation risks from the Euro area accounted for the largest share of inflation risk at 53% and the US dollar area at 22%.

#### C.2.1.4.2 RISK SENSITIVITY

As of the end of the reporting year, sensitivity analyses showed that a 100 basis point increase in the entire inflation curve would result in a decrease in the solvency ratio from 151% to 143%.

**Table 14: Sensitivity of inflation risk**

€ thou	Own funds	Risk capital	Solvency ratio
Base	3,104,994	2,061,500	151%
Stress	2,971,899	2,080,322	143%

#### C.2.1.5 CURRENCY RISK

AGCS SE's risk capital for currency risk at year-end 2021 was € 477,306 (€ 440,602) thou, an increase of € 36,704. thou or 8% year on year. This increase is largely due to a higher value of strategic participation in AGR US. In addition, the partially non-currency hedged global real estate portfolio, and alternative investments contribute to currency risk.

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

##### C.2.1.5.1 RISK CONCENTRATION

The currency risk stemmed primarily from the US dollar, which accounted for 76% of the total, and is mainly attributable to the strategic participation in AGR US.

##### C.2.1.5.2 RISK SENSITIVITY

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

Sensitivity analyses as of 31 December 2021 showed that a 10% depreciation in foreign currencies against the Euro would lead to a decrease in the solvency ratio from 151% to 148%.

**Table 15: Sensitivity of currency risk**

€ thou	Own funds	Risk capital	Solvency ratio
Base	3,104,994	2,061,500	151%
Stress	2,869,500	1,934,827	148%

#### C.2.1.6 REAL ESTATE RISK

The risk capital for AGCS SE's real estate risk amounted to € 152,820 (147,156) thou as of 31 December 2021, which represents an increase of € 5,665 thou or 4% compared with 2020. This means that the real estate risk is essentially unchanged.

AGCS considers real estate to be a valuable addition to the investment portfolio as it provides investors with stable and predictable cash

flows over the long term. This and the good diversification properties outweigh the risks from a downturn in prices on the real estate market.

##### C.2.1.6.1 RISK CONCENTRATION

AGCS SE also pursues a capital investment strategy with regard to real estate, with a focus on broad diversification from a market and geographical perspective, as well as in terms of sector. There are no significant concentrations for real estate risk.

##### C.2.1.6.2 RISK SENSITIVITY

As of 31 December 2021, sensitivity analyses indicated that a 20% decrease in market prices would reduce the solvency ratio from 151% to 147%.

**Table 16: Sensitivity of real estate risk**

€ thou	Own funds	Risk capital	Solvency ratio
Base	3,104,994	2,061,500	151%
Stress	2,979,610	2,031,225	147%

## C.2.2 Market risk management

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

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

The prudent person principle is (in line with §124 VAG) the guiding principle in the investment risk management of AGCS SE. In accordance with regulatory requirements, the Prudent Person Principle encompasses requirements at portfolio level and at the level of individual investments: Investments shall be made in such a way that compliance with the investment principles – i.e. the desired level of quality, security, liquidity, profitability and availability of the investment portfolio – is ensured in every respect. This includes the need to align the portfolio with the type and maturity of the liabilities that are covered by these investments. Based on the assumption of business continuity, a longer duration is implemented for the portfolio compared to the liabilities as part of the maturity management; Investments are only permitted if their risks can be identified, measured, monitored, controlled, reported and appropriately integrated into the assessment of solvency; In addition, the Prudent Person Principle for the investment management function lays down criteria for the process quality and employee qualifications.

The Strategic Asset Allocation (SAA) defines the long-term investment strategy of AGCS SE and the framework for the investments actually

acquired. Therefore, SAA is an important and complementary tool to manage market risk.

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

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

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

### C.2.3 Risk mitigation

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

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

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

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

## C.3 CREDIT RISK

### C.3.1 Risk exposure

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

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

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

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

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

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

Risk capital for total credit risk before diversification with other risk categories amounted to € 182,709 (169,300) thou as of 31 December 2021. The main drivers of overall credit risk were credit risk from reinsurance and from fixed-income investments. This represented an increase of € 13,409 thou or 8% compared to 2020, which was due to exposure changes, model updates and model changes.

#### C.3.1.1 CREDIT RISK FROM INVESTMENTS

The premium income and equity required to cover the risks are largely invested in fixed-interest securities. Typical investments are

government bonds, corporate bonds, registered bonds, promissory notes, mortgages and loans as well as – to a lesser extent – derivative financial instruments. Due to the nature of the business, the maturities of the invested fixed-income securities tend to be short to medium-term.

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

**Table 17: Fixed income investments by rating category as of 31 December 2021, including fund holdings at fair value, and cash and cash pool<sup>1</sup>**

€ thou	2021
AAA	1,452,160
AA	2,944,070
A	1,634,339
BBB	1,734,875
Non-investment grade (incl. not rated)	696,916
<b>Total</b>	<b>8,462,359</b>

#### C.3.1.2 CREDIT RISK FROM REINSURANCE BUSINESS

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

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

The creditworthiness of the reinsurers is monitored on a continuous basis. Reinsurance exposures are reviewed twice a year (based on end-June and end-December exposures), most recently in September 2021 based on exposure data as of 30 June 2020: accordingly, 92% of exposures were ceded to reinsurers that had a rating of at least A.

As of 31 December 2021, total receivables from third parties – with a due date of more than 90 days – amounted to € 216,083 thou (excluding explicit write-offs of receivables). The average default rate for the past three years was 0.4%.

<sup>1</sup> The values include cash and cash pool receivables, whereby cash pool liabilities are excluded and not netted against cash pool receivables. This is in line with the risk model perspective

### C.3.1.2.1 RISK CONCENTRATION

The following table shows the distribution of credit risk at each of year-end 2020 and 2021.

**Table 18: Allocation of credit risk**

	2021	2020
Share of credit risk capital from		
Investments	53%	49%
Reinsurance	43%	48%
Receivables	4%	3%

Compared to the fourth quarter of 2020, the percentage of credit risk from reinsurance has declined and the percentage rate of credit risk from Investments has increased, due to exposure changes, model updates and model changes. The sum of the ten largest positions (measured by contribution to credit risk) of the counterparty risk from investments and reinsurance amounted to € 78,486 thou. This corresponds to 43% of the total credit risk. Allianz Re is the largest reinsurance counterparty.

### C.3.1.2.2 RISK SENSITIVITY

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

**Table 19: Sensitivity of credit risk**

€ thou	Own funds	Risk capital	Solvency ratio
Base	3,104,994	2,061,500	151%
Stress	2,835,353	2,125,876	133%

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

**Table 20: Risk sensitivity before diversification**

€ thou	2021
Downgrade by one rating grade <sup>1</sup>	46,377
Downgrade by two rating grades and LGD increase of 10%	126,068
LGD <sup>2</sup> Increase by 10%	15,513

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

The sensitivity analysis as of 31 December 2021 shows that a credit rating downgrade of one notch (i.e. a deterioration in credit quality) would result in an increase in credit risk of 25%. A credit rating downgrade of two notches and a relative increase in loss-given-default (LGD) of 10% would result in a 69% increase in credit risk. A relative increase in the loss-given-default (LGD) by 10% (i.e. a reduction in the recovery rate in the event of default) would lead to an 8% increase in credit risk.

## C.3.2 Credit risk management

The credit risk management framework has two main objectives:

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

These objectives are served by the following measures:

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

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

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

## C.3.3 Risk mitigation

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

**Table 21: Credit risk mitigation tools**

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



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

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

## C.4 LIQUIDITY RISK

### C.4.1 Risk exposure

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

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

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

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

#### C.4.1.1.1 RISK CONCENTRATION

There are no significant concentrations of liquidity risk as AGCS SE's investment portfolio is well diversified.

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

#### C.4.1.1.2 RISK SENSITIVITY

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

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

The liquidity utilization has deteriorated slightly compared with the previous year. As of 31 December 2021, AGCS SE had very good liquidity in all scenarios considered. The following table contains the LIR values for the 1-year time horizon.

**Table 22: LIR values**

€ thou	2021			2020	
	Sources	Exposures	LIR	LIR	
Base scenario	8,957	3,883	43%	34%	
Premium Stress	7,866	3,883	49%	38%	
Stress from claims payments	8,443	4,413	52%	47%	
Derivative stress	8,213	3,945	48%	38%	
Combined stress	7,833	3,883	50%	39%	
Individual stress	7,384	3,688	50%	37%	

1\_LIR = liquidity intensity ratio (liquidity utilization)

### C.4.2 Management of liquidity risk and risk mitigation

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

Depending on the LIR value, there are different escalation levels that require AGCS Risk Committee involvement.

The total contribution of the profit anticipated in future premiums amounts to € 279,302 (336,588) thou before reinsurance. Compared with the previous year, the anticipated profit in future premiums is slightly lower in 2021. The main reasons for this was the lower volume of future premiums and higher expected combined ratios.

## C.5 OPERATIONAL RISK

### C.5.1 Risk exposure

The Allianz Group, including AGCS SE, defines operational risks as unexpected losses resulting from inadequate or failed internal operating processes or systems, human errors and external events. 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 processes, systems, activities and products, and cannot be fully avoided. They may have a significant impact on the balance sheet, profit, corporate objectives, business activities or reputation of AGCS SE.

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

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

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

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

The risk capital for operational risk at the end of the year under review amounted to € 136,065 thou and therefore accounts for only a marginal portion of the overall risk capital. "Violation of economic sanctions", "insufficient reinsurance protection" and "unexpected tax payments" are the main drivers for this.

### C.5.2 Risk concentration

All relevant functions of AGCS SE are regularly involved in both operational risk assessment and operational risk event analysis. For this

reason, possible structural weaknesses that could affect the company as a whole and possibly indicate a concentration of operational risks are identified in good time. Depending on need, appropriate countermeasures are taken as part of the risk management system.

### C.5.3 Risk mitigation

AGCS SE's risk management system for operational risks was developed to prevent the occurrence of operational risk events outside AGCS SE's risk tolerance. A prerequisite for an effective and efficient integrated risk and control system is a pronounced awareness of risks and controls among employees in their daily business. Operational risks are reduced through a series of appropriate and permanent countermeasures, i.e. through key controls. The implementation of key controls, i.e. if they are appropriately designed to mitigate the relevant risks as intended and are effectively implemented, is regularly reviewed within the scope of the control tests. Control weaknesses, the occurrence of operations events and losses, and the associated measures, are reported regularly to the Board of Management.

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

### C.5.4 Risk sensitivity

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

## C.6 OTHER MATERIAL RISKS

### C.6.1 Strategic risk

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

AGCS SE launched a comprehensive global transformation program in 2020. Its further implementation continued for a large part in 2021. The "New AGCS" program aims at recovering long-term profitability and market leadership in the global corporate and specialty insurance segment by 2024. It is based on three pillars, all of which are accompanied and supported by digitization initiatives:

- Technical excellence: actuarial excellence in underwriting, claims and other core functions
- Right markets and segments: clear focus on the right customers in the right markets and segments
- Global first: a comprehensive global management and organizational principle for the regions and central functions

Comprehensive measures for portfolio streamlining and restructuring were largely implemented in 2021, including the phasing out of unprofitable customer relationships. Following the successful realignment of the portfolio, AGCS SE is now ready to focus on growth in clearly defined segments and markets, thereby attaining targeted growth opportunities. Geographically, the Asia region will also play an important role.

Through a new global sales unit "Global Distribution", AGCS SE will offer its brokers and customers worldwide an improved service and industry-specific expertise. To this end, it is pursuing a global sales strategy focused on the industry and is concentrating on new business in defined markets and insurance segments, in which it can deliver on its value proposition to customers. The new function of "Global Industry Solution Directors" is intended to ensure sales excellence and open up new growth opportunities: Experts specializing in specific sectors act as the first point of contact for customers from target industries, such as financial services, telecommunications or media and technology, and develop customized solutions for them across all AGCS divisions and even the entire Allianz Group.

Digitalization also offers AGCS SE great opportunities to consistently increase its own productivity, but also to offer better services to its customers. A targeted data strategy and the development of core IT systems and platforms that are intended to replace legacy systems are important elements on the path toward a fundamentally renewed business model. It is focused on a globally scalable system architecture and on creating a new customer portal that brings together all underwriting, claims and risk consultancy offerings. Strategic decisions are discussed in the Board of Management in various committees at Board of Management level (for example, AGCS Risk Committee, Underwriting Committee, Reinsurance Committee). The assessment of the risks concerned is a core element of these discussions.

### C.6.2 Reputational risk

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

Reputational risks arise as a result of adverse events, that can lead to a negative perception of the company. However, they also arise from the business strategy. ESG criteria and risks (environmental, social, governance), in particular, are currently at the forefront, and represent a core aspect in the risk assessment. These include environmental criteria, social criteria and criteria relating to good governance.

Risk is actively managed through existing processes involving various departments.

ESG risks are actively management in both underwriting and in investment. The management is in line with the framework specified by Allianz SE.

## C.7 OTHER INFORMATION

All relevant disclosures on the risk profile of AGCS SE are included in the preceding notes.

# VALUATION FOR SOLVENCY PURPOSES

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D

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

Table 23: Assets

€ thou	Solvency II	HGB	Difference
<b>ASSETS</b>			
1. Intangible assets	-	152,072	-152,072
2. Deferred tax assets	74,585	-	74,585
3. Pension benefit surplus	-	119	-119
4. Property, plant and equipment held for own use	53,801	16,130	37,671
5. Investments (other than assets held for index-linked and unit-linked contracts)	9,416,294	8,448,758	967,536
5.1. Real estate (other than for own use)	160,284	71,832	88,452
5.2. Shares in affiliated enterprises, including participations	2,796,258	4,552,684	-1,756,426
5.3. Equities	-	-	-
5.3.1. Equities – unlisted	-	-	-
5.4. Bonds	3,715,671	3,573,526	142,145
5.4.1. Government bonds	1,805,565	1,725,184	80,381
5.4.2. Corporate bonds	1,712,987	1,659,945	53,042
5.4.3. Collateralized securities	197,119	188,397	8,722
5.5. Collective investment undertakings	2,687,124	212,762	2,474,362
5.6. Derivatives	38,412	19,460	18,952
5.7. Deposits other than cash equivalents	18,545	18,545	-
6. Loans and mortgages	552,759	546,573	6,186
6.1. Other loans and mortgages	552,759	546,573	6,186
7. Amounts recoverable from reinsurance contracts of:	6,050,324	7,456,172	-1,405,848
7.1. Non-life insurance and health insurance conducted on a non-life basis	6,050,324	7,456,172	-1,405,848
7.1.1. Non-life insurance other than health insurance	6,034,219	7,439,718	-1,405,499
7.1.2. Health insurance operated on a non-life basis	16,106	16,454	-348
8. Deposit receivables	108,007	108,007	-
9. Receivables from policyholders and intermediaries	951,438	1,740,976	-789,538
10. Reinsurance receivables	218,222	217,694	528
11. Receivables (trade, not insurance)	559,398	464,259	95,139
12. Cash and cash equivalents	236,473	236,473	-
13. Other assets not reported elsewhere	4,405	4,374	31
<b>Total assets</b>	<b>18,225,706</b>	<b>19,391,659</b>	<b>-1,165,953</b>

Table 24: Liabilities

€ thou	Solvency II	HGB	Difference
<b>LIABILITIES</b>			
14. Technical provisions – non-life insurance	10,224,440	12,359,786	-2,135,346
14.1. Technical provisions – non-life insurance (except health insurance)	10,201,365	12,333,145	-2,131,780
14.1.1. Best estimate	9,978,137	12,333,145	-2,355,008
14.1.2. Risk margin	223,229	-	223,229
14.2. Technical provisions – health insurance (by type of non-life insurance)	23,075	26,641	-3,566
14.2.1. Best estimate	22,612	26,641	-4,029
14.2.2. Risk margin	463	-	463
15. Other technical provisions	-	701,716	-701,716
16. Provisions other than technical provisions	189,023	196,410	-7,387
17. Pension payment obligations	160,931	11,819	149,112
18. Deposits retained on ceded business	3,154,315	2,961,850	192,465
19. Deferred tax liabilities	6,516	-	6,516
20. Derivatives	12,680	-	12,680
21. Financial liabilities other than liabilities to banks	40,756	-	40,756
22. Liabilities to policyholders and intermediaries	603,585	766,816	-163,231
23. Liabilities to reinsurers	286,024	803,792	-517,768
24. Liabilities (trade, not insurance)	116,073	116,423	-350
25. Other liabilities not shown elsewhere	326,369	328,808	-2,439
<b>Total liabilities</b>	<b>15,120,712</b>	<b>18,247,422</b>	<b>-3,126,710</b>
<b>Excess of assets over liabilities</b>	<b>3,104,994</b>	<b>1,144,237</b>	<b>1,960,757</b>

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

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

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



## D.1 ASSETS

In accordance with Art. 75(1)(a) of the Solvency II Regulation<sup>2</sup>, assets must be valued in the solvency table in the amount at which they could be exchanged between knowledgeable, willing parties in an arm's length transaction.

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

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

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

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

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

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

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

### D.1.1 Intangible assets

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

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

At AGCS SE, the balance sheet item comprises capitalized third-party expenses for the system adjustment of purchased and internally generated software (€ 152,072 thou). The capitalized expenses related to a long-term distribution agreement with Standard Chartered Bank PLC last year were written off completely in the financial year 2021.

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

### D.1.2 Deferred tax assets

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

They result from deductible temporary differences between the Solvency II market value balance sheet and the tax balance sheet, as yet unused tax loss carryforwards and unused tax credits (Article 15 Solvency II Regulation). Deferred taxes, with the exception of unused tax losses or profits carried forward, are calculated on the temporary differences between the Solvency II solvency statement and the tax balance sheet. Temporary differences between the Solvency II values of assets and liabilities and their corresponding tax values are determined on a case-by-case basis in accordance with International Accounting Standard 12 (IAS 12). The calculation of deferred taxes takes into account the tax regulations for certain assets and liabilities in the respective jurisdictions. Deferred taxes are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The most significant differences in terms of amount between the market value balance sheet and the tax valuations result from the balance sheet items shares in special funds and bonds as well as claims reserves (technical provisions), which lead to deferred tax assets in each case. In addition, deferred taxes of € 283,561 (374,781) thou are recognized on tax loss carryforwards at the branch offices in France, the United Kingdom, Singapore, Denmark, Sweden, India, Italy, South Korea, Hong Kong and Austria. The planning foresees profits in these branches for the next four years, which can absorb the losses carried forward. Deferred tax assets were written off in Germany, South Korea and Denmark. Deferred taxes are measured in Germany at a tax rate of 31% and abroad at the respective local tax rate. According to HGB, the capitalization option pursuant to §274 (1) HGB was not exercised.

In accordance with IAS 12.72, deferred tax assets and liabilities are netted against the respective tax authority. The foreign branch offices of AGCS SE result in the recognition of both deferred tax assets and deferred tax liabilities.

Tax rate changes already adopted as of 31 December 2021 were recognized.

<sup>2</sup>Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 relating to the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) as amended on 28 April 2015.

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

**Table 25: Deferred tax assets**

€ thou	
	2021
Financial assets measured at fair value in the income statement	4,028
Financial investments	149,856
Deferred acquisition costs	29,877
Other assets	216,429
Intangible assets	43,782
Tax loss carryforwards	161,746
Technical provisions	408,447
Reserves for pensions and similar obligations	75,169
Other liabilities	8,667
Netting	-1,023,416
<b>Total after netting</b>	<b>74,585</b>

No deferred taxes are recognized on valuation differences of participations and shares in affiliated enterprises.

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

Pursuant to § 274 (1) 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.

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

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

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

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

## D.1.4 Annexes

### D.1.4.1 REAL ESTATE (OTHER THAN FOR OWN USE)

The balance sheet item (valuation difference € 88,452 thou) includes direct investments in six German properties. The fair value of the real estate assets was determined as of 31 December of the financial year in accordance with IAS 40 and Article 16 of the Solvency II Regulation (fair value model / discounted cash flow method). This alternative valuation method is explained in more detail in [section D.4](#).

Under HGB, real estate used by third parties is stated at cost less accumulated depreciation and impairment losses.

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

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

### D.1.4.2 SHARES IN AFFILIATED COMPANIES, INCLUDING PARTICIPATIONS

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

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

Under commercial law, shares in affiliated companies and other participations are valued according to the moderate lower-of-cost-or-market principle and carried at amortized cost or the lower fair value on a permanent basis. Write-downs are made if the amortized cost exceeds the market value and the long-term fair value on the balance sheet date. In addition, special funds amounting to € 2,156,949 thou are shown under this item in accordance with the HGB, which are shown under the item "Undertakings for collective investment" in accordance with Solvency II. In general, special funds are investment funds that are not designed for the capital market public but are launched for special institutional investors or investor groups. Often there is only one investor in a special fund, which means that the investor's interest is fully taken into account.

The difference between regulatory and commercial law arises from the different valuation methods. The market values of the affiliated enterprises and participations are currently higher than the

corresponding amortized cost, which is recognized as the upper value limit under commercial law.

The following overview shows the material shares in affiliated companies, including participations, as well as their valuation differences as of 31 December 2021:

**Table 26: Significant shares in affiliated companies and participations**

	Solvency II	HGB	Difference
AGCS International Holding B.V., Amsterdam	1,695,960	1,627,678	175,994
Allianz Finance VIII S.A., Luxembourg	273,524	201,531	71,993
Allianz Risk Transfer AG, Schaan	227,593	74,496	153,097
Allianz Fire and Marine Insurance Japan Ltd., Tokyo	-	25,630	-25,630
Other	491,469	2,623,349	-2,131,879
<b>Total</b>	<b>2,796,258</b>	<b>4,552,684</b>	<b>-1,756,426</b>

#### D.1.4.3 EQUITIES

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

The equities reported under this item in the previous year were sold in full in the 2021 financial year.

#### D.1.4.4 BONDS

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

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

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

Government and corporate bonds as well as collateralized securities are measured at their fair value in the market value balance sheet in accordance with IAS 39. The fair value is determined using alternative valuation methods, which are explained in [section D.4](#).

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

The different valuation bases result in different valuations for Solvency II and HGB. The difference between the market value balance sheet and the HGB balance sheet amounts to € 142,145 thou as of the reporting date.

The main driver of the market price is the current low level of interest rates, which has resulted in an increase in the market value of

the individual securities. As a result, the market values are generally higher than the corresponding amortized cost, which is the upper limit for valuation under commercial law.

#### D.1.4.5 COLLECTIVE INVESTMENT UNDERTAKINGS

Under Solvency II, the value of investment funds is identical to the fair value to be recognized under IFRS in accordance with IAS 39. The value communicated by the investment company was used. Under HGB, investment funds are recognized at amortized cost or at a lower fair value in accordance with the moderate lower-of-cost-or-market principle. This corresponds to the value communicated to us by the investment companies, whereby the acquisition costs form the upper limit. The valuation difference arises from the current low interest rate level, which has the effect of increasing the market value. The market values of the funds are therefore generally higher than the corresponding amortized cost, which is recognized as the upper value limit under commercial law.

This item also includes special funds (€ 2,381,203 thou), which are reported under the item participations in accordance with HGB. These are valued at the proportionate excess of assets over liabilities from their solvency statement at the parent company (adjusted equity method). This alternative valuation method is explained in more detail in [section D.4](#). Under commercial law, special funds are valued according to the moderate lower of cost or market principle. The market values of the funds are therefore generally higher than the corresponding amortized cost, which is recognized as the upper value limit under commercial law.

#### D.1.4.6 DERIVATIVES

The balance sheet item includes options on Allianz SE shares in order to eliminate market value risks in the context of hedging share-based compensation plans.

Under Solvency II, they are measured at their market value in accordance with IAS 39, whereas under commercial law the carrying amount is measured at the lower of cost or fair value in accordance with §253 (3) HGB.

Due to the positive capital market development, the fair value of the derivatives exceeds the acquisition costs under HGB by € 18,952 thou.

#### D.1.4.7 DEPOSITS OTHER THAN CASH EQUIVALENTS

Deposits other than cash equivalents comprise deposits other than transferable securities. In other words, they cannot be used as payment before a specified maturity date and cannot be converted into currency or readily convertible deposits without significant restriction or penalty. These short-term investments are valued at nominal value, as this is considered to be a good indicator of fair value, applying the principles of materiality and proportionality. All financial assets defined in accordance with IAS 39 are measured at fair value in the market value balance sheet. The fair value for short-term deposits other than cash equivalents is determined by the nominal value. Otherwise, the fair value is determined using the income capitalization approach. There is no difference between the values under commercial law and the values in the market value balance sheet.

## D.1.5 Loans and mortgages

The balance sheet item (valuation difference € 6,186 thou) includes investments that arise when a lender provides financial resources (secured or unsecured) to a borrower.

Under Solvency II, they are recognized at fair value based on valuations by independent data providers or determined using the discounted cash flow method. The effective interest of comparable debt instruments is used for this. This alternative valuation method is explained in more detail in [section D.4](#).

In accordance with HGB (§253 (3) sentence 3 and §341c HGB), the balance sheet is drawn up at amortized cost, and the difference between the acquisition cost and the repayment amount is distributed over the remaining term using the effective interest method. Write-downs are made if the amortized cost exceeds the market value and the long-term fair value on the balance sheet date.

There is no active market for loans and mortgages on which they are traded. The valuation in the solvency overview, which deviates from the commercial balance sheet, is due to the low interest rate phase and the associated higher market values. As a result, the market values are generally higher than the corresponding amortized cost, which is the upper limit under HGB.

## D.1.6 Amounts recoverable from reinsurance contracts

For information on this balance sheet item, refer to [section D.2](#).

## D.1.7 Deposit receivables

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

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

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

## D.1.8 Receivables from policyholders and intermediaries

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

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

Whereas under Solvency II reserves for reinstatement premiums are included in technical provisions as future cash inflows, under HGB they are shown as part of receivables from policyholders and intermediaries. This results in a variance of € 55,962 thou.

The difference of € 789,538 thou compared with the commercial balance sheet is due to the reclassification of receivables in the premium reserves.

## D.1.9 Reinsurance receivables

This balance sheet item includes overdue receivables from outwards reinsurance.

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

The difference of € 527 thou compared with the commercial balance sheet arose from the reclassification of receivables in the claims reserves.

## D.1.10 Receivables (trade, not insurance)

Under Solvency II, these items (valuation difference € 95,060 thou) are valued at the nominal amount less repayments made, adjusted for the counterparty's probability of default.

Under HGB, these are valued at the nominal amount less repayments made.

Under Solvency II, this balance sheet item includes, among other things, the decentralized recognition of the plan assets of the pension provisions (€ 93,854 thou) as a receivable from Allianz SE. Under HGB, pensions are reported centrally at Allianz SE.

## D.1.11 Cash and cash equivalents

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

## D.1.12 Other assets not reported elsewhere

Other assets not reported elsewhere comprise assets that are not included in the other balance sheet items. These mainly include prepaid expenses, but also other assets. Under Solvency II and HGB, they are usually measured at fair value or at nominal value, adjusted for the counterparty's probability of default. The nominal value represents – applying the principles of materiality and proportionality – a good approximation of the fair value (Article 9 (4) Solvency II Regulation).

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

Compared with the previous reporting period, under the receivables from policyholders, intermediaries and reinsurers, maturing receivables were reclassified to the technical provisions.

## D.2 TECHNICAL PROVISIONS

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

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

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

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

The following sections describe the calculation of the individual components: In each case, the undiscounted best estimate is calculated for the gross and after-reinsurance premium and claims reserves, the associated discounting and the risk margin. The resulting technical provisions under Solvency II as of 31 December 2021 are then presented, together with the approaches used to calculate the reserve uncertainty. Finally, the technical provisions according to Solvency II are compared with the corresponding reserves under HGB. The significant differences in valuation are described and estimate and presented as of 31 December 2021.

### D.2.1 Premium reserve

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

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

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

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

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

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

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

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

### D.2.2 Claims reserves

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

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

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

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

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

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

## D.2.3 Discounting

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

The following variables are used to calculate the present value:

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

The following principles are applied:

- The yield curves for the various currencies are prescribed by EIOPA and made available by the Allianz Group to all Group companies;
- Discounting is calculated separately for premium and claims reserve and by loss year, reserving segment and main currency (Euro, US dollar, British pound, Australian dollar, Canadian dollar, South African rand, other). Reserves in currencies grouped under the main currency "other" are discounted using the EIOPA yield curve for Euros;

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

AGCS SE applies a volatility adjustment for discounting – with the approval of BaFin – in accordance with §82 VAG. Compared with the use of yield curves with no volatility adjustment, this reduced the amount of technical provisions by € 23,948 thou in the reporting year. As a result, basic own funds increased by € 7,449 thou, an amount that is fully eligible for the Solvency Capital Requirement. The Solvency Capital Requirement itself decreased by € 37,196 thou, due to the use of the volatility adjustment.

In parallel, the own funds eligible for the Minimum Capital Requirement increased by € 9,218 thou, while the Minimum Capital Requirement decreased by € 1,182 thou.

## D.2.4 Risk margin

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

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

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

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

segments and regions, with the respective reserves under IFRS serving as weights.

## D.2.5 Overview of technical provisions

As the internal calculations are performed at the level of reserving segments, which differ from Solvency II segments, the latter are based on an appropriate allocation. The table presented on [page 92](#) shows the technical provisions – non-life as of 31 December 2021 in accordance with the Solvency II segmentation.

## D.2.6 Risk of change in technical provisions

In the first quarter, AGCS SE examines the risk of change to which the underwriting claims reserves are subject on an annual basis. This ensures that the calculation of the claims reserves and the analysis of the risk of change are based on the same principles: In 2021, claims settlement triangles for the fourth quarter of 2020 were used to analyze the reserve uncertainty. The previous reserve analysis was based on data from the first quarter of 2020. To ensure that the analysis of risk of change and the calculation of loss reserves are subject to the same calculation bases, the same database was used – albeit for different points in time. The triangles were reconciled to avoid any data inconsistencies and the most consistent segmentation possible used. The settlement pattern is also selected on the same basis: In both cases gross or gross after optional reinsurance.

In the context of technical provisions, the term “risk of change” is used to describe possible deviations between actual future expenses and those forecast today. In the area of claims reserves, the main drivers for negative deviations are subsequent notifications of claims or subsequent increases in expenses for already known claims, especially in long-tail lines of business, beyond the expected scope taken into account in the actuarial projection. These effects are modeled as reserve risk in the risk capital calculation. For example, on a probability of 90%, the amount of actual payouts after settlement of all claims will not exceed the reported reserve value (i.e. the current forecast) by more than 16.1% net.

In the case of the premium reserves, deviations arise from the “premium risk”, i.e. the risk that premiums already agreed will not be sufficient to cover the associated expenses in the future. For example, a major flood or an unforeseen increase in the company’s internal costs could lead to a deviation from the expenses currently forecast and included in the agreed premiums. These effects are also estimated as part of the risk capital calculation. For example, on a probability of 90% the amount of actual future expenses associated with the agreed premiums will not exceed the current forecast net by more than 15.6%. Expected profits included in future premiums (EPIFP) are calculated as future premiums less related expected costs and claims expenses. The latter are also subject to premium risk. Sensitivity analyses are also carried out to describe the degree of uncertainty. A sensitivity analysis has shown that 10% higher future claims expenses for unearned business would increase AGCS SE’s gross undiscounted premium reserves by 19.5%, assuming no change in premiums. This high percentage value is due to the low base value used as the denominator resulting from a high

proportion of premiums due but not yet overdue, and not to a high absolute change in the undiscounted gross premium reserve. This is a more significant relative increase than with the future claims expenses themselves, especially because the base value is lower due to future premiums. At the same time, EPIFP would decrease by 20.4%. Lapse rates have no material impact on the premium reserve of AGCS SE. Across the board, deviations from the forecast expenses may arise due to the delayed payment of claims and the associated interest on investments from provision items. According to internal calculations, a one percentage point decline in market interest rates would lead to an increase of approximately 2.6% in the technical provisions currently reported. Another reason for deviations from the currently forecast expenses may result from future management decisions, for example with regard to reinsurance.

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

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

### D.2.7.1 PREMIUM RESERVE

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

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

In Solvency II and HGB, the provision for expected future claims and expenses (other than acquisition costs) is based on unearned

premiums, i.e. the portion of premiums that relates to insurance benefits after the balance sheet date. As a rule, the contributions are distributed pro rata temporis over the term of the corresponding cover.

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

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

### D.2.7.2 CLAIMS RESERVES

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

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

Whereas under HGB no discounting is provided for except for pension provisions, under Solvency II the present value principle applies: i.e. all future cash flows are discounted using the discounting curves (including volatility adjustment) specified by EIOPA.

This reduces the technical provisions under Solvency II by a further € 73,989 thou compared with HGB.

### D.2.7.3 COUNTERPARTY DEFAULT RISK

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

Under Solvency II, in addition to this provision for already known events the adjustment for counterparty default risk for events not yet known is calculated in accordance with the simplified approach set out in Article 61 of the Solvency II Regulation. This adjustment amounted to € 2,894 thou in 2021.

### D.2.7.4 RISK MARGIN

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

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

### D.2.7.5 SPECIAL HGB REQUIREMENTS

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

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

The equalization provisions, which have to be set up under HGB, contribute a considerable portion of the difference between the technical provisions under HGB and Solvency II as of 31 December 2020. This did not affect all lines of business since equalization provisions per HGB line of business may only be set up under certain conditions.

The reconciliation of technical provisions from HGB to Solvency II is shown on [page 94](#).

### D.2.7.6 MATERIAL CHANGES WITH RESPECT TO THE PREVIOUS REPORTING PERIOD

The actuarial methods used to calculate the technical provisions are effectively unchanged since the previous reporting period. However, as part of a special internal portfolio review, the provisions for the inherent defects insurance segment (Décennale) segment were subject to a detailed review and strengthened on the basis of that review. For COVID-19 claims in the general liability and financial lines segments, the best estimate of IBNR reserves was no longer calculated using the actuarial model developed in 2020, as claims were not reported in 2021 as forecast and it could be assumed that no further significant claims were unknown.



## D.3 OTHER LIABILITIES

Liabilities are measured at the amount at which they could be transferred or settled between knowledgeable, willing parties in an arm's length transaction. Below, the principles, methods and main assumptions used for the valuation for solvency purposes are described separately for each material group of other liabilities, and the main differences to HGB are explained:

### D.3.1 Provisions other than technical provisions

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

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

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

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

**Table 27: Provisions other than technical provisions**

€ thou	Solvency II	HGB	Difference
Remunerations not yet definitively determined	70,621	70,726	-105
Invoices not yet received	41,003	41,003	-
Restructuring	25,454	25,064	390
Allianz Equity Incentives	17,808	14,782	3,026
Holidays and flexible working hours	15,067	15,067	-
Employee anniversaries	3,368	3,283	85
Long-term distribution agreement with Standard Chartered Bank	3,276	3,276	-
Premium deficiency reserve	-	12,680	-12,680
Other	12,426	10,529	1,897
<b>Total</b>	<b>189,023</b>	<b>196,410</b>	<b>-7,387</b>

AGCS SE has obligations arising from anniversary payments, working time accounts, and partial and early retirement agreements. Provisions are created for these obligations, i.e. the obligation is offset against any existing offsettable cover or plan assets for the respective commitments.

As a general rule, the amounts shown in the solvency overview are those under IFRS. The valuation of the gross obligations mentioned above essentially follows that of the pension commitments on the basis of the same accounting assumptions. Only the actuarial interest rate differs, due to the shorter duration of 0.90%; it is otherwise calculated in the same way as for pension commitments.

For the valuation of gross liabilities in the commercial balance sheet, essentially the same principles, methods and assumptions are used as under Solvency II. The only exception is the discount rate of 1.35% to be applied under commercial law. Under commercial law provisions, this is determined as a seven-year average for a flat-rate residual term of 15 years.

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

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

### PROVISIONS FOR SHARE-BASED PAYMENTS

The valuation difference of € 3,026 thou results from the different valuation methods. Measurement at fair value in accordance with Solvency II compares with the valuation under commercial law at the necessary settlement amount at the time of issue.

### D.3.2 Pension payment obligations

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

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

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

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

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

%	
Pension trend	2.00%
Assumed salary increase (incl. average career trend)	3.25%

In line with IFRS, the actuarial interest rate under supervisory law is calculated as the market interest rate for high quality corporate bonds (i.e. minimum rating of AA) as of the balance sheet date and amounts to 1.20% for pension obligations. In derogation of the aforementioned assumptions, a part of the pension commitments is based on the guaranteed pension trend of 1.00% per annum. The biometric calculation bases are modified on a company-specific basis using the 2005G mortality tables of Klaus Heubeck. The retirement age is set according to the pension contract or according to the 2007 Pension Insurance Retirement Age Adjustment Act (RV-Altersgrenzenanpassungsgesetz).

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

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

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

This amendment only applies to the measurement of pension obligations. As of the balance sheet date, a flat interest rate of 1.87% was applied.

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

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

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

The alternative valuation method for pension payment obligations is explained in more detail in [section D.4](#).

### D.3.3 Deposits retained on ceded business

Deposits retained on ceded business arise from collateral for reinsurance cover retained by AGCS SE or ceded to AGCS SE by a reinsurer. Deposits retained on ceded business are valued under Solvency II at the sum of the discounted future interest payments and the nominal value of the collateral – distributed over the term depending on the contractual agreement.

99.9% of AGCS SE's deposits retained on assumed reinsurance arise from a cash deposit under a quota share reinsurance treaty with Allianz SE, for which an annual adjustment of the interest rate to the market rate has been agreed. Due to negative interest rates, the deposits retained on assumed reinsurance had to be compounded under

Solvency II by € 10,331 thou. € 182,134 thou of liabilities due were reclassified in the deposits retained on assumed reinsurance.

Under HGB, deposits retained on assumed reinsurance are generally valued at their nominal amount.

### D.3.4 Deferred tax liabilities

Deferred tax liabilities represent future tax burdens resulting from temporary differences between commercial and tax balance sheet valuations. The deferred tax liabilities under Solvency II of € 6,516 thou mainly resulted from deferred tax liabilities from the special funds of € 151,029 (€ 186,262) thou transferred to the Solvency II balance sheet, capitalized valuation reserves from loans and real estate, and adjustments to technical provisions. There are no temporary differences in the commercial balance sheet that would give rise to future tax burdens overall (§274 (1) HGB).

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

**Table 29: Deferred tax liabilities**

€ thou	2021
Financial assets measured at fair value in the income statement	5,875
Financial investments	229,540
Deferred acquisition costs	8,770
Other assets	229,247
Intangible assets	35,493
Technical provisions	470,310
Reserves for pensions and similar obligations	39,016
Other liabilities	11,681
Netting	-1,023,416
<b>Total after netting</b>	<b>6,516</b>

### D.3.5 Derivatives

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

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

The different valuation methods pursuant to Solvency II and HGB lead to a difference of € 12,680 thou.

### D.3.6 Financial liabilities other than liabilities to banks

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

### D.3.7 Liabilities to policyholders and intermediaries

Liabilities to policyholders and intermediaries under Solvency II are measured at fair value in accordance with IAS39 and Article 14 of the Solvency II Regulation, without taking into account changes in own default risk. Where contractually permitted, receivables and liabilities are netted. Due to the short-term nature of the outstanding liabilities, discounting is not applied within the scope of the authoritative principle; therefore, as under HGB, liabilities to policyholders and intermediaries are recognized at the settlement amount.

Under Solvency II, liabilities due are no longer reclassified as technical provisions as in the previous year.

### D.3.8 Liabilities to reinsurers

Under Solvency II, liabilities to reinsurers are also generally measured at fair value in accordance with IAS39 and Article 14 of the Solvency II Regulation, without taking into account changes in the Group's own default risk. Where contractually permitted, receivables and liabilities are netted. Due to the short-term nature of the outstanding liabilities, they are not discounted, so that the liabilities to reinsurers are recognized at the settlement amount, as under HGB.

Whereas under Solvency II reserves for reinstatement premiums are included in technical provisions as future cash outflows, these are shown as part of the liabilities to reinsurers under HGB. This results in a variance of € 67,448 thou.

The difference of € 517,768 thou compared with the commercial balance sheet was due to the reclassification of receivables not due to technical provisions.

### D.3.9 Liabilities (trade, not insurance)

Under Solvency II, these are measured at fair value in accordance with IAS 39 and Article 14 of the Solvency II Regulation, without taking into account changes in own default risk. Where contractually permitted, receivables and liabilities are netted.

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

### D.3.10 Other liabilities not shown elsewhere

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

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

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

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

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

Compared with the previous reporting period, under the receivables from policyholders, intermediaries and reinsurers, maturing receivables were not reclassified to the technical provisions.

## D.4 ALTERNATIVE VALUATION METHODS

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

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

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

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

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

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

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

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

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

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

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

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

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

If, in the case of the adjusted equity method, assets within the participations are themselves valued using models, the uncertainties that generally arise with valuation models exist. If the income capitalization method is used to value the investment, there are uncertainties in determining the cash surpluses and in determining the discount rate.

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

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

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

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

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

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

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

models, the uncertainties that generally arise with valuation models exist.

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

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

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

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

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

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

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

## D.5 OTHER INFORMATION

All essential information on valuation for solvency purposes is already included in [section D.1 to D.4](#) inclusive.

# CAPITAL MANAGEMENT

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E

## E.1 OWN FUNDS

### E.1.1 Objectives, policies and processes

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

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

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

Capital resources are monitored and evaluated regularly during the year – at least once a quarter. The drivers that may have led to a deviation of the capitalization from the target capitalization are identified for the assessment. The expected impact of developments and measures that may influence future capitalization are also taken into account in the valuation. All results, assessments and capital management measures are initially reported to the Chief Financial Officer of AGCS SE as part of the top risk assessment process (see [section B.3](#)). The management is then regularly informed and, if necessary, capital management measures are submitted to it for a decision. If the capitalization is below the minimum capitalization, this will lead to measures being examined to bring the capitalization back to the target capitalization.

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

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

Allianz SE maintains a liquidity buffer that is available for potential capital increases.

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

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

The excess of assets over liabilities in the market value balance sheet amounted to € 3,104,994 thou; in contrast, the excess of assets over liabilities in the commercial balance sheet (equity) amounted to € 1,144,237 thou. The differences between the excess of assets over liabilities under Solvency II (basic own funds) compared to equity under HGB result from different recognition and measurement rules in the two regimes. Detailed explanations of the measurement differences of individual balance sheet items can be found in [section D](#) of this report. The following overview shows the main items in which the valuation rules of commercial law accounting differ from Solvency II. The table shows the reconciliation of equity under commercial law to basic own funds under Solvency II.

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

€ thou	
<b>HGB equity</b>	<b>1,144,237</b>
Investments	2,711,283
Participations	-1,756,427
Adjustments for technical provisions (net)	953,190
Risk margin	-223,692
Elimination of equalization provisions or similar reserves	701,716
Elimination of intangible assets	-152,072
Revaluation of other assets and liabilities	-341,310
Change in deferred taxes	68,069
<b>Solvency II revaluation total</b>	<b>1,960,757</b>
<b>Solvency II basic own funds</b>	<b>3,104,994</b>

### E.1.3 Basic own funds and available own funds

Own funds amounting to € 3,104,994 thou consisted exclusively of basic own funds. These were identical to the excess of assets over liabilities from the market value balance sheet. There were no additional own funds and no deductions reducing the available own funds.

Own funds consisted of € 3,030,409 thou of own funds in quality class 1 (Tier 1) and € 74,585 thou of own funds in quality class 3 (Tier 3). Own funds that met the requirements of Tier 1 consisted of the following: € 36,741 thou from the paid-in share capital, € 537,434 thou from the issue premium attributable to the share capital and € 2,456,234 thou from a reconciliation reserve. The reconciliation reserve consisted of the retained earnings in the amount of € 8,355 thou,



the capital reserve in the amount of € 561,707 thou and valuation differences between commercial and supervisory law. Own funds were not restricted and could be used without restriction to cover losses. Own funds that met the requirements of Tier 3 corresponded to the value of the deferred tax assets. The following table shows in detail the components of the basic own funds and the corresponding classification into quality classes in detail:

**Table 31: Composition of basic own funds**

€ thou			
	Total	Tier 1 unrestricted	Tier 3
Paid-in share capital	36,741		36,741
Issue premium due to share capital	537,434	537,434	-
Reconciliation reserve	2,456,234	2,456,234	-
Amount equal to the value of deferred tax assets	74,585	-	74,585
<b>Basic own funds</b>	<b>3,104,994</b>	<b>3,030,409</b>	<b>74,585</b>

A control and profit transfer agreement exists with Allianz SE. This resulted in claims for the assumption of losses, which were included in the balance sheet of AGCS SE. A deduction of foreseeable dividends was therefore not made.

## E.1.4 Eligible own funds

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

The eligible own funds are obtained by applying the quantitative tier limits to the available own funds. As of 31 December 2021, this had no impact on the amount or structure of eligible own funds.

Total basic own funds of € 3,104,994 thou were available to meet the Solvency Capital Requirement (SCR). Own funds used to meet the Minimum Capital Requirement (MCR) consisted of Tier 1 basic own funds and amounted to € 3,030,409 thou.

**Table 32: Composition of eligible own funds**

€ thou				
	Total	Tier 1 not restricted	Tier 2	Tier 3
Eligible own funds to SCR	3,104,994	3,030,409	-	74,585
Eligible own funds to MCR	3,030,409	3,030,409	-	-

## E.1.5 Change in own funds

Eligible own funds increased by € 148,018 thou (5%) from € 2,956,976 thou at year-end 2020 to € 3,104,994 thou at the end of the financial year. The main reason for this is a € 184,259 thou increase in the reconciliation reserve, while deferred tax assets declined by € 36,241 thou. Eligible own funds continued to consist largely of quality class 1 own funds.

**Table 33: Change in own funds**

€ thou			
		2021	2020
Tier 1	Paid-in share capital	36,741	36,741
	Issue premium due to share capital	537,434	537,434
	Reconciliation reserve	2,456,234	2,271,975
Tier 3	Amount equal to the value of deferred tax assets	74,585	110,826
<b>Total</b>	<b>Own funds</b>	<b>3,104,994</b>	<b>2,956,975</b>

One of the main reasons for the rise in the reconciliation reserve was the higher participation values in Allianz Risk Transfer AG and AGCS International Holding B.V., which were recognized in the amount of their Solvency II own funds. At the same time, the reconciliation reserves also rose due to retained AGCS SE profits, resulting from the control and profit transfer agreement with Allianz SE (the retained positive corporate result according to IFRS increased own funds, while the negative result under HGB was offset by the loss absorption). The increase in the reconciliation reserve was partially compensated by a reduction in the market values of participations in special funds and fixed income securities due to underlying market developments. The decline in the deferred tax assets was attributable to the lower loss carryforwards, the valuation allowance on deferred tax assets in Germany and the change in other assets.

AGCS SE's asset-liability management enables largely congruent coverage of all underwriting liabilities with assets with regard to their duration and currency structure, thus reducing the fluctuation of the reconciliation reserve.

Detailed explanations on the management of market risks can be found in [section C.2](#) of this report. The potential volatility that may be reflected in the reconciliation reserve stems primarily from exchange rate fluctuations from the company's strategic participations and market risks that are deliberately entered into to a limited extent for return considerations.

AGCS SE is not planning any fundamental changes in the composition of its own funds components.

## E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

### E.2.1 Solvency Capital Requirement as of the end of 2021

To calculate the Solvency Capital Requirement, AGCS SE uses the Allianz Group internal model, which was unconditionally approved by BaFin in November 2015.

As of 31 December 2021, the diversified risk capital after tax amounted to € 2,061,500 (1,841,451) thou. The final Solvency Capital Requirement amount is still subject to a supervisory review. The material risk contributions originated from market and from underwriting risks. Market risk rose in 2021 from the reinvestment of the significant cash holdings from the sale of the shares and from the deferred reinvestment of inflows from matured bonds. These investments increased the interest and credit spread risk. Equity and foreign currency risk rose on the back of higher alternative investments, the move back into equities and the increase in the participation values in AGCS NA and ART AG. The higher amount of investment also led to increased credit risk. The underwriting risks rose moderately, driven by higher premiums thanks to the positive price development. The higher business volume translated into higher premium and reserve risk. Furthermore, the segmentation model change that was introduced at the end of 2021 and higher reserves in the UK led to a rise in the reserve risk. The business risk and operational risk mitigated risk.

Total diversified risk capital rose by 12% year-on-year. However, as own funds rose by only 5%, the solvency ratio at the end of the reporting period was 151%. This represents a decline of 10 percentage points compared with the previous year.

**Table 34: Solvency Capital Requirement**

€ thou

	2021	2020
Market risk	2,238,208	1,955,126
Credit risk	182,09	169,300
Longevity	18,719	22,901
Underwriting risk (non-life insurance)	1,851,052	1,603,399
Business risk	86,453	100,765
Operational risk	136,065	154,421
Capital requirements before diversification	4,513,205	4,005,912
Diversification	-2,439,050	-2,159,137
Diversified capital requirement before taxes	2,074,155	1,846,775
Tax effect	-12,655	-5,325
<b>Diversified capital requirements incl. taxes</b>	<b>2,061,500</b>	<b>1,841,450</b>

The Minimum Capital Requirement is calculated in accordance with the regulatory requirements dependent on the Solvency Capital Requirement and amounted to € 624,192 thou at the end of the reporting period. This resulted in a ratio of 485 (525) %. Technical provisions are decisive for AGCS SE for calculating the Minimum Capital Requirement. The year-on-year decline is attributable to higher technical liabilities, which arise from business growth and to a change in the accounting treatment of maturing receivables and liabilities. These will no longer be deducted from the technical provisions (see also section D.1.13 and D.3.11).

In addition, there were no material changes in the calculation of the Solvency Capital Requirement and the Minimum Capital Requirement at AGCS SE during the reporting period. Risk-bearing capacity was ensured at all times.

## **E.3 USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT**

In transposing the directive into national law, Germany did not make use of the option to allow the use of a duration-based sub-module for the equity risk.

Hence, the Allianz Group internal model used by AGCS SE to calculate the Solvency Capital Requirement does not include a duration-based sub-module for the equity risk. It is therefore not relevant for AGCS SE.

## E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODELS USED

The internal model is used for various purposes, in particular to estimate and compare different risk categories and segments. It is a fundamental component of risk-based and forward-looking management. In addition, the risk capital calculated on the basis of the internal model reflects more accurately the underlying business compared with the standard Solvency II formula.

This section first describes the scope of the internal model and the underlying methodology, followed by the methods for the aggregation of risk categories, as well as an overview of the differences between the internal model and the standard formula.

The internal risk capital model of Allianz Group and AGCS SE covers all business segments. As defined in the Risk Policy, it encompasses market risk, credit risk, underwriting risk, business risk and operational risk. The model is based on a value at risk (VaR) approach using a Monte Carlo simulation. The starting point for determining risk is the market value balance sheet (solvency overview) and the allocation of individual items to the relevant risk categories. A bond, for example, is included in the respective market risk categories such as interest rate risk, credit spread risk and currency risk, as well as the credit risk category.

Risk capital is defined as the change occurring in the economic value over the planned time period, based on the distribution assumptions for each risk factor. To the extent possible, the distributions are calibrated on the basis of market data or our own internal historical data, for example, in order to determine actuarial assumptions. In addition, recommendations are taken into account from the insurance industry, supervisory authorities and actuarial associations.

In line with this approach, the maximum loss of the portfolio value of the transactions is determined within the scope of the model within a specified timeframe (holding period) and probability of occurrence (confidence level). The risk capital is calculated as the 99.5 per cent value-at-risk from the profit and loss distribution for a holding period of one year, whereby in each scenario the change in economic value is derived from the joint realization of all risk factors. This 200-year event is modeled as an immediate loss shock for all balance sheet items.

The internal model contains various risk categories, which in turn can be subdivided into different risk types. For each level, the internal model provides the risk indicators on a stand-alone basis, i.e. before diversification to other risk types or categories, but also at an aggregated level taking the diversification into account (see [section C](#) on aggregation). A more detailed description of the individual risk categories can be found in section C. Risk profile.

A simplified illustration of the structure of the internal model used by AGCS SE and the standard model can be found in the annex to this report. A standard industry approach, the Gaussian copula approach, is used for the aggregation of risks. The dependency structure between the risks of the copula is represented by a correlation matrix. Where possible, the correlation parameter for each pair of markets is determined by statistically evaluating historical market data based on quarterly observations over several years. To the extent that historical market data or other portfolio-specific observations are not available or are insufficient, correlations are determined according to a clearly defined, Group-wide process by the Correlation Settings Committee,

which brings together the expertise of risk and business experts. This committee generally sets the correlation parameters with the aim of presenting the joint movement of risks under adverse conditions.

To calculate the diversified risk capital, the change in economic value for the 200-year event is determined – based on the joint realization of risks – using the methodology described in the previous section.

The key methodological difference between the standard formula and the internal model is that the standard formula uses factor-based shocks. In contrast, the internal model derives the risk capital by simulating each risk carrier (and its respective economic outcome impact) based on the assumed distribution of and dependence on other risk drivers.

The table “Differences between the standard formula and the internal model by risk module” presented in the annex provides an overview of the differences between the standard formula and the internal model per risk category/type.

For market risk, in addition to the differences mentioned in the table above, there is a structural difference between the internal model and the standard formula with regard to the consideration of volatility risk. Interest rate and equity volatility risk are explicitly taken into account in the internal model, while the standard formula includes these risk types only implicitly in the calibration of the shocks. However, these risk categories exert very little influence on the risk capital of AGCS SE.

In contrast to the standard formula, the internal model also takes into account the inflation risk that may result from the possible impact of the volatility of consumer price indices on the underwriting risks.

For non-life underwriting risk, the difference between the risks of the internal model and the standard formula is very limited. The main categories are reflected in both models; similarly, there is no material risk that is covered by the standard formula but not by the internal model. The crucial difference lies in the modeling.

The longevity risk for pension obligations (for AGCS as a property and casualty insurer, it is limited to the longevity risks of the pension liabilities built up for the employees) and the business risk are covered exclusively by the internal model, but not by the standard formula. All other risk categories of the internal model are at least implicitly covered by the standard formula.

Contrary to the counterparty default risk module of the standard formula, the credit risk module of the internal model covers the entire bond and loan portfolio, as well as credit insurance risks (the latter are not relevant for AGCS SE). This approach allows diversification and concentration effects to be modeled across all credit-risk-related investments. The operational risk capital for the standard formula is calculated using a factor-based approach and in the internal model is based on Group-wide operational risk management (described in [section C.5](#)); this leads to adequate risk coverage.

Different data sources are used for the input data of the internal model and for the calibration of parameters (see also previous sections, in particular [section B](#)). Where appropriate, the input data is identical to the data used for other purposes, for example, for local or IFRS and market value-based accounting. The adequacy of this data is reviewed internally on a regular basis.

## **E.5 NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT**

Monitoring of the compliance of AGCS SE with the Minimum Capital Requirement and the Solvency Capital Requirement is an integral part of the capital management. Compliance is monitored regularly and reported once every quarter or on an ad-hoc basis to the Board of Management as required. AGCS SE's Minimum Capital Requirement and Solvency Capital Requirement were met during the entire reporting period.

## **E.6 OTHER INFORMATION**

All relevant disclosures on the capital management of AGCS SE are included in the preceding notes.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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Figure 2: Simplified overview of the structure of AGCS SE

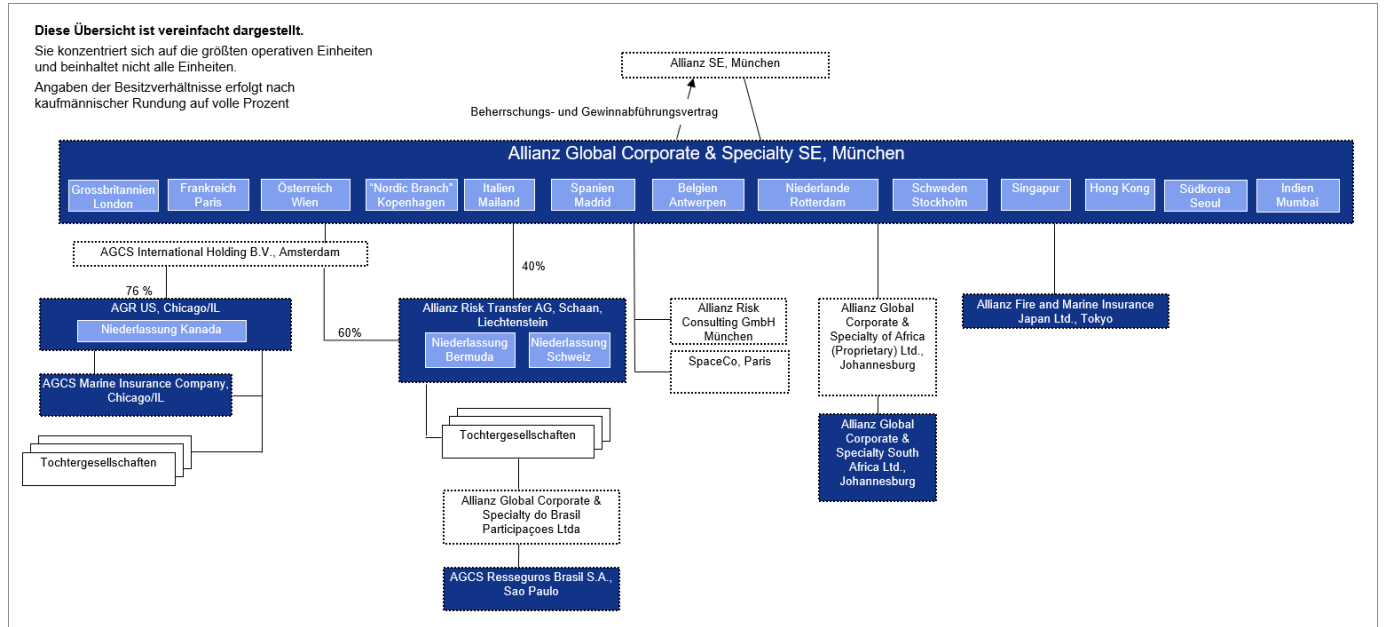




Figure 3: ORSA process

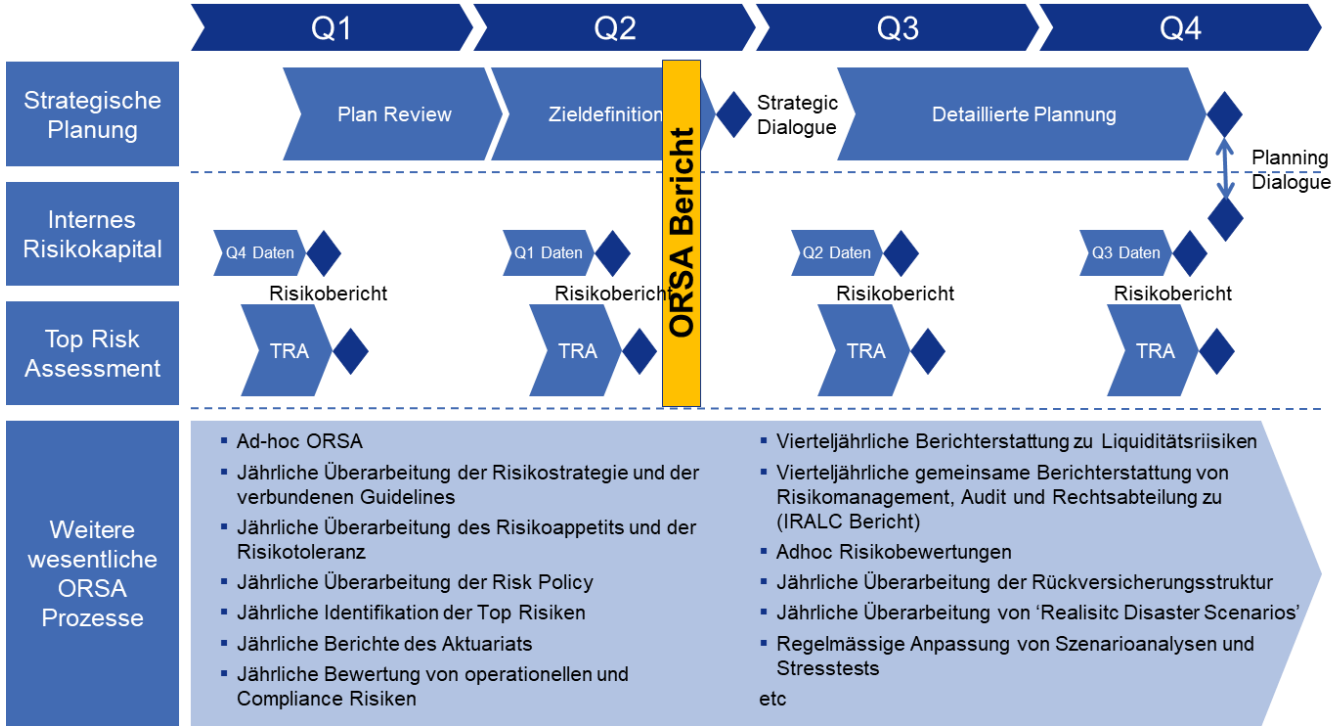


Table 35: Technical provisions

	Best estimate		
	Premium reserves		
	Gross	Amounts recoverable from reinsurance	Net
<b>Direct business</b>			
General liability insurance	126,493	214,319	-87,826
Fire and other property insurance	276,926	183,093	93,833
Marine, aviation and transport insurance	-12,608	32,740	-45,348
Miscellaneous financial losses	52,405	-199,590	251,995
Other insurances	12,949	11,314	1,635
<b>Subtotal</b>	<b>456,166</b>	<b>241,876</b>	<b>214,290</b>
<b>Proportional reinsurance accepted</b>			
General liability insurance	69,557	69,183	374
Fire and other property insurance	111,848	45,973	65,875
Marine, aviation and transport insurance	-6,155	8,823	-14,978
Miscellaneous financial losses	14,514	-22,374	36,889
Other insurances	2,279	832	1,447
<b>Subtotal</b>	<b>192,043</b>	<b>102,436</b>	<b>89,607</b>
<b>Non-proportional reinsurance accepted</b>			
Non-proportional health reinsurance	-	-	-
Non-proportional property reinsurance	4,135	21,541	-17,407
Non-proportional liability reinsurance	-2,814	6,762	-9,576
Non-proportional marine, aviation and transport reinsurance	-2,338	-13,794	11,456
<b>Subtotal</b>	<b>-1,016</b>	<b>14,509</b>	<b>-15,525</b>
<b>Total</b>	<b>647,192</b>	<b>358,820</b>	<b>288,372</b>

Best estimate						
Claims reserves						
Gross	Amounts recoverable from reinsurance	Net	Total gross	Total net	Risk margin	Net technical provisions
3,665,423	1,955,817	1,709,606	3,791,916	1,621,780	102,175	1,723,955
968,668	497,764	470,904	1,245,594	564,737	30,460	595,197
690,824	433,237	257,587	678,216	212,239	8,099	220,337
149,991	60,073	89,918	202,396	341,913	484	342,397
30,508	27,307	3,201	43,457	4,837	326	5,163
<b>5,505,415</b>	<b>2,974,198</b>	<b>2,531,216</b>	<b>5,961,581</b>	<b>2,745,506</b>	<b>141,544</b>	<b>2,887,050</b>
1,668,493	1,174,881	493,612	1,738,050	493,986	48,060	542,045
987,296	677,068	310,228	1,099,144	376,103	20,589	396,691
514,857	402,245	112,612	508,702	97,634	5,706	103,341
202,422	126,639	75,783	216,936	112,672	483	113,155
8,437	6,478	1,959	10,716	3,406	150	3,556
<b>3,381,505</b>	<b>2,387,311</b>	<b>994,194</b>	<b>3,573,548</b>	<b>1,083,801</b>	<b>74,987</b>	<b>1,158,788</b>
-	-	-	-	-	-	-
253,354	170,503	82,851	257,489	65,446	4,247	69,693
12,897	4,623	8,274	10,083	-1,301	194	-1,107
200,384	154,868	45,516	198,046	56,972	2,720	59,692
466,636	329,994	136,642	465,619	121,117	7,161	128,278
<b>9,353,556</b>	<b>5,691,504</b>	<b>3,662,052</b>	<b>10,000,748</b>	<b>3,950,424</b>	<b>223,692</b>	<b>4,174,116</b>

**Table 36: Main differences between Solvency II and the German Commercial Code (HGB) with regard to the valuation of the technical provisions and recoverable amounts from reinsurance contracts**

€ thou

	Technical provisions under HGB	Reclassification	Remeasurement of the premium reserve (undiscounted)
<b>Direct business</b>			
Medical expenses insurance	5 538	-834	-595
Workers' compensation insurance	-	-	-
Income protection insurance	1,182	-107	-463
Motor vehicle liability insurance	-584	-	-531
Other motor insurance	3805	11	-965
Marine, aviation and transport insurance	431,272	-73,801	-16,227
Fire and other property insurance	879,572	-207,006	89,225
General liability insurance	2,255,688	-244 317	-69 634
Legal expenses insurance	-	-	-
Assistance Insurance	15	-	-14
Credit and Suretyship Insurance	-	-	-
Miscellaneous financial losses	134,137	174,171	45,679
<b>Subtotal</b>	<b>3,710,624</b>	<b>-351,883</b>	<b>46,475</b>
<b>Proportional reinsurance accepted</b>			
Medical expenses insurance	4,818	-1,081	353
Workers' compensation insurance	-	-	-
Income protection insurance	73	-127	-76
Motor vehicle liability insurance	-	-	-
Other motor insurance	-	-	-
Marine, aviation and transport insurance	234,210	-19,284	-6,409
Fire and other property insurance	606,733	18,299	-121,958
General liability insurance	813,604	-54,224	1,268
Assistance Insurance	-	-	-
Miscellaneous financial losses	124,048	53,488	-39,573
<b>Subtotal</b>	<b>1,783,486</b>	<b>-2,929</b>	<b>-166,395</b>
<b>Non-proportional reinsurance accepted</b>			
Non-proportional health reinsurance	-	-	-
Non-proportional liability reinsurance	115,129	-36,693	-1,436
Non-proportional marine, aviation and transport reinsurance	9,581	-2,318	505
Non-proportional property reinsurance	147,081	-44,678	-39,417
<b>Subtotal</b>	<b>271,791</b>	<b>-83,690</b>	<b>-40,348</b>
<b>Total</b>	<b>5,765,900</b>	<b>-438,502</b>	<b>-160,268</b>

Remeasurement of the claims reserves (undiscounted)	Discounting the future cash flows	Adjusted for the counterparty default risk	Risk margin under Solvency II	Claims and similar reserves under HGB	Net technical provisions under Solvency II	Lower provisions under Solvency II compared to HGB
-190	-2	2	206	-1,423	2,701	2,837
-	-	-	-	-	-	-
-10	3	-	108	-	713	469
10	-8	2	1	-	-1,111	527
-21	15	3	12	-	2,860	945
-24,208	-3,408	314	8,099	-114,677	207,364	223,908
-77,569	-8,939	190	30,460	-108,278	597,654	281,918
-183,468	-36,533	1,066	102,174	-101,530	1,723,445	532,243
-	-	-	-	-	-	-
-	-	-	-	-	1	14
-	-	-	-	-	-	-
-23,250	-576	33	484	-	330,678	-196,541
<b>-308,706</b>	<b>-49,448</b>	<b>1,609</b>	<b>141,543</b>	<b>-325,908</b>	<b>2,864,305</b>	<b>846,319</b>
-	-	-	-	-	-	-
-413	-132	-	166	-	3,711	1,107
-	-	-	-	-	-	-
-9	1	-	-17	-	-155	228
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-15,792	-2,158	188	5,706	-93,120	103,341	130,869
-29,329	-3,286	213	20,589	-94,571	396,690	210,043
-66,284	-12,989	729	48,060	-188,118	542,046	271,558
-	-	-	-	-	-	-
-8,998	-833	65	483	-	128,680	-4,632
<b>-120,825</b>	<b>-19,397</b>	<b>1,195</b>	<b>74,987</b>	<b>-375,809</b>	<b>1,174,313</b>	<b>609,173</b>
-	-	-	-	-	-	-
-7,676	-3,156	61	4,247	-	70,476	44,653
-212	-161	-	194	-	7,589	1,992
-6,475	-1,826	30	2,721	-	57,436	89,645
-14,363	-5,143	91	7,162	-	135,500	136,291
<b>-443,895</b>	<b>-73,989</b>	<b>2,894</b>	<b>223,692</b>	<b>-701,716</b>	<b>4,174,118</b>	<b>1,591,783</b>

Figure 4: Structure of the internal model

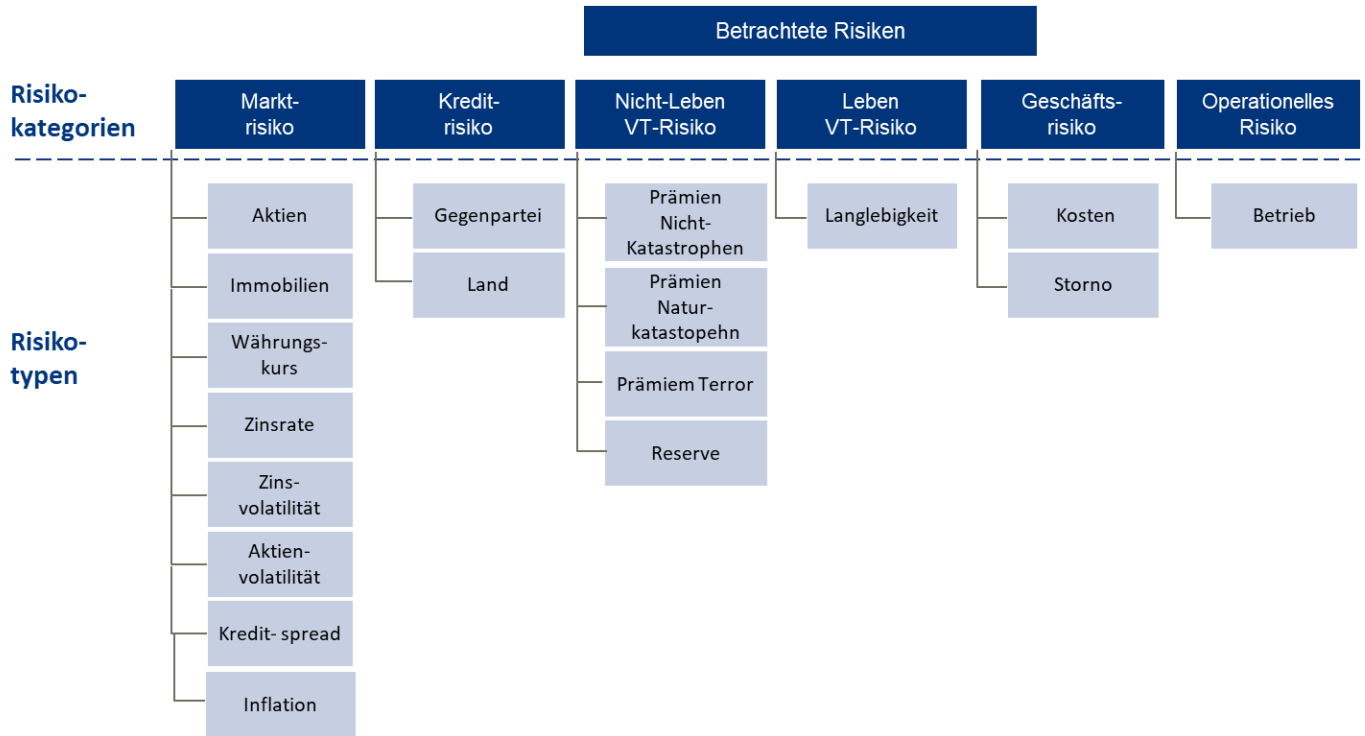


Figure 5: Structure of the standard model

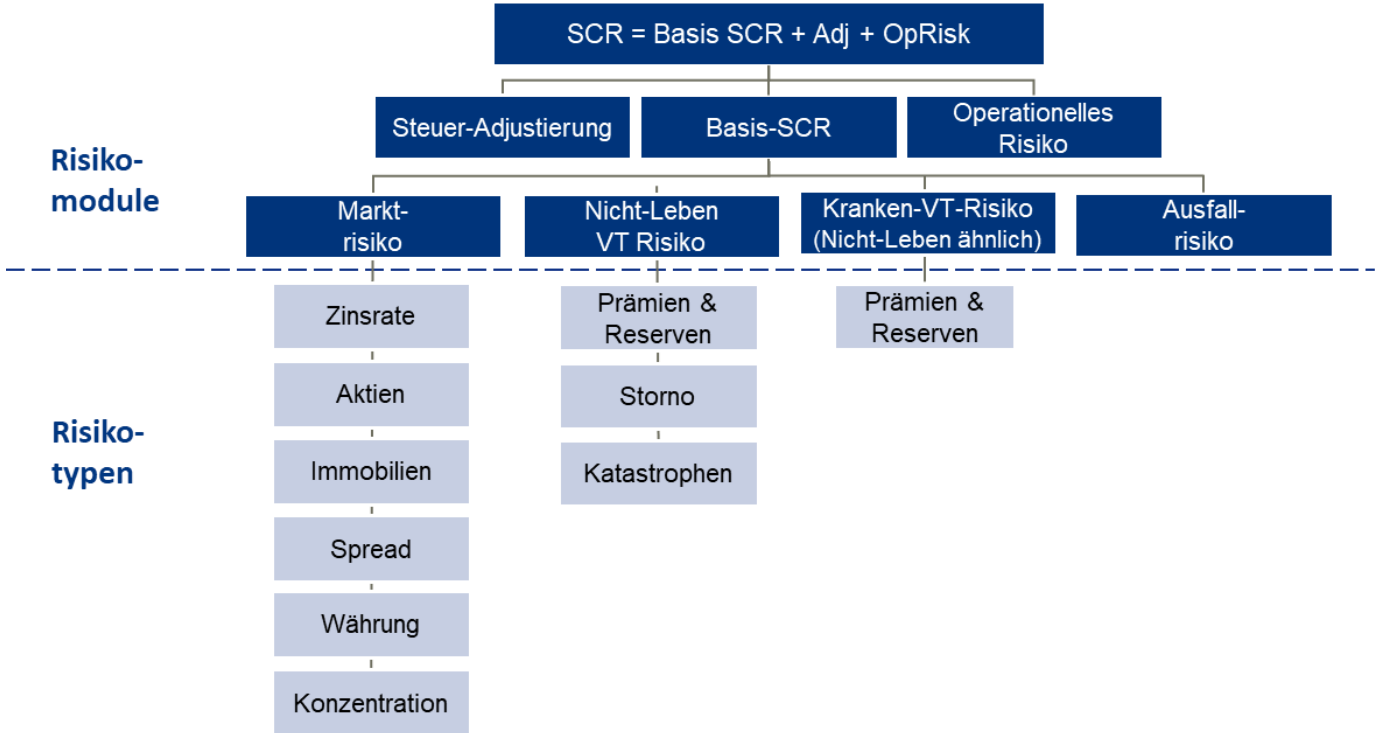


Table 37: Differences between the standard model and the internal model by risk module

Risk category/type	Standard formula	Internal model
Equities	<ul style="list-style-type: none"> <li>– 39% (excl. symmetric adjustment) for type 1 equities (liquid equities)</li> <li>– 49% (excl. symmetric adjustment) for type 2 equities (illiquid positions, such as private equity and non-strategic participations)</li> <li>– No volatility shock</li> <li>– 22% for strategic participations</li> </ul>	<ul style="list-style-type: none"> <li>– 30% - 60% for indices</li> <li>– 15% - 80% for private equity, depending on the risk classification</li> <li>– Volatility shock</li> <li>– 35% for strategic participations</li> </ul>
Interest rate	<ul style="list-style-type: none"> <li>– Up/down shock as a percentage change to the yield curve depending in maturities, min. up shock of 100 bps (1 bp = 0.01%)</li> <li>– No volatility shock</li> </ul>	<ul style="list-style-type: none"> <li>– Changes to the yield curve seen as twist, long-term shock of 65 bps</li> <li>– Volatility shock</li> </ul>
Real estate	<ul style="list-style-type: none"> <li>– 25% for all properties</li> </ul>	<ul style="list-style-type: none"> <li>– 15% - 35% for country-specific real estate indices</li> </ul>
Credit spread	<ul style="list-style-type: none"> <li>– Change in the net asset value as a result of an asset shock, which follows the prescribed method.</li> <li>– Bonds, loans and securitizations: Shocks dependent on the modified duration and credit rating</li> <li>– Credit derivatives: Shocks dependent on credit rating and use of the underlying financial instrument</li> </ul>	<ul style="list-style-type: none"> <li>– EU government bonds, AAA and AA rated non-EU government bonds, supranational bonds and mortgage loans are not exempt from the spread risk module</li> <li>– Shocks for securitizations that are calibrated in the internal model are lower than the standard formula shock, which can be as high as 100%</li> </ul>
Currency	<ul style="list-style-type: none"> <li>– +/- 25% for each currency, except for currencies pegged to the EUR</li> <li>– Worst-case scenario is selected for each currency</li> <li>– No diversification/netting of cross currencies</li> </ul>	<ul style="list-style-type: none"> <li>– 10% - 35% for individual currencies against the EUR</li> <li>– Diversification/netting between individual currencies</li> </ul>
Inflation	<ul style="list-style-type: none"> <li>– Not modeled in the standard formula according to the EIOPA guideline</li> </ul>	<ul style="list-style-type: none"> <li>– Parallel shock of the inflation curve of 100 bps to 200 bps for key currencies</li> </ul>
Concentration	<ul style="list-style-type: none"> <li>– Formula based on volume, rating and total assets</li> </ul>	<ul style="list-style-type: none"> <li>– Implicitly covered in the credit risk model</li> </ul>
Credit risk / counterparty default risk	<ul style="list-style-type: none"> <li>– Parameters and formula prescribed in level 2 text</li> <li>– Type 1: positions based on the standard formula on loss given default, loss distribution variance and default probabilities based on the credit quality</li> <li>– Type 2: positions based on the standard formula on predefined assumptions for the loss in value of the positions</li> <li>– Accrual of the credit risk positions: Equities and real estate are part of the concentration risk sub-module and the counterparty default risk module does not include any bond portfolio</li> </ul>	<ul style="list-style-type: none"> <li>– Results of the group credit risk of the internal model are based on current model credit risk settings and current market and position data</li> <li>– Credit risk capital calculated on 99.5% loss quantile</li> <li>– Accrual of the credit risk positions: Investment portfolio (excluding equities and real estate), reinsurance exposures, credit insurance exposures [not relevant for AGCS SE]</li> <li>– Taking into account the differences between the positions, it does not make sense to draw a comparison between the capital requirements of the internal model and the standard formula</li> </ul>
Underwriting risk Life and health	<p>[not relevant for AGCS SE]</p> <ul style="list-style-type: none"> <li>– Mortality risk: 15% increase in mortality rates, 0.15% mortality calamity</li> <li>– Longevity risk: 20% decline in mortality rate</li> <li>– Morbidity risk: 35% increase in the first year, thereafter 25%</li> <li>– Termination risk: 50% up/down shock and 70%/40% mass termination shock dependent on business type (private clients / corporate customers)</li> <li>– Cost risk: 10% increase in costs +1% increase in cost inflation</li> </ul>	<p>[Only the longevity risk is relevant for AGCS SE for modeling the German pension commitments]</p> <ul style="list-style-type: none"> <li>– Mortality risk: Based on company experience, 0.15% mortality calamity</li> <li>– Longevity risk: Modified Lee-Carter model</li> <li>– Morbidity risk: Based on company experience</li> <li>– Termination risk: Shocks are calibrated from historical data. Standard mass termination shock equates to the higher of the two-fold annual termination rate or 20%; country-specific calibration possible</li> <li>– Cost risk: As standard formula but entity-specific calibration possible. In addition, the internal model includes new business risk, which is not modeled in the standard formula</li> </ul>
Non-life underwriting risk	<ul style="list-style-type: none"> <li>– Factors applied to volume</li> <li>– Separate volatility factors defined for premiums and reserves and for different insurance lines</li> <li>– Correlation between insurance lines defined by EIOPA</li> <li>– Geographical diversification prescribed based on 18 regions</li> <li>– Termination shock – 40% termination ratio of the contracts exposed to a termination risk</li> <li>– Catastrophe risks – fact-based, broken down into four modules: Natural catastrophes, non-proportional building reinsurance, man-made and other</li> <li>– Separate approach for the health-catastrophe risk (mass accident, concentrated accident, pandemic module)</li> </ul>	<ul style="list-style-type: none"> <li>– Premium and reserve risk is calculated on the basis of actuarial models and reflects the company-specific situation significantly better</li> <li>– Reinsurance modeling for catastrophe and non-catastrophe risk is much more advanced in the internal model</li> <li>– Different aggregation methods: Gauß-Copula approach with aggregation of the different distributions</li> <li>– Catastrophe risk is calculated using probabilistic models based on scientific approaches</li> <li>– Termination risk focuses on covering the costs</li> <li>– Cost risk in the risk of not underwriting sufficient business to cover the acquisition costs</li> </ul>
Loss-absorbing capacity of taxes	<ul style="list-style-type: none"> <li>– The adjustment is equal to the change in value of deferred taxes resulting from an immediate loss of an amount equal to the Basic SCR + operational risk + adjustment for the loss-absorbing capacity of technical provisions</li> </ul>	<ul style="list-style-type: none"> <li>– Adjustment is calculated using the same approach as with the standard formula, albeit with a different direct shock.</li> </ul>
Loss-absorbing capacity of the technical provisions	<p>[not relevant for AGCS SE]</p> <ul style="list-style-type: none"> <li>– Ensures that for participating business there is no multiple usage of the future discretionary buffers (FDB)</li> <li>– BSCR (Basic Solvency Capital Requirement) is calculated with and without allowance for FDB and the difference is limited to the current value of the FDB</li> </ul>	<ul style="list-style-type: none"> <li>– Risk capital is calculated directly on a net basis; hence no adjustment is made</li> </ul>
Intangible asset risk	<p>[not relevant for AGCS SE]</p> <ul style="list-style-type: none"> <li>– 80% of intangible assets recognized</li> </ul>	<ul style="list-style-type: none"> <li>– Intangible asset risk is not covered by the internal model</li> </ul>



Risk category/type	Standard formula	Internal model
Operational risks	<ul style="list-style-type: none"> <li>- Factor-based approach based on earned premiums and technical provisions</li> </ul>	<ul style="list-style-type: none"> <li>- Scenario-based risk model</li> <li>- Risk identification within each operating entity</li> <li>- Model based on the aggregation of loss frequency and loss severity distributions</li> </ul>
Aggregation	<ul style="list-style-type: none"> <li>- Simple correlation approach</li> </ul>	<ul style="list-style-type: none"> <li>- Central parameter setting</li> <li>- (correlations/geographical hierarchy, risk capital add-ons, risk measurement and aggregation keys)</li> <li>- Correlation matrix algorithm aggregation model (Copula approach)</li> <li>- Aggregation hierarchy</li> </ul>

# APPENDICES

## APPENDIX 1 QRT SE.02.01.02

### Balance sheet

€ thou

		Solvency II value C0010
<b>ASSETS</b>		
Intangible assets	R0030	-
Deferred tax assets	R0040	74,585
Pension benefit surplus	R0050	-
Property, plant and equipment held for own use	R0060	53,801
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	9,416,294
Real estate (other than for own use)	R0080	160,284
Shares in affiliated companies, including participations	R0090	2,796,258
Equities	R0100	-
Equities – listed	R0110	-
Equities – unlisted	R0120	-
Bonds	R0130	3,715,671
Government bonds	R0140	1,805,565
Corporate bonds	R0150	1,712,987
Structured notes	R0160	-
Collateralized securities	R0170	197,119
Collective investment undertakings	R0180	2,687,124
Derivatives	R0190	38,412
Deposits other than cash equivalents	R0200	18,545
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	-
Loans and mortgages	R0230	552,759
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	552,759
Amounts recoverable from reinsurance contracts of:	R0270	6,050,324
Non-life and health similar to non-life	R0280	6,050,324
Non-life excluding health	R0290	6,034,219
Health similar to non-life	R0300	16,106
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	-
Health similar to life	R0320	-
Life excluding health and index-linked and unit-linked	R0330	-
Life index-linked and unit-linked	R0340	-
Deposit receivables	R0350	108,007
Receivables from policyholders and intermediaries	R0360	951,438
Reinsurance receivables	R0370	218,222
Receivables (trade, not insurance)	R0380	559,398
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	236,473
Other assets not reported elsewhere	R0420	4,405
<b>Total assets</b>	<b>R0500</b>	<b>18,225,706</b>

€ thou

		Solvency II value C0010
<b>LIABILITIES</b>		
Technical provisions – non-life insurance	R0510	10,224,440
Technical provisions – non-life insurance (except health insurance)	R0520	10,201,365
Technical provisions calculated as a whole	R0530	-
Best estimate	R0540	9,978,137
Risk margin	R0550	223,229
Technical provisions – health insurance (similar to non-life)	R0560	23,075
Technical provisions calculated as a whole	R0570	-
Best estimate	R0580	22,612
Risk margin	R0590	463
Technical provisions – life insurance (excluding health and index-linked and unit-linked)	R0600	-
Technical provisions – health insurance (similar to life)	R0610	-
Technical provisions calculated as a whole	R0620	-
Best estimate	R0630	-
Risk margin	R0640	-
Technical provisions – life insurance (excluding health and index-linked and unit-linked)	R0650	-
Technical provisions calculated as a whole	R0660	-
Best estimate	R0670	-
Risk margin	R0680	-
Technical provisions – index-linked and unit-linked	R0690	-
Technical provisions calculated as a whole	R0700	-
Best estimate	R0710	-
Risk margin	R0720	-
Other technical provisions	R0730	-
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	189,023
Pension payment obligations	R0760	160,931
Deposits retained on ceded business	R0770	3,154,315
Deferred tax liabilities	R0780	6,516
Derivatives	R0790	12,680
Liabilities to banks	R0800	-
Financial liabilities other than debts owed to credit institution	R0810	40,756
Insurance & intermediaries payable	R0820	603,585
Reinsurance payables	R0830	286,024
Payables (trade, not insurance)	R0840	116,073
Subordinated liabilities	R0850	-
Subordinated liabilities not in basic own funds	R0860	-
Subordinated liabilities in basic own funds	R0870	-
Other liabilities not shown elsewhere	R0880	326,369
<b>Total liabilities</b>	<b>R0900</b>	<b>15,120,712</b>
<b>Excess of assets over liabilities</b>	<b>R1000</b>	<b>3,104,994</b>

## QRT S.05.01.0

## Premiums, claims and expenses by line of business

		Line of business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)		
		Medical expenses insurance C0010	Income protection insurance C0020	Workers' compensation insurance C0030
<b>Premiums written</b>				
Gross – Direct business	R0110	16,397	2,987	-
Gross – Proportional reinsurance accepted	R0120	5,503	1,462	-
Gross – Non-proportional reinsurance accepted	R0130	-	-	-
Reinsurers' share	R0140	16,706	2,989	-
Net	R0200	5,193	1,460	-
<b>Premiums earned</b>				
Gross – Direct business	R0210	14,859	2,971	-
Gross – Proportional reinsurance accepted	R0220	4,882	1,494	22
Gross – Non-proportional reinsurance accepted	R0230	-	-	-
Reinsurers' share	R0240	14,817	3,028	17
Net	R0300	4,923	1,438	5
<b>Claims incurred</b>				
Gross – Direct business	R0310	5,968	95	-
Gross – Proportional reinsurance accepted	R0320	187	-388	-95
Gross – Non-proportional reinsurance accepted	R0330	-	-	-
Reinsurers' share	R0340	5,753	22	-95
Net	R0400	403	-315	-
<b>Change in other technical provisions</b>				
Gross – Direct business	R0410	34	-16	-
Gross – Proportional reinsurance accepted	R0420	-	-	-
Gross – Non-proportional reinsurance accepted	R0430	-	-	-
Reinsurers' share	R0440	30	-16	-
Net	R0500	4	-	-
<b>Expenses incurred</b>	<b>R0550</b>	<b>1,878</b>	<b>1,697</b>	<b>-</b>
<b>Other expenses</b>	<b>R1200</b>			
<b>Total expenses</b>	<b>R1300</b>			

Line of business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)					
Motor vehicle liability insurance C0040	Other motor insurance C0050	Marine, aviation and transport insurance C0060	Fire and other property insurance C0070	General liability insurance C0080	Credit and suretyship insurance C0090
8,568	15,175	450,562	1,042,112	1,105,395	-
3,495	-	168,938	974,734	471,766	-
<del>12,063</del>	<del>15,185</del>	<del>386,822</del>	<del>1,497,670</del>	<del>952,212</del>	<del>-</del>
-	-10	232,677	519,177	624,949	-
7,538	14,869	448,751	1,004,985	1,050,301	-
3,496	-	175,217	921,994	474,659	-
<del>11,414</del>	<del>15,314</del>	<del>389,286</del>	<del>1,431,610</del>	<del>917,171</del>	<del>-</del>
-380	-445	234,682	495,368	607,789	-
1,263	4,059	146,564	410,643	332,964	-13
198	-	-26,597	408,920	160,908	-
<del>1,452</del>	<del>4,299</del>	<del>10,711</del>	<del>549,491</del>	<del>185,118</del>	<del>-13</del>
10	-239	109,256	270,071	308,754	-
21	5	-415	2,375	750	-
-	-	-	-	-	-
<del>21</del>	<del>6</del>	<del>-319</del>	<del>2,112</del>	<del>-10</del>	<del>-</del>
-	-	-97	264	760	-
<b>-548</b>	<b>1,350</b>	<b>114,404</b>	<b>174,874</b>	<b>238,062</b>	<b>-</b>
<del></del>	<del></del>	<del></del>	<del></del>	<del></del>	<del></del>
<del></del>	<del></del>	<del></del>	<del></del>	<del></del>	<del></del>

€ thou		Line of business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)		
2021		Legal expenses insurance C0100	Assistance C0110	Miscellaneous financial losses C0120
<b>Premiums written</b>				
Gross – Direct business	R0110	-	-9	175,712
Gross – Proportional reinsurance accepted	R0120	-	-	178,506
Gross – Non-proportional reinsurance accepted	R0130			
Reinsurers' share	R0140	-	-9	278,850
Net	R0200	-	-	75,367
<b>Premiums earned</b>				
Gross – Direct business	R0210	-	-	179,412
Gross – Proportional reinsurance accepted	R0220	-	-	186,156
Gross – Non-proportional reinsurance accepted	R0230			
Reinsurers' share	R0240	-	-2	281,478
Net	R0300	-	2	84,091
<b>Claims incurred</b>				
Gross – Direct business	R0310	-	-63	260,584
Gross – Proportional reinsurance accepted	R0320	-	-	175,261
Gross – Non-proportional reinsurance accepted	R0330			
Reinsurers' share	R0340	-	-63	322,729
Net	R0400	-	-	113,116
<b>Change in other technical provisions</b>				
Gross – Direct business	R0410	-	-8	398
Gross – Proportional reinsurance accepted	R0420	-	-	-
Gross – Non-proportional reinsurance accepted	R0430			
Reinsurers' share	R0440	-	-8	1,443
Net	R0500	-	-	-1,045
<b>Expenses incurred</b>	<b>R0550</b>	<b>-</b>	<b>368</b>	<b>67,452</b>
<b>Other expenses</b>	<b>R1200</b>			
<b>Total expenses</b>	<b>R1300</b>			

Line of business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)					Total
Health	Casualty	Marine, aviation and transport insurance	Property		
C0130	C0140	C0150	C0160		C020
					2,816,898
					1,804,404
-	68,135	42,820	238,502		349,457
-	46,409	40,983	139,734		3,389,614
-	21,726	1,836	98,768		1,581,145
					2,723,685
					1,767,919
-	70,504	44,450	251,909		366,862
-	49,563	42,279	152,531		3,308,506
-	20,940	2,170	99,378		1,549,961
					1,162,064
					718,394
-24	48,406	-5,605	97,978		140,755
-24	47,188	-17,691	83,934		1,192,811
-	1,217	12,086	14,044		828,402
					3,144
					-
-	-	-	-		-
-	-	-	-		3,259
-	-	-	-		-115
-	<b>-1,957</b>	<b>-235</b>	<b>8,139</b>		<b>605,485</b>
					-
					<b>605 485</b>

€ thou		Line of business for: life insurance obligations		
		Health Insurance C0210	Insurance with profit participation C0220	Index-linked and unit-linked insurance C0230
<b>Premiums written</b>				
Gross	R1410	-	-	-
Reinsurers' share	R1420	-	-	-
Net	R1500	-	-	-
<b>Premiums earned</b>				
Gross	R1510	-	-	-
Reinsurers' share	R1520	-	-	-
Net	R1600	-	-	-
<b>Claims incurred</b>				
Gross	R1610	-	-	-
Reinsurers' share	R1620	-	-	-
Net	R1700	-	-	-
<b>Change in other technical provisions</b>				
Gross	R1710	-	-	-
Reinsurers' share	R1720	-	-	-
Net	R1800	-	-	-
<b>Expenses incurred</b>	<b>R1900</b>	-	-	-
<b>Other expenses</b>	<b>R2500</b>	-	-	-
<b>Total expenses</b>	<b>R2600</b>	-	-	-





## QRT S.05.02.01

## Premiums, claims and expenses by country

€ thou		Country of origin	Top five countries (by amount of gross premiums written) – non-life obligations	
			United States	United Kingdom
			C0090	C0100
	R0010	<del>XXXXXXXXXX</del>		
		C0080		
<b>Premiums written</b>				
Gross – Direct business	R0110	687,837	314,110	647,587
Gross – Proportional reinsurance accepted	R0120	82,263	399,386	57,918
Gross – Non-proportional reinsurance accepted	R0130	18,694	179,026	15,128
Reinsurers' share	R0140	749,114	770,498	298,757
Net	R0200	39,680	122,024	421,875
<b>Premiums earned</b>				
Gross – Direct business	R0210	700,612	298,418	623,949
Gross – Proportional reinsurance accepted	R022	82,418	403,657	47,820
Gross – Non-proportional reinsurance accepted	R0230	23,090	193,369	5,803
Reinsurers' share	R0240	748,710	781,033	276,349
Net	R0300	57,410	114,410	401,223
<b>Claims incurred</b>				
Gross – Direct business	R0310	344,398	51,563	432,843
Gross – Proportional reinsurance accepted	R0320	-4,121	314,101	-33,559
Gross – Non-proportional reinsurance accepted	R0330	-1,572	115,861	-59,327
Reinsurers' share	R0340	295,750	385,947	863
Net	R0400	42,954	95,578	339,093
<b>Change in other technical provisions</b>				
Gross – Direct business	R0410	-1,191	1,740	749
Gross – Proportional reinsurance accepted	R0420	-	-	-
Gross – Non-proportional reinsurance accepted	R0430	-	-	-
Reinsurers' share	R0440	58	1,587	268
Net	R0500	-1,249	153	480
<b>Expenses incurred</b>	<b>R0550</b>	<b>33,642</b>	<b>87,936</b>	<b>134,718</b>
<b>Other expenses</b>	<b>R1200</b>	<del>XXXXXXXXXX</del>	<del>XXXXXXXXXX</del>	<del>XXXXXXXXXX</del>
<b>Total expenses</b>	<b>R1300</b>	<del>XXXXXXXXXX</del>	<del>XXXXXXXXXX</del>	<del>XXXXXXXXXX</del>

Top five countries (by amount of gross premiums written) – non-life obligations			Total top 5 countries and country of origin
France C0110	China C0120	Liechtenstein C0130	C0140
445,155	109,525	13	2,204,227
23,871	108,798	165,207	837,443
854	5,552	13,875	233,129
249,467	153,502	157,088	2,378,426
220,414	70,373	22,007	896,372
421,106	102,910	13	2,147,008
25,137	100,786	154,402	814,219
857	5,457	16,503	245,079
237,866	141,661	146,617	2,332,237
209,233	67,492	24,301	874,069
49,583	33,737	-	912,124
21,405	67,191	31,732	396,747
5,757	886	7,812	69,416
71,860	76,099	39,091	869,609
4,884	25,715	453	508,678
309	83	-	1,690
-	-	-	-
-	-	-	-
321	28	-	2,262
-12	55	-	-572
<b>72,546</b>	<b>36,328</b>	<b>19,719</b>	<b>384,890</b>
			-
			<b>384,890</b>

€ thou		Country of origin	Top five countries (by amount of gross premiums written) – non-life obligations		
			C0150	C0160	C0170
	R1410	<del>C0150</del>	United States	United Kingdom	
		C0220	C0230	C0240	
<b>Premiums written</b>					
Gross	R1410	-	-	-	-
Reinsurers' share	R1420	-	-	-	-
Net	R1500	-	-	-	-
<b>Premiums earned</b>					
Gross	R1510	-	-	-	-
Reinsurers' share	R1520	-	-	-	-
Net	R1600	-	-	-	-
<b>Claims incurred</b>					
Gross	R1610	-	-	-	-
Reinsurers' share	R1620	-	-	-	-
Net	R1700	-	-	-	-
<b>Change in other technical provisions</b>					
Gross	R1710	-	-	-	-
Reinsurers' share	R1720	-	-	-	-
Net	R1800	-	-	-	-
<b>Expenses incurred</b>	<b>R1900</b>	-	-	-	-
<b>Other expenses</b>	<b>R2500</b>	<del>C0150</del>	<del>C0160</del>	<del>C0170</del>	<del>C0170</del>
<b>Total expenses</b>	<b>R2600</b>	<del>C0220</del>	<del>C0230</del>	<del>C0240</del>	<del>C0240</del>

Top five countries (by amount of gross premiums written) – non-life obligations			Total top 5 countries and country of origin
C0180	C0190	C0200	C0210
France	China	Liechtenstein	
C0250	C0260	C0270	C0280
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

## APPENDIX 4 QRT S.12.01.12

### Technical provisions in life and in health similar to life

This notification sheet is not relevant for AGCS SE

## QRT S.17.01.02

## Technical provisions – non-life insurance

€ thou

		Direct business and proportional reinsurance accepted			
		Medical expenses insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance
		C0020	C0030	C0040	C0050
<b>Technical provisions calculated as a whole</b>	<b>R0010</b>	-	-	-	-
Total amounts recoverable from reinsurance/due to special purpose vehicles and financial reinsurers, after adjustment for expected losses from counterparty defaults for technical provisions calculated as a whole	R0050	-	-	-	-
<b>Technical provisions calculated as the sum of best estimate and risk margin</b>					
<b>Best estimate</b>					
Premium reserves					
Gross	R0060	7,441	538	-	2,530
Total amounts recoverable from reinsurance/due to special purpose vehicles and financial reinsurers, after adjustment for expected losses from counterparty defaults	R0140	5,057	585	-	2,273
Best estimate (net) for premium reserves	R0150	2,384	-47	-	256
<b>Claims reserves</b>					
Gross	R0160	11,597	3,035	-	8,823
Total amounts recoverable from reinsurance/due to special purpose entities and financial reinsurers, after adjustment for expected losses from counterparty defaults	R0240	7,942	2,521	-	10,192
Best estimate (net) for claims reserves	R0250	3,655	514	-	-1,368
<b>Best estimate total – gross</b>	<b>R0260</b>	<b>19,039</b>	<b>3,573</b>	<b>-</b>	<b>11,353</b>
<b>Best estimate total – net</b>	<b>R0270</b>	<b>6,040</b>	<b>467</b>	<b>-</b>	<b>-1,112</b>
<b>Risk margin</b>	<b>R0280</b>	<b>372</b>	<b>91</b>	<b>-</b>	<b>1</b>
<b>Extent of transitional measures on technical provisions</b>					
Technical provisions calculated as a whole	R0290	-	-	-	-
Best estimate	R0300	-	-	-	-
Risk margin	R0310	-	-	-	-
<b>Technical provisions – total</b>					
Technical provisions – total	R0320	19,410	3,665	-	11,354
Amounts recoverable from reinsurance/due to special purpose vehicles and financial reinsurers, after adjustment for expected losses from counterparty defaults – total	R0330	12,999	3,107	-	12,465
Technical provisions less the amounts recoverable from reinsurance/due to special purpose vehicles and financial reinsurers – total	R0340	6,412	558	-	-1,111

Direct business and proportional reinsurance accepted				
Other motor insurance	Marine, aviation and transport insurance	Fire and other property insurance	General liability insurance	Credit and suretyship insurance
C0060	C0070	C0080	C0090	C0100
-	-	-	-	-
-	-	-	-	-
4,716	-18,769	391,480	195,278	-
4,227	50,252	229,516	283,502	-
489	-69,021	161,965	-88,223	-
15,425	1,205,682	1,955,964	5,333,916	-
13,066	835,482	1,174,833	3,130,698	-
2,359	370,199	781,131	2,203,218	-
<b>20,141</b>	<b>1,186,913</b>	<b>2,347,445</b>	<b>5,529,195</b>	-
<b>2,848</b>	<b>301,179</b>	<b>943,096</b>	<b>2,114,995</b>	-
<b>12</b>	<b>13,805</b>	<b>48,202</b>	<b>150,186</b>	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
20,153	1,200,717	2,395,647	5,679,381	-
17,292	885,734	1,404,348	3,414,200	-
2,860	314,983	991,299	2,265,181	-



€ thou

		Direct business and proportional reinsurance accepted		
		Legal expenses insurance C0110	Assistance C0120	Miscellaneous financial losses C0130
<b>Technical provisions calculated as a whole</b>	<b>R0010</b>	-	-	-
Total amounts recoverable from reinsurance/due to special purpose vehicles and financial reinsurers, after adjustment for expected losses from counterparty defaults for technical provisions calculated as a whole	R0050	-	-	-
<b>Technical provisions calculated as the sum of best estimate and risk margin</b>				
<b>Best estimate</b>				
Premium reserves				
Gross	R0060	-	4	66,920
Total amounts recoverable from reinsurance contracts/due to special purpose vehicles and financial reinsurers, after adjustment for expected losses from counterparty defaults	R0140	-	4	-221,964
Best estimate (net) for premium reserves	R0150	-	-	288 883
<b>Claims reserves</b>				
Gross	R0160	-	64	352,413
Total amounts recoverable from reinsurance/due to special purpose entities and financial reinsurers, after adjustment for expected losses from counterparty defaults	R0240	-	64	186,712
Best estimate (net) for claims reserves	R0250	-	-	165,701
<b>Best estimate total – gross</b>	<b>R0260</b>	<b>-</b>	<b>68</b>	<b>419,333</b>
<b>Best estimate total – net</b>	<b>R0270</b>	<b>-</b>	<b>-</b>	<b>454,585</b>
<b>Risk margin</b>	<b>R0280</b>	<b>-</b>	<b>-</b>	<b>967</b>
<b>Extent of transitional measures on technical provisions</b>				
Technical provisions calculated as a whole	R0290	-	-	-
Best estimate	R0300	-	-	-
Risk margin	R0310	-	-	-
<b>Technical provisions – total</b>				
Technical provisions – total	R0320	-	68	420,300
Amounts recoverable from reinsurance/due to special purpose vehicles and financial reinsurers, after adjustment for expected losses from counterparty defaults – total	R0330	-	68	-35,252
Technical provisions less the amounts recoverable from reinsurance/due to special purpose entities and financial reinsurers – total	R0340	-	-	455,552

€ thou

Non-proportional health insurance	Direct business and proportional reinsurance accepted			Total non-life obligations
	Non-proportional liability reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
C0140	C0150	C0160	C0170	C0180
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	4,907	-2,807	-5,045	647,192
-	21,541	-1,927	-14,244	358,820
-	-16,634	-880	9,199	288,372
-	-	-	-	-
-	253,354	12,897	200,384	9,353,556
-	170,503	4,623	154,868	5,691,504
-	82,851	8,274	45,516	3,662,052
-	<b>258,261</b>	<b>10,090</b>	<b>195,340</b>	<b>10,000,748</b>
-	<b>66,217</b>	<b>7,394</b>	<b>54,715</b>	<b>3,950,424</b>
-	<b>4,295</b>	<b>193</b>	<b>5,567</b>	<b>223,692</b>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	262,555	10,283	200,907	10,224,440
-	192,043	2,696	140,624	6,050,324
-	70,512	7,587	60,283	4,174,116

## APPENDIX 6 QRT S.19.01.21

## Claims from non-life

## Total non-life business

Damage year/underwriting year	Z0010	Damage year

## Gross claims paid (not accumulated) – (absolute amount)

€ thou

	Year	Development year										
		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Before	R0100											26,558
N-9	R0160	308,633	728,398	303,909	165,596	110,586	83,671	32,009	19,922	60,978	11,181	
N-8	R0170	266,462	492,417	297,877	129,487	122,908	42,943	51,657	15,907	27,176		
N-7	R0180	320,391	743,333	576,361	118,355	94,131	88,778	80,953	26,296			
N-6	R0190	419,195	603,967	379,205	253,362	170,140	130,729	77,195				
N-5	R0200	293,230	1,000,996	333,062	238,865	206,966	194,351					
N-4	R0210	356,695	1,219,624	556,012	297,973	87,835						
N-3	R0220	328,157	864,667	477,201	268,934							
N-2	R0230	390,138	766,625	546,234								
N-1	R0240	449,943	865,213									
N	R0250	427,346										

€ thou

		In the current year	Total years (accumulated)
		C0170	C0180
	R0100	26,558	26,558
	R0160	11,181	1,824,884
	R0170	27,176	1,446,835
	R0180	26,296	2,048,598
	R0190	77,195	2,033,794
	R0200	194,351	2,267,470
	R0210	87,835	2,265,181
	R0220	268,934	1,938,960
	R0230	546,234	1,702,997
	R0240	865,213	1,315,156
	R0250	427,346	427,346
<b>Total</b>	<b>R0260</b>	<b>2,558,319</b>	<b>17,550,737</b>

**Best estimate (gross) for undiscounted claims reserves – (absolute amount)**

€ thou

	Year	Development year										
		0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Before	R0100											508,520
N-9	R0160	2,203,773	1,381,746	977,191	700,216	488,762	338,733	256,385	228,596	132,147	136,438	
N-8	R0170	1,731,246	1,323,285	942,764	661,299	427,742	278,371	256,714	191,671	178,896		
N-7	R0180	2,255,122	1,730,650	904,957	602,996	411,864	335,522	232,337	223,203			
N-6	R0190	2,295,642	1,687,327	1,118,636	803,410	667,942	491,147	431,725				
N-5	R0200	2,393,913	1,674,636	1,184,031	930,868	748,185	575,446					
N-4	R0210	2,913,861	2,075,760	1,359,441	980,035	894,282						
N-3	R0220	2,328,539	1,683,973	1,286,176	982,487							
N-2	R0230	2,523,110	1,927,086	1,412,564								
N-1	R0240	2,656,983	1,715,863									
N	R0250	2,480,773										

€ thou

	Year end (discounted data)
	C0360
	R0100
	507,910
	R0160
	135,149
	R0170
	177,362
	R0180
	220,990
	R0190
	426,666
	R0200
	564,372
	R0210
	878,659
	R0220
	918,655
	R0230
	1,389,659
	R0240
	1,703,834
	R0250
	2,430,301
<b>Total</b>	<b>R0260</b>
	<b>9,353,556</b>

## APPENDIX 7 QRT S.05.02.01 COMPRESSED

## Impact of long-term guarantees and transitional measures

€ thou

		Amount with long-term guarantees and transitional measures	Impact of transitional measures on technical provisions	Impact of transitional measures on interest rates	Impact of reducing the volatility adjustment to zero	Impact of reducing the matching adjustment to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	10,224,440	-	-	23,948	-
Basic own funds	R0020	3,104,994	-	-	-7,449	-
Eligible own funds to meet SCR	R0050	3,104,994	-	-	-7,449	-
SCR	R0090	2,061,500	-	-	37,196	-
Eligible own funds to meet MCR	R0100	3,030,410	-	-	-9,218	-
Minimum capital requirement	R0110	624,192	-	-	1,182	-

## QRT S.23.01.01

## Own funds

€ thou

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
<b>Basic own funds before deduction for participations in other financial sectors within the meaning of Article 68 of Delegated Regulation 2015/35</b>						
Share capital (gross of own shares)	R0010	36,741	36,741		-	
Share premium related to share capital	R0030	537,434	537,434		-	
Initial funds, members' contributions or the equivalent basic own fund item with mutual and mutual-type undertakings	R0040	-	-		-	
Subordinated mutual member accounts	R0050	-				
Surplus funds	R0070	-	-			
Preference shares	R0090	-		-	-	-
Share premium related to preference shares	R0110	-		-	-	-
Reconciliation reserve	R0130	2,456,235	2,456,235			
Subordinated liabilities	R0140	-		-	-	-
Amount equal to the value of net deferred tax assets	R0160	74,585				
Other own fund items approved by supervisory authority as basic own funds not specified above	R0180	-	-	-	-	-
<b>Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds</b>						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	-				
<b>Deductions</b>						
Deductions for participations in banks and other financial institutions	R0230	-				
<b>Total basic own funds after deductions</b>	<b>R0290</b>	<b>3,104,994</b>	<b>3,030,410</b>	<b>-</b>	<b>-</b>	<b>74,585</b>
<b>Ancillary own funds</b>						
Unpaid and uncalled share capital callable on demand	R0300	-			-	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item with mutual and mutual-type undertakings, callable on demand	R0310	-			-	
Unpaid and uncalled preference shares callable on demand	R0320	-			-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-			-	-
Letters of credit and guarantees under Article 96(2) of Directive 2009/138/EC	R0340	-			-	
Letters of credit and guarantees other than under Article 96(2) of Directive 2009/138/EC	R0350	-			-	-
Supplementary members calls under subparagraph 1 of Article 96(3) of Directive 2009/138/EC	R0360	-			-	
Supplementary members calls other than under subparagraph 1 of Article 96(3) of Directive 2009/138/EC	R0370	-			-	-
Other ancillary own funds	R0390	-			-	-
<b>Total ancillary own funds</b>	<b>R0400</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

€ thou

		Total	Tier 1 not restricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
<b>Eligible own funds</b>						
Total eligible own funds to meet the SCR	R0500	3,104,994	3,030,410	-	-	74,585
Total eligible own funds to meet the MCR	R0510	3,030,410	3,030,410	-	-	
Total eligible own funds to meet the SCR	R0540	3,104,994	3,030,410	-	-	74,585
Total eligible own funds to meet the MCR	R0550	3,030,410	3,030,410	-	-	
<b>Solvency Capital Requirement</b>	<b>R0580</b>	<b>2,061,500</b>				
<b>Minimum Capital Requirement</b>	<b>R0600</b>	<b>624,192</b>				
<b>Ratio of eligible own funds to SCR</b>	<b>R0620</b>	<b>151%</b>				
<b>Ratio of eligible own funds to MCR</b>	<b>R0640</b>	<b>485%</b>				

€ thou

		C0060
<b>Reconciliation reserve</b>		
Excess of assets over liabilities	R0700	3,104,994
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	-
Other basic own fund items	R0730	648,760
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	R0740	-
<b>Reconciliation reserve</b>	<b>R0760</b>	<b>2,456,235</b>
<b>Expected profits</b>		
Expected profits included in future premiums (EPIFP) – life business	R0770	-
Expected profits included in future premiums (EPIFP) – non-life business	R0780	279,302
<b>Total expected profits included in future premiums (EPIFP)</b>	<b>R0790</b>	<b>279,302</b>

## QRT S.25.03.21

## Solvency Capital Requirement – for companies using the full internal model

€ thou		
Unique number of components	Component description	Calculation of the Solvency Capital Requirement
C0010	C0020	C0030
10	IM – Market risk	1,146,593
11	IM – Underwriting risk	1,359,902
12	IM – Business risk	76,430
13	IM – Credit risk	182,709
14	IM – Operational risk	136,065
15	IM – LAC DT (negative amount)	-12,655
16	IM – Capital buffer	-
17	IM – Adjustment according to RFF/MAP nSCR total amount	-

€ thou		
Calculation of the Solvency Capital Requirement		C0100
Total undiversified components	R0110	2,889,045
Diversification	R0060	-827,544
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional)	R0160	-
<b>Solvency Capital Requirement excluding capital add-on</b>	<b>R0200</b>	<b>2,061,500</b>
Capital add-ons already set	R0210	-
<b>Solvency Capital Requirement</b>	<b>R0220</b>	<b>2,061,500</b>
<b>Other information on SCR</b>		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	-
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	-12,655
Total amount of notional Solvency Capital Requirement for remaining part	R0410	-
Total amount of notional Solvency Capital Requirement for ring-fenced funds (other than those relevant to the business operated in accordance with Art. 4 of Directive 2003/41/EU (transitional))	R0420	-
Total amount of notional Solvency Capital Requirement for matching-adjustment portfolios	R0430	-
Diversification effects due to notional Solvency Capital Requirement for ring-fenced funds aggregation in accordance with Art. 304	R0440	-



## Approach for tax rate

		Yes/No
		C0109
Referencing the average interest rate	R0590	No

## Calculating the loss-absorbing capacity of deferred taxes (LAC DT)

€ thou

		LAC DT
		C0130
Amount/estimate of the LAC DT	R0640	-12,655
Amount/estimate of the LAC DT due to reversal of deferred tax liabilities	R0650	-12,655
Amount/estimate of the LAC DT due to probability of future taxable profits	R0660	-
Amount/estimate of the LAC DT due to carry-back, current year	R0670	-
Amount/estimate of the LAC DT due to carry-back, future years	R0680	-
Amount/estimate of the maximum LAC DT	R0690	-12,655

## QRT S.28.01.01

## Minimum Capital Requirement – only life or only non-life or reinsurance

## Component of the linear formula for non-life and reinsurance obligations

€ thou

		C0010
MCR <sub>NI</sub> result	R0010	624,192

€ thou

		Best estimate (after deduction of reinsurance/special purpose vehicle) and technical provisions calculated as a whole	Premiums written (after deduction of reinsurance) in the last 12 months
		C0020	C0030
Medical expenses insurance and proportional reinsurance	R0020	6,040	5,360
Income protection insurance and proportional reinsurance	R0030	467	1,488
Workers' compensation insurance and proportional reinsurance	R0040	-	-
Motor vehicle liability insurance and proportional reinsurance	R0050	-	-
Other motor vehicle insurance and proportional reinsurance	R0060	2,849	-
Marine, aviation and transport insurance and proportional reinsurance	R0070	301,179	235,582
Fire and other property insurance and proportional reinsurance	R0080	943,096	516,786
General liability insurance and proportional reinsurance	R0090	2,114,995	627,080
Credit and suretyship insurance and proportional reinsurance	R0100	-	-
Legal expenses insurance and proportional reinsurance	R0110	-	-
Assistance and proportional reinsurance	R0120	-	-
Miscellaneous financial losses insurance and proportional reinsurance	R0130	454,585	73,324
Non-proportional health reinsurance	R0140	-	-
Non-proportional liability reinsurance	R0150	66,217	16,895
Non-proportional marine, aviation and transport reinsurance	R0160	7,394	1,920
Non-proportional property reinsurance	R0170	54,715	72,273

**Component of the linear formula for life and reinsurance obligations**

€ thou

		C0040
MCR <sub>i</sub> result	R0200	-

€ thou

		Best estimate (after deduction of the reinsurance/special purpose vehicle) and technical provisions calculated as a whole	Total risk capital (after deduction of the reinsurance/special purpose vehicle)
		C0050	C0060
Obligations with profit participation – guaranteed benefits	R0210	-	-
Obligations with profit participation – future profit participation	R0220	-	-
Obligations arising from index-linked and unit-linked insurance	R0230	-	-
Other obligations arising from life (re)insurance and health (re)insurance	R0240	-	-
Total risk capital for all life (re)insurance obligations	R0250	-	-

**Calculating the total MCR**

€ thou

		C0070
Linear MCR	R0300	624,192
SCR	R0310	2,061,500
MCR cap	R0320	927,675
MCR floor	R0330	515,375
Combined MCR	R0340	624,192
Absolute floor of the MCR	R0350	3,700
<b>Minimum Capital Requirement</b>	<b>R0400</b>	<b>624,192</b>