Allianz Global
Corporate & Specialty SE

Annual Report 2021

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

TO OUR INVESTORS

A

SUPERVISORY BOARD REPORT

Ladies and Gentlemen,

We continuously monitored the Board of Management's conduct of business on the basis of regular reports and we informed ourselves about the state of affairs in several meetings. We have examined the annual financial statements and the management report, and concur with the findings of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, which issued an unqualified auditor's certificate for the annual financial statements for the 2021 financial year and the management report presented with it. In its meeting on 27 April 2022, the Supervisory Board approved the annual financial statements prepared by the Board of Management, which are hereby confirmed.

Mr. Tony Buckle resigned from his position as a member of the Board of Management with the consent of the Supervisory Board effective 31 December 2021. The Supervisory Board appointed Mr. Shanil Williams to the Board of Management effective 1 January 2022. Mr. Williams is responsible for the CUO Corporate department.

In accordance with the requirements of the German Financial Market Integrity Strengthening Act ("FISG"), which came into effect on 1 July 2021, the Supervisory Board formed an Audit and Risk Committee effective 1 January 2022 to carry out the tasks assigned to it in accordance with the FISG. The Audit and Risk Committee consists of three members of the Supervisory Board, two of whom are shareholder representatives and one employee representative.

Munich, 27 April 2022

For the Supervisory Board:

Christopher Townsend
Chairman

SUPERVISORY BOARD AND BOARD OF MANAGEMENT

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

DR. HELGA JUNG
former member of the Board of Management (retired)
Allianz SE
Vice Chairwoman

DR. BRIGITTE BOVERMANN
former Executive Vice President (retired)
Allianz SE

ROBERT FRANSSEN
former Chief Executive Officer (retired)
Allianz Benelux

NISHMA TATE
Key Account Manager
Employee representative

HARALD BASLER
Senior Account Technician
Employee representative

JOACHIM MÜLLER
Chief Executive Officer
Chairman

TONY BUCKLE
Chief Underwriting Officer Corporate
until 31 December 2021

SHANIL WILLIAMS
Chief Underwriting Officer Corporate
since 1 January 2022

CLAIRE-MARIE COSTE-LEPOUTRE
Chief Financial Officer

BETTINA DIETSCHE
Chief Operating Officer

HENNING HAAGEN
Chief Regions & Markets Officer – Region 1

WILLIAM SCALDAFERRI
Chief Regions & Markets Officer – Region 2

DR. THOMAS SEPP
Chief Claims Officer

DR. RENATE STRASSER
Chief Underwriting Officer Specialty

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MANAGEMENT REPORT OF AGCS SE

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DEVELOPMENT OVERVIEW

Economic environment 2021[1]

The second year of the COVID-19 pandemic differed from the previous year on one key point: effective vaccines against the virus became available and gave the go-ahead for an unprecedented global vaccination campaign. By the end of 2021, a total of over 9 billion vaccine doses had been administered. While this did not end the pandemic – the world continued to take heed of new virus mutations and rising case numbers – it did ease the economic impact: Mitigation efforts were relaxed somewhat, and both people and businesses increasingly adjusted to life in the pandemic.

This was also reflected in the global growth figures: After the sharp slump in 2020 (-3.4 %), global GDP grew by 5.3 % in 2021 – the strongest growth in nearly 50 years. While all regions benefited from a strong recovery with growth rates in North America, Europe and Asia averaging more than 5 %, GDP growth in Africa was only 3 % – in part due to sluggish implementation of vaccinations for the population.

The flip side of the economic recovery saw an increase in prices. Extensive fiscal packages and record-breaking frugality by consumers sparked a boom in consumer durables, in part because contact-intensive services were restricted. In many cases, strong demand outweighed the supply side, resulting in a lack of parts and supply bottlenecks and significantly higher inflation in conjunction with rising energy prices. This, in turn, forced many central banks to begin scaling back their extremely expansionary monetary policy or at least to announce appropriate steps toward the end of 2021. The U.S. Federal Reserve reduced its bond purchases, while the European Central Bank discussed such a prospect for 2022.

The capital markets remained largely unaffected by the looming interest rate changes. The stock markets posted one record after another, mainly due to high corporate profits and capital inflows. The U.S. market, as measured by the market-wide S&P 500 index, set the pace with a gain of 27 %, while European equities (Euro STOXX 50) were only slightly behind at 21 %. This strong development was also due to the subdued response of the interest rate markets, which hardly reacted to the strong recovery in growth and the rise in inflation. Yields on 10-year benchmark bonds remained very low by historical standards, rising only slightly by the end of 2021, to 1.5 % in the U.S. and -0.2 % in Europe. The financing conditions for governments and companies thus remained extremely favorable.

The capital market was defined in 2021 by strong economic recovery, high inflationary pressure and the announcement of a turnaround in monetary policy. In retrospective, this mix of factors led to booming equity markets, noticeably higher interest rates and a heterogeneous but overall moderate development overall in the risk premiums on corporate bonds. High volatility of real returns and higher inflation was also observed over the course of the year.

Business environment 2021 for the insurance industry

For the insurance industry, 2021 was a year with varying tendencies. On the one hand, premium income benefited from the strong economic recovery, the increased risk awareness in households and companies as well as rising prices, particularly in the commercial lines. On the other hand, profitability was burdened in various ways. First and foremost, insurance losses were caused by natural catastrophes: Across the globe, 2021 was one of the most expensive years. And for insurers in Germany due to the flood disaster in the summer, it was even the most expensive ever. In addition, the COVID-19 pandemic also resulted in losses – especially due to above-average mortality rates in many countries. In addition, there were losses due to rising inflation. In some areas, the prices of raw materials and parts rose rapidly, which also made it more expensive to settle claims, for example in the motor and building segments. Last but not least, investments continued to be hampered by low interest rates that remained virtually unchanged.

Sustainability became the definitive guiding business motto in 2021. This no longer only relates to environmental issues, but they continue to be the dominate topic. At the same time, however, customers, employees and the public expect companies to be equally committed to diversity and fight inequality.

In Property and Casualty Insurance, we observed an increase in premium income in the year under review, reflecting the normalization of business in the wake of the economic recovery. Commercial lines, in particular, once again benefited from rising prices. Nevertheless, profitability remained challenged: In addition to the factors already known from previous years – declining investment income due to persistently low yields combined with rising losses based on an increase in natural catastrophes due to climate change – another negative factor was added in 2021: Rapidly rising inflation significantly increased costs in some lines of business, especially in the building and motor insurance business.

Business development of AGCS SE

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

With our global focus and our extensive product range, AGCS SE is in a position to offer appropriate insurance solutions combined with comprehensive customer service. This also includes a competent, global service in the event of a claim, transnational coverage concepts within the framework of international insurance programs, risk consulting and innovative solutions in the areas of captive, fronting and alternative risk transfer.

1At the date of the publication of this report, not all general market data for the year 2021 used in the chapter "Business Environment" was final. Also, please note that the information provided in this chapter is based on our estimates.

The company's underwriting result in financial year 2021 was impacted by a positive development in premiums and claims. This resulted in an overall significantly improved combined ratio.

The increase in investment income is mainly attributable to higher current income from investments and net write-ups in 2021. Although the valuation reserves were down on the previous year, they remained at a high level nonetheless.

AGCS SE ended the year 2021 with a loss absorption by Allianz SE in the amount of € 21.7 mn. Since the company was founded in 2006, a total of nearly € 3.5 bn has been transferred to Allianz SE as a positive result.

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

Condensed income statement

€ mn

	2021	2020
Gross premiums written	4,971	4,538
Premiums earned (net)	1,550	1,425
Gross expenditure for insurance claims	-2,256	-4,385
Gross underwriting expenses	-1,010	-905
Reinsurance balance	-1,467	278
Underwriting result before equalization reserve and similar provisions[1]	59	-589
Changes in the equalization reserve and other reserves	-189	80
Underwriting result for own account	**-129**	**-509**
Investment result[2]	285	15
Other non-underwriting result[2]	-150	5
Profit or loss on ordinary activities	**6**	**-489**
Taxes	-28	-29
(-) Transfer of profit / (+) Loss absorption	22	518
Net income	**0**	**0**
KEY FIGURES	%	%
Loss ratio	61.2	113.3
Expense ratio	30.7	25.0
Combined ratio	**91.9**	**138.2**

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

2_ The previous year's figures have been adjusted due to a change in the reporting of income and expenses from derivatives. In contrast to the previous year, income and expenses from derivatives were no longer reported in investment income rather in other income and expenses. The previous year's figures were adjusted in the amount of € 88.5 mn.

UNDERWRITING RESULT

With an increase of 9.5 %, gross premiums written by AGCS SE in the financial year were significantly higher than in the previous year. The transformation programs and underwriting measures launched in the 2020 financial year were continued in the 2021 financial year. Even though these had a negative impact on premiums in individual business segments and branches, it was still possible to achieve an overall increase in premiums.

Gross premiums written by country

€ mn

	2021	2020	Change
Germany	1,690	1,710	-20
United Kingdom	1,477	1,234	243
France	610	538	72
Spain	225	196	29
Belgium	209	161	48
Singapore	171	155	16
Netherlands	134	113	21
Hong Kong	133	124	9
Italy	117	116	1
Other countries[1]	205	191	14
Total	**4,971**	**4,538**	**433**

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

The increase in premiums was mainly due to premium gains in our branch offices in the United Kingdom, France, Belgium and Spain. These were particularly evident in fire and other property insurance as well as liability insurance and were mainly characterized by higher premiums for alternative risk transfer solutions and financial loss liability insurance. This increase was offset in part by declines in premiums in general liability insurance, which was subject to a comprehensive portfolio analysis in the financial year.

Gross premiums written in direct insurance rose significantly to € 2,816.9 (2,513.1) mn, driven by an increase in premiums in fire and other property insurance and liability insurance, particularly in our United Kingdom branch office. In the indirect insurance business, premium growth was more moderate at € 2,153.9 (2,024.8) mn. This was mainly reflected in the fire and other property insurance taken over in reinsurance business at our head office in Germany and the branch offices in the United Kingdom and France.

Net premiums followed the development of gross premiums written at an increase of 8.8 %. At € 81.7 mn, the largest increase was attributable to the subsidiary in the United Kingdom, particularly in liability insurance.

In the financial year, net claims expenses were significantly lower, totaling € 948.9 (1,613.9) mn. This was mainly due to a decline in net losses in the financial year to € 1,030.3 (1,422.9) mn. The higher burden incurred from catastrophe losses was more than offset by reduced major claims. The latter were characterized by the losses in the previous year with claims stemming from the Covid-19 pandemic. In contrast to the previous year, there was also a run-off gain of € 81.4 mn (loss of € 191.0 mn), especially in the area of liability insurance. The net loss ratio on the balance sheet fell to 61.2 % (113.3 %).

The higher net expense ratio of 30.7 % (25.0 %) was mainly due to the lower commission rate of the quota reinsurance contract with Allianz SE concluded in the financial year. Net expenditure for the insurance business consisted of acquisition costs of € 288.4 (204.2) mn and administrative expenses of € 186.9 (151.3) mn.

The company reported a net underwriting profit before equalization reserves of € 59.5 (loss of 589.3) mn. Due to the positive development in claims, € 188.8 (withdrawal of € 80.1) mn was added to the equalization reserve and similar provisions.

REINSURANCE BUSINESS CEDED

The reinsurance structure was essentially maintained in the 2021 financial year. Depending on risk tolerance or available capacity, the reinsurance strategy provides for the placement of all or part of the individual risks in the reinsurance market through facultative reinsurance. The business remaining with AGCS SE after these facultative cessions is protected by a global coverage program that consists of various proportional and non-proportional contractual reinsurance covers based on individual risks as well as accumulation cover. In the financial year, a new quota reinsurance contract was concluded in the area of other insurance and other property insurance.

In the financial year, the company once again ceded parts of its insurance business to certain Group companies and external reinsurers. Since 1 January 2015, the entire direct and assumed business at our German head office has been covered by a quota reinsurance contract with Allianz SE, our largest reinsurer, through which 100 % of the business is ceded. This contract was renewed in 2021 with a reduced commission rate.

With respect to premiums written, the retention ratio was the same as the previous year at 31.9 (31.9) %. Unlike the previous year, the reinsurance balance - influenced by the reduction in claims - was offset by a loss borne by the company.

DIRECT INSURANCE BUSINESS[1]

Personal Accident and Health Insurance
€ mn

	2021	2020	Change
Gross premiums written	19	16	3
Net premiums earned	3	3	0
Net expenditure for insurance claims[1]	0	1	-1
Net underwriting expenses	-2	-1	-1
Underwriting result before equalization reserve and similar provisions	**1**	**3**	**-2**

1_In the 2020 reporting year, a run-off gain was higher than the expense for claims in the reporting year, resulting in net income for insurance claims.

The increase in premiums in accident and health insurance in the past financial year resulted from health insurance, which was able to more than compensate significantly for a slight decline in premiums in accident insurance. Since the health insurance portfolio, which is mainly underwritten in our Asian branch offices, was generally 100 % ceded as fronting business, the development of net premiums remained largely unaffected by the premium increase in this business area. The underwriting profit was lower than in the previous year, in particular due to a reduction in the run-off gains in accident insurance.

Liability Insurance
€ mn

	2021	2020	Change
Gross premiums written	1,105	1,030	76
Net premiums earned	457	400	57
Net incurred claims	-289	-527	238
Net underwriting expenses	-76	-45	-30
Underwriting result before equalization reserve and similar provisions	**91**	**-172**	**263**

The positive development of premiums in financial loss liability insurance was weakened by declining premiums in general liability insurance. This was due to the comprehensive portfolio measures in this area. Overall, an increase in premiums in liability insurance was still achieved. The run-off loss in the previous year was replaced by a run-off gain, which, together with lower financial year losses, led to a significant decline in claims expenses. Overall, an underwriting profit was achieved in this business area.

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

Motor Liability Insurance, Other Motor Insurance
€ mn

	2021	2020	Change
Gross premiums written	24	22	2
Net premiums earned	-1	0	-1
Net expenditure for insurance claims[1]	-2	2	-4
Net underwriting expenses	0	1	0
Underwriting result before equalization reserve and similar provisions	**-2**	**3**	**-5**

1_In the 2020 reporting year, a run-off gain was higher than the expense for claims in the reporting year, resulting in net income for insurance claims.

As in previous years, the entire portfolio of motor liability insurance and other motor insurance was mainly underwritten by our Hong Kong branch office as fronting business and 100 % of the business was ceded. Premium volume in motor liability insurance increased in the 2021 financial year. The underwriting loss in the insurance line was low despite the losses of the financial year due to the cession.

Fire Insurance and Other Property Insurance
€ mn

	2021	2020	Change
Gross premiums written	1,042	813	229
Net premiums earned	260	243	17
Net incurred claims	-194	-253	59
Net underwriting expenses	-53	-41	-12
Underwriting result before equalization reserve and similar provisions	**8**	**-60**	**68**

In fire and other property insurance, both business segments recorded a significant increase in premiums. This increase was primarily generated by our United Kingdom branch office, followed by our branch office in France and our German head office. As the increase in premium volume stemmed primarily from alternative risk transfer solutions, most of which were reinsured, the increase in net earned premiums was correspondingly lower. Claims expenses in the insurance line decreased, in particular, due to the positive development of financial year losses in both business segments and the higher run-off gains in fire insurance. As a result, fire and other property insurance reported an underwriting profit following a loss in the previous year.

Transport and Aviation Insurance
€ mn

	2021	2020	Change
Gross premiums written	451	496	-45
Net premiums earned	161	169	-8
Net incurred claims	-90	-117	27
Net underwriting expenses	-70	-66	-4
Underwriting result before equalization reserve and similar provisions	**-1**	**-14**	**14**

Gross premiums written in transport and aviation insurance decreased, primarily at our German head office and at the United Kingdom branch office. Overall, the decline in transport insurance was significantly higher than in aviation insurance. Primarily due to the lower claims burden for the financial year, the insurance line was able to improve its underwriting result year-on-year.

Other insurances
€ mn

	2021	2020	Change
Gross premiums written	176	136	40
Net premiums earned	41	23	18
Net incurred claims	-96	-190	94
Net underwriting expenses	-13	-7	-6
Underwriting result before equalization reserve and similar provisions	**-67**	**-176**	**109**

Other insurances recorded an increase in premium volume, which was mainly reflected in our German head office and the branch office in the United Kingdom. Due to the extraordinarily high burden from claims in the reporting year caused by the COVID-19 pandemic in 2020, the net incurred claims decreased in the year under review. The continued high claims expenses were influenced by a high proportion of catastrophe losses. The net loss was significantly lower than in the previous year.

REINSURANCE BUSINESS ASSUMED[1]

Casualty Insurance
€ mn

	2021	2020	Change
Gross premiums written	7	6	1
Net premiums earned	4	4	0
Net incurred claims	-1	0	-1
Net underwriting expenses	-1	-2	1
Underwriting result before equalization reserve and similar provisions	**2**	**3**	**-1**

At our branch office in the United Kingdom, premium income in accident insurance was mainly higher than in the previous year. In particular, higher net incurred claims, which resulted from lower profit from the run-off of prior-year claims, had a negative impact on the underwriting result.

Liability Insurance
€ mn

	2021	2020	Change
Gross premiums written	540	543	-3
Net premiums earned	171	161	10
Net incurred claims	-87	-182	96
Net underwriting expenses	-89	-52	-37
Underwriting result before equalization reserve and similar provisions	**-19**	**-76**	**58**

Gross premiums written in liability insurance were on a par overall with the prior-year value. While they increased mainly in alternative risk transfer solutions at our United Kingdom branch office, premiums in general liability insurance, in particular, had an offsetting effect as a result of the portfolio measures. As the net claims expenses more than halved compared to the 2020 financial year, in roughly equal parts due to the positive change in the financial year's losses

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

as well as the run-off result, the underwriting result of liability insurance improved significantly compared to the previous year.

Fire Insurance and Other Property Insurance
€ mn

	2021	2020	Change
Gross premiums written	1,197	1,000	196
Net premiums earned	334	286	48
Net incurred claims	-113	-195	82
Net underwriting expenses	-100	-95	-6
Underwriting result before equalization reserve and similar provisions	**82**	**-33**	**115**

Both business segments contributed to the significant increase in gross premiums written in the fire and other property insurance lines. In fire insurance, premium income was higher year-on-year, particularly at our branch office in France and the German head office. Our branch office in the United Kingdom as well as the branch office in Singapore and our German head office also played a significant role in the positive development of premiums in other property insurance. Combined with lower claims in the reporting year, this led overall to an underwriting profit.

Transport and Aviation Insurance
€ mn

	2021	2020	Change
Gross premiums written	212	270	-58
Net premiums earned	75	84	-8
Net incurred claims	-45	-53	8
Net underwriting expenses	-30	-33	3
Underwriting result before equalization reserve and similar provisions	**0**	**-3**	**3**

Gross premium income in Transport and Aviation Insurance decreased equally in both business segments, especially at our German head office and the branch office in the United Kingdom. Together with a lower burden from claims in the reporting year in aviation insurance, the lower premium income led to a balanced underwriting result.

Other insurances
€ mn

	2021	2020	Change
Gross premiums written	195	206	-11
Net premiums earned	44	51	-7
Net incurred claims	-34	-99	65
Net underwriting expenses	-42	-14	-28
Underwriting result before equalization reserve and similar provisions	**-36**	**-62**	**26**

The decline in premiums in the Other Insurance line was mainly attributable to our branch office in the United Kingdom. Claims in the reporting year that were below the previous year's level had a significant impact on net expenses and reduced the net loss in this fiscal year.

FURTHER INFORMATION ON THE MANAGEMENT REPORT

The various insurance lines and types offered are presented in detail on page 50.

INVESTMENT STRATEGY

AGCS SE continued its investment strategy in 2021, which is based on spreading investments widely over many different investment segments and currencies. AGCS SE pursues a matching-cover investment strategy in foreign currencies. The investment portfolio rose to € 8,750 mn in 2021. The additional investments were invested in line with the adopted investment strategy.

To cover the financial obligations arising from the insurance business, an overwhelming portion of the company's portfolio was invested in fixed-interest securities. The liquidity position also increased in 2021 in order to maintain sufficient liquid funds to cover potential claims. After the equity holdings were temporarily sold in 2020, efforts were started in the past financial year to slowly build them back up.

The modified term of the investments increased by 0.4 to 4.8 compared to the previous year. The fixed-income investments were focused on corporate bonds, government bonds, bank bonds and deposits. These were broadly diversified internationally in line with the obligations arising from the insurance sector.

To secure an attractive return on the investment portfolio in the long term, the company maintained a broad diversification of the portfolio. At the end of the year, corporate bonds accounted for 36.0 % (35.3 %) of the total portfolio by market value, while 10.2 % (10.8 %) of the portfolio was invested in emerging market bonds. In addition, 8.0 (8.7) % of the portfolio was invested in government and corporate bonds in Singapore and Hong Kong to cover liabilities of the local branch offices. In the area of direct lending, investment increased by € 50.3 mn. The market value of real estate investments rose by € 31.0 mn.

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

INVESTMENTS AND THE INVESTMENT RESULT

Investments and the investment result

€ mn

	2021	2020
INVESTMENT PORTFOLIO		
Investments in affiliated enterprises and participations	2,596	2,487
Directly held properties	73	75
Stocks, units or shares in investment funds and other variable income securities	2,440	2,168
Bearer bonds	3,255	2,295
Mortgage loans	50	50
Other loans	156	171
Deposits with credit institutions	72	80
Deposit receivables	108	88
Total	**8,750**	**7,413**
INVESTMENT RESULT		
Current investment income[1]	229	117
Gains on the disposal of investments	14	71
Losses on the disposal of investments[1]	5	14
Gains from write-ups on investments	99	1
Write-downs on investments	53	149
of which on bearer bonds	10	34
Expenses for the management of investments and for interest expenses[1]	11	9
Income from profit transfer agreements	12	0
Costs of loss absorption	0	2
Total	**285**	**15**
VALUATION RESERVES ON INVESTMENTS		
Hidden reserves	882	942
of which investments in affiliated enterprises and participations	408	363
of which directly held properties	88	71
of which stocks, investment fund units and other variable income securities	245	373
of which on bearer bonds	125	117
of which on mortgage bonds	1	3
of which on other loans	9	12
Hidden losses	4	3
Total	**878**	**939**

1_The previous year's figures have been adjusted due to a change in the reporting of income and expenses from derivatives. In contrast to the previous year, income and expenses from derivatives were no longer reported in investment income rather in other income and expenses. The previous year's figures were adjusted in the amount of € 88.5 mn.

At a profit of € 285 mn, investment income in financial year 2021 was significantly higher than both the previous year's result and the forecast. The increase is mainly attributable to higher current income from investments and increased write-ups as well as lower write-downs on investments.

Higher distributions from affiliated companies and special funds, along with higher current income from fixed-income securities, contributed to the significant increase in current investment income. After net write-downs in 2020, there were net write-ups of investment income in 2021.

The reserve ratio, which reflects the percentage of valuation reserves relative to the book value of total investments, stood at 10.1 (12.7) % as of the end of the year.

OTHER NON-UNDERWRITING RESULT

The other non-underwriting result posted a loss of € 149.7 mn (profit 4.9)[1] mn, mainly due to the depreciation of the Euro, in particular against the US dollar and the British pound.

The total non-underwriting result thus amounted to € 135.3 (19.9) mn.

OVERALL RESULT

Tax charges for the financial year (including intra-group charges) amounted to € 27.7 (28.8) mn.

Overall, results of operations in 2021 were more favorable than in the previous year. The overall result after tax was a negative result of € -27.1 (negative result of -518.2) mn. This loss is compensated for by Allianz SE based on the existing control and profit transfer agreement.

CORPORATE AGREEMENTS

Allianz SE is the sole shareholder of AGCS SE. A control and profit transfer agreement exists between the two companies.

BRANCH OFFICES

AGCS SE maintains branch offices in:

- London, United Kingdom
- Paris, France
- Vienna, Austria
- Copenhagen, Denmark
- Milan, Italy
- Antwerp, Belgium
- Madrid, Spain
- Rotterdam, Netherlands
- Stockholm, Sweden
- Singapore
- Hong Kong, China
- Seoul, South Korea and
- Mumbai, India

1_The previous year's figures have been adjusted due to a change in the reporting of income and expenses from derivatives. In contrast to the previous year, income and expenses from derivatives were no longer reported in investment income rather in other income and expenses. The previous year's figures were adjusted in the amount of € 88.5 mn.

Outsourced functions

ACCOUNTING

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

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

Investment accounting is handled by Allianz Deutschland AG, Munich.

The collection functions are primarily carried out for the company at the Munich location, as well as in London, Paris, Antwerp and Trivandrum (India).

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

INVESTMENT AND ASSET MANAGEMENT

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

– Allianz Investment Management SE, Munich

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

– PIMCO Europe GmbH, Munich,
– Pacific Investment Management Company LLC, Newport Beach,
– Allianz Global Investors GmbH, Frankfurt am Main,
– Allianz Global Investors Singapore Ltd, Singapore
– Allianz Real Estate GmbH, Munich and
– Allianz Capital Partners GmbH, Munich, Germany.

INFORMATION TECHNOLOGY

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

Employees

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

The Covid-19 pandemic has led to significant changes in the working world. In addition to the burdens this global crisis undoubtedly has entailed, it also opens up new opportunities for our employees with regard to new ways of working. AGCS SE will transfer the experiences and effects of the last ~18 months into a new normal by introducing a hybrid working model. In specific terms, this means we want to encourage and support our employees in benefiting from the different working environments, even after the pandemic. AGCS SE is striving for a hybrid model that combines mobile working and working in our offices. We are convinced that personal interaction in the teams is an important element in order to further develop and strengthen our organizational culture together. We are taking a global approach and it is important to us as an international company to take local differences in account, as well as our employees' individual circumstances. We will also look into other areas in more detail, such as managing locally distributed and virtual teams, or designing our office space to make it more collaborative in an agile approach.

In order to support our employees and managers in meeting the challenges of an ever-changing working world, we offer numerous training opportunities. A special focus this year was on the globalization of learning opportunities in order to support the overarching strategic orientation of the "New AGCS". Among other things, all AGCS learning opportunities were pooled together on our Allianz Connect intranet page. For our employees interested in training, in the spirit of customer centricity, this now represents one point of access to learning opportunities and further development. Another focus was on digitizing the learning content. As part of this effort, the use of the AllianzU Learning Platform in various projects was further expanded. The management program #lead in place throughout the company has also become a central component of our learning offer.

Despite the ongoing coronavirus pandemic, AGCS SE continued to actively recruit in 2021. The early introduction of digital hiring processes (job interviews by video) and virtual onboarding, accelerated by the coronavirus pandemic, have proven themselves, and both were successfully continued this year. In addition, new systems in the area of recruiting & onboarding will be introduced at the end of the year, which will further optimize the process. Due to the coronavirus pandemic, job security has taken on greater importance in the applicant market, and we have already recorded success with the entire Allianz Group through our new Employee Value Proposal "We care for tomorrow".

It is important to mention the Top 10 Strategic Skills at AGCS, which have been developed in order to better align future roles and competence profiles with our "New AGCS" strategy and our future needs. This includes adapting our recruiting process in terms of content by deriving questions on corresponding skills and thus checking whether the applicant suits us and will be able to support us in the further orientation of our "New AGCS" strategy. Furthermore, projects were created on the basis of the strategic skills in order to find common ideas/solutions with the departments in the future lines with high demand and to position our company as an attractive employer.

In particular, we also focus on the topics of diversity / integration, as we seek to ensure diversity in our company. Our goal is to examine every single step in the recruiting process based on diversity and integration aspects. This includes correctly designing the content of our job advertisements as well as the regular exchange with the internal interview partners from the various departments in order to promote their awareness of diversity. Furthermore, it is important to address the topics of diversity / inclusion in each interview and ask the applicants appropriate questions in order to shed light on their stance regarding these topics.

To provide support to our employees in the area of well-being, especially during these stressful times, we continue to offer an extensive range of resilience training courses, which are used in particular as part of team building efforts. In the months of July, September, October, various online trainings and workshops are offered in cooperation with our cooperation partner KKH on the topics of healthy nutrition, exercise in the home office and mental health. Each month is dedicated to one topic and culminates in a series of Health Days in October, during which all three topics are addressed, giving employees the opportunity to deal with the individual topics even more intensively according to their needs. As part of our annual Employee Survey (Allianz Engagement Survey), we regularly review the well-being of our employees and initiate appropriate measures. We use these and other measures to make employees aware of how to make mindful use of their personal resources. In view of the coronavirus pandemic, employees are being offered various instruments to deal with the double burden of childcare and working in home office and to be able to prepare for the "new normal" in the working world.

We set particular store by a diverse workforce. Under the motto "Diversity of Minds", we promote diversity throughout AGCS SE in a targeted manner and ensure that nobody is discriminated against in the company, particularly not for reasons of origin, religion, gender, disability, age or sexual orientation. To this end, in 2020 we established a new Diversity & Inclusion Council, which comprises various working groups and is no longer primarily chaired by HR but by representatives from the business in order

to ensure the measures can be implemented across the board and in all business areas. The ideas and initiatives identified in the regional councils are in turn grouped in a global Diversity & Inclusion Council and reviewed to see to what extent individual measures can be taken up and implemented in other regions too.

	2021	2020
Employees[1]	**2,608**	**2,611**
thereof full-time staff	2,529	2,535
including other employees (temps and interns)	79	76
Share of women %	48	48
Share of men %	52	52
Proportion of full-time employees %	86	86
Proportion of part-time employees %	14	14
Age (average in years)	42.9	42.9
Time with the Group (average in years)	11.7	11.6

1_Including dormant employee contracts.

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

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

- The objective for the proportion of women on the Supervisory Board is 30 percent (actual proportion as of 31 December 2021: 50 percent).
- The objective for the proportion of women on the Board of Management is 30 percent (actual proportion as of 31 December 2021: 38 percent).
- The objective for the proportion of women at the first management level below the Board of Management is 20 percent (actual proportion as of 31 December 2021: 31 percent).
- The objective for the proportion of women at the second management level below the Board of Management is 24 percent (actual proportion as of 31 December 2021: 32 percent).

Allianz Global Corporate & Specialty SE's primary concern in this respect is not just meeting statutory requirements. The company can be successful over the long term only if it provides equal career opportunities to women and promotes women to leadership positions based on their performance. Allianz Global Corporate & Specialty SE made a commitment early on to promoting diversity within the company. A corresponding framework in place has already been put in place, HR processes adjusted accordingly and various measures taken. These range from options to improve the work-life balance, talent management with sponsorship and mentoring programs to unconscious bias training.

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

Allianz SE and the Allianz Group meet the statutory requirements for filing a non-financial report and a non-financial group report pursuant to §§ 289b (1) and 315b (1) HGB by publishing a combined separate non-financial report for Allianz SE and the Allianz Group pursuant to §§ 289b (3) and 315b (3) HGB. This report can be found in the 2021 Annual Report for the Allianz Group (www.allianz.com/annualreport).

The publication of this report releases AGCS SE from the obligation to publish its own report pursuant to §§ 341a (1a) sentence 3 and 289b (2) sentence 1 HGB.

RISK REPORT

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

- A strong risk management culture, promoted by a solid risk management organization and effective risk management principles (risk governance),
- Comprehensive risk capital calculations with the objective of protecting the capital base and supporting effective capital management,
- The integration of capital requirements and risk considerations into the decision-making and management process.

This comprehensive approach makes sure that risks are adequately identified, analyzed and addressed. The risk appetite is described in the risk strategy and made operational by the limit system contained therein. In addition, further limits are substantiated and detailed in specific standards and directives. Strict risk monitoring and regular reporting allow possible deviations from risk appetite to be identified at an early stage in order to be able to take countermeasures in due course.

Based on AGCS SE's current risk assessment, there are no risks that threaten the company's existence.

OPPORTUNITIES

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

Thanks to its global network, AGCS SE is one of the very few global insurers to focus on the needs of large global companies from all industries. AGCS SE offers its customers traditional property and liability solutions, but also special products for the aviation or shipping industries or the event industry. In addition, customized transactions in the area of alternative risk transfers are another strength of AGCS SE. The network comprising Allianz offices in over 70 countries as well as network partners at other locations allows us to serve clients in more than 200 countries and jurisdictions around the globe.

AGCS SE was one of the highest ranking industrial insurers in 2021 according to international rating agencies. (S&P: AA, A.M. Best: A+). A particular strength of the company lies in its portfolio-wide diversification by regions and risk types; it allows AGCS SE to make available capacities for companies' highest and most complex of risks.

In a continuously evolving market and risk environment, which is currently still characterized by the special challenges presented by the coronavirus pandemic but also by new geopolitical hotspots, customers' requirements are constantly changing. As a powerful global underwriting and sales organization, with in-depth industry knowledge, customized insurance solutions, extensive know-how in risk transfer and management as well as the high-performance claims team, AGCS SE offers great opportunities to establish itself as the leading provider in the industrial insurance market.

AGCS SE will continue to invest in the professional excellence of its core underwriting and claims functions. This includes the further development of pricing tools, portfolio management, loss trend analysis, volatility management and actuarial modeling – always on the basis of innovative technologies for data analysis and predictive modeling. AGCS SE is thus creating the basis to ensure its underwriting result remains profitable in the long term.

In July 2020, AGCS SE launched a comprehensive global transformation program under its new Chief Executive Officer Joachim Müller. Its further implementation continued for a large part in 2021, which helped to successfully return to profitable business results. The "New AGCS" program aims at 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: Excellence in underwriting and claims processing
- Right Markets and Segments: Focus on clearly defined target segments and core markets
- Global First: Global business model and simplified regional organization

In 2021, comprehensive measures for portfolio streamlining and restructuring were largely implemented, including phasing out of unprofitable markets and 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 clients. 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 client portal that brings together all underwriting, claims and risk consultancy offerings.

Through the New Work Model, which promotes the flexible working for employees even more comprehensively, savings can be made on office expenses, efficiency improved by structuring work to individual needs and new talent recruited. For example, the global mobile working guideline introduced in 2021 allows all employees to work almost half of their regular working hours outside the office.

The employees of AGCS SE will also further develop their mindsets and attitudes as part of the "New AGCS" transformation program. In particular, the focus here is on promoting global thinking, personal responsibility, cross-functional cooperation and, in particular, on implementation. The further development of the corporate culture is a central element of the transformation program in order to have AGCS stand out in the market and make it the market leader.

STRUCTURE OF THE RISK ORGANIZATION

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

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

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

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

RISK STRATEGY AND RISK REPORTING

The AGCS SE Risk Policy defines the risk categories at AGCS SE to be monitored. The risk strategy based on this describes the risk appetite of the company. The risk appetite is defined in the risk strategy on the basis of defined limits for both target capitalizations at the company level and individual limits per risk category. The limit system also includes requirements to ensure sufficient diversification in order to avoid concentration or accumulation risks as far as possible.

The quarterly risk report within the scope of the Risk Committee provides information on the corresponding limit utilizations and is used by management for the systematic control of the current risk profile. With the aid of this information, the AGCS Risk Committee decides on the implementation of risk mitigation measures.

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

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

RISK CATEGORIES AND CONTROL MEASURES

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

AGCS SE also monitors and controls the following risk categories:

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

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

- Liquidity risks that describe the risk of non-fulfillment of due payment obligations.
- Strategic risks, i.e. risks arising from strategic business decisions. This also includes the risk that business decisions are not adapted to a changed economic environment.
- Reputational risks, i.e. risks arising from possible damage to the company's reputation as a result of negative public perception.

Insurance risks: The underwriting risk forms the core of AGCS SE's business and is the result of the performance promise to policyholders. Within insurance risks, a distinction is generally made between premium°risk°and°reserve°risk.

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

Reinsurance also plays an important role in the controlling premium risk. In line with existing underwriting ceilings 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. In addition, the premiums are calculated with the help of technical models that make use of current empirical values and actuarial methods.

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

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

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

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

The table below shows the run-off results for the past 10 years.

Run-off results of the last 10 years (in € thousand)

Year	Run-off result current year (1)	Loss reserve[1] previous year (2)	(1) / (2)
2021	81,369	4,034,548	2.0 %
2020	-190,965	3,566,957	-5.4 %
2019	-55,242	3,271,406	-1.7 %
2018	-25,936	2,961,551	-0.9 %
2017	178,426	3,004,544	5.9 %
2016	205,013	3,020,310	6.8 %
2015	224,787	4,875,134	4.6 %
2014	440,684	3,365,692	13.1 %
2013	160,309	3,825,843	4.2 %
2012	227,810	3,571,071	6.4 %

[1] excluding the equalization reserve

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

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

AGCS SE's investments are broadly diversified by investment type (participations, fixed-income securities, shares, real estate and alternative investments), creditworthiness and countries. A continuous risk analysis is performed by investment management. AGCS SE has a diversified investment portfolio within defined risk limits. By means of various stress scenarios, it regularly monitors the sensitivity of the portfolio to market changes.

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

Due to the international focus of AGCS SE's business, large parts of the reserves are constituted in foreign currency. Overall, the share of foreign currencies in the underwriting reserves, including unearned premiums, amounted to approximately 57.5 % (55.8 %). The primary exposures were in USD 27.7 (29.9 %) and GBP 23.0 (19.4 %). AGCS SE actively managed the currency risks resulting from this. This process takes into account all balance sheet items subject to currency conversion, including provisions as well as all receivables and liabilities and investments in foreign currencies. In addition to using foreign investments to hedge currency exposure, the company also uses FX derivatives within precisely defined limits to obtain an effective and timely minimization of currency risks. Currency risks are managed on the basis of monthly data.

In order to counter any liquidity risks, AGCS SE invests a large part of its investments in liquid government and corporate bonds, and ensures investments are largely maturity-matched. Continuous monitoring is ensured through rolling wave planning of short, medium and long-term liquidities and by continuous liquidity and cash-flow analyses.

Credit risks: The issuers of the fixed-income investments of AGCS SE are predominantly governments, as well as international companies and banks. It has set limits with respect to rating classes and in view of concentration risks. Investments in government bonds account for 39.8 % (37.1 %) of interest-bearing investments, and corporate bonds for 36.0 % (41.0 %). 89.8 (90.2) % of interest-bearing investments are made in investment grade territory. Investment in different currency areas is determined by the structure of the liabilities.

Issuers by rating class
%

AAA	26 %
AA+ to AA-	22 %
A+ to A-	17 %
BBB+ to BBB-	25 %
Non-investment grade (incl. without rating)	10 %
Total	**100 %**

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

The aggregate information on ceded exposures is used to estimate the credit risk resulting from reinsurance. To minimize the credit risk vis-à-vis reinsurers, only those business partners that offer excellent collateral are considered. As of 31 December 2021, approximately 58 % of the reserves of AGCS SE were ceded to reinsurers within the Allianz Group, and the rest to external reinsurers. The creditworthiness of the reinsurers is monitored on a continuous basis. The reinsurance exposure is reviewed twice a year (based on the exposures as of the end of June and end of December), most recently in September 2021 based on the exposure data as of 30 June 2021. Accordingly, 89 % of the exposure ceded to reinsurers was assigned at least an "A" rating by Standard & Poor's. As captives and pools have no ratings of their own, cessions are made only after a special investigation has determined whether all the participating reinsurers meet the Allianz-internal minimum requirements for reinsurance partners and explicit approval by a team of experts has been obtained. An internal rating (internal security rating) is also determined for captives. To further mitigate the credit risk, guarantees, deposits or other collateral may be requested if necessary. As of 31 December 2021, receivables contributions to reinsurers amounted to € 950.2 mn.

All in all, total third-party receivables with due dates exceeding 90 days amounted to € 171.1 mn as of 31 December 2021 (not including explicit write-offs for impairment). The average default rate for the past three years was 0.6 %.[1]

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

Operational risks are inherent in all types of products, activities, processes and systems, and cannot be fully avoided. Contrary to most other types of risk, they materialize suddenly and unexpectedly and can have significant impact on the balance sheet, profits, business objectives, business activities or the reputation of AGCS SE. AGCS SE's internal risk capital model also serves for determining risk capital for operational risks. This provides a buffer for the company in the event of extreme financial losses due to unexpected operational risk events.

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

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

This is done in two respects:

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

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

Due to their importance, the quality of the key controls is assessed in a structured manner, i.e. they are regularly tested to ensure they are (1) properly designed to mitigate the intended risks and (2) effectively implemented. This is done within the framework of the AGCS SE internal control system that supports the monitoring and management of operational risks within the scope of the risk appetite. In addition, AGCS SE's risk management system for operational risks is supported by activities of functions outside the risk management function, such as initiatives on information security, emergency management and compliance initiatives on anti-fraud, anti-corruption, antitrust, economic sanctions, (unauthorized) cross-

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

border business, capital markets compliance, money laundering and terrorist financing, sales compliance and data protection.

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

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

However, future macroeconomic developments remain subject to significant uncertainties against the background of the further course of the coronavirus pandemic. Further restrictions imposed on economic activity may slow down economic recovery, which in turn may have potential negative consequences for the situation on financial markets with corresponding impact on the AGCS SE investment portfolio. The impact of the corona pandemic on the insurance sector has been limited by targeted underwriting measures.

In addition to the aforementioned risk categories, AGCS SE has identified concentration risks, emerging risks and ESG risks as overall risks. These risks are not considered as individual risk categories but have an impact on one or more of the aforementioned risk categories.

Concentration risks arise from an unbalanced risk profile resulting from disproportionate exposure to one or more risks. The identification and mitigation of concentration risks is an essential element of AGCS SE's risk management.

The emerging risks are understood as the risk of change in the business environment of AGCS SE, which can lead to unforeseen hazards and losses due to insufficient information and assessments (e.g. new technological developments, climate change, political risks). AGCS SE follows a joint process with the Allianz Group to monitor and exchange views on emerging risks. Risks identified as relevant to the AGCS portfolio in this context include, for example, business interruptions and per- and polyfluoroalkyl substances (PFAS). For such relevant risks, specific scenario analyses are carried out in order to assess their potential impact on the portfolio and to initiate risk mitigation measures, if necessary.

The understanding of environmental, social and governance (ESG) issues enables AGCS SE to reduce risks and seize opportunities in the areas of underwriting, claims settlement, investment management and asset management. AGCS SE has established a solid framework for the management of environmental, social and governance (ESG)/sustainability risks and has processes in place to incorporate related potential impacts into its business strategy.

OWN RISK AND SOLVENCY ASSESSMENT

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

The findings from the processes for the company's own assessment of the risk and solvency situation are compiled in a separate report at least once a year. In addition to the results of regular risk reporting, this includes in particular an assessment of the company:

- alignment of the risk strategy with the business strategy,
- permanent assurance of solvency,
- sensitivity of the solvency ratio to external shocks,
- suitability of the internal model for determining solvency capital requirements,
- the overall solvency requirement,
- efficiency of the internal control system,
- the permanent fulfillment of the reported underwriting reserves and the appropriate amount of such reserves
- capitalization of subsidiaries subject to separate reporting requirements.

The risk and solvency situation is not only assessed at the end of the year, but also covers the entire three-year planning period. AGCS SE expects capitalization to be in line with the defined risk appetite at all times over the entire planning horizon.

In addition, an extraordinary risk report must be established should individual events materially alter the risk situation. However, there was no reason to prepare such a separate report in 2021.

The regular report on the company's own risk and solvency assessment as of the reporting date 31 12 2020 was submitted to the supervisory authority BaFin on schedule following a resolution of the Board of Management.

RUSSIA / UKRAINE CONFLICT

The armed conflict between Ukraine and Russia poses potential economic and financial implications for AGCS, which, according to current estimates, should not have a significant impact on the financial result.

AGCS 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 fluid situation and its effects remain unclear. We will continue to monitor the situation closely and, if necessary, take risk-reducing measures in due course.

As a globally active insurer, we also ensure compliance with new sanctions and regulations in all business areas.

OUTLOOK

Economic outlook[1]

After the COVID-19 crisis, the global economic recovery will continue in 2022. However, it will lose momentum overall and be quite diverse, in part because of the varying pace of the vaccination rollout in the different countries and regions. The gap between industrialized and emerging countries is therefore likely to widen further. Overall, we expect the global economy to grow by 4.1 % in 2022. While the U.S. and Eurozone are expected to grow by 3.9 % and 4.1 %, respectively, growth in China is expected to cool to 5.2 %, the lowest rate in over 30 years, with the exception of 2020, when the economy slumped due to COVID-19.

Supply bottlenecks and shortages of parts are likely to continue to weigh on production and prices. An improvement is not expected before the second half of the year. Given the ongoing inflation trend, many central banks are likely to scale back their expansionary monetary policy; the U.S. is expected to see initial interest rate hikes. While generous financing conditions remain in place, equity market volatility is expected to increase in 2022. Bond markets are also likely to see more movement; both a weak rise in interest rates and a slight widening of spreads can be expected. In addition, the different approaches of the central banks are expected to influence international capital flows and exchange rates.

The downside risks outweigh in this present outlook. First of all, we have the coronavirus pandemic itself, which is by no means over: The lack of herd immunity – particularly in the poorer countries – can lead to new variants and waves of infection at any time. Furthermore, economic policy faces the difficult balancing act of managing the smooth transition to a "post-pandemic" world, i.e. without major market distortions; this relates to both the normalization of monetary policy and the scaling back of fiscal crisis aid. After two years of the COVID-19 pandemic, social peace also appears in many countries increasingly fragile, with unequal burden-sharing between the population groups. Last but not least, geopolitical tensions across the board have also continued to mount.

Insurance industry outlook

Overall, the global insurance market is expected to develop positively in 2022. Essentially, the same driving forces are at work as in the previous year: the ongoing economic recovery (especially in industrialized countries), the increased risk awareness of households and companies as well as rising prices, especially in the commercial lines. At the same time, the investment environment remains very challenging due to stronger market movements, even if the expected slight rise in interest rates could signal the first step away from the trend of low interest rates and thus an improvement in investment income.

The year 2022 will continue to be characterized by ever faster rates of digitization, with the aim of simplifying and scaling processes and being able to offer customers simple, fast and intuitively understandable solutions. Looking at the aspect of sustainability, social aspects will play a growing role, particularly given the increasing level of inequality due to the COVID-19 crisis. This offers the insurance industry the opportunity to distinguish itself as a partner for strengthening social resilience. At the same time, increased attention must be paid to possible reputational risks arising from the growing social, political and cultural demands on companies in general and insurance companies in particular.

In the **property and casualty insurance sector**, premium growth is likely to remain slightly below the previous year's level. Corporate banking is likely to continue to benefit from rising prices, albeit to a lesser extent. Investment returns could increase slightly, but the financial market risks should not be underestimated. The gradual return to normality will allow the development in claims to return to pre-crisis levels.

Developments should continue to benefit from greater awareness of the need to hedge risk and from increased savings following the COVID-19 crisis. The expected slight rise in interest rates could also have a positive effect on demand for savings-type insurance products. Profitability should also improve. This is supported on the one hand by the improvement in investment returns, albeit small, and on the other hand by the expected decline in excess mortality thanks to the successful vaccination campaign.

Business outlook

AGCS SE aims at long-term profitability and market leadership in the global corporate and specialty insurance segment. After successfully restructuring its portfolio, in the current market environment AGCS SE is focused on targeted growth initiatives in defined target segments in its global core markets. At the same time, competitiveness is supported by comprehensive programs to reduce costs and optimize productivity. For its customers, AGCS SE plans innovative digital solutions and platforms for simpler and more targeted processes in underwriting and claims processing.

AGCS SE's gross premium income of € 5.0 bn in 2021 significantly exceeded the previous year's forecast of € 4.1 bn. This was primarily due to the extraordinarily positive movement in rates and attendant significantly higher-than-expected growth in the Financial Lines, Property and Energy & Construction lines. Premium growth was supported by a significant increase in the fronting business of the Allianz Risk Transfer line.

With a combined ratio of 91.9 %, profitability for 2021 is significantly higher than the previous year's forecast of 100 %. The main reasons for this development are the successful portfolio adjustments due to phasing out unprofitable customer relationships and in forecast rate development which was higher than expected. Regarding natural catastrophes, the losses for AGCS SE were in line with expectations

1_The information in the "Economic Outlook" and the "Insurance Industry Outlook" are based on our own market estimates.

despite the numerous extreme weather events (e.g. the winter storm in Texas and flooding in Germany). The revised reinsurance structure also contributed to this. In addition, settlement gains from previous years had a positive impact on profitability.

AGCS SE is expected to generate gross premiums written of € 4.7 bn in 2022, down significantly on 2021 (€ 5.0 bn). This is mainly due to lower forecasts for the fronting business from the general risk transfer solutions. The company will seek targeted profitable growth across all other divisions. The combined ratio in 2022 is expected to be 98.8 %.

Industrial insurers' profitability has come under heavy pressure in recent years. Unexpected major losses related to the COVID-19 pandemic in also impacted profitability the industry in 2021, although to a much lesser extent than in 2020. In 2022, AGCS SE expects the market to continue to respond to these challenges with portfolio measures and profitability initiatives. In addition, positive rate developments across the overall portfolio are also expected in 2022. However, the challenging market environment and the associated positive rate developments for AGCS SE in particular and the market for industrial lines in general, had already peaked at the end of 2020.

That year, AGCS SE had largely established sufficient provisions for losses in connection with the Covid-19 pandemic. For 2021, additional but significantly lower reserves were created given the effects of the Covid-19 pandemic. In view of the relatively rapidly changing pandemic situations and the high level of uncertainty in many countries, a further claims in 2022 cannot be completely ruled out. Since the beginning of the pandemic, AGCS SE has updated and clarified its terms and conditions as necessary in order to prevent future unintended risks to communicable diseases and pandemic risks. Based on current estimates, potential additional losses due to the COVID-19 pandemic will be taken into account in general business activities, for example, by structuring risk premiums.

The proportional reinsurance contract with Allianz SE for the business of the German head office, which has been in place since 2015, was renewed for 2021 in 2020 and for 2022 in 2021. For 2021, the global reinsurance structure introduced in 2016, which includes all AGCS branch offices worldwide, was renewed without amendments. The retention per claim and/or event amounted to € 75 mn in 2021. As in previous years, the majority of non-proportional reinsurance contracts were placed with Allianz Re Dublin dac. Due to a change in the risk appetite of Allianz RE Dublin dac, the reinsurance structure for 2022 will be changed to allow for more capacity on the external reinsurance market. This does not concern natural hazard coverage, for which the structure as in 2021 remains in place. For the remaining risks, coverage per risk of € 50 mn or more were placed.

AGCS SE will continue to pursue its safety-oriented investment strategy, where it will continue to rely on the Allianz Group's wealth of experience with investments in Germany and other countries. In order to reduce dependence on capital market developments and to further diversify AGCS SE's investment portfolio while also strengthening returns, proportion of investments in infrastructure and real estate as well as direct lending will be expanded.

AGCS SE's investment planning is based on the assumption that the capital markets will remain stable. All in all, a positive investment result is expected again for 2022, predicted to be below the 2021 result at just over € 180 mn. With the portfolio's average reinvestment interest rate likely to be below the book interest rate, expected interest income will continue to decline next year.

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

Munich, 10 March 2022

Allianz Global Corporate & Specialty SE
The Board of Management

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

FINANCIAL STATEMENTS OF AGCS SE

C

ANNUAL FINANCIAL STATEMENTS

BALANCE SHEET

€ thou

as of 31 December	Notes	2021	2021	2021	2020
ASSETS					
A. Intangible assets	1, 2				
I. Self-created industrial property rights and similar rights and assets			116,420		135,015
II. Concessions acquired against payment, industrial property rights and similar rights and assets as well as licenses for such rights and assets			35,653		59,552
				152,072	194,567
B. Investments	1, 3 - 8				
I. Real estate, real estate rights, and buildings, including buildings on land not owned by AGCS SE			73,189		74,633
II. Investments in affiliated enterprises and participations			2,596,168		2,487,493
III. Other investments			5,972,856		4,763,546
IV. Funds held by others under reinsurance business assumed			108,007		87,548
				8,750,220	7,413,220
C. Receivables					
I. Receivables from direct insurance business					
1. Policy holders		86,595			42,472
2. Insurance brokers		919,465			781,908
including from affiliated enterprises: 1,908 (2020: 1,755) € thou					
			1,006,059		824,380
II. Accounts receivable on reinsurance business			950,227		903,643
including from affiliated enterprises: 53 (2020: 18) € thou					
including from affiliated enterprises: 412,346 (2020: 435,930) € thou					
III. Other receivables			827,047		1,255,804
including from taxes: 51,964 (2020: 63,042) € thou					
including from affiliated enterprises: 0 (2020: 0) € thou					
including from affiliated enterprises: 654,799 (2020: 1,010,258) € thou					
				2,783,333	2,983,826
D. Other assets					
I. Tangible fixed assets and inventories			14,772		18,064
II. Cash with banks, checks and cash on hand			182,459		103,078
III. Miscellaneous assets	9		21,462		23,667
				218,694	144,809
E. Deferred charges and prepaid expenses					
I. Accrued interest and rent			26,294		22,846
II. Other deferred charges and prepaid expenses			2,372		509
				28,666	23,355
F. Excess of plan assets over pension and similar obligations	11			119	211
Total assets				11,933,104	10,759,989

ANNUAL FINANCIAL STATEMENTS

€ thou

as of 31 December	Notes	2021	2021	2021	2020
EQUITY AND LIABILITIES					
A. Shareholders' equity	15				
I. Issued capital			36,741		36,741
II. Capital reserves			1,099,141		1,099,141
III. Revenue reserves					
1. Other revenue reserves			8,355		8,355
				1,144,237	1,144,237
B. Underwriting reserves	16				
I. Unearned premiums					
1. Gross		1,563,737			1,386,002
2. less: amounts ceded		823,053			708,551
			740,684		677,452
II. Reserve for loss and loss adjustment expenses					
1. Gross		10,763,884			10,888,241
2. less: amounts ceded		6,614,293			6,853,694
			4,149,591		4,034,548
III. Equalization reserve and similar provisions			701,716		512,935
IV. Other insurance reserves					
1. Gross		195,118			114,712
2. less: amounts ceded		21,209			15,708
			173,909		99,004
				5,765,900	5,323,938
C. Other provisions	17			246,536	263,966
D. Funds held with reinsurance business ceded	18			2,961,850	3,011,503
E. Other liabilities					
I. Accounts payable on direct insurance business to					
1. Policyholders		23,346			5,367
including remaining term up to one year: 23,346 (2020: 5,367) € thou					
2. Insurance brokers		430,260			138,263
including to enterprises in which a participating interest is held: 4 (2020: 4) € thou					
including to affiliated enterprises: 1,586 (2020: 2,403) € thou					
including remaining term up to one year: 430,260 (2020: 138,623) € thou					
			453,606		143,630
II. Accounts payable on reinsurance business			954,049		578,031
including to affiliated enterprises: 361,142 (2020: 182,686) € thou					
including remaining term up to one year: 954,049 (2020: 578,031) € thou					
III. Other liabilities			406,925		294,685
including from taxes: 76,662 (2020: 31,613) € thou					
including to enterprises in which a participating interest is held: 46 (2020: 282) € thou					
including to affiliated enterprises: 16,359 (2020: 41,380) € thou					
including remaining term up to one year: 406,925 (2020: 324,894) € thou					
including contributions for social security: 565 (2020: 533) € thou					
				1,814,580	1,016,346
Total equity and liabilities				11,933,104	10,759,989

INCOME STATEMENT
FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2021

€ thou

	Notes	2021	2021	2021	2020
I. Technical account					
1. Premiums earned (net)	**19 - 20**				
a) Gross premiums written		4,970,758			4,537,852
b) Ceded premiums written		-3,389,614			-3,108,642
			1,581,145		1,429,210
c) Change in unearned premiums – gross		-112,292			-71,056
d) Change in unearned premiums ceded – gross		81,108			66,733
			-31,184		-4,323
				1,549,961	**1,424,887**
2. Loss and loss adjustment expenses (net)	**21**				
a) Payments for claims					
aa) Gross		-2,752,803			-2,751,169
bb) Reinsurers' share		1,750,846			1,768,083
			-1,001,957		-983,085
B) Change in the reserve for loss and loss adjustment expenses					
aa) Gross		496,530			-1,633,751
bb) Reinsurers' share		-443,498			1,002,983
			53,033		-630,768
				-948,924	**-1,613,853**
3. Change in other underwriting reserves (net)				**115**	**-724**
4. Expenses for premium refunds (net)				**-62,632**	**-38,981**
5. Underwriting expenses (net)	**22-23**			**-475,274**	**-355,545**
6. Other underwriting expenses – net				**-3,789**	**-5,125**
7. Subtotal				**59,457**	**-589,342**
8. Changes in the equalization reserve and similar provisions				**-188,782**	**80,114**
9. Underwriting result for own account				-129,325	-509,228
II. Non-technical account					
1. Investment income[1]	**24**		**353,997**		**189,026**
2. Investment expenses[1]	**25 - 26**		**-68,961**		**-174,072**
				285,037	**14,953**
3. Other income[1]	**28**		**398,292**		**400,464**
4. Other expenses[1]	**28**		**-548,009**		**-395,565**
				-149,718	**4,899**
5. Non-technical result				**135,319**	**19,853**
6. Profit or loss on ordinary activities				**5,994**	**-489,375**
7. Taxes on income	**29**		**-23,881**		**-25,838**
incl. other group companies: 0 (2020: 15,889) € thou					
8. Other taxes			**-3,781**		**-2,942**
				-27,663	**-28,780**
				-21,668	**-518,155**
9. Income from loss absorption	**30**			**21,668**	**518,155**
10. Net income				**0**	**0**

1_The previous year's figures have been adjusted due to a change in the reporting of income and expenses from derivatives. In contrast to the previous year, income and expenses from derivatives were no longer reported in investment income rather in other income and expenses. The previous year's figures were adjusted in the amount of € 88.5 mn.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

BUSINESS ACTIVITY AND BASIS OF PRESENTATION

BUSINESS ACTIVITY

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

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

BASIS OF PRESENTATION

The company prepares the annual financial statements and the management report in accordance with the regulations contained in the German Commercial Code (HGB), taking into account the Stock Corporation Law (AktG), the Law on the Supervision of Insurance Enterprises (VAG), and the Government Order on the External Accounting Requirements of Insurance Enterprises (RechVersV).

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

ACCOUNTING, VALUATION AND CALCULATION METHODS

INTANGIBLE ASSETS

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

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

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

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

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

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

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

INVESTMENTS IN AFFILIATED ENTERPRISES AND PARTICIPATIONS

SHARES IN AFFILIATED ENTERPRISES

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

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

LOANS TO AFFILIATED ENTERPRISES

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

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

PARTICIPATIONS

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

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

LOANS TO AFFILIATED ENTERPRISES IN WHICH A PARTICIPATING INTEREST IS HELD

This item includes loans.

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

OTHER INVESTMENTS

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

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

The investments shown in the balance sheet in accordance with the regulations governing fixed assets are intended to serve business operations on a permanent basis. An allocation of the purpose is made when the investment is received. The dedication is reviewed every time the investment strategy is changed or when sales are planned.

These securities are valued according to the moderate lower-of-cost-or-market principle and carried at the lower of average acquisition cost or long-term fair value. In the case of permanent impairment, write-downs are charged to the income statement.

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

MORTGAGES, LAND CHARGES AND ANNUITY LAND CHARGES

These are valued according to the moderate lower of cost or market principle and carried at amortized cost.

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

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

REGISTERED BONDS, NOTES RECEIVABLE AND LOANS

These are valued according to the moderate lower of cost or market principle and carried at amortized cost.

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

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

BANK DEPOSITS

These items are carried at face value.

DERIVATIVES AND STRUCTURED PRODUCTS

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

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

FUNDS HELD BY OTHERS UNDER REINSURANCE BUSINESS ASSUMED

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

RECEIVABLES AND OTHER ASSETS

In detail:

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

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

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

- Tangible fixed assets, inventories and miscellaneous assets

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

DEFERRED INCOME

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

DEFERRED TAX ASSETS

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

EXCESS OF PLAN ASSETS OVER PENSION OBLIGATIONS

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

If the liabilities exceed the fair value, the excess amount is reported under provisions. If the fair value exceeds the amount of the liabilities, the excess amount is reported under the asset difference item in the balance sheet.

The accounting and valuation method of the excess of plan assets corresponds to that described in Section 17_Other provisions (Equity and liabilities C.).

INSURANCE RESERVES

UNEARNED PREMIUMS

In the direct insurance business, unearned premiums are predominantly determined according to the daily calculation method. In the case of engineering insurance, the daily accrued premium payments generally reflect the risk experience. This does not apply to insurance contracts with an underwriting year prior to 2015, where a separate accrual is made depending on the risk experience. Commissions to agents and other acquisition expenses are deducted as non-transferable portions according to the tax guidelines. For reinsurance business assumed, unearned premiums are determined on the basis of the information provided by the ceding insurers. The reinsurers' share deducted from the gross unearned premiums is predominantly determined according to the daily calculation method, with deduction of non-transferable portions.

In the case of quota share cessions with original cost sharing, the pro rata unearned premiums are recognized in accordance with the quota share of the reinsurer.

RESERVE FOR LOSS AND LOSS ADJUSTMENT EXPENSES

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

Reserves for known insured losses (excluding annuities) is measured individually for each claim according to the expected benefit, and in participating business according to the responsibilities of the leading insurers. The provision for claims settlement expenses that can be allocated to known insurance claims is formed in the course of individual case provisions in accordance with the expected payments. The partial loss reserve for non-allocable claims settlement expenses is derived using a lump-sum approach from historical settlement expenses measured by claims payments and reserve changes. For losses already incurred or caused but not yet reported late claims provisions are set up on the basis of the experience from previous years. For individual claims which are not yet known, late claims provisions for claims settlement expenses are calculated using the same actuarial method as for claims provisions for claims expenses. Receivables from subrogation, claim recoveries and distribution agreements are deducted to the extent of their ascertainable or determinable realizability.

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

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

EQUALIZATION RESERVE AND SIMILAR PROVISIONS

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

OTHER INSURANCE RESERVES

Reserve for cancellations

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

Reserve for anticipated losses

The starting point for the assessment is the expected premium income as well as loss and cost developments for the respective line of business. The reserve is calculated taking into account proportional interest income expected for the retention only. The reserve is calculated as a total for the direct insurance business and the reinsurance business assumed. No reserve had to be set up in the financial year.

Provision for profit-independent premium refunds

The provision for profit-independent premium refunds is calculated on the basis of the premium, claims and cost development of one or more insurance contracts for the current business year, insofar as a premium refund is the subject of contractual agreements. If these relate to an observation period of several years, the provision is created as a precaution for amounts before the end of this period. In the financial year, the provision mainly includes amounts from reinsurance business assumed.

OTHER ACCRUED LIABILITIES

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

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

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

Pursuant to § 253 HGB, provisions for pension obligations must be discounted at the average market interest rate from the past ten financial years and for other personnel obligations from the past seven financial years. § 253 (6) sentence 2 HGB states that a positive difference resulting from the valuation of pension obligations at the seven-year average interest rate compared with the valuation at the ten-year average interest rate is subject to a distribution ban. This distribution ban does not block the transfer of profits if there is a transfer-of-profit agreement.

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

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

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

LIABILITIES

In detail:

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

These liabilities are stated at the amounts payable on maturity.

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

APPROXIMATION AND SIMPLIFICATION METHODS

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

CURRENCY CONVERSION

As a general rule, all business transactions are recorded in the original currency and converted into Euro at the applicable daily rate (mean spot exchange rate).

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

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

The costs of the real estate assets and the costs of the loans and land charge receivables are determined using the average spot exchange rate at the time of acquisition. Fluctuations in value due to changes in exchange rates are recognized in the income statement as of the balance sheet date (strict lower of cost or market principle, taking into account the historical cost and realization principle).

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

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

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

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

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

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

REQUIREMENT TO REINSTATE ORIGINAL VALUES, WRITE-UPS

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

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

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SUPPLEMENTARY INFORMATION ON ASSETS

1 _ Change of assets A., B.I. through B.III. for financial year 2021

	Balance sheet value 31/12/2020	
	€ thou	%
A. Intangible assets		
1. Self-created industrial property rights and similar rights and assets	135,015	
2. Concessions acquired against payment, industrial property rights and similar rights and assets as well as licenses for such rights and assets	59,552	
Total A.	194,567	
B.I. Real estate, real estate rights, and buildings, including buildings on land not owned by AGCS SE	**74,633**	**1.0**
B.II. Investments in affiliated enterprises and participations		
1. Shares in affiliated enterprises	2,253,166	30.8
2. Loans to affiliated enterprises	166,408	2.3
3. Participations[1]	41,699	0.6
4. Loans to affiliated enterprises in which a participating interest is held	26,220	0.4
Total B.II.	**2,487,493**	**34.0**
B.III. Other investments		
1. Stocks, units or shares in investment funds and other variable income securities	2,168,311	29.6
2. Bearer bonds and other fixed income securities	2,295,091	31.3
3. Mortgages, land charges and annuity land charges	49,822	0.7
4. Other loans		
a) Registered bonds	58,030	0.8
b) Notes receivable and loans	112,581	1.5
5. Bank deposits	79,712	1.1
Total B.II.	**4,763,547**	**65.0**
Total B.I. to B.III.	7,325,673	100.0
Total	**7,520,240**	

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

2 _ Intangible assets (Assets A.)

This balance sheet position essentially comprises the capitalized expenses in connection with the system configuration of self-created and purchased software. The material long-term distribution agreement in effect in recent years at our Hong Kong branch office has been terminated.

The total amount of the research and development costs for self-created intangible assets in financial year 2021 amounted to € 19,885 thou, of which € 12,287 thou was capitalized.

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

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

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

The balance sheet value of directly held properties € 73,189 thou. Of this portfolio, no land or buildings were used for our own purposes in the course of our business activities.

Additions	Reclassifications	Disposals	Write-ups	Depreciation	Net change	Balance sheet value 31 December 2021	
€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	%
12,288				30,883	-18,595	116,420	
802		13,429		11,273	-23,900	35,653	
13,090		13,429		42,156	-42,495	152,073	
305				**1,749**	**-1,444**	**73,189**	**0.8**
51,232	-32,638	59,750	78,145	6,764	30,225	2,283,390	26.4
84,187		12,203	4,843	1	76,826	243,234	2.8
		290	1,019	836	-107	41,592	0.5
1,732					1,732	27,952	0.0
137,151	**-32,638**	**72,243**	**84,007**	**7,601**	**108,676**	**2,596,168**	**30.0**
444,471	32,638	172,160	525	33,322	272,153	2,440,464	28.2
1,831,822		874,411	12,732	10,434	959,709	3,254,800	37.7
10		245			-235	49,587	0.6
7,125		14,760	1,386		-6,249	51,781	0.6
		8,838			-8,838	103,743	1.2
-7,232					-7,232	72,480	0.8
2,276,196	**32,638**	**1,070,414**	**14,644**	**43,756**	**1,209,308**	**5,972,855**	**69.1**
2,413,652		1,142,657	98,651	53,106	1,316,540	8,642,212	100.0
2,426,742		**1,156,086**	**98,651**	**95,262**	**1,274,045**	**8,794,285**	

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

List of participations pursuant to § 285 no.11 HGB

	Share	Equity	Net income
	%	€ thou	€ thou
1739908 Ontario Ltd., Toronto	100.0	41	-
AGCS Infrastrukturfonds GmbH, Munich[8, 9]	100.0	33,500	-
AGCS International Holding B.V., Amsterdam[3]	100.0	1,127,558	-63,620
AGCS Marine Insurance Company, Chicago[3]	100.0	132,587	2,755
AGCS Resseguros Brasil S.A., São Paulo	100.0	267,706	2,385
AGCS-Argos 76 Vermögensverwaltungsgesellschaft mbH, Munich	100.0	55,088	7,053
AGCS-Argos 86 Vermögensverwaltungsgesellschaft mbH, Munich[8]	100.0	92,555	-
AIM Underwriting Limited, Toronto[8]	100.0	-	-
ALIDA Grundstücksgesellschaft mbH & Co. KG, Hamburg	4.7	389,261	12,232
Allianz Aviation Managers LLC, Burbank	100.0	-167	-1
Allianz Finance VIII Luxemburg S.A., Luxembourg	20.0	984,766	15,209
Allianz Fire and Marine Insurance Japan Ltd, Tokyo[1, 5]	100.0	23,601	6,051
Allianz Global Corporate & Specialty do Brasil Participações Ltda., Rio de Janeiro[6]	100.0	268,812	2,163
Allianz Global Corporate & Specialty of Bermuda Ltd., Hamilton[8]	100.0	6,864	0
Allianz Global Corporate & Specialty of Africa (Proprietary) Ltd., Johannesburg	100.0	-	-
Allianz Global Corporate & Specialty SE Escritório de Representação no Brasil Ltda., Rio de Janeiro[6]	100.0	31	3
Allianz Global Corporate & Specialty South Africa Ltd., Johannesburg	100.0	11,270	758
Allianz Global Risks US Insurance Company Corp., Chicago[3]	76.1	1,512,676	-130,578
Allianz Infrastructure Luxemburg Holdco II S.A., Luxembourg	10.1	559,173	5,977
Allianz Infrastructure Luxemburg Holdco IV S.A., Luxembourg	10.1	236,558	1,481
Allianz Marine (UK) Ltd., London[2]	100.0	10,820	56
Allianz Renewable Energy Fund II S.A. SICAV-SIF, Senningerberg	10.8	350,582	8,477
Allianz Renewable Energy Partners of America LLC, Wilmington	33.3	723,379	47,057
Allianz Risk Consultants Inc., Los Angeles	100.0	1,927	-116
Allianz Risk Consulting GmbH, Munich	100.0	2,517	42
Allianz Risk Transfer (Bermuda) Ltd., Hamilton[3]	100.0	101,411	23,378
Allianz Risk Transfer AG, Schaan	100.0	546,037	72,528
Allianz Risk Transfer Inc., New York	100.0	8,331	452
Allianz Services (UK) Limited, London[2]	100.0	2,872	-3,972
Allianz Underwriters Insurance Company Corp., Burbank[3]	100.0	50,667	1,380
American Automobile Insurance Company Corp., Earth City[3]	100.0	67,865	1,139
AS Gasinfrastruktur Beteiligung GmbH, Vienna	10.0	338,888	22,907
Associated Indemnity Corporation, Los Angeles[3]	100.0	78,047	1,349
Assurance France Aviation S.A., Paris	100.0	2,334	-84
Autobahn Tank & Rast Gruppe GmbH & Co. KG, Bonn	1.1	11,537	-183,284
Autobahn Tank & Rast Management GmbH, Bonn	1.1	41	17
Bain Capital Distressed and Special Situations 2019 (B Master) L.P., George Town	0.3	-	-
Barings European Private Loan Fund II, Luxembourg	0.7	-	-
Blackstone BioMed Life Science Real Estate (Lux) SCSp, Luxembourg	0.4	-	-
Blackstone Capital Opportunities Fund IV EEA Feeder SCSp, Luxembourg	1.4	316,282	-627
Blackstone COF IV Co-Investment Feeder Fund EEA SCSp, Luxembourg	0.6	-	-
Blackstone Real Estate Debt Strategies IV (Feeder Fund) (LUX) SCSp, Luxembourg	1.2	-	-
Blackstone Real Estate Debt Strategies IV (Feeder Fund) (LUX) SCSp, Luxembourg	0.4	-	-
Brunei National Insurance Company Berhad Ltd., Bandar Seri Begawan[7]	25.0	11,820	2,212
Capital Four Private Debt III Fund SA SICAV-RAIF - Senior Direct Lending Fund, Luxembourg	0.9	-	-
Caroline Berlin S.C.S., Luxembourg	3.8	170,871	10,959
Cheyne Real Estate Credit Holdings VII (Compartment), Luxembourg	0.6	-	-
Chicago Insurance Company Corp., Chicago[3]	100.0	55,053	336
Comvest Credit Partners V (Luxembourg) Intermediate Fund SCSp, Luxembourg	1.1	-	-
Core Senior Lending Fund (A-A) L.P., Toronto	4.5	-	-
Core Senior Lending Fund L.P., Toronto	0.7	-	-
Crescent European Specialty Loan Fund II SCSp, Munsbach	1.0	-	-
CRG Partners IV - Parallel Fund "C" (Cayman) L.P., Grand Cayman	4.7	-	-
Darby Latin American Private Debt Fund III L.P., Toronto	1.4	-	-
EF Solutions LLC, Wilmington	100.0	-	-
EISAF II LP, Singapore	1.1	-	-
EMZ 9-C S.L.P., Paris	1.9	-	-
EW Special Opportunities Fund III (EUR) LP, Singapore	1.2	-	-
Falcon Private Credit Opportunities VI (Luxembourg) SCSp, Luxembourg	0.8	-	-
Fireman's Fund Financial Services LLC, Dallas	100.0	1,552	320
Fireman's Fund Indemnity Corporation, Liberty Corner	100.0	12,967	293
Fireman's Fund Insurance Company Corp., Los Angeles	100.0	1,073,451	20,592
Gramercy Capital Solutions Fund II L.P., Wilmington, DE	1.5	-	-
GSO European Senior Debt Fund II EEA Feeder SCSp, Luxembourg	0.6	-	-
HPS Offshore Mezzanine Partners 2019 L.P., Cayman Islands	0.2	-	-
Hunt Capital Partners Tax Credit Fund 2011-4 LP, Sherman Oaks	9.7	-	-
Interstate Fire & Casualty Company, Chicago	100.0	60,742	3,569
Kelso Investment Associates VIII LP, New York	6.7	-	-
Missouri Affordable Housing Fund XVI L.P., Missouri City	12.9	-	-
National Surety Corporation, Chicago[3]	100.0	64,117	1,167
Oaktree European Capital Solutions Fund II SCSp, Luxembourg	0.7	-	-
Oaktree Opportunities Fund X L.P., Los Angeles	0.3	-	-
Oaktree Opportunities Fund Xb, L.P., Cayman Islands	0.3	-	-

	Share	Equity	Net income
Oaktree Real Estate Debt Fund III L.P., Grand Cayman	1.0	-	-
Oaktree Real Estate Opportunities VII L.P., New York	1.5	-	-
PAG Loan Fund IV L.P., George Town	0.7	-	-
PIMCO Corporate Opportunities Fund III Lux Feeder SCSp. Luxembourg	0.6	-	-
PIMCO DISCO Fund III Offshore Feeder LP, George Town	0.3	-	-
Professional Agencies Reinsurance Limited, Hamilton[8]	16.6	-	-
Q207 S.C.S., Luxembourg	10.0	84,956	722
Sirius S.A., Luxembourg	10.3	334,241	5,279
SpaceCo S.A., Paris	100.0	703	644
Specialty Loan Fund 2016 L.P., George Town	2.3	-	-
SPREF II Pte. Ltd, Singapore	2.5	285,519	28,968
T&R MLP GmbH, Bonn	1.1	29	13
T&R Real Estate GmbH, Bonn	1.1	140,869	-30
The American Insurance Company Corp., Cincinnati[3]	100.0	58,651	1,377
The FIZZ Student Housing Fund S.C.S., Luxembourg	4.5	182,104	10,977
TPG Real Estate Partners III EU AIV B SCSp, Luxembourg	0.2	-	-
TPG Real Estate Partners III L.P., Wilmington	0.2	-	-
Triskelion Property Holding Designated Activity Company, Dublin	2.5	-385	-162
Wm. H McGee & Co. (Bermuda) Ltd., Hamilton[8]	100.0	-	-
Wm. H McGee & Co. Inc., New York	100.0	1,157	-35

All figures are from 2020

1_Fiscal year from April to March; figures as per March 2021

2_Converted from GBP into EUR closing rate 31.12.2021: 0.83960

3_Converted from USD into EUR closing rate 31.12.2021: 1.13720

4_Converted from JPY into EUR closing rate 31.12.2021: 130.95425

5_Converted from BRL into EUR closing rate 31.12.2021: 6.33420

6_Converted from BND into EUR closing rate 31.12.2021: 1.53310

7_No annual financial statements are prepared based on local regulations

8_The annual results are set at zero due to a control and profit transfer agreement

9_AGCS Infrastrukturfonds GmbH invests in private equity fonds. § 286 (3) sentence 1 no. 2 of the German Commercial Code (HGB) applies for the company. As of the balance sheet date, the company held 9 fund investments with a total carrying amount of EUR 35,004,749.93 and existing repayment obligations totaling EUR 17,426,473.91.

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

This item includes five profit participation certificates in the amount of € 158,311 (82,864) thou, which are securitized under Luxembourg law. The profit participation certificates contain a performance-based profit participation related to the underlying investment. There is no obligation to make additional contributions.

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

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

€ thou

Fund name	Investment objective	Return period for fund units	Balance sheet value 31.12.2021	Market value of fund units 31.12.2021	Reserves 31.12.2021	Distributions for the financial year
Mixed funds						
Allianz Renewable Energy Fund II, S.A.S	mixed funds	not on every trading day	28,888	28,888	0	1,132
Total			28,888	28,888	-	1,132
Bond funds						
ALLIANZ GLR FUNDS	Bond funds	on every trading day	875,842	973,403	97,561	5,244
ALLIANZ GLRS FONDS	Bond funds	on every trading day	982,071	1,054,223	72,152	62,486
ALLIANZ GRGB FONDS	Bond funds	on every trading day	299,036	352,370	53,334	1,417
Allianz EM Loans S.C.S., AGCS	Bond funds	not on every trading day	34,139	36,864	2,724	-
Total			2,191,088	2,416,860	225,771	69,147
Total			**2,219,976**	**2,445,748**	**225,771**	**70,279**

7 _ Fair values of investments

Fair values of investments

€ thou

	2021	2020
B.I. Real estate, real estate rights, and buildings, including buildings on land not owned by AGCS SE	**161,641**	**145,961**
B. II. Investments in affiliated enterprises and participations		
1. Shares in affiliated enterprises	2,675,851	2,601,199
2. Loans to affiliated enterprises	255,560	177,740
3. Participations	44,731	44,682
4. Loans to affiliated enterprises in which a participating interest is held	28,254	26,734
B. III. Other investments		
1. Stocks, units or shares in investment funds and other variable income securities	2,685,164	2,541,511
2. Bearer bonds and other fixed income securities	3,379,793	2,411,971
3. Mortgages, land charges and annuity land charges	51,051	52,587
4. Other loans		
a) Registered bonds	56,580	63,240
b) Notes receivable and loans	108,188	119,474
5. Bank deposits	72,480	79,712
B. IV. Funds held by others under reinsurance business assumed	**108,007**	**87,548**
Total investments	**9,627,300**	**8,352,359**

VALUATION METHODS TO DETERMINE FAIR VALUES

The fair value of the land and buildings was determined as of 31 December 2021 using the discounted cash flow method.

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

To determine the fair value of stocks, units or shares in investment funds and other non-fixed-income securities, the year-end stock exchange price was used, if available. For special funds, the value communicated by the investment company was used.

The fair values of exchange-listed fixed-term securities, such as bearer bonds and other fixed-income securities, were determined using the year-end stock exchange prices.

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

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

8 _ Hidden losses

The fixed asset investments carried at acquisition cost less cumulated depreciation include hidden losses in the amount of € 4,490 thou.

The following table shows the composition of the unrealized losses in financial year 2021:

Distribution of hidden losses

€ thou

	Book value	Fair value	Hidden losses
Shares in affiliated enterprises	30,719	30,543	176
Loans to affiliated enterprises	66,074	63,792	2,282
Participations	1,562	0	1,562
Registered bonds	13,164	12,739	426
Mortgages	9,496	9,452	44
Total	**121,015**	**116,526**	**4,490**

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

9 _ Miscellaneous assets (Assets D.III.)

This item mainly comprises 122,594 options on Allianz SE shares, which are used to hedge company risks within the framework of Allianz Equity Incentives. The acquisition cost of these options amounted to € 19,460 thou.

10 _ Deferred tax assets

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

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

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

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

A portion of the pension obligations is covered through reinsurance policies or offsettable plan assets. Since the assets are based on a different interest rate than that used to calculate the settlement amount of the pension obligations, a part of the pension plans show an excess of plan assets over pension liabilities/pension provisions.

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

This resulted in the recognition of an excess of plan assets over pension liabilities/pension provisions of € 119 (211) thou.

12 _ Distribution ban

The amount banned from deduction pursuant to § 268 (8) HGB in conjunction with § 301 AktG amounted to € 118,795 (136,937) thou and related in the amount of € 116,420 (135,015) thou to the recognition of self-created intangible assets and in the amount of € 2,375 (1,922) thou to the measurement of assets at fair value pursuant to § 253 (1) HGB. The amount banned from deduction was covered in full by freely available equity components.

13 _ Derivatives

DERIVATIVE FINANCIAL INSTRUMENTS, STRUCTURED PRODUCT AND MORTGAGE-BACKED SECURITIES

Derivative financial instruments, structured products and asset-backed securities (ABS) are used exclusively within the scope of the overall investment strategy, taking into account the provisions of § 15 paragraph 1 and in accordance with the principles established by the German Federal Financial Supervisory Authority.

In order to limit risk, additional company-specific requirements such as business partner limits and stop-loss brands determined as part of internal risk controlling are also checked to verify compliance.

Forward exchange transactions have been concluded in the portfolio for the purpose of currency hedging.

The following table shows the derivative positions held directly as of the balance sheet date.

NOMINAL AND FAIR VALUES OF OPEN DERIVATIVE POSITIONS

Breakdown by type of derivative
€ thou

	Nominal values of underlying instruments[1] 31.12.2021	Nominal values of underlying instruments[1] 31.12.2020	Fair values of derivatives 31.12.2021	Fair values of derivatives 31.12.2020
Currency transactions				
FX Forwards	2,767,932	2,099,561	2,252	9,363
Total	2,767,932	2,099,561	2,252	9,363

1_Nominal values of underlying instruments lists the nominal values of the hedged investments.

In order to determine the fair values, established pricing methods on financial markets such as the present value method and option pricing models are used, provided that there are no stock exchange quotations that take into account market and credit risks in addition to current yield curves and volatilities. The fair value corresponds to the capital required for the full redemption of all future claims and obligations from the financial business.

14 _ Valuation units

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

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

The prospective and retrospective effectiveness of the valuation units over the stock-based payment plans expiring in 2025 at the latest is demonstrated by matching the conditions, parameters and risks (critical term match method).

As of the balance sheet date, the included underlying transactions, consisting of benefits presumed to be settled in the future, amounted to € 19,460 (22,758) thou. Valuation units are accounted for under the freezing method. The valuation units were used to hedge risks in the form of changes in value amounting to € 4,020 (5,846) thou.

SUPPLEMENTARY INFORMATION ON EQUITY AND LIABILITIES

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

The issued capital of € 36,741 thou as of 31 December 2021 comprised 36,740,661 fully paid-up registered no-par value shares with a computed value of € 1 each.

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

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

ACCORDING TO INSURANCE LINES, INSURANCE BRANCHES AND TYPES OF INSURANCE

€ thou

	Total		incl. gross reserves for loss and loss adjustment expenses		incl. claims equalization reserve and similar provisions	
	2021	2020	2021	2020	2021	2020
Direct insurance business						
Personal Accident and Health Insurance	16,541	13,697	7,072	8,995	1,423	-
Liability Insurance	4,632,808	4,491,152	4,115,855	4,123,497	101,530	20,246
Motor Liability Insurance	12,790	11,768	9,256	9,481	-	-
Other motor insurance	23,268	23,270	16,411	16,489	-	659
Fire and Property Insurance	1,608,672	1,407,886	1,102,132	1,011,739	108,278	53,028
including:						
Fire Insurance	418,709	395,807	241,013	284,513	104,015	51,655
Other Property Insurance	1,189,963	1,012,079	861,119	727,226	4,262	1,374
Transport and Aviation Insurance	974,228	996,704	791,628	842,728	114,677	88,981
Other insurances	306,441	432,828	206,031	334,144	-	288
Total[1]	7,574,814	7,377,577	6,248,450	6,347,325	325,908	163,203
Reinsurance business assumed	**5,649,641**	**5,524,314**	**4,515,434**	**4,540,916**	**375,809**	**349,732**
Insurance business total	**13,224,455**	**12,901,890**	**10,763,884**	**10,888,241**	**701,716**	**512,935**

1_In addition to the individual insurance lines, insurance branches and types of insurance listed above, the total also includes insignificant amounts for the overall business of AGCS SE for the indemnity insurance and credit and suretyship insurance branches, each with a gross premium of less than € 3,000 thou.

17 _ Other provisions (Equity and liabilities C.)

RESERVES FOR PENSIONS AND SIMILAR OBLIGATIONS

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

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

Calculation parameters

%

	2021	2020
Discount rate (10-year average):	1.87	2.30
Discount rate (7-year average):	1.35	1.60
Pension trend	2.00	1.30
Assumed salary increase (incl. average career trend)	3.25	3.25

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

The Heubeck mortality tables RT2005G, which have been adjusted with regard to mortality, invalidity and fluctuations to reflect the company-specific circumstances, are used as the biometric calculation basis. The company-specific adjustments were introduced in 2010 and reviewed and redefined in 2018.

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

Supplementary information

€ thou

	2021	2020
Acquisition costs of the offset assets	132,909	125,385
Fair value of the offset assets	136,201	127,385
Settlement amount of the offset liabilities	147,989	133,836

In the financial year, provisions for pensions and similar obligations amounted to € 11,819 (6,584) thou.

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

The settlement amount of the offset liabilities calculated using the 7-year average interest rate as 31 December 2021 amounted to € 155,234 thou. An amount of € 7,245 thou is barred from distribution pursuant to § 253 (6) sentence 2 HGB.

TAX RESERVES

In the financial year, tax reserves of € 72,428 (19,677) thou were mainly created at the branch offices in Netherlands, Spain, Singapore and Italy.

OTHER RESERVES

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

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

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

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

Supplementary information

€ thou

	2021	2020
Acquisition costs of the offset assets	4,255	5,280
Fair value of the offset assets	8,512	7,591
Settlement amount of the offset liabilities	9,702	8,854

The Other provisions for financial year 2021 include the following positions:

Composition of Other provisions

€ thou

	2021	2020
Remunerations not yet definitively determined	65,360	39,606
Invoices not yet received	42,881	36,550
Restructuring	25,064	38,141
Holidays and flexible working hours	15,067	15,168
Allianz Equity Incentives	14,782	18,164
Premium deficiency reserve	12,680	2,618
Employee anniversaries	4,494	4,713
Other	16,083	7,331
Long-term distribution agreement with Standard Chartered Bank	-	45,203
Total	**196,410**	**207,496**

As a result of terminating the contractual obligations of the long-term distribution agreements, the payment plan recognized as a liability at the settlement amount will be fully terminated (€ 45,203 thou) at our branch offices in Hong Kong and Singapore.

PLAN ASSETS

The historical costs of the assets (pensions, phased-in early retirement commitments and long-term credit accounts) amounted to € 137,163 (130,665) thou and the fair value to € 144,173 (134,976) thou. The settlement amount amounted to € 157,691 (142,690) thou.

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

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

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SUPPLEMENTARY INFORMATION ON THE INCOME STATEMENT

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

€ thou

	Gross premiums written		Gross earned premiums		Net premiums earned	
	2021	2020	2021	2020	2021	2020
Direct insurance business						
Personal Accident and Health Insurance	19,384	16,406	17,830	16,098	2,842	3,277
Liability Insurance	1,105,395	1,029,785	1,050,301	1,000,360	457,311	400,357
Motor Liability Insurance	8,568	6,686	7,538	5,946	- 381	-14
Other motor insurance	15,175	14,944	14,869	15,042	- 445	329
Fire and Property Insurance	1,042,112	812,850	1,004,985	806,361	259,736	242,632
including:						
Fire Insurance	303,328	227,516	292,820	240,659	75,151	65,601
Other Property Insurance	738,784	585,334	712,164	565,702	184,221	177,031
Transport and Aviation Insurance	450,562	495,680	448,751	491,135	161,371	169,260
Other insurances	175,712	135,924	179,412	141,739	40,872	22,816
Total[1]	**2,816,898**	2,513,034	**2,723,685**	2,477,658	**921,307**	838,691
Reinsurance business assumed	**2,153,860**	**2,024,818**	**2,134,781**	**1,989,138**	**628,654**	**586,196**
Insurance business total	**4,970,758**	**4,537,852**	**4,858,467**	**4,466,796**	**1,549,961**	**1,424,887**

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

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

€ thou

	Germany		EU and EEA[2]		Other countries	
	2021	2020	2021	2020	2021	2020
Personal Accident and Health Insurance	1,433	1,855	3,150	2,833	14,801	11,718
Liability Insurance	207,589	300,907	474,070	580,881	423,736	147,997
Motor Liability Insurance	-	-	-	-	8,568	6,686
Other motor insurance	-	-	-	-	15,175	14,944
Fire and Property Insurance	144,577	216,105	373,385	390,253	524,150	206,492
including:						
Fire Insurance	50,659	60,262	151,456	136,896	101,213	30,359
Other Property Insurance	93,919	155,843	221,929	253,358	422,937	176,133
Transport and Aviation Insurance	137,561	103,269	196,935	324,613	116,065	67,797
Other insurances	48,596	44,952	96,730	62,078	30,387	28,893
Total[1]	**539,756**	**667,062**	**1,144,269**	**1,360,659**	**1,132,873**	**485,313**

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

2_Our branch office in the United Kingdom generated € 967,232 (745,891) thou in gross premiums written in financial year 2021. At € 344,254 (285,049) thou, the main share was recorded in Liability Insurance.

Gross expenditure for insurance claims		Gross underwriting expenses		Reinsurance balance		Underwriting result for own account		Number of insurance contracts with at least a 1-year period	
2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
6,246	6,311	5,069	4,264	- 5,547	- 2,640	- 479	2,879	8,354	9,508
419,976	1,095,585	209,583	184,723	- 328,328	107,649	9,647	-177,424	20,203	21,142
2,280	-1,308	3,298	2,428	- 2,501	-3,430	- 542	1,396	30,458	27,340
5,589	2,230	5,583	5,376	- 5,254	-5,715	- 945	1,062	-	-
448,139	587,393	163,770	137,107	- 380,062	-132,908	- 46,846	-44,853	17,707	19,952
76,239	138,317	45,012	39,569	- 141,869	-87,220	- 24,104	-10,986	4,595	5,485
371,900	449,076	118,758	97,538	- 238,194	-45,688	- 22,742	-33,867	13,112	14,467
175,364	309,432	108,085	118,717	- 163,370	-76,746	- 26,205	-28,259	16,050	18,000
286,929	396,195	27,458	20,759	67,479	101,276	- 67,205	-175,868	23,625	50,259
1,344,385	2,396,210	**523,295**	475,250	**- 817,637**	-13,168	**- 132,940**	-422,993	116,629	149,055
911,888	**1,988,710**	**486,267**	**429,638**	**- 649,231**	**291,668**	**3,616**	**-86,235**		
2,256,273	**4,384,920**	**1,009,563**	**904,888**	**-1,466,868**	**278,500**	**-129,325**	**-509,228**		

21 _ Run-off result

Net run-off profit of € 81,369 thou (negative result of € 190,965 thou) were mainly attributable to Liability Insurance. This amounted to 2.0 (-5.4) % of the reserve created in the previous year for loss and loss adjustment expenses.

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

€ thou

	2021	2020
a) Gross expenditure for the insurance business	1,009,563	904,888
b) Less: Reinsurance commissions and profit participation	534,289	549,342
Total	**475,274**	**355,545**

Of the gross expenditure for the insurance business, acquisition expenses made up for, € 830,601 (745,712) thou was attributable to acquisition costs and € 178,962 (159,176) thou to administrative expenses.

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

€ thou

	2021	2020
a) Commission of any kind for insurance agents within the meaning of § 92 HGB for direct insurance business	264,603	239,573
b) Other remuneration of insurance agents within the meaning of § 92 HGB	9	8
c) Wages and salaries	268,058	239,444
d) Social security contributions and other social contributions	43,658	41,321
e) Expenses for retirement provision	30,456	27,111
Total	**606,784**	**547,457**

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

€ thou

	2021	2020
a) Income from participations including in affiliated enterprises 62,624 (2020: 11,122) € thou	65,938	14,481
b) Income from other investments	163,060	102,020
aa) Income from real estate, real property and equivalent rights, including buildings on land not owned by AGCS	6,557	5,593
bb) Income from other investments[1]	156,503	96,427
c) Income from write-ups	98,651	1,091
d) Gains on the disposal of investments	14,213	71,434
e) Income from profit pooling, profit transfer and partial profit transfer agreements	12,135	-
Total	**353,997**	**189,026**

1_ The previous year's figure has been adjusted due to a change in the reporting of income and expenses from derivatives. In contrast to the previous year, income and expenses from derivatives were no longer reported in investment income rather in other income and expenses. Overall, the previous year's figures for investment income (Chapter 24) and investment expenses (Chapter 25) were adjusted to the amount of € 88.5 mn.

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

€ thou

	2021	2020
a) Investment management expenses, interest expenses and other charges for investment[1]	11,058	9,494
b) Value adjustments on investments	53,106	148,661
c) Losses on the disposal of investments[1]	4,796	13,605
d) Costs of loss absorption	-	2,313
Total	**68,961**	**174,072**

1_ The previous year's figure has been adjusted due to a change in the reporting of income and expenses from derivatives. In contrast to the previous year, income and expenses from derivatives were no longer reported in investment income rather in other income and expenses. Overall, the previous year's figures for investment income (Chapter 24) and investment expenses (Chapter 25) were adjusted to the amount of € 88.5 mn.

26 _ Value adjustments on investments

Impairment losses pursuant to § 253 (3) sentence 5 HGB amounted to € 7,601 (101,705) thou on shares and loans to affiliated companies. Write-downs pursuant to § 253 (4) HGB were made in the amount of € 43,756 (45,302) thou for bearer bonds as well as stocks, investment fund units and other variable income securities.

27 _ Write-downs on intangible assets

Write-downs on intangible assets pursuant to § 253 (3) HGB of € 42,156 (58,253) thou were made during the financial year in relation to intangible fixed assets under consideration of the respective useful life.

28 _ Other income and other expenses (Income statement II.3/4)

The following are included in Other income and other expenses:

€ thou

	Pensions and similar obligations	Other obligations
Income / expenses from the fair value of the offset assets	-4,173	-244
Calculated interest on the settlement amount of the offset liabilities	5,340	307
Effect from the change in the discount rate for the settlement amount	5,275	14
Net amount of the offset income and expenses	**6,441**	**77**

Also included are currency translation losses of € 257,592 thou (negative result of € 196,118 thou) and interest expenses of € 36,434 thou (43,749 thou) for funds held with respect to reinsurance partners. In addition, gains of € 43.4 mn were generated from the disposal of the distribution agreement with Standard Chartered Bank.

29 _ Income taxes (Income statement II.7.)

For AGCS SE, the lower taxable income in the foreign branch offices compared with the previous year, as well as the negative results posted at the German head office and at the branch office in France and the United Kingdom mainly resulted in lower income taxes of € 23,881 (25,838) thou.

30 _ Appropriation of earnings

Before the transfer of profit, the negative result for financial year 2021 amounted to € 21,668 (518,155) thou, which was compensated for by Allianz SE under the terms of the existing transfer-of-profit agreement.

OTHER INFORMATION

CONTINGENT LIABILITIES

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

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

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

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

Because the adjustment obligations pursuant to § 16 of the German Company Pension Act (Betriebsrentengesetz – BetrAVG) are not covered at the old rate of the APV, the plan assets of the APV were lower than the pension obligations as 31 December 2021. The shortfall as on 31 December 2021 amounted to € 37,078 (19,549) thou.

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

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

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

In addition, an employer contribution is granted monthly in the form of a direct commitment.

Allianz SE has assumed joint and several liability for part of the pension commitments of AGCS SE. The latter reimburses the costs; Allianz SE has undertaken to fulfill these commitments. The pension commitments are therefore reported by Allianz SE and not by the company.

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

The joint and several liability of the company from these pension commitments and these recourse claims against Allianz SE that are offset against these liability obligations amount to:

Supplementary information

€ thou

	2021	2020
Settlement amount of the offset liabilities	84,900	73,616
Joint liability and/or rights of rights of relief against Allianz SE	84,900	73,616

With Allianz SE's payment of the last installment in March 2021, the conversion of the financing procedure of the Pensions-Sicherungs-Verein VVaG from 2006 is now completed. This also concludes the joint and several liability (previous year: € 13 thou).

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

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

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

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

STATUTORY OBLIGATIONS

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

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

Other financial obligations

As of the balance sheet date, there were no liens on capital investments in connection with Group-internal cessions, and there were no such liens with affiliated enterprises. € 451,214 (430,465) thou were deposited in trust accounts, of which € 428,346 (408,433) thou were in favor of affiliated enterprises. A claim will only be made on these contingent liabilities if AGCS SE is unable to fulfill its obligations from the reinsurance business. In view of the solid capitalization and the adequate reserves of AGCS SE, the risk of such a claim is considered to be very low. Other financial obligations from purchasing contracts amounted to € 95,249 (162,819) thou and in particular from real estate purchasing contracts in the amount of € 37,678 (47,070) thou.

Payment obligations under long-term leases amounted to € 45,934 (54,210) thou, of which € 16,935 (21,446) thou was due to affiliated enterprises.

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

Accordingly, other financial obligations were € 193,783 thou.

Information on the members of the executive bodies

The information required by § 285 no. 10 HGB on the members of the Supervisory Board and Executive Board can be found on page 3 in the notes to the financial statements. Also listed on page 3 are all current members of the Supervisory Board and those who retired in the financial year, as well as current members of the Board of Management and those who retired in the financial year.

Remuneration of the Board of Management and the Supervisory Board

The total remuneration of the Board of Management (including share-based payments granted in the fiscal year) amounted to € 10,618 (10,958) thou in the reporting year. A total of 20,193 (7,928) restricted stock units were issued to the members of the Board of Management under the share-based remuneration the remuneration. The fair value as of the time of granting these units amounted to € 3,270 (1,820) thou.

The remuneration of former members of the Board of Management and their surviving dependents amounted to € 597 (555) thou in the reporting year.

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

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

€ thou

	2021	2020
Fair value of the offset assets	21,000	20,380
Settlement amount of the offset liabilities	24,080	22,504
Reserves for pensions / excess of plan assets over pension liability	3,080	2,124

The total remuneration of the Supervisory Board of AGCS SE amounted to € 75 (61) thou.

Average number of employees

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

Average number of employees

	2021	2020
Full-time employees	2,168	2,165
Part-time employees	263	284
Total	**2,431**	**2,449**

Services provided by the auditor of the annual financial statements

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

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

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

Group affiliation

AGCS SE is a member of the Allianz Group headed by Allianz SE, Munich. The Allianz SE consolidated financial statements and the management report are published in that company's annual report in March and published in the German Electronic Federal Gazette subsequent to its Annual General Meeting in May. They can be viewed there or can be requested from our company. They will also be made available on the Allianz SE website.

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

Significant events after the balance sheet date

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

Munich, 10 March 2022

Allianz Global Corporate & Specialty SE
The Board of Management

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

INDEPENDENT AUDITOR'S REPORT

To Allianz Global Corporate & Specialty SE, Munich

Report on the audit of the annual financial statements and the management report

AUDIT OPINIONS

We have audited the annual financial statements of Allianz Global Corporate & Specialty SE, Munich, Germany, which comprise the balance sheet as of 31 December 2021, and the income statement for the financial year from 1 January to 31 December 2021 and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Allianz Global Corporate & Specialty SE for the financial year from 1 January to 31 December 2021. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § 289f Abs. [paragraph] 4 HGB [Handelsgesetzbuch: German Commercial Code] (disclosures on the quota for women on executive boards).

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the company as of 31 December 2021, and of its financial performance for the financial year from 1 January to 31 December 2021 in compliance with the German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the statement on corporate governance referred to above.

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

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

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

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

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

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

Hereinafter we present the key audit matters:

1. Measurement of shares in affiliated enterprises and participations
1. In the company's annual financial statements, shares in affiliated enterprises and participations amounting to € 2,325 million (19.5 % of total assets) are reported under the "Investments in affiliated enterprises and participations" balance sheet item. Shares in affiliated enterprises and participations are measured at the lower of cost or fair value in accordance with German commercial law. For shares in affiliated enterprises and participations which are neither measured based on quoted nor other market prices the earnings model is used for all material entities with operating activities. For entities whose business purpose is essentially limited to the management of investments (asset holding companies) the determination of the fair value is based on the fair values of the respective underlying investment properties, which are determined using different valuation methods (e.g. net asset value, discounted cash flow method). In this context, the executive directors must make judgments, estimates and assumptions in particular regarding future business development and changes in macroeconomic factors on the business activities of affiliated enterprises and participations. Minor changes to those assumptions or to the methods used may have a material impact on the measurement of shares in

affiliated enterprises and participations. Due to the material significance of the amounts of shares in affiliated enterprises and participations for the assets, liabilities and financial performance of the company and as well as the considerable scope for judgment on the part of the executive directors and the related uncertainties in the estimations made, the measurement of shares in affiliated enterprises and participations was of particular significance in the context of our audit.

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

3. The company's disclosures on the measurement of shares in affiliated enterprises and participations are included in sections "Accounting, valuation and calculation methods" and "7_Fair value of investments" of the notes to the financial statements.

2. Measurement of reserve for loss and loss adjustment expenses

1. In the annual financial statements, the company reports € 10,764 million gross (90.2% of total assets) and € 4,150 million net (34.8% of total assets) under the "Reserve for loss and loss adjustment expenses" balance sheet item (so called claims provisions). Insurance companies are required to recognize claims provisions to the extent necessary in accordance with reasonable business judgment to ensure that they can meet their obligations from insurance contracts on a continuous basis. Defining assumptions for the purpose of measuring the claims provisions requires the company's executive directors, in addition to complying with the requirements of commercial and regulatory law, to make estimates of future events and to apply appropriate measurement methods. This also includes the expected impact of the ongoing Corona crisis on the recognition of claims provisions in the affected lines of business. The methods used to determine the amount of the claims provisions and the calculation parameters are based on judgments and assumptions made by the executive directors. In particular the lines of business with long claims settlement periods, low loss frequency or high individual losses are usually subject to increased estimation uncertainties and consequently require a high degree of judgment by the company's executive directors. Minor changes to those assumptions or to the methods used may have a material impact on the measurement of the claims provisions. Due to the material significance of the amounts of these provisions for the assets, liabilities and financial performance of the company as well as the scope for judgment on the part of the executive directors and the associated uncertainties in the estimations made, the measurement of the claims provisions was of particular significance in the context of our audit.

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

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

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.
- We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.
- From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as auditor by the annual general meeting on 26 April 2021. We were engaged by the supervisory board on 2 December 2021. We have been the auditor of Allianz Global Corporate & Specialty SE, Munich, Germany, without interruption since the financial year 2018.

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

German Public Auditor responsible for the engagement

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

Munich, 18 March 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Christine Keller	ppa. Birthe Scheef
Wirtschaftsprüferin (German Public Auditor)	Wirtschaftsprüferin (German Public Auditor)

INSURANCE LINES COVERED

Direct insurance business

HEALTH INSURANCE
Health insurance depending on the type of property insurance (limited to non-substitutive health insurance)

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

LIABILITY INSURANCE
Private liability, public and professional liability, environmental liability, financial loss liability, radiation and nuclear liability, neighbor's liability fire, liability for land vehicles without mandatory coverage, other liability insurance

MOTOR INSURANCE
Motor liability insurance, other motor insurance

AVIATION INSURANCE
Aircraft - own damage, spacecraft - own damage

LEGAL EXPENSES INSURANCE

FIRE INSURANCE
Industrial fire, other fire

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

CREDIT AND SURETYSHIP INSURANCE

BUSINESS INTERRUPTION INSURANCE
Fire business interruption, engineering, other business interruption

ASSISTANCE INSURANCE

AVIATION AND AEROSPACE LIABILITY INSURANCE
Aviation liability, aerospace liability

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

OTHER PROPERTY INSURANCE
Other property damage (including nuclear plant property), other economic loss (including machine guarantee, loss of license, check cards), as well as other combined insurance (including dynamic property insurance), fidelity insurance, other indemnity insurance

Reinsurance business assumed

CASUALTY INSURANCE

LIABILITY INSURANCE

MOTOR INSURANCE

AVIATION INSURANCE

FIRE INSURANCE

TRANSPORT INSURANCE

BUSINESS INTERRUPTION INSURANCE

AVIATION AND AEROSPACE LIABILITY INSURANCE

OTHER PROPERTY INSURANCE

OTHER PROPERTY INSURANCE

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