Allianz Risk Transfer AG

Annual Report 2021

This document is an unofficial English translation of the annual report. Only the original German version of the annual report is authoritative.

Allianz

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Managing Officers

Board of Directors
Joachim Müller (President)
William Scaldaferri (Vice President)
Carsten Scheffel
Aylin Somersan Coqui

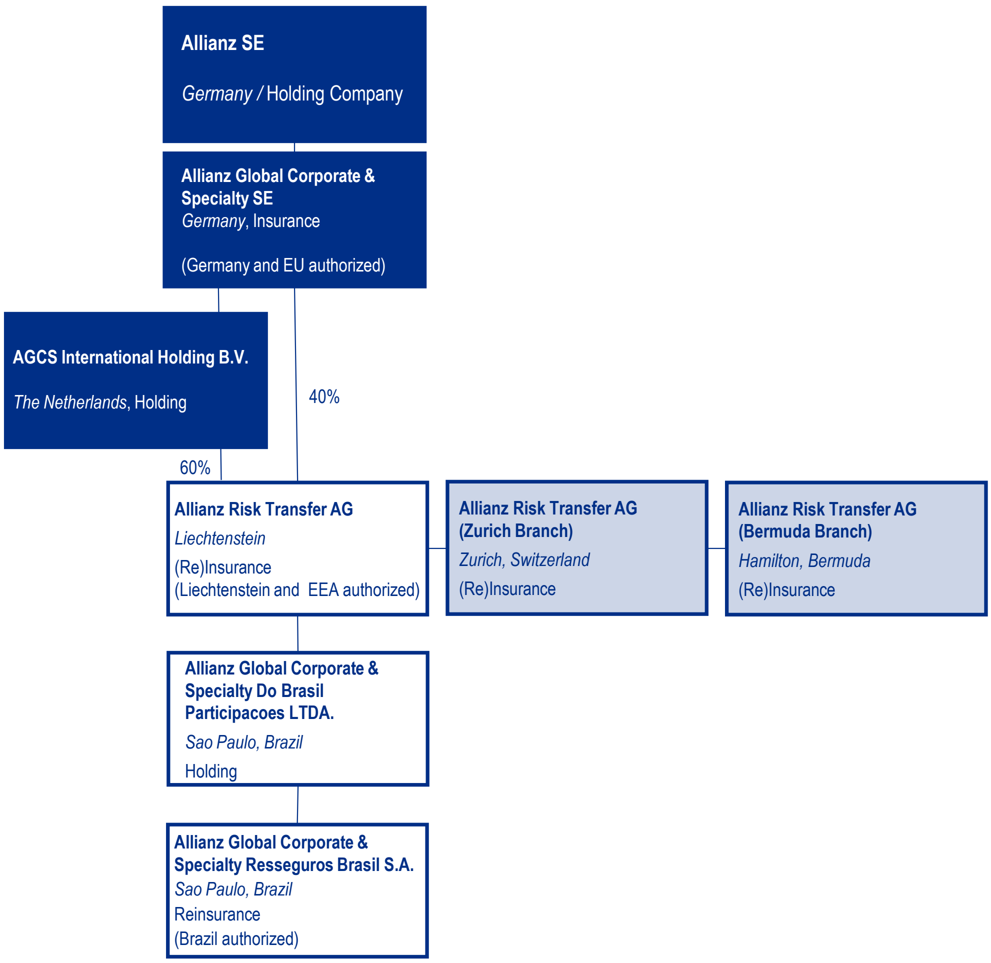
Executive Board
Christoph Müller (Chairman)
Thomas Bründler
Robert Makelaar
Thomas Schatzmann

Important Functions
Lara Martiner (Head of Compliance)
Yvonne Pusch (Head of Risk Management)
Henning Sohnemann (Head of Claims)
Anahid Terzian (Head of Actuary)

Internal Auditors
Marcus Zappe (Department Head)

Auditors
PricewaterhouseCoopers AG (PwC), Zurich

Corporate Structure*



* Save where specified otherwise, all participations are 100%, except that: (a) Allianz Risk Transfer AG owns 99.99 % of AGCS Do Brazil Participacoes LTDA; and (b) Allianz Risk Transfer AG is owned by AGCS International Holding B.V. (60%) and Allianz Global Corporate & Specialty SE (40%)

Legal Entity
Branch

Annual Report

Introduction

Allianz Risk Transfer AG, Schaan (ART AG) is a Liechtenstein-based stock corporation and indirectly a wholly owned subsidiary of Allianz Global Corporate & Specialty SE (AGCS SE), with registered domicile in Munich. 60% of the shares in ART AG are held by AGCS International Holding B.V. in Amsterdam, which is, in turn, a wholly owned subsidiary of AGCS SE. ART AG was founded in Switzerland in 1997 as a globally operating risk entity of Allianz in the field of Alternative Risk Transfer for special insurers and reinsurers.

ART AG's field of business encompasses national and international industrial client business as well as special client-specific solutions in all areas of non-life insurance and all reinsurance risks. In addition, ART AG acts as a reinsurer for internal group risks.

ART AG offers clients with international operations a broad range of insurance and reinsurance policies, predominantly in the fields of general liability, asset insurance, property and technical insurance as well as in the special fields of transport-, marine- and aviation insurance and energy supply. These services also include efficient claims processing, cross-border solutions within the context of international insurance programmes, captive- and fronting-services, risk consulting and structured risk transfer solutions. Together with the Group companies of AGCS SE and a network of Allianz affiliates in more than 70 countries as well as partner companies in other regions, it can provide support for clients in 200 countries. ART AG maintains branch offices in Zurich (Switzerland) and Hamilton (Bermuda). The branch office in Dubai (United Arab Emirates) has written no new business (run-off) since 30 April 2020. The DFSA approved the cessation of operations at the branch office as of 1 October 2020. The branch office was deleted from the local commercial register on 1 March 2021. Head office will attend to the remaining business until completion. The United Kingdom subsidiary of ART AG, Allianz Risk Transfer (UK) Ltd., a financial services -intermediary, was closed down in the 2021 financial year. UK Companies House confirmed the deletion of this subsidiary from its companies register on 20 November 2021.

PricewaterhouseCoopers AG, Zurich, was appointed as the auditor for the 2021 fiscal year.

ART AG is part of the Allianz Group, which is headed by Allianz SE, Munich. The latter is overseen by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin), Graurheindorfer Strasse 108, 53117 Bonn. ART AG is included in Allianz SE's Solvency II consolidated financial statement. Allianz SE's annual report and Solvency-II-report are published on its website. The reports may be viewed there or requested from the company.

This annual report and the Solvency and Financial Condition Report (SFCR) for ART AG can be found at: https://www.agcs.allianz.com/about-us/financials/art-financials.html

Performance and Results

The market environment in the 2021 fiscal year continued to be dominated by COVID-19. The drop in risk capacities that had emerged in the years prior persisted during the year, producing a very positive trend in premium rates. The recovery in the premium rates helped to offset the margin deficit on a large number of contracts. In contrast, though, reinsurance costs also increased correspondingly. The continuing tightening of the market is increasing the demand for non-traditional products, especially for cover that is not available as standard. Clients are also trying to optimise premium increases through higher deductibles. We are also seeing more clients who want to participate in their own risks to a greater extent through captives. This increases our opportunities to foster long-term relationships with clients. In 2021, our main focus was again on risk reduction. After several years of restraint, we slightly increased our market presence in 2021 and also wrote a welcome number of new risks. Together with rising premium rates, this led to higher premium income.

Gross written premiums increased by 14.1% or EUR 191.8 million year on year to EUR 1,555.1 million. The fronting business volume was largely maintained and the ILMbusiness recorded by the Bermuda office also increased. The increase was chiefly due to higher premium rates. Net premiums earned also rose, namely by 7.4%, or EUR 18.2 million, to stand at EUR 264.7 million. On the one hand, higher premium rates impacted positively on the level of premiums, while reinsurance costs continued to rise in connection with the risk and volatility reduction.

The effects of COVID-19 on the loss expense were minimal.

Despite several loss events connected to natural catastrophes, net claims incurred fell by 42.9% to EUR 63.2 million. The main driver of this drop was the reinsurance programme concluded in the previous year, which covers short-term loss events (Short Tail Aggregate Cover). This programme again proved highly effective in 2021. Otherwise, the higher premium level had a positive effect on the claims ratio in all lines of business.

The new internal reinsurance programme introduced for 2021 designed to cover short-term loss events had a very positive impact on the net claims performance. The net claims ratio fell sharply, from 45.0% in the previous year to 23.9% in 2021.

Provisions for premium refunds increased year on year by EUR 29.8 million to EUR 54.5 million. Other operating expenses decreased, mainly due to higher commission income from fronting business, falling from EUR 19.1 million in the previous year to EUR 6.6 million. This led to a drop in the expense ratio from 7.8% in the previous year to 2.5%.

Reduced claims expenditure and higher earnings from reinsurance commission saw the net combined ratio fall from 52.7% in the previous year to 26.4% in the year under review.

The company achieved a net technical profit of EUR 140.5 million, up from EUR 92.0 million in the previous year.

Investment income fell year on year from EUR 19.2 million to EUR 15.5 million. This decline was largely due to lower current interest and dividend income compared to the previous year. The decline in interest and dividend income was partly compensated by higher profits realised from disposals of assets. Compared to the previous year, investment income increased significantly to EUR 13.5 million (EUR 4.3 million). However, the 2020 result did include a write-down of the investment in Brazil amounting to EUR 21.1 million.

Pre-tax profit amounted to EUR 163.9 million, compared to EUR 79.0 million the previous year. The tax expenditure amounted to EUR 14.7 million (EUR 6.5 million). The annual profit after tax was EUR 149.1 million (EUR 72.5 million).

ART AG persisted with its security-focussed investment strategy in 2021. The company's aim is to generate the most attractive return possible while limiting risk. By diversifying its investments across different asset classes and currencies, a satisfactory level of investment income was again achieved in 2021.

In view of financial commitments from insurance business, the bulk of the company's portfolio is invested in fixed-income investments.

The fixed-income investments are focussed on international corporate and government bonds. A large proportion of government bonds and bonds of government-related issuers remain concentrated on the core Eurozone countries, Switzerland and the United States of America.

The company essentially pursues an investment strategy based on matching currencies.

Performance of Investments

The book value of ART AG’s investment portfolio rose in the year under review to EUR 1,051 billion (previous year: EUR 992 million).

The increase in the investment portfolio is mainly attributable to net additions and currency-driven write-backs of bonds and other fixed-income securities.

Risk Report

The main elements of ART AG's risk management system are:

- a strong risk management culture, promoted by a robust risk organisation and effective risk principles (risk governance);
- a comprehensive risk capital calculation with the aim of protecting the capital base while supporting effective capital management, and
- the inclusion of capital requirements and risk considerations in the decision-making and management process.

This comprehensive approach ensures that risks are appropriately identified, analysed and evaluated. The risk appetite is described in the risk strategy and made operational through the associated system of limits. Further limits are stipulated and detailed in specific standards and guidelines. Rigorous risk monitoring and corresponding reports enable any failure to comply with risk tolerance criteria to be identified at an early stage.

The principal risks to which ART AG is exposed are actuarial, market and credit risks.

Actuarial Risk

Actuarial risk is subdivided into premium and reserve risk, i.e. the risk that insurance premiums may be insufficient to cover future claims, or that existing claims may lead to settlement losses relative to the recorded claim provisions. Premium risks are managed through underwriting guidelines, among other measures. Underwriting guidelines limit the insurance or liability sum per contract.

As part of strategic planning, future business volumes and associated risks, as well as their impact on solvency, are forecast. With regard to reserve risk, the company regularly monitors the development of provisions for insured events at individual policy level. In addition, ART AG performs annual reserve uncertainty analyses in order to evaluate the sensitivity of reserves to the assumptions on which the calculations are based.

Market Risk

Market risk is the risk of losses due to fluctuations in market value, differentiated according to the type of investment.

ART AG’s investments are managed centrally by specialists at Allianz Investment Management SE as part of the outsourcing of functions. The investment strategy is geared towards the requirements of ART AG’s asset/liability management. Allianz Investment Management SE implements the investment strategy within the framework of a risk and limit system for investments stipulated by ART AG. The company adjusts the risk and limit system each year.

The company's strategic asset allocation stipulates that the company must essentially invest in fixed-income securities. Investments are made in accordance with the principle of corporate caution and are usually held to maturity. Interest rate risk is managed as part of a comprehensive asset/liability management system. Credit risks arising from fixed-income securities are limited and monitored by means of concentration limits. Derivatives were used only to hedge currency risks in the year under review, in line with the investment strategy.

Credit Risk

Credit risk encompasses counterparty default risk owing to the insolvency or financial difficulties of reinsurers, policyholders, insurance brokers and issuers of securities and the creditworthiness risk arising from losses in value due to a deterioration in the creditworthiness of debtors.

Premium income and own funds required to cover written risks are invested almost exclusively in fixed-income securities. As it focuses on non-life insurance business, ART AG typically chooses investments with short to medium-term maturities, which reduces the credit risk.

The credit risk with respect to reinsurers arises due to insurance risks that ART AG transfers to reinsurance companies in order to reduce its own actuarial risks. Potential losses may arise either from payment defaults linked to existing settlement claims arising from the reinsurance business or from defaults on reinsurance receivables.

Reinsurance partners are checked by the Allianz Group Security Vetting Team (SVT). The SVT ensures that to the greatest extent possible that companies with strong credit profiles are selected. It may also request letters of credit, cash deposits or other financial collateral to further reduce the credit risk.

Credit limits are managed centrally within the Allianz Group. The limits for individual counterparties are based on a large number of factors, such as the debtor's rating, its total assets, the associated business segment and region; the respective limit utilization is also factored into setting the limit.

ART AG does however have the option to revise downward the assigned limits for maximum risk with respect to a debtor or group of debtors by stipulating its own limit.

For detailed information about ART AG's risk profile, please refer to the Solvency and Financial Condition Report.

Solvency and Financial Condition Report

Insurance companies are required to publish a report each year on their solvency and financial situation, taking account of qualitative and quantitative aspects as well as historic, current and forecast components, based on data from internal and external sources. This report does not form part of the annual report.

ART AG publishes the 'Solvency and Financial Condition Report' as a separate document on its website at:
https://www.agcs.allianz.com/about-us/financials/art-financials.html

Forecast

The global insurance market is likely to develop positively overall in 2022. In the main, the same driving forces are at work as in the previous year: the continuing economic recovery (especially in the advanced economies), the heightened risk awareness among households and companies, and rising prices, especially in the corporate sector. At the same time, the investment environment remains very challenging due to greater fluctuations in the market, even though the expected slight rise in interest rates could herald the first move out of the low interest rate cycle and thus an improvement in investment income.

2022 will also be shaped by the accelerating pace of digitalisation, with the goal of simplifying and scaling processes and offering customers simple, rapid and easy-to-understand solutions. In terms of sustainability, social aspects will play an increasing role, not least against the backdrop of rising inequality resulting from the COVID-19-crisis. This opens up an opportunity for the insurance industry to position itself as a partner for reinforcing the resilience of society. At the same time, it is important to pay more attention 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 continue somewhat below the previous year's level. Commercial lines should continue to benefit from rising prices, albeit to a lesser extent. Investment income could grow slightly, although financial market risks should not be underestimated. The steady return to normality is also returning claims performance to pre-crisis levels, especially in the motor insurance line.

ART AG will continue with its security-focussed investment strategy. In doing so, it will continue to draw on the Allianz Group's extensive experience of investing at home and abroad. To reduce its dependence on the performance of the capital market, the portfolio will be continuously monitored and restructured when necessary.

ART AG's investment planning is essentially based on the assumption of a conservative investment portfolio without significant equity exposures. As the average interest rate for reinvestment of the portfolio is expected to be less than the book interest rate, lower interest income is forecast for 2022. Current uncertainty about the future performance of the capital markets may, in future, lead to continued volatility with corresponding positive or negative effects on market values and on ART AG's investment income.

These statements are subject to the proviso that natural catastrophes, adverse developments on the capital markets and other factors may negatively affect the forecasts to a greater or lesser extent.

Based on what is known at present, Russia's invasion of Ukraine at the end of February 2022 will not have any major direct impact on Allianz Risk Transfer AG's contracts. Depending on how long the conflict lasts, however, indirect influences from the global economic environment may impact business activities or income.

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Balance sheet

EUR thousand	Notes	Dec. 31, 2021	Dec. 31, 2020
Assets			
B. Investments		1,050,720	992,248
II. Investments in affiliated companies and participating interests	1, 2, 3	44,407	45,967
1. Shares in affiliated companies		44,407	45,967
III. Other investments	1, 3	946,035	892,412
1. Equities, other non-fixed-income securities and units in investment funds		1,476	1,373
2. Debentures and other fixed-income securities		925,151	868,752
6. Deposits with banks		8,737	2,412
7. Other investments		10,671	19,875
IV. Deposits retained on assumed reinsurance business		60,278	53,869
D. Other accounts receivable		704,929	538,832
I. Receivables from direct insurance business		32,255	21,820
1. from policyholders		8,013	2,347
a) from affiliated companies		1	0
c) from other policyholders		8,012	2,347
2. from insurance brokers		24,242	19,473
a) from affiliated companies		65	0
c) from other insurance brokers		24,177	19,473
II. Accounts receivable on reinsurance business		643,759	459,251
1. from affiliated companies		197,406	255,450
3. from other debtors		446,353	203,801
III. Other accounts receivable		28,915	57,761
1. from affiliated companies		27,290	55,294
3. from other debtors		1,625	2,467
E. Other assets		99,309	90,600
I. Tangible assets (excluding land and buildings) and inventories		911	1,311
II. Current credit balances at banks, post-office check balances, checks and cash in hand		98,398	89,298
F. Deferred income		4,142	4,839
I. Accrued interest and rent		4,142	4,839
Total assets		1,859,100	1,626,518

EUR thousand	Notes	Dec. 31, 2021	Dec. 31, 2020
Liabilities			
A. Equity		623,206	546,037
I. Called-up capital		131,529	131,529
1. Subscribed capital		263,059	263,059
2. Thereof: non-called-up capital		-131,529	-131,529
IV. Profit reserves	4	157,176	156,530
1. Statutory reserve		131,529	131,529
4. Fluctuation reserves		25,647	25,076
V. Profit brought forward		185,374	185,374
VI. Annual profit		149,127	72,528
D. Technical provisions	5	648,275	708,308
I. Premiums brought forward		31,729	63,616
1. Gross amount		295,738	293,292
2. Thereof: Share of reinsurers		-264,009	-229,676
III. Provisions for unsettled insurance claims		476,071	561,213
1. Gross amount		2,028,691	1,669,652
2. Thereof: Share of reinsurers		-1,552,620	-1,108,439
IV. Provision for performance-related and non-performance-related premium reimbursement		140,475	83,479
1. Gross amount		143,005	84,350
2. Thereof: Share of reinsurers		-2,530	-871
F. Other provisions		21,637	3,263
II. Tax provisions		16,834	143
III. Other provisions		4,803	3,120
H. Other liabilities		564,964	368,029
I. Liabilities from direct insurance business		26,646	7,823
1. to affiliated companies		5,831	62
3. to other creditors		20,815	7,761
II. Accounts payable on reinsurance business		525,280	296,294
1. to affiliated companies		184,561	130,505
3. to other creditors		340,719	165,788
V. Other liabilities		13,038	63,913
2. Social security liabilities		270	267
5. Other liabilities to other creditors		12,768	63,645
I. Deferred income		1,018	881
Total liabilities		1,859,100	1,626,518

It is hereby confirmed that the sum of EUR 648,275 thousand (previous year: EUR 708,308 thousand) shown in the balance sheet under the item for actuarial provisions has been calculated in accordance with the provisions of the Liechtenstein Insurance Supervision Ordinance (“VersAV”).

Schaan, 4 April 2022

Anahid Terzian
Responsible Actuary

Income statement

EUR thousand	Notes	2021	2020
1. Premiums earned for own account		264,714	246,465
a) Gross premiums written	7	1,555,070	1,363,226
b) Ceded reinsurance premiums		-1,323,436	-1,137,603
c) Change in gross premiums carried forward		33,473	-1,705
d) Change in reinsurers, share of gross premiums carried forward		-393	22,548
4. Charges for insurance claims for own account		-63,203	-110,722
a) Payments for insurance claims		-176,697	-73,734
aa) Gross amount		-917,464	-539,392
bb) Share of reinsurers		740,767	465,659
b) Change in provisions for unsettled insurance claims		113,494	-36,988
aa) Gross amount		-261,712	-512,656
bb) Share of reinsurers		375,206	475,667
6. Cost of performance-related and non-performance-related premium reimbursement for own account		-54,457	-24,650
7. Expenses for insurance operations for own account		-6,589	-19,113
a) Acquisition costs		-132,770	-80,847
b) Administrative expenses		-11,276	-14,942
c) Commission received and profit-sharing on retroceded business		137,457	76,676
8. Other underwriting expenses for own account		-1	-2
10. Underwriting result for non-life insurance		140,464	91,978
3. Investment income		15,547	19,172
a) Current income from other investments		9,620	16,519
e) Realised gains on the disposal of investments		5,927	2,653
5. Investment expenses		-1,998	-23,430
a) Cost of administering investments and interest expenses		-632	-979
b) Write-downs on investments		0	-21,135
c) Realised losses on the disposal of investments		-1,366	-1,315
7. Other income from ordinary business activities		13,184	3,830
8. Other expenses for ordinary business activities		-3,333	-12,551
9. Result from ordinary activities		163,864	79,000
13. Taxes on income		-12,022	-4,584
14. Other taxes		-2,715	-1,888
15. Annual profit		149,127	72,528

Notes

Accounting principles

The company prepares the annual financial statement and the annual report in accordance with the provisions of the Liechtenstein Persons and Companies Act (Personen- und Gesellschaftsrecht – "PGR"), as well as the Liechtenstein Insurance Supervision Act (Versicherungsaufsichtsgesetz – "VersAG") and the Liechtenstein Insurance Supervision Ordinance (Versicherungsaufsichtsverordnung – "VersAV").

The annual financial statement has been drawn up in thousands of euros (EUR thousand). The fiscal year corresponds to the calendar year, which means that 31 December is the balance sheet date.

The accounts of non-domestic branch offices are usually drawn up in the respective national currency. For the periodic financial statements, balance sheet items are converted into EUR at the rate on the reporting date, while income statement items are converted at the average rate.

Due to rounding, totals and percentages may differ slightly from the figures shown.

Accounting, valuation and calculation methods

Intangible assets
Intangible assets are reported at production or acquisition cost and are amortised on a straight-line basis over their useful lives (maximum of five years).

Shares in affiliated companies, loans to affiliated companies, participating interests
These items are reported at acquisition cost. In the event of impairment that is expected to be permanent, the corresponding value adjustments are made.

The fair value of shares in affiliated companies and participating interests is determined using the equity method.

Other investments

Shares, units or shares in investment funds, bearer debt securities, other fixed-income and variable-income securities
The company's own investments are valued at the lower of cost or market and are reported at the average acquisition cost or the market value if lower.

The fair values of stock market-listed investments are determined based on the stock market value on the balance sheet date or, if this is not a trading day, on the last trading day before the balance sheet date. Investments that are not listed are recognised at their expected realisable value.

Bonds and other fixed-income securities
These are carried at amortised cost.

Mortgage claims, other lending and loans
These are stated at face value and adjusted for any impairments.

Deposits with banks
These are reported at face value.

Requirement to reverse write-downs, write-backs
Assets that have been written down to a lower market value in previous years can be subject to write-backs if the value of these assets is deemed to have increased again as at the balance sheet date. Write-backs may be carried out up to amortised cost or the market value if lower.

Deposits retained on assumed reinsurance
These are reported at face value.

Other receivables and other assets
In detail, these include:
- Receivables from direct insurance business;
- Accounts receivable on reinsurance business;
- Other accounts receivable;
- Current credit balances at banks, checks and cash in hand and
- Other assets.

These are reported at face value.

For accounts receivable from the direct insurance business, general loss allowances are made to account for the general credit risk.

Tangible assets and other assets are measured at amortised cost. The amortisation period is determined based on the useful life and is usually five years.

Accounts receivable on reinsurance business are reported separately under reinsurance assumed and reinsurance ceded for each contracting party.

Technical Provisions

Premiums brought forward
In direct insurance business, premiums brought forward are usually determined using the daily calculation method. In technical insurance, premiums brought forward are deferred in accordance with the risk pattern for each insurance contract. Flat rates are applied to a limited extent.

For reinsurance business assumed, premiums brought forward are reported on the basis of information provided by the ceding insurers. The reinsurance share deducted from gross unearned premiums is generally determined using the daily calculation method.

In the case of quota charges with participation in the original costs, the proportional unearned premiums are recognised in accordance with the quota share of the reinsurer.

Provisions for unsettled insurance claims
The probable insurance payout is determined for each known insurance claim based on claims records.

For claims that have occurred but have not yet been reported by the balance sheet date, statistical methods are applied to calculate an additional provision for each risk group, and provisions are recognised for reinsurance business assumed in accordance with the information provided by the ceding insurers.

For reinsurance business ceded, the reinsurers' share in provisions is determined in accordance with the contractual agreements.

Provisions for performance-related and non-performance-related premium reimbursement
This item is determined on the basis of individual contracts and is defined in accordance with the respective payout sum that is anticipated.

Other provisions
Non-technical provisions are always stated at the expected settlement amount. The expected settlement amount is derived from the best estimate.

Liabilities
In detail, these include:

- Deposits retained on retroceded business;
- Liabilities from direct insurance business;
- Accounts payable on reinsurance business;
- Liabilities to banks and
- Other liabilities.

These are reported at the settlement amount.

Accounts payable on reinsurance business are reported separately under reinsurance assumed and reinsurance ceded for each contracting party.

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

Currency conversion

As a general rule, all transactions are recorded in the original currency and converted into the balance sheet currency at the relevant mean spot exchange rate on the date of the transaction.

Assets and liabilities denominated in foreign currencies are generally converted at the mean spot exchange rate on the balance sheet date. Shares in affiliated companies are converted at historic rates. The lowest value principle is applied, which means that losses resulting from conversion are always taken into account, but profits are realised only if they have a residual term of one year or less.

As a result of this valuation method, currency gains and losses are not determined separately and are therefore not included in the currency conversion result.

Conversion rates (1 EUR):

	Dec. 31, 2021	Dec. 31, 2020
CHF	1.03615	1.08155
USD	1.13720	1.22355
GBP	0.83960	0.89510
AED	4.17700	4.49430

Notes to the balance sheet

1) Investments

EUR thousand	Dec. 31, 2020 Book value	Additions	Transfers	Disposals	Write-backs	Write-downs	Dec. 31, 2021 Book value
B. Investments	**992,248**	**112,515**	**–**	**-82,679**	**28,636**	**–**	**1,050,720**
II. Investments in affiliated companies and participating interests	**45,967**	**–**	**–**	**-1,560**	**–**	**–**	**44,407**
1. Shares in affiliated companies	45,967	–	–	-1,560	–	–	44,407
2. Debentures of affiliated companies and loans to affiliated companies	0	–	–	–	–	–	–
III. Other investments	**892,412**	**85,499**	**–**	**-60,512-**	**28,636**	**–**	**946,035**
1. Equities, other non-fixed-income securities and units in investment funds	1,373	–	–	–	103	–	1,477
2. Debentures and other fixed-income securities	868,752	77,448	–	-49,583	28,533	–	925,151
6. Deposits with banks	2,412	8,051	–	-1,726	–	–	8,737
7. Other investments	19,875	–	–	-9,204	–	–	10,671
IV. Deposits retained on assumed reinsurance business	**53,869**	**27,015**	**–**	**-20,607**	**–**	**–**	**60,278**

2) Holdings of shares in affiliated companies and participating interests

Company	Registered office	Share %	Currency	Share capital	Annual result 2020 in EUR thousand
Allianz Global Corporate & Specialty do Brasil Participações Ltda.	Sao Paulo	99.9	BRL	251,488,094	-37
Allianz Risk Transfer (UK) Limited, with registered office in London, was liquidated in 2021 with revenues of EUR 454 thousand.					

Shares in affiliated companies include hidden reserves of EUR 0 (previous year: EUR 1,497 thousand). A tax rate of 12.5% applies.

3) Fair values of investments

EUR thousand	2021	2020
Investments in affiliated companies and participating interests		
Shares in affiliated companies	44,407	47,464
Other investments		
Equities, other non-fixed-income securities and units in investment funds	1,477	1,373
Bonds and other fixed-income securities	933,576	895,959
Deposits with banks	8,737	2,412
Other investments	10,761	19,875
Deposits retained on assumed reinsurance	60,278	53,869

4) Equity and proposal for the appropriation of profit for submission to the General Shareholders' Meeting

Allianz Global Corporate & Specialty SE (AGCS SE), with registered domicile in Munich, owns (directly and indirectly) 100% of shares in ART AG, with registered domicile in Schaan, Liechtenstein.

AGCS SE holds 40% of shares in ART AG directly, while 60% of shares in ART AG are held by AGCS International Holding B.V. in Amsterdam.

AGCS SE is a wholly owned subsidiary of Allianz SE, Munich. The annual financial statement of Allianz SE is available at www.allianz.com.

ART AG's share capital is divided into 263,058,540 registered shares worth EUR 1.00 each. These are 50% paid-up.

Appropriation of profit in EUR	2021	2020
Profit brought forward Jan. 01	185,374,201	185,374,201
Annual profit Dec. 31	149,126,765	72,527,627
Net profit for the year	**334,500,966**	**257,901,828**
Appropriation		
Allocation to the legal reserves	–	–
Allocation to the statutory reserves	–	–
Allocation to other reserves	–	–
Distributions from company capital	–	–
Dividend	–	-72,527,627
Profit brought forward	**334,500,966**	**185,374,201**

The Board of Directors will ask the General Shareholders' Meeting for the net profit of EUR 334,500,966 for the year as at 31 December 2021 to be carried forward to new account.

5) Gross actuarial provisions

	Actuarial provisions		of which gross provisions	
EUR thousand	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Total insurance business	**648,275**	**708,308**	**2,467,434**	**2,047,294**
Direct insurance business	**113,670**	**131,610**	**300,943**	**291,881**
General liability insurance	85,171	80,206	242,238	200,987
Fire and natural hazards insurance	7,781	17,037	13,653	29,755
Credit	2,423	3,256	2,423	3,256
Aviation liability insurance	16,044	20,187	36,157	41,195
Comprehensive aviation insurance	3,363	1,768	4,627	2,612
Other property insurance	1	0	32	0
Goods in transit (including commodities, items of luggage and all other goods)	328	1,477	2,070	4,307
Accident insurance (including industrial accidents and occupational illnesses)	854	461	1,568	2,054
Miscellaneous financial losses	-2,295	7,218	-1,825	7,716
Assumed reinsurance business	**534,605**	**576,698**	**2,166,491**	**1,755,413**
General liability insurance	211,949	170,063	1,682,988	1,134,412
Fire and natural hazards insurance	264,320	290,578	481,171	479,926
Liability insurance for land vehicles with their own engine	7,228	7,802	7,228	7,802
Credit	-31,758	4,341	-134,259	15,390
Comprehensive land vehicle insurance (excluding rail vehicles)	1,789	1,886	1,789	1,886
Aviation liability insurance	11,039	6,471	18,883	8,327
Comprehensive aviation insurance	394	877	533	1,121
Other property insurance	5,300	8,809	9,651	13,066
Goods in transit (including commodities, items of luggage and all other goods)	14,385	44,323	40,067	48,987
Accident insurance (including industrial accidents and occupational illnesses)	9,590	9,840	11,026	10,529
Miscellaneous financial losses	40,369	31,708	47,414	33,968

Actuarial provisions do not include any fluctuation reserves.

ART AG generates sales with affiliated companies, which exclusively comprise Allianz Group companies, primarily in the fields of reinsurance and services.

These services are charged on the basis of framework agreements and service level agreements, as would be the case between third parties.

The most extensive transactions with affiliated companies are listed below.

EUR thousand	2021	2020
Premiums earned for own account	-24,609	34,246
Charges for insurance claims for own account	59,363	-123,504

Administrative expenses and other income and other expenses for ordinary business activities also include the provision of various services within the Group.

The resulting net expenses amount to EUR 12,866 thousand (previous year: EUR 17,421 thousand).

6) Liabilities

The company does not have any liabilities with a remaining term of more than five years or any liabilities that are secured by liens or similar rights in rem on its accounts.

There are no deferred tax liabilities in accordance with the valuation principles of commercial law.

Notes to the income statement

7) Income broken down according to lines of business

EUR thousand	Gross premiums written 2021	Gross premiums written 2020	Net premiums earned 2021	Net premiums earned 2020	Net claims incurred 2021	Net claims incurred 2020	Net operating expenses 2021	Net operating expenses 2020	Net underwriting result 2021	Net underwriting result 2020
Direct business and proportional reinsurance business assumed										
General liability insurance	96,023	85,173	29,693	32,660	-8,569	-17,758	-4,640	-2,353	16,482	12,548
Fire and natural hazards insurance	20,438	24,867	9,576	17,139	-14,985	-19,224	-1,083	-5,030	-6,492	-7,115
Credit	0	–	1,147	1,181	-103	-213	-2	–	1,042	969
Aviation liability insurance	8,265	10,948	-4,459	3,236	1,564	-10,962	6	-1,230	-2,888	-8,956
Comprehensive aviation insurance	2,700	3,371	1,664	2,570	-2,878	-1,139	109	-2	-1,105	1,429
Other property insurance	145	–	0	–	-287	-832	-646	-795	-933	-1,627
Goods in transit (including commodities, items of luggage and all other goods)	896	3,581	101	661	-668	-383	-80	-58	-646	219
Accident insurance (including industrial accidents and occupational illnesses)	1,043	469	-43	-50	10	193	-78	-39	-111	105
Miscellaneous financial	28,297	8,555	22,934	3,646	-25,926	-7,437	-142	257	-3,134	-3,534
Subtotal	157,807	136,966	60,613	61,043	-51,842	-57,755	-6,556	-9,250	2,215	-5,963
Non-proportional reinsurance business assumed										
Subtotal	1,397,263	1,226,260	204,101	185,422	-65,818	-77,617	-33	-9,863	138,249	97,941
Total	**1,555,070**	**1,363,226**	**264,714**	**246,465**	**-117,660**	**-135,372**	**-6,589**	**-19,113**	**140,464**	**91,978**

8) Premium income broken down according to regional origin

EUR thousand	2021	2020
Liechtenstein	847	977
Other EEA treaty states	13,666	116,813
Other states	143,294	19,176
Gross premiums written	**157,807**	**136,966**

The amounts shown relate solely to direct insurance business.

9) Personnel expenses

EUR thousand	2021	2020
a) Wages and salaries	14,688	18,002
b) Social security contributions and pension costs	4,548	4,310
of which for pensions	4,246	3,806

Total remuneration for the Executive Board amounted to CHF 4,835 thousand in the year under review. This sum includes salaries, fringe benefits and bonuses awarded for performance in the 2021 fiscal year. In addition, 2,537 RSUs (restricted stock units) with a fair value of EUR 411 thousand were allocated to members of the Executive Board. Payment of these RSUs is linked to certain conditions and is scheduled to take place in March 2025. Total remuneration for the Board of Directors came to EUR 35 thousand in the year under review. There were no pension commitments for former members of the Board of Directors or the Executive Board in the year under review.

Supplementary information about the annual financial statement

Information about the total fees paid to the auditor can be found in the consolidated annual financial statement of Allianz SE, Munich (www.allianz.com).

10) Average number of employees during the year

	2021	2020
Full-time equivalents	75.3	76.9

11) Sureties, guarantees and contingent liabilities

Sureties, guarantees and contingent liabilities include a guarantee from ART AG for the benefit of Allianz Risk Transfer (Bermuda) Ltd., Hamilton ("ART Bermuda"). This serves to protect ART Bermuda's commitments arising from insurance contracts, reinsurance contracts and other underwriting contracts which the company entered into by 31 December 2019 or by the termination date of the guarantee.

Pledged assets totalled EUR 561,828 thousand (previous year EUR 606,790 thousand).

12) Derivative financial instruments

ART AG uses derivative instruments solely to protect its long-term incentive scheme/RSUs and for individual foreign currency items. The scope of these hedging instruments is very limited.

The fair value of hedging transactions for the RSUs is EUR 2,914 (previous year EUR 5,135 thousand) and is reported under other accounts receivable.

13) Extraordinary income and extraordinary expenses

No transactions were reported as extraordinary income in the 2021 and 2020 fiscal years.

14) Significant events after the balance sheet date

The company is not aware of any reportable events after the balance sheet date.

Allianz Risk Transfer AG

Schaan

Report of the Auditors to the General Shareholders' Meeting

on the 2021 Annual Financial Statement

This document is an unofficial English translation of the report of the auditors. Only the original German version is authoritative.

Report of the Auditors

to the General Shareholders' Meeting of Allianz Risk Transfer AG

Schaan

Report of the Auditors on the Annual Financial Statement

Auditor's Opinion

We have audited the annual financial statement (pages 10 to 20, excluding the footnote on page 11) of Allianz Risk Transfer AG (the "Company") which comprises the balance sheet as at 31 December 2021, the income statement for the fiscal year ending on 31 December 2021 and the Notes to the financial statement.

In our view, the annual financial statement gives a true and fair view of the net assets, financial position and results of operations for the fiscal year ending on 31 December 2021 in accordance with Liechtenstein law.

Basis for the Opinion

We conducted our audit in accordance with Liechtenstein law and the International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statement" section of our report.

We are independent of the Company in accordance with the requirements of Liechtenstein law and the requirements of the profession and in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other professional responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the annual financial statement.

Our audit method

Overview

Overall materiality: EUR 18,000,000

In order to perform appropriate audit procedures, we designed the scope of the audit to enable us to express an opinion on the financial statements as a whole, taking into account the organisation, internal accounting controls and processes, and the industry in which the Company operates.

We identified the following matter as a key audit matter

- Provisions for unsettled insurance claims

Materiality

The scope of our audit takes account of the principle of materiality. The objective of our audit is to obtain reasonable assurance about whether the financial statements are free from 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 this annual financial statement.

Based on our professional judgement, we have determined quantitative materiality thresholds, including materiality for the financial statements as a whole, as laid out below. The materiality thresholds, having regard to qualitative considerations, enable us to determine the scope of the audit, the nature, timing and extent of our audit procedures and to assess the impact of material misstatements, individually and in aggregate, on the financial statements as a whole.

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Derived from	Total assets

Explanation of the benchmark for the determination of materiality

We choose the total assets figure as the reference figure for determining materiality, as we believe that this is the figure that is most relevant for the parties involved and readers of an insurance company's financial statements, particularly in the context of the overall group.

We agreed with the Audit Committee to report to it any misstatements above 900,000 identified in the course of our audit, as well as any misstatements made below this amount which, in our view, still warrant reporting on the basis of qualitative considerations.

Scope of the audit

We planned and performed the audit based on our determination of materiality and our assessment of the risks of material misstatement n the financial statements. We have paid particular attention to those areas where discretionary decisions were made. This applies, for example, to material accounting estimates where assumptions are made and which are dependent on future events that are by their nature uncertain. As in all audits, we have taken into account the risk of circumvention of internal controls by the Executive Board and, among other aspects, possible indications of a risk of intentional misstatements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statement for the period under review. These matters were addressed in the context of our audit of the annual financial statement as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

Provisions for unsettled insurance claims
Key audit matters

In the annual financial statement, the company recognised "reserves for outstanding claims" (claims reserves) in the amount of EUR 2,029 million gross or EUR 476 million net.

Insurance undertakings must create claim provisions to the extent that this is necessary according to reasonable commercial judgement in order to ensure the permanent fulfilment of the obligations from the insurance contracts. Determining assumptions for the valuation of claim provisions requires the Board of Directors and the management of the Company to make an assessment of future events and to apply appropriate valuation methods, in addition to taking into account commercial and regulatory requirements.

The methods and calculation parameters used to determine the claim provisions are based on discretionary decisions and assumptions made by the Board of Directors and the management. In particular, the lines of products with long claims settlement periods, low loss frequency or high individual losses are usually subject to increased estimation by the Board of Directors and the Company management. Minor modifications to these assumptions as well as to the methods used can have a significant impact on the valuation of the claim provisions.

Due to the material significance of these provisions for the assets, liabilities and financial performance of the Group as well as the considerable scope for judgement on the part of the executive directors and the associated uncertainties in the estimations made, the measurement of the claim provisions in property casualty insurance was of particular significance to our audit.

In the annual report, the valuation principle of the claim provisions can be found in the Notes on page 14 and further explanations of the balance sheet item on page 18.

Our audit method

Given the significance of the claim provisions to the Company's business as a whole, as part of our audit we assessed, together with our internal valuation specialists, the assumptions used by the Company and those made by the Board of Directors and management.

In doing this, we applied our industry knowledge and experience, among other things, and took into account recognised methods. Furthermore, where appropriate, we have assessed the design and effectiveness of the Company's controls established to determine and record claim provisions.

Based on this, w e performed further analytical and case-by-case audit procedures with regard to the valuation of the claim provisions. Among other things, w e also reconciled the data underlying the calculation of the settlement amount w ith the basic documents. Along w ith this, w e traced the Company's calculated results for the amount of provisions against the applicable legal requirements and verified the consistent application of the valuation methods and the accruals.

Based on the w ork performed, we consider the models used as w ell as the key assumptions in the determination of the claim provisions to be appropriate.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information contained in the annual report but does not include the financial statements, the annual report and our report pertaining thereto.

Our opinion on the financial statements does not cover the other information and w e do not express any form of conclusion thereon.

In connection w ith 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 w ith the annual financial statement or w ith our know ledge obtained in the audit, or otherw ise appears to be materially misstated.

If, based on the w ork we have performed, we conclude that there has been a material misstatement of this other information, w e are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibility for the annual financial statement

The Board of Directors is responsible for the preparation of the annual financial statement that complies w ith the legal requirements and for such internal controls as the Board of Directors determines is necessary to enable the preparation of an annual financial statement that is free from material misstatement, w hether due to fraud or error.

In preparing the annual financial statement, the Board of Directors is responsible for assessing the Group'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 unless there is an intention to liquidate the Company or to cease operations, or there is no realistic alternative but to do so.

Auditor's responsibilities regarding the audit of the annual financial statement

Our objectives are to obtain reasonable assurance regarding whether the annual financial statement as a w hole is free from material misstatement, w hether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Liechtenstein law and the ISA w ill alw ays detect a material misstatement should one exist. 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 this annual financial statement.

We exercise professional judgement and maintain professional scepticism throughout the audit in accordance w ith Liechtenstein law and the ISA. We also:

- Identify and assess the risks of material misstatement in the annual financial statement, w hether 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 opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control systems.
- valuate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

- Conclude on the appropriateness of Board of Director's 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 statement or, if such disclosures are inadequate, to modify our respective 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 statement, including the disclosures in the Notes, and whether the annual financial statement presents the underlying transactions and events in an objective and appropriate manner.

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

From the matters communicated with the Audit Committee, we determine those matters that were the most significant to the audit of the 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 or, in extremely rare circumstances, we determine that a matter should not be disclosed in our report because the adverse consequences of such disclosure would reasonably be expected to outweigh its public interest benefits.

Report on other legal and regulatory requirements

Further information pursuant to the EU Audit Regulation No. 537/2014

We were appointed as auditor by the General Shareholders' Meeting on 22 March 2021. We have been the auditor of the Company without interruption since the fiscal year ending on 31 December 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 Art. 11 of the EU Audit Regulation.

We performed the following services, which were not disclosed in the financial statements or the annual report, in addition to the audit of the financial statements for the audited Company:

Supervisory audit pursuant to the Insurance Supervision Act (Versicherungsaufsichtsgesetz) and the Insurance Supervision Ordinance (Versicherungsaufsichtsverordnung).

Furthermore, we declare pursuant to Art. 10 (2) f) of Regulation (EU) No 537/2014 that we have not provided any non-audit services prohibited under Art. 5 (1) of Regulation (EU) No 537/2014.

Further confirmations pursuant to Art. 196 PGR

The annual report has been prepared in accordance with applicable legal requirements, is consistent with the financial statements and, in our opinion, based on the findings of our audit of the financial statements and the understanding of the Company and its environment, contains no material misstatements.

We also confirm that the annual financial statement and the proposal for the appropriation of the net profit for the year comply with Liechtenstein law, with the Articles of Association and the regulatory requirements, and we recommend that this annual financial statement should be approved.

PricewaterhouseCoopers AG

Enrico Strozzi Christian Konopka

Liechtenstein registered auditor

Lead auditor, Zurich, 4 April 2022

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