LIQUIDITY AND FUNDING RESOURCES

The main responsibility for managing the funding needs of the Allianz Group, as well as for maximizing access to liquidity sources and optimizing the trade-off between borrowing costs, balancing the maturity profile, and the choice between senior and subordinated funding instruments, lies with Allianz SE.

Liquidity resources and uses

Allianz SE ensures adequate access to liquidity and capital for our operating entities. The main sources of liquidity available to Allianz SE are dividends received from subsidiaries as well as reinsurance premiums received, and external funding raised in the capital markets. Liquidity resources are defined as readily available assets – specifically cash, money market securities, and highly liquid fixed-income securities. Funds are primarily used for paying interest expenses on our debt funding, claims arising from the reinsurance business, operating costs, internal and external growth investments, and dividends or share buybacks to our shareholders.

Funding sources

Allianz SE's access to external funds depends on various factors, such as capital market conditions, access to credit facilities, credit ratings, and credit capacity. The financial resources available to Allianz SE are both equity and debt funding. Equity can be raised by issuing ordinary no-par value shares. The issuance of debt in various maturities as well as group-wide liquidity management are the main sources of our debt funding.

Share capital

As of 31 December 2024, the share capital registered at the Commercial Register was € 1,169,920,000. This was divided into 386,166,676 no-par value shares. As of 31 December 2024, Allianz SE held 247,239 (2023: 260,394) own shares.

Allianz SE has the option to increase its share capital base according to authorizations provided by the Annual General Meeting (AGM). The following table outlines Allianz SE's capital authorizations as of 31 December 2024:

Capital authorizations of Allianz SE

Capital authorization	Nominal amount	Expiry date of the authorization
Authorized Capital 2022/I[1]	€ 467,968,000	3 May 2027
Authorized Capital 2022/II[2]	€ 15,000,000	3 May 2027
Conditional Capital 2022[3]	€ 116,992,000	3 May 2027

1_For issuance of shares against contribution in cash and/or in kind.
2_For issuance of shares to employees (without shareholders' subscription rights).
3_To cover conversion or option rights of holders of bonds.

Debt funding

The cost and availability of debt funding may be negatively affected by general market conditions or by matters specific to the financial services industry or to Allianz SE. Our main sources of debt funding are senior and subordinated bonds. Among others, money market securities, letter-of-credit facilities, and bank credit lines allow Allianz SE to fine-tune its capital structure.

In the first half-year of 2024, we issued a € 1.0 bn subordinated bond. In the second half-year of 2024, we issued a USD 1.25 bn subordinated bond and called the € 0.6 bn subordinated bond, which was originally issued in the year 2014 with a nominal amount of € 1.5 bn. Through a tender offer, € 0.9 bn had already been repurchased in January 2024. Overall, subordinated liabilities increased to € 18.7 bn (2023: € 17.6 bn) at year-end.

Other financial liabilities increased compared to the previous year to € 35.9 bn (2023: € 33.0 bn), mainly due to higher liabilities from intra-group cash pooling.

RISK AND OPPORTUNITY REPORT

Target and strategy of risk and capital management

Allianz aims to ensure that the Group is adequately capitalized at all times and that Allianz SE and all other related undertakings meet or exceed their respective regulatory capital requirements for the benefit of both shareholders and policyholders.

In addition, we take the requirements of rating agencies into account. While capital requirements imposed by regulators constitute a binding constraint, meeting rating agencies' capital requirements and maintaining strong credit ratings are strategic business objectives.

We closely monitor the capital position and risk concentrations of Allianz SE, and apply regular stress tests (including standardized, historical, and reverse stress test scenarios as well as stress and scenario analyses focusing on current and possible future developments). These analyses allow us to take appropriate measures to preserve our continued capital and solvency strength. For example, the risk capital reflecting the risk profile and the cost of capital is an important aspect that is considered in business decisions. Furthermore, we ensure a close alignment of the risk and business strategy by the fact that business decisions to achieve our set targets are taken within the determined risk appetite and in line with the risk strategy. The implemented sound processes to steer the business and assess and manage associated risks ensure a continuous alignment of the risk and business strategy, and enable us to detect and address any potential deviations.

In addition, our liquidity risk management framework ensures that all legal entities in scope are responsible for managing their liquidity risks and maintaining a sufficient liquidity position under both market and business conditions (expected as well as stressed).

As the Solvency II-guideline is the regulatory regime relevant for Allianz SE, our risk profile is measured and steered based on our approved Solvency II internal model. We have introduced a target solvency ratio range in accordance with Solvency II, based on pre-defined stress scenarios for both the Group and related undertakings, supplemented by ad-hoc scenarios, historical and reverse stress tests, and sensitivity analyses.

In addition, central elements of Allianz's dividend policy are linked to Solvency II capitalization based on the internal model. This helps us to ensure a consistent view on risk steering and capitalization in line with the Solvency II framework.

Allianz steers its business portfolio with the help of the internal model, and, supported by sensitivity and scenario analyses. Risks and concentrations are actively restricted by limits based on our internal model.

Allianz applies a comprehensive capital management framework that fully embeds the risk appetite into a capital allocation process. The key performance indicators at the core of the framework are the RoE and the Solvency II capital based business steering. In addition, considerations on new business, capital intensity, combined ratio, cash remittance and risk sensitivities provide further guidance for decision-making processes. Our indicators, for example, allow us to identify profitable business segments on a sustainable basis. The framework is a key element that supports management in decisions. Risk considerations, capital needs, as well as an appropriate shareholder remuneration are carefully balanced with the purpose of economic value creation for all stakeholders.

Risk management framework and internal control system

Risk management framework

As the holding company of the Allianz Group and as a global reinsurer, Allianz SE considers a risk management system, including an internal control system (ICS), to be core to competency and an integral part of its business. Our risk management framework covers all operations and business units of Allianz SE in proportion to the inherent risks of the activities, ensuring that risks across Allianz SE are consistently identified, analyzed, assessed, and adequately managed. The key elements of our risk management framework and internal control system are:

- Promotion of a strong risk management culture, supported by a robust risk governance structure.
- Consistent and proportional application of an integrated risk capital framework to protect our capital base and support effective capital management.
- Integration of risk considerations and capital needs into management and decision-making processes by attributing risk and allocating capital to business segments, products, and strategies.

Our risk management system is based on the following four pillars:

- Risk identification, assessment and underwriting: A robust system of risk identification, assessment and underwriting forms the foundation for appropriate risk management decisions. Supporting activities include standards for underwriting, valuation methods, approvals for individual transactions or new products, emerging/operational/top risk assessments, as well as liquidity risk and scenario analyses, amongst others.
- Risk strategy and risk appetite: Our risk strategy defines our risk appetite in line with our business strategy. It ensures that rewards are appropriate based on the risks taken and the required capital. It also ensures that delegated decision-making bodies work in line with our overall risk-bearing capacity and strategy.
- Risk reporting and monitoring: Our comprehensive qualitative and quantitative risk monitoring and reporting framework provides management with the transparency needed to assess whether our risk profile remains within the approved limits and to identify emerging issues and risks quickly. For example, risk dashboard and limit utilization reports as well as scenario analyses and stress tests are regularly prepared and communicated.
- Communication and transparency: Transparent risk disclosure provides the basis for communicating our strategy and performance to internal and external stakeholders, ensuring a sustainable positive impact on valuation and financing. It also strengthens risk awareness and risk culture.

Processes and triggers are in place to assess the prospective appropriateness of the risk management system, e.g., in the context of changes to the business and risk strategy.

Internal Control System

In order to support these pillars, especially risk identification, assessment and monitoring, the Allianz Group has established an ICS, which consists of both specific risk controls and further control elements, and which is also applied at Allianz SE level. Its objectives are:

- Safeguarding the Group's, respectively Allianz SE's, existence and business continuity.
- Ensuring compliance with applicable laws and regulations.
- Creating a strong internal control environment, ensuring that all personnel are aware of the importance of internal controls and their role within the internal control system.
- Providing the management bodies with the relevant information for their decision-making processes.

Notwithstanding the oversight exercised by the Supervisory Board of Allianz SE, controls are performed within the Allianz Group in terms of control areas, activities and reporting, taking into account independence requirements, where applicable. The controls are embedded into the operational and organizational set-up throughout the Allianz Group and are subject to periodic reviews. Where appropriate, internationally recognized control frameworks, such as the Committee of Sponsoring Organizations of the Treadway Commission (COSO) or the IT-related Control Objectives for Information and Related Technology (COBIT), are used.

Internal controls, therefore, describe the set of activities undertaken by and within the Allianz Group to achieve defined control objectives, applied across all business segments and lines of business.

Thereby, the ICS comprises various control concepts. Besides general elements related to all control activities and in addition to the Risk Management Framework, specific controls are utilized, in particular, but not exclusively, around entity level controls, financial reporting, IT, risk capital calculation, underwriting (including products and distribution), investments, data privacy, customer protection, and protection/resilience. These are supplemented by management reports.

Risk and Control System for financial and non-financial reporting

The following information is provided pursuant to §289 (4) and §315 (4) of the German Commercial Code ("Handelsgesetzbuch – HGB"). For general information on our Non-Financial Risk Management (NFRM), please refer to the "Operational risk" section.

Accounting processes

The accounting processes we use to produce financial statements are based on a group-wide IT solution and local general ledger. Access rights to accounting systems are managed according to strict authorization and hierarchy-linked procedures.

Control system for financial and non-financial reporting

Specific internal controls for financial reporting, which follow the standard processes of the Non-Financial Risk Management (NFRM) framework, are integrated in the accounting processes to safeguard the accuracy, completeness, and consistency of the information provided in our financial statements.

Our risk strategy

Allianz SE's Board of Management has defined a strategy for the management of risks. This risk strategy is aligned with the business strategy of Allianz SE. It places particular emphasis on ensuring the integrity of the Allianz brand and reputation, remaining solvent even in the event of extremely adverse scenarios, maintaining sufficient liquidity to adequately meet financial obligations, providing sustainable profitability and ensuring operational (including digital) reliance and agility.

Opportunities

Our financial strength renders us resilient against market stress, while our strong capabilities and continuous transformation allow us to profit from new opportunities in a fast-changing business environment.

Allianz SE's role – as laid out in the Allianz SE business strategy – includes in particular providing and optimizing central financing solutions and services to Allianz Group companies, and acting as a reinsurer with predominantly group-internal business, but also pursuing opportunities with external clients.

Allianz SE's activities in support of the Allianz Group's opportunity management mainly fall in the following areas:

- Supporting the local Group companies' efforts to continuously harmonize and simplify products and processes across all business segments via development of centralized expertise in data analytics, product design, and distribution platforms.
- Supporting the Allianz Group's growth strategy via provision of financing for acquisition of M&A targets.
- Reinsurance pooling from Group companies and optimization via retrocessions, as well as reinsurance solutions to optimize their capital needs.
- Provision of reinsurance solutions to business partners outside the Allianz Group to support growth.

The pooling of internal reinsurance on the balance sheet of Allianz SE is an important strategy which has been pursued for many years. As a Group reinsurer, the reinsurance division not only provides guidance and tools to Group companies to manage exposures as effectively as possible, but also provides most of the reinsurance covers to Group companies. The large and diversified portfolio at Allianz SE allows for acceptances of a wide range of reinsurance solutions on a proportional and non-proportional basis. Larger risk concentrations are actively managed via retrocessions on a per risk and per event basis in order to protect our capital. In addition, the reinsurance area within Allianz SE provides reinsurance solutions to external business partners.

In 2024, Allianz SE also supported Group initiatives addressing regulatory scrutiny (e.g., DORA), simplification and digitalization, among others, by further developing centralized expertise in regulatory compliance, product development and digital distribution platforms.

Risk governance structure

Supervisory Board and Board of Management

Our approach to risk governance permits the integrated management of local and global risks, and ensures that our risk profile remains consistent with both our risk strategy and our capacity to bear risks.

Within our risk governance system, the Supervisory Board and the Board of Management of Allianz SE have both Allianz SE and group-wide responsibilities.

The Board of Management formulates business objectives and sets a corresponding business strategy, risk strategy, and investment strategy. It also defines risk limits and allocates risk capital to the business activities within the Allianz Group. The core elements of the risk framework are set out in the Allianz Group Risk Policy and approved by the Board of Management. The Board of Management reports to the Supervisory Board.

The Supervisory Board advises, challenges, and supervises the Board of Management in the execution of its management activities. The following committees support the Board and the Supervisory Board on risk issues:

Supervisory Board Risk Committee

The Supervisory Board Risk Committee reports to the Supervisory Board, where the information and the findings are discussed with the Board of Management. It monitors the effectiveness of the Allianz risk management framework. Furthermore, it focuses on risk-related developments as well as general risks and specific risk exposures, and ensures that the business strategy is aligned with the risk strategy.

For more information, please refer to the paragraph "Risk Committee" in the Supervisory Board Report.

Group Finance and Risk Committee

In the context of the Group's Committee Framework, the Group Finance and Risk Committee (GFRC) reports to the Board of Management and provides oversight of the Group's and Allianz SE's risk management framework, acting as a primary early-warning function by monitoring the Allianz Group's and Allianz SE's risk profiles as well as the availability of capital. The GFRC also ensures that an adequate relationship between return and risk is maintained. Additionally, the GFRC defines risk standards, is the limit-setting authority within the framework set by the Board of Management, and approves major financing and capital management transactions. Finally, the GFRC supports the Board of Management with recommendations regarding capital structure, capital allocation, liquidity position, and investment strategy, including strategic asset allocation for the different business segments.

The Allianz Re Risk Committee supports the GFRC on issues relating to Allianz SE's reinsurance business.

Overall risk organization and roles in risk management

A comprehensive system of risk governance is achieved via the Policy Framework by setting standards related to organizational structure, risk strategy and appetite, limit systems, documentation, and reporting. These standards ensure the accurate and timely flow of risk-related information (e.g., to the Board of Management via the Management Reporting) and a disciplined approach towards decision-making and execution at both the global level (Board of Management of Allianz SE) and local levels (i.e., the operating and legal entities).

In the Three Lines of Defense model, as a general principle, the responsibility for the First Line of Defense rests with business managers in the related undertaking. They are responsible for both the risks taken and the returns from their decisions. The Second Line of Defense is made up of independent global oversight functions including Risk, Actuarial, Compliance, and Legal, which support the Board of Management in defining the risk frameworks within which the business can operate. Group Audit forms the Third Line of Defense, independently and regularly reviewing risk governance implementation, compliance with risk principles, performing quality reviews of risk processes, and testing adherence to business standards, including the internal control framework.

To ensure the effectiveness of our internal control system, all functions are obliged to cooperate and exchange necessary information and advice. Given that control activities may be exercised by staff in different organizational units, appropriate mechanisms are in place between the control functions to allow fully informed and educated decision-making.

Allianz SE has established dedicated responsibilities for the three lines of defense with its departments (including reinsurance).

Risk management function

Independent risk oversight for Allianz SE is performed by dedicated risk control units within Group Risk covering Allianz SE's holding and reinsurance business.

Group Risk is managed by the Group Chief Risk Officer who also serves as the Chief Risk Officer of Allianz SE. Group Risk supports Allianz SE's Board of Management, including its committees, by performing various analyses, communicating information related to risk management, and preparing and implementing committee decisions.

Group Risk also supports the Board of Management in developing the risk management framework – which covers risk governance, risk strategy and appetite – and risk monitoring and reporting. Group Risk's operational responsibility encompasses assessing risks across all risk categories and monitoring limits and accumulations of specific risks across business lines, including natural and man-made disasters and exposures to financial markets and counterparties.

Other functions and bodies

In addition to Group Risk and the local Risk Management functions, legal, compliance, and actuarial functions established at both the Group and the entity levels constitute additional components of the Second Line of Defense.

Group Legal and Group Compliance seek to mitigate legal risks for the Allianz Group and Allianz SE with support from other departments. The objectives of both functions are to ensure that laws and regulations are complied with, to react appropriately to all impending legislative changes or new court rulings, to attend to legal disputes and litigation, and to provide legally appropriate solutions for transactions and business processes. In addition, Group Compliance – in conjunction with Group Legal and other experts involved – is responsible for integrity management, which aims to protect the Allianz Group as well as Allianz SE and our other related undertakings and employees from regulatory and reputational risks.

Group Actuarial contributes towards assessing and managing risks of the Allianz Group and Allianz SE in line with regulatory requirements, in particular for those risks whose management requires actuarial expertise. The range of tasks includes, amongst others, the calculation and monitoring of technical provisions, technical actuarial assistance in business planning, reporting and monitoring of the results, and supporting the effective implementation of the risk management system. The latter includes joining Group Risk in a discipline to regularly monitor internal risk capital models, assumptions, and parameters – as well as their changes. It also includes providing support regarding capital efficiency management, contributing to the modeling of insurance risk capital, and supporting the identification of underwriting risks via independent reserve reviews.

For the modeling of Allianz SE's risk capital, various risk modules are used from Group central model components as well as Allianz SE specific adaptations, e.g., for the reinsurance and the German pension business. Model ownership is dedicated to the Allianz SE departments with the respective expertise, such as actuarial or the department for NatCat modeling. Furthermore, a comprehensive risk modeling oversight is performed by the risk controlling departments of Allianz SE to ensure full compliance with the Allianz Standard for Internal Model Governance, summarized in the independent annual validation report for Allianz SE.

Risk profile, risk-based steering and risk management

Risk profile

We are exposed to a variety of risk categories, including market, credit, underwriting, business, operational, strategic, liquidity, and reputational risk.

Reflecting the business strategy, the risk profile of Allianz SE as the holding company of the Allianz Group is dominated by market risk resulting from its non-traded insurance participations within the Allianz Group (i.e., the relative risk exposure is measured as a share of the Allianz SE's Solvency II risk capital). The second largest risk for Allianz SE from an internal model perspective is underwriting risk, arising mainly from its intra-group reinsurance business and to a minor extent from internal pension obligations.

We consider diversification across different business segments, lines of business and regions to be an important element in managing our risks efficiently, as it limits the economic impact of any single event and contributes to relatively stable results. Our aim is to maintain a balanced risk profile without any disproportionately large risk concentrations and accumulations.

Market risk

As the holding company of the Allianz Group and as a global reinsurer, Allianz SE holds and uses a broad range of financial instruments, which are reflected on our balance sheet as both assets and liabilities.

For our holding activities (i.e., to hold participations, provide financing solutions for Group companies, cover internal pension liabilities, invest cash pooled from subsidiaries, and as the lender of last resort within the Allianz Group), Allianz SE predominantly invests in participations and fixed-income assets.

As an inherent part of our reinsurance operations, we collect premiums from our customers and invest them in a wide variety of assets. The resulting reinsurance investment portfolio backs the future claims payments and benefits to our cedents. In addition, we also invest shareholders' capital, which is required to support the reinsured risks and the holding activities. Our market risk from liabilities primarily relates to fixed-income instruments held for financing as well as to internal pensions and reinsurance liabilities. Finally, we use derivatives for various safeguarding purposes. A principal example would be the hedging of planned dividend income from non-euro subsidiaries against adverse currency market movements. Generally, the use of derivatives at Allianz SE is for the purpose of risk reduction. Guidelines are in place regarding the use of derivatives, for which adherence is monitored by Group Risk. Asset/liability management (ALM) decisions are taken based on the internal model, considering both risks and returns on the financial markets.

As the fair values of our assets and liabilities depend on changes in the financial markets, we are exposed to the risk of adverse financial market developments. Allianz SE's most important market risk results from changes in the value of its participations in Group companies. The long-dated internal pension liabilities of German Group companies on Allianz SE's balance sheet contribute to interest rate risk in particular, as they cannot be fully matched by available investments due to long maturities. In addition, we are also exposed to adverse changes in equity and real estate prices, credit spread levels, inflation, implied volatilities, and currency values, which might impact the value of our assets and liabilities.

Allianz, as a multinational financial services provider, faces considerable geopolitical risk. This risk can be considered as emerging, given that the shift to a multi-polar world increases geopolitical volatility. For Allianz, geopolitical risk may result in various risks including market risk.

Strategic asset allocation benchmarks and risk limits – including stand-alone interest rate and equity sensitivity limits, and foreign exchange exposure limits – are defined for the Group, Allianz SE, and other related undertakings. Limits are closely monitored and, if a breach occurs, countermeasures are implemented which may include escalation to the respective decision-making bodies and/or the closing of positions.

Market risk from material M&A transactions of Allianz SE is managed by assessing risk capital implications next to liquidity impacts.

Finally, guidelines are in place regarding certain investments, new investment products, and the use of derivatives.

Interest rate risk

If the duration of our assets is shorter than our liabilities, we may suffer an economic loss in the event of falling interest rates, as we reinvest maturing assets at lower rates prior to the maturity of liability contracts.

By contrast, opportunities may arise when interest rates increase. Interest rate risk is managed within our ALM process and controlled via an interest rate sensitivity limit and a specific pension duration gap limit.

Inflation risk

We are exposed to changing inflation rates, predominantly due to our Property-Casualty reinsurance obligations, but also due to inflation-indexed internal pension obligations. While inflation assumptions are taken into account in our underwriting, unexpected rising rates of inflation will increase both future claims and expenses, leading to higher liabilities; conversely, if future inflation rates were to be lower than assumed, liabilities would be lower than anticipated. The risk that inflation rates deviate from inflation assumptions is incorporated in our internal model. Potential severe structural breaks are monitored via historical and ad-hoc stress tests. Measures are taken to manage elevated inflation levels. On the Property-Casualty side, these include continuous monitoring of claims inflation, sufficient provisioning, and timely adjustments of premium rates to reflect both actual and expected inflation.

On the internal pensions side, the exposure is partially hedged by holding an appropriate share of inflation-linked bonds in the strategic asset allocation (SAA).

Equity risk

Allianz SE's equity risk predominantly results from the performance of our strategic insurance participations. Other equity risk stems from listed and unlisted equities, equity derivatives, own shares, and management incentive plans.

Risks from changes in equity prices are normally associated with decreasing share prices and increasing equity price volatilities. As the performance of our participations might exceed expectations and stock values might also increase, opportunities may arise from participations and other equity investments.

Credit spread risk

Fixed-income assets such as bonds may lose value if credit spreads widen. However, our risk appetite for credit spread risk takes into account the underlying economics of our business model: As a liability-driven investor, we typically hold fixed-income assets until maturity. This implies that we are less affected economically by short-term changes in market prices. In our capacity as a long-term investor, this gives us the opportunity to invest in bonds, yielding spreads over the risk-free return and earning this additional yield component.

Currency risk

Allianz SE and the other related undertakings of the Allianz Group typically invest in assets which are denominated in the same currency as their liabilities. However, some foreign currency exposures are allowed to support portfolio diversification and tactical investment decisions. Our largest exposure to foreign currency risk comes from our non-euro Group companies: Whenever the euro strengthens, the euro equivalent net asset value of our foreign subsidiaries will decline from an Allianz Group and Allianz SE perspective; however, at the same time, the capital requirements in euro will decrease, partially mitigating the total impact on the Allianz Group's and Allianz SE's capitalization. Based on the Allianz Group's foreign exchange management limit framework, currency risk is monitored and managed at the levels of the Allianz Group, Allianz SE, and the other operating entities of the Allianz Group.

The planned dividend income from non-euro subsidiaries is an important additional source of currency risk.

Real estate risk

Despite the risk of decreasing real estate values, real estate is a suitable addition to our investment portfolio due to good diversification benefits, as well as to the contribution of relatively predictable, long-term cash flows.

Allianz's Group Investment Committee has defined a framework for standard transactions for real estate equity and commercial real estate loan investments. These standards outline diversification targets, minimum-return thresholds, and other qualitative and quantitative requirements. All transactions that do not meet these standards, or have a total investment volume (including costs) exceeding a defined threshold, must be reviewed individually by Group Risk and other Group center functions. In addition, all applicable limits must be respected, in particular those resulting from strategic asset allocation as well as its leeway and risk limits, with regards to an investing entity's portfolio.

Credit risk

Credit risk is measured as the potential economic loss in the value of our portfolio that would result from either changes in the credit quality of our counterparties ("migration risk") or the inability or unwillingness of a counterparty to fulfill contractual obligations ("default risk").

Allianz SE's credit risk profile originates from three sources: our investment portfolio, guarantees and retrocession.

– Investment portfolio: Credit risk results from our investments in fixed-income bonds, loans, derivatives, cash positions, and receivables whose value may decrease depending on the credit quality of the obligor.
– Guarantees: Credit risk is caused by the potential default of Group companies on commitments from contracts with external and internal stakeholders, which are backed by guarantees from Allianz SE.
– Retrocession: Credit risk to external reinsurers arises when parts of Allianz SE's reinsurance business are retroceded to external reinsurance companies to mitigate risks. Credit risk arises from potential losses from non-recoverability of reinsurance receivables, or due to default on benefits under in-force reinsurance treaties. Our retrocession partners are carefully selected by a team of specialists. Besides focusing on companies with a strong credit rating, we may further require letters of credit, cash deposits, funds withheld or assets held in trust, or other financial measures to further mitigate our exposure to credit risk.

To ensure effective credit risk management, credit risk limits are derived from our internal risk capital framework, and rating bucket benchmarks are used to define our risk appetite for exposures in the lower investment-grade and non-investment-grade area.

Our group-wide country and obligor group limit management framework (CrisP[1]) allows us to manage counterparty concentration risk, covering both credit and equity exposures at the Group, Allianz SE, and other operating-entity levels. This limit framework forms the basis for discussions on credit actions and provides notification services featuring the quick and broad communication of credit-related decisions across the Group.

Clearly defined processes ensure that exposure concentrations and limit utilizations are appropriately monitored and managed. The setting of country and obligor exposure limits from the Group's perspective (i.e., the maximum concentration limit), which are adopted by Allianz SE and serve as maximum local limits for the other operating entities, takes into account the Allianz Group's portfolio size and structure as well as the overall risk strategy.

Additionally, Allianz SE actively monitors internal counterparty limits to manage and mitigate concentration risk within the Group.

Underwriting risk

Property-Casualty

The Property-Casualty business is exposed to premium-risk-related adverse developments in the current year's new and renewed business, as well as to reserve risks related to the business in force.

Due to the role of Allianz SE as internal reinsurer, all measures taken at level of the operating entities of the Allianz Group to improve underwriting risks are indirectly supported and reflected in respective reinsurance contract.

As part of our Property-Casualty reinsurance operations, we receive premiums from our cedants and provide reinsurance protection in return. Premium risk is the risk that actual claims for the business in the current year turn out adversely relative to expected claims ratios used for pricing.

Allianz SE actively manages premium risk from its reinsurance business. The assessment of risks as part of the underwriting process is a key element of our risk management framework. There are clear underwriting guidelines, limits and restrictions in place, which are regularly monitored, e.g., in the form of Underwriting File Reviews. Excessive risks are not taken or mitigated by external retrocession agreements. All these measures contribute to a limitation of risk accumulation. We also monitor concentrations and accumulation of non-market risks on a stand-alone basis (i.e., before diversification effects) within an Allianz Group global limit framework, in order to avoid substantial losses from single events, such as natural catastrophes, and from man-made catastrophes, such as terror or large industrial risk accumulations.

Furthermore, selected material premium risks are limited and regularly monitored in order to provide transparency.

Premium risk is subdivided into three categories: natural catastrophe risk, terror risk, and non-catastrophe risk including man-made catastrophes.

Natural disasters such as earthquakes, storms, and floods represent a significant challenge for risk management due to their high accumulation potential for higher return periods.

1_Credit Risk Platform.

Reserve risk represents the risk of adverse developments in best-estimate reserves over a one-year time horizon, resulting from fluctuations in the timing and/or amount of claims settlement. We estimate and hold reserves for claims resulting from past events that have not yet been settled. In case of unexpected developments, we would experience a gain or loss dependent on the assumptions applied for the estimate. In addition, the risk of inflation volatility deviating from historical observations and of changes in yield curves is covered in the specific market risk modules.

In order to reduce the risk of unexpected reserve volatility, Allianz SE and the other related undertakings of the Allianz Group constantly monitor the development of reserves for insurance claims on a line-of-business level. In addition, related undertakings generally conduct annual reserve uncertainty analyses based on similar methods used for reserve risk calculations. The Allianz Group performs regular independent reviews of these analyses and Allianz SE representatives participate in the local reserve committee meetings.

Retrocession is another important instrument used to mitigate reserve risk.

Life/Health

Direct underwriting risks for Allianz SE in the Life/Health area include risks assumed from reinsurance transactions and from our internal pension obligations.

Underwriting risks in our Life/Health operations (biometric risks) include mortality, disability, morbidity, and longevity risks. Mortality, disability, and morbidity risks are associated with an unexpected increase in the occurrence of death, disability, or medical claims. Longevity risk is the risk that the reserves covering life annuities and pension products might not be sufficient due to longer life expectancies of the insured.

Life/Health underwriting risk arises from profitability being lower than expected. As profitability calculations are based on several parameters – such as assumptions on future mortality rates, or morbidity claims – the actual development may differ from the expected one. For example, lower-than-expected mortality rates would lead to additional annuity payments in the future. However, beneficial deviations are also possible; for example, a trend towards healthier lifestyles will most likely result in lower overall health insurance claims.

Business risk

Business risks include cost risks and policyholder behaviour risks (in particular lapse and mass lapse risk). They are mostly driven by the Life/Health business and to a lesser extent by the Property-Casualty business. Cost risks are associated with the risk that expenses incurred in administering insurance policies are higher than expected, or that new business volume decreases to a level that does not allow Allianz to absorb its fixed costs. Business risk is measured relative to baseline plans.

For the Life/Health business, policyholder behaviour risks are risks related to unpredictable, adverse behaviour of policyholders in exercising their contractual options, such as early terminations of contracts, surrenders, partial withdrawals, renewals, and annuity take-up options.

The potential interaction between market risks (in particular interest rate risk) and lapse risk is covered by two different modeling aspects:

– Financial rationality: The Life/Health cash flow models generally contain a dynamic modeling of lapse where the best estimate lapse rate is increased if market returns are significantly higher than the overall return of the insurance policy and vice versa.
– Cross effects: This part takes into account that a combined impact of a market rate change and a lapse rate change could deviate significantly from the sum of the two impacts.

Considering the business model of Allianz SE, business risk is moderate and is only significant for large contracts with long durations. Internal pensions do not carry any business risk, since they create only fixed costs which are implicitly reflected in the contributions and lapse risk is not applicable for pensions.

Operational risk

Operational risks refer to losses resulting from inadequate or failed internal processes, human errors, system failures, and external events, and can stem from a wide variety of sources.

Operational risk, in general terms, stems from a potential failure to maintain unobstructed data processing or to meet professional obligations, including e.g. mis-selling, non-compliance with internal or external requirements related to products, anti-trust behaviour, data protection, sanctions and embargos. Allianz SE's operational risk capital in particular reflects the exposure to possible supplier failures and outages of systems (incl. from cyberattacks) leading, in some cases, to operational losses and additional costs, with a widening attack surface, given cloud migrations and higher cloud concentrations. Key external drivers for operational risk exposure are changes in laws and regulations, e.g., the Digital Operational Resilience act (DORA), for which the requirements have to be effectively met in January 2025.

For the management of the compliance risks, Allianz maintains a Compliance Management System (CMS). At the center of the CMS, Allianz has established compliance functions at the levels of the Allianz Group and the local operating entities as part of the Second Line of Defense. For details of the CMS, or more specifically of anti-money-laundering, counter-terrorism-financing, anti-corruption and bribery matters, please refer to the chapter Non-Financial Statement. Internal drivers reflect potential failures of internal processes and operational risk exposure stemming from the transformation programs. These drivers are considered in the local scenario analyses.

Allianz has developed a consistent operational risk management framework, which is applied across the Group based on proportionality and focuses on the early recognition and proactive management of material operational risks. The framework defines roles and responsibilities as well as management processes and methods: Local risk managers at Allianz SE and at the other operating entities of the Allianz Group, in their capacity as Second Line of Defense, identify and evaluate relevant operational risks and control deficiencies via a dialogue with the First Line of Defense, report operational risk events in a central database, and ensure that the framework is implemented in their respective operating entity.

This framework triggers specific mitigating control programs. For example, compliance risks are addressed with written policies and dedicated compliance programs monitored by compliance functions across the Allianz Group. The risk of financial misstatement is mitigated by a system of internal controls covering financial reporting. Outsourcing risks are covered by our Outsourcing Policy, Service Level Agreements, and Business Continuity and Crisis Management programs to protect critical business functions from these events. Cyber risks are mitigated through investments in cybersecurity, cyber insurance that Allianz buys from third-party insurers, and a variety of ongoing control activities, developed and implemented along the following main themes: slow down hackers, increase threat detection, reduce the damage of attacks, and enhance the skills as well as the organizational structure.

The ICS for operational risk encompasses the management of compliance, financial reporting, and other operational risks. The effectiveness of this internal control system is monitored along two dimensions:

- Monitoring the effective implementation of the Non-Financial Risk Management (NFRM) framework. This framework ensures that risks are identified in time, and controls are appropriately set up and tested frequently to identify potential weaknesses or gaps in the internal control system.
- Verification of the resolution of identified weaknesses in the internal control system.

The NFRM is an integral part of the overall ICS, whose fundamentals are described in the section "Risk management framework and internal control system".

Other material risks not modeled in the internal model

There are risks which, due to their nature, cannot be adequately addressed or mitigated by setting aside dedicated capital. These risks are therefore not considered in the internal model. For the identification, analysis, assessment, monitoring, and management of these risks we also use a systematic approach, with risk assessment generally based on qualitative criteria or scenario analyses. The most important of these other risks are liquidity, reputational and strategic risk.

Liquidity risk

Liquidity risk is defined as the risk that current or future payment obligations cannot be met or can only be met on the basis of adversely altered conditions.

Liquidity risk can arise primarily if there are mismatches in the timing of cash in- and outflows.

The liquidity risk profile of Allianz predominantly originates from the uncertainty about the volume and timing of cash needs from insurances liabilities. This especially relates to:

- Coverage of various types of catastrophes in the Property-Casualty business, with the frequency of such events anticipated to increase going forward as a result of the unfolding climate change effects;
- Mass lapse events or rising lapse rates in the Life/Health insurance business, especially in combination with changes in the relevant capital market environment.

Major risks can also result from derivative transactions used by Allianz to hedge specific market risks.

Allianz is also exposed to liquidity risk due to large operational risk events, which may potentially result in significant cash outflows.

Another source of liquidity risk for Allianz are potential regulatory actions by local supervisors, which may reduce dividends from subsidiaries to the Group (e.g., due to global events such as partially observed during the COVID-19 crisis).

Detailed information regarding our liquidity risk exposure, liquidity, and funding – including changes in cash and cash equivalents – is provided in Liquidity and Funding Resources.

The investment strategy of Allianz SE particularly focuses on the quality of investments, and ensures a significant portion of liquid assets in the Allianz SE investment portfolios (for example, high-rated government or covered bonds). We employ actuarial methods to estimate our liabilities arising from reinsurance and internal pension contracts. In our liquidity planning process, we reconcile liquidity sources (such as dividends received from subsidiaries, cash from investments and premiums) and liquidity needs (including payments due to dividends to shareholders, reinsurance claims and expenses) under a best-estimate liquidity plan, and under systemic as well as under Allianz SE-specific adverse liquidity scenarios, which form the basis for liquidity risk measurement and management at Allianz SE, comprising Group operating entity recapitalization and cash pool run scenarios.

The main goal of planning and managing Allianz SE's liquidity position is to ensure that we are always in a position to meet payment obligations and to enable our strategic financing. To comply with this objective, the liquidity position of Allianz SE is monitored and forecasted on a daily basis.

Allianz SE's short-term liquidity is managed within Allianz SE's cash pool, which also serves as a central tool for investing the excess liquidity of other Group companies. The accumulated short-term liquidity forecast is updated daily. The cash position in this portfolio is subject to an absolute minimum and an absolute target liquidity threshold. Both thresholds are defined for the Allianz SE cash pool in order to be protected against short-term liquidity crises.

As part of our liquidity stress testing framework, contingent liquidity requirements and sources of liquidity are considered to ensure that Allianz SE is able to meet any future payment obligations, even under adverse conditions. Triggers for increased contingent liquidity requirements include amongst others non-availability of external capital markets, combined market and catastrophe risk scenarios for subsidiaries, as well as lower than expected profit transfers and dividends from subsidiaries.

In order to protect the Allianz Group against the liquidity impact of adverse risk events beyond those covered by the capital and liquidity buffers at our subsidiaries, Allianz SE holds a strategic liquidity reserve for which the target level is reevaluated annually.

The strategic liquidity planning for Allianz SE, which covers the periods of one calendar year (in increased granularity) and three calendar years, is regularly reported to the Board of Management.

Strategic risk

Strategic risk is the risk of a decrease in the company's value arising from adverse management decisions on business strategies and their implementation.

Strategic risks are identified and evaluated as part of the Group's Top Risk Assessment process and discussed in various Board of Management-level committees (for example, GFRC). We also monitor market and competitive conditions, capital market requirements, regulatory conditions, etc., to decide if strategic adjustments are necessary.

The most important strategic risks are related to the value creation objective, which focuses on the three themes: Driving smart growth, reinforcing productivity and strengthening resilience. Progress on mitigating strategic risks and meeting the value creation objective is monitored and evaluated in the course of the Strategic and Planning Dialogues between the Allianz Group and Allianz SE and the other related undertakings.

Reputational risk

Allianz's reputation as a well-respected and socially aware provider of financial services is influenced by our behaviour in a range of areas such as product quality, corporate governance, financial performance, customer service, employee relations, intellectual capital, and corporate responsibility.

Reputational risk is the potential occurrence of an event that negatively affects the trust perception and behaviour of stakeholders, due to the event's contrast to their beliefs and expectations. This includes, but is not limited to the risk of an unexpected drop in the Allianz share price, the value of in-force business, or the value of future business caused by a loss of trust capital and decline in the reputation of the Allianz Group or of one or more of its operating entities from the perspective of stakeholders.

The identification and assessment of reputational risks is part of the annual Top Risk Assessment process, undertaken by the Allianz Group and all operating entities. As part of this process, senior management approves the risk strategy for the most significant risks and their potential reputational impact.

Emerging risks

The risk management of Allianz does not exclusively focus on already known and assessed risks but also on monitoring and identifying new and emerging risks or trends that may have an impact on our business over a longer time horizon.

From an overall perspective, we currently consider cyber risk and artificial intelligence (AI), geopolitical risk and ESG-related risks as relevant examples of emerging risk drivers with a potential impact on the Allianz Group's future business development.

The volume and sophistication of malicious cyber activity has increased substantially with new technologies, and there are growing concerns regarding the security of proprietary corporate data and critical industrial control systems. At the same time, the attention of regulators to cyber risk in order to ensure safe digital business environments has increased. Cybersecurity incidents may cause business disruption or fines to Allianz.

New and evolving operational and reputational risks also result from rapid developments in the field of AI (including generative AI). AI can help Allianz to further improve customer services and internal processes but also comes with new operational risks: Public and regulatory concerns about discriminating AI and "Black Box AI" triggered various regulatory initiatives by supervisory authorities and regulators across the globe, in particular the European Union AI Act. Allianz addresses these new legal and reputational risks seriously with its AI governance framework, which has already been rolled out in various OEs. The Allianz AI governance framework will be further adjusted, especially to implement the European Union AI Act in its final version, and structurally rolled out in the operating entities.

In comparison to political risk, which includes only risk arising within a nation-state or governed area, geopolitical risk involves the interaction between two or more states or governed areas, radiating to the global power system. This risk encompasses political, socioeconomic, and cultural factors that can significantly influence the global operations of multinational companies.

As a multinational financial services provider, Allianz faces considerable geopolitical risk. We consider this risk as emerging, given that the shift to a multi-polar world increases the potential of geopolitical tensions. This leads to a high degree of uncertainty in geopolitical developments which have the potential to materially affect a business's vitality, e.g., its stability and profitability. For Allianz, geopolitical risk may result in a variety of operational, macroeconomic and reputational risks. To mitigate these risks, Allianz employs due diligence processes in which operational and reputational risks are monitored, and it quantifies the macroeconomic impact resulting from potential global conflicts, election results, or trade tensions, in ad-hoc stress scenarios.

The future potential impact of ESG-related risks can be manifold. ESG-related developments in the areas of technology, consumer behaviour, regulation and litigation can have an impact on all areas of our business. The same applies to physical impacts, such as an increase in extreme weather events, the loss of biodiversity, or environmental pollution. The expansion of sustainability-related regulation requires appropriate implementation and investments to ensure compliance, particularly against the background of Allianz's strategy to be a sustainability leader. Similarly, intentional or alleged failure to comply with sustainability standards and targets could negatively impact the public perception of Allianz. A risk to be alleged of "greenwashing" also exists in the medium to long-term, particularly if the achievement of approaching sustainability milestones proves to be more difficult than anticipated or even unrealistic. For information about the management of ESG-related risk, please refer to the Non-Financial Statement.

Risk-based steering and risk management

To support the development of a risk appetite and a risk management framework for these core risks, Allianz SE has elaborated the following risk management philosophy:

- Financial risks: Allianz SE's objective is to support the Group strategy while ensuring that financial risk-taking is in line with its risk-bearing capacity. To manage financial risk effectively, it is essential to clearly identify, measure, monitor, and control the inherent risks, especially in the investment portfolios, financing transactions, the reinsurance portfolio, and the internal pension obligations.
- Underwriting risks: Exposures to these risks are accepted when acting as a reinsurer for group-internal and external reinsurance business or by providing internal pension solutions. Quality control mechanisms are applied to ensure adherence to the Allianz Group's underwriting standards and to monitor the quality of the portfolio, the underwriting and retrocession processes. These processes must support sustainable and profitable business decisions, and need to be aligned with the risk appetite of Allianz SE and the Allianz Group, as well as to avoid undesired and/or excessive risks and accumulations.
- Other non-financial risks: These risks are inherent to the core business and need to be carefully managed via continuous improvements in risk identification, risk assessment, and control environments. This occurs through elements of the Group Risk management framework such as the Top Risk Assessment (TRA), Non-Financial Risk Management (NFRM), Reputational Risk Management Framework, and Liquidity Risk Management.

Internal risk capital framework

We define internal risk capital as the capital required to protect us against unexpected, extreme economic losses, and which forms the basis for determining our Solvency II regulatory capitalization. We calculate and consistently aggregate internal risk capital across all business segments on a quarterly basis. We also regularly project risk capital requirements between reporting periods in times of financial market turbulence.

General approach

For the management of our risk profile and solvency position, we utilize an approach that reflects the Solvency II rules in that it comprises our approved internal model covering Allianz SE and all other major insurance operations.

Internal model

Our internal model is based on a Value at Risk (VaR) approach using a Monte Carlo simulation, i.e., a mathematical technique that predicts possible outcomes of uncertain events over a given period of time with a random number generator. Following this approach, we determine the maximum loss of the Allianz portfolio value in scope of the model within a timeframe of one year and a probability of occurrence of once in two hundred years (i.e., at a "99.5% confidence level"). We simulate risk events from all modeled risk categories ("sources of risk") and calculate the portfolio value based on the net fair value of assets minus liabilities, including risk-mitigating measures such as reinsurance contracts or derivatives, under each scenario.

The required risk capital is defined as the difference between the current portfolio value and the portfolio value under adverse conditions in a 1-in-200-year event. As we consider the impact of a negative or positive event on all risk sources and covered businesses at the same time, diversification effects across products and regions are taken into account. The results of our Monte Carlo simulation allow us to analyze our exposure to each source of risk, both separately and in aggregate. We also analyze several pre-defined stress scenarios representing historical events, reverse stress tests, and adverse scenarios relevant for our portfolio. Furthermore, we conduct ad-hoc stress tests to reflect current political and financial developments, and to analyze specific non-financial risks more closely.

Coverage of the risk capital calculations

Allianz SE's internal risk capital model covers the activities of Allianz SE as the holding company for the Allianz Group, as well as its activities as a reinsurer.

Whereas the model treats most subsidiaries as participations, it applies a look-through rule for currently 40 subsidiaries and investment funds, which are ancillary to Allianz SE's operations (mainly by holding assets), and reflects their risks – either in full or in part – on a granular level.

The risk capital model covers all relevant assets (including fixed-income instruments, equities, real estate, and derivatives) and liabilities (including the run-off of all technical provisions as well as deposits, issued debt and other liabilities such as guarantees).

In view of the above, Allianz's risk capital framework covers all material and quantifiable risks.

Model limitations

As the risk capital calculated with our internal model is based on a maximum loss with a probability of occurrence of once in two hundred years, there is a low statistical probability that actual losses could exceed this threshold in the course of one year.

We use model and scenario parameters derived from historical data, where available, to characterize future possible risk events. If future market conditions were to differ substantially from the past, for example, in an unprecedented crisis or as a possible result of severe structural breaks resulting from climate change, our risk capital approach might be too conservative or too liberal in ways that are difficult to predict. In order to mitigate reliance on historical data, we complement our risk capital analysis with stress testing.

Furthermore, we validate the model and parameters through sensitivity analyses, independent internal peer reviews, and, where appropriate, independent external reviews, focusing on methods for selecting parameters and control processes. To ensure that the model is validated adequately, Allianz SE has established a comprehensive model validation process, where necessary including external independent validators. Any validation findings identified during the validation process are remedied by respective model owners. Overall, we believe that our validation efforts are effective and that the internal model of Allianz SE adequately assesses the risks to which we are exposed.

While the aggregate risk capital is exactly modeled, the whole account stop loss construction[1] leads to the use of approximations when reporting contributory risk capital figures for the sub-categories of underwriting risk, as the individual contributions have to be approximated based on the underlying distributions.

1_Whole account stop loss reinsurance contract between Allianz SE and Allianz Re Dublin dac.

Qualitative risk assessment

Qualitative assessments as part of the risk management framework include Top Risk Assessments, as well as group-challenged self-assessments and selected group reviews of the maturity of the local risk management systems and the adherence to the risk policy framework. Key results of Allianz SE's qualitative risk assessments are reported to the Group on a regular basis.

Solvency II capitalization

The Own Funds and capital requirements are based on the market value balance sheet approach, which is consistent with the economic principles of Solvency II[2]. Our regulatory capitalization is shown in the following table.

2_Own Funds and capital requirement are calculated under consideration of volatility adjustment and yield curve extension.

Allianz SE: Solvency II capitalization

as of 31 December		2024	2023[1]
Own funds	€ bn	90.7	87.9
Capital requirement	€ bn	32.8	33.1
Capitalization ratio	%	277	265

1_Risk profile figures as reported in 2023. Until the second quarter of 2024, Allianz Group companies applied transitional measures on technical provisions. The resulting change in participation values impacted Allianz SE's own funds and capital requirements. With the application of transitional measures at these Allianz Group companies, Allianz SE's own funds and capital requirement amounted to € 98.1 bn and € 36.5 bn, leading to a Solvency II ratio of 269 % end of 2023.

As of 31 December 2024, the Solvency II capitalization of Allianz SE stands at 277%. The increase of 12 percentage points in 2024 results from an increase in own funds by 3% and a decrease in solvency risk capital by 1%.

Quantifiable risks and opportunities by risk category

This Risk and Opportunity Report outlines Allianz SE's risk figures, reflecting its risk profile based on pre-diversified risk figures and Allianz SE diversification effects.

We measure and steer risk from our major insurance operations based on an approved internal model and the Solvency II standard formula, which quantify the potential adverse developments of Own Funds. The results provide an overview of how our risk profile is distributed over different risk categories and – together with the additional elements described above – determine the regulatory capital requirements in accordance with Solvency II.

The pre-diversified risk figures reflect the diversification effects within each modeled risk category (i.e., within market, credit, underwriting, business, and operational risk), but do not include the diversification effects across risk categories. The Allianz SE diversified risk also captures the diversification effects across all risk categories.

The Allianz SE diversified risk is broken down as follows:

Allianz SE: Allocated risk according to the risk profile
€ mn

as of 31 December	2024	2023
Market risk	31,594	31,428
Credit risk	445	471
Underwriting risk	4,729	4,293
Business risk	212	192
Operational risk	697	623
Diversification	(4,624)	(3,891)
Tax	(266)	-
Total Allianz SE	**32,787**	**33,116**

As of 31 December 2024, Allianz SE's diversified risk capital amounted to € 32.8 bn (2023: € 33.1 bn). The decrease in Solvency II capital requirements is primarily due to a tax relief resulting from net deferred tax liabilities, mainly driven by changes in the corporate tax group. Higher diversification benefits, resulting from a relative reduction in the dominance of participation risks, also played a significant role.

The following sections outline the evolution of the risk profile per modeled risk category. All risks are presented on a pre-diversified basis, and concentrations of single sources of risk are discussed accordingly.

Market risk

For Allianz SE, the pre-diversified market risk as of year-end 2024 amounts to € 31,594 mn. The increase of € 166 mn is driven by the unwind of equity macro put hedges.

Credit risk

The € 26 mn decrease in credit risk is due to model updates leading to lower probability of rating downgrades.

Underwriting risk

The following table presents the pre-diversified risk calculated for underwriting risks stemming from our reinsurance business and internal pensions: [1]

Allianz SE: Risk Profile – Underwriting risk by source of risk
pre-diversified, € mn

as of 31 December	2024	2023
Premium natural catastrophe	514	514
Premium non-catastrophe and terror	2,215	2,184
Reserve	1,915	1,477
Biometric	85	118
Total Allianz SE	**4,729**	**4,293**

For Allianz SE, the pre-diversified underwriting risk showed an increase of € 436 mn, primarily driven by an increase in reserve risk.

Property-Casualty

Premium risk

In 2024, Allianz SE's natural catastrophe risk remained stable.

The top five scenarios contributing to Allianz SE's natural catastrophe risk as of 31 December 2024 were a windstorm in Europe, wildfires in Australia, an earthquake in Australia, a tropical cyclone in the United States and a flood in Germany.

Allianz SE's non-catastrophe and terror premium risk increased by only € 31 mn in 2024, since additional growth for external business was managed with additional retrocession.

Reserve risk

The increase by € 438 mn in Allianz SE's reserve risk in 2024 is mainly due to significant natural catastrophe events, reduced retrocession assets, because of cashcalls and commutations as well as general business growth in the external business.

Life/Health

In 2024, Allianz SE's biometric risk decreased by € 33 mn compared to 2023. Despite an increase in mortality risk due to new U.S. life reinsurance exposure, the pre-diversified biometric risk decreased as a consequence of higher diversification benefits generated with the Property-Casualty underwriting risks.

Business risk

The business risk increase of € 19 mn is mainly driven by new U.S. life reinsurance exposure as well as higher Property-Casualty business.

Operational risk

End of 2024, Allianz SE's operational risk was € 697 mn. The € 74 mn increase mainly reflects higher severities in case of cyberattack induced large-scale system outages, given widened attack surfaces under cloud migrations and concentrations. Allianz SE continues to strengthen countermeasures against cyber threat.

Outlook

Potential risks in the financial markets and in our operating environment

Allianz faces a challenging financial market and operating environment.

Markets are characterized by the risk of persistently high volatility. Bonds and equity markets are fragile, as economic growth and inflation prospects for Europe and the United could be impacted by political shifts and tensions within and between the two regions. The interplay with the geopolitical environment, including potential repercussions of the future development of the war in Ukraine, further adds to these uncertainties.

Global conflicts and destabilization

Lasting geopolitical and regional political crises dominate the political and economic agenda, with added uncertainties driven by global political shifts. For example, there is the risk of a deterioration in the United States-China relationship, as well as of a further hardening of China's attitudes towards Taiwan, and the potential need for Europe to organize and fund its defense more independently from the US.

Other factors of risk

In addition to the geopolitical crises, there are several other factors that may lead to a persistently high financial market volatility. Lasting momentum for populist and radical parties around the globe could make international cooperation and coordination more challenging and complex, leading to a lower chance of impactful political action

1_Impact of whole account stop loss reinsurance contract between Allianz SE and Allianz Re Dublin dac on pre-diversified insurance risks: Premium natural catastrophe risk increased by € 30 mn (2023: increase of € 65 mn), premium non-catastrophe and terror risk increased by € 552 mn (2023: € 363 mn), reserve risk decreased by € 97 mn (2023: increase of € 18 mn), while biometric risks decreased by € 35 mn (2023: decrease of € 33 mn) due to this reallocation.

on geopolitical and regional crises due to conflicting objectives. The risk factors also include challenges from future European defense spending and funding, as well as further disruptions to global supply chains, which weigh on global trade, with the potential to prompt long-term structural shifts in these chains. Lasting risk factors include climate change, as well as the challenges of implementing long-term structural reforms in key eurozone countries.

The increasing reliance on digital technologies, combined with the rising use of artificial intelligence, increases the risk of technology obsolescence, cyberattacks, data breaches, system failures, negative impacts from the use of deepfake tools on political and business processes, as well as the risk of non-compliance with increasing regulation covering IT-related business processes.

Therefore, we continue to closely monitor political, financial and technological developments as well as the global trade situation to manage our overall risk profile to specific event risks.

Outlook on regulatory developments

Our approved partial internal model has been applied since the beginning of 2016 when Solvency II came into effect.

In 2024, the level of uncertainty regarding future regulatory requirements diminished, as the provisional Third Country Equivalence of the U.S. solvency regime for Solvency II purposes has been extended at the European Union level until 2035. The Solvency II concept of "equivalence" allows the solvency regimes of countries outside the European Economic Union to be recognized and used for Solvency II purposes. Most relevant for Allianz today, it allows us to continue the integration of the Allianz Life Insurance Company of North America into the Group capital calculation based on U.S. solvency requirements. The current BaFin supervisory approval for the Deduction and Aggregation (D&A) consolidation method, which is required for the application of the European Commission's Third Country Equivalence decision on the U.S. solvency regime, is valid until the end of 2025. In 2025, Allianz will ask for a renewal of this approval until 2035.

Further uncertainty remains about future regulatory requirements resulting from the introduction of future global capital requirements, the current Solvency II review, and the introduction of the Insurance Recovery & Resolution Directive (IRRD).

The framework for potential future capital requirements for Internationally Active Insurance Groups (IAIGs) is yet to be finalized. In December 2024, IAIS approved the introduction of a global capital framework (Insurance Capital Standard – ICS), but it remained unclear whether Solvency II capital will be accepted as outcome equivalent.

In addition, in recent years, the European Commission reviewed the Solvency II directive and worked towards the introduction of the IRRD. The review has been politically agreed in December 2023, and the final texts of both the Solvency II directive and the IRRD were published in the official journal of the European Union in January 2025. The application of the new rules will start 24 months after their publication in the official journal of the European Union, i.e., from 30 January 2027 onwards.

The potential for a multiplicity of different regulatory regimes, capital standards, and reporting requirements, based on a parallel application of the ICS as well as Solvency II and the introduction of the IRRD, could increase operational complexity costs and is increasing the regulatory risk.

Management assessment[1]

Allianz SE's management feels comfortable with Allianz SE's overall risk profile and capitalization level. There is no indication that, as of 31 December 2024, our risk management system or internal control system is inappropriate or ineffective. Therefore, management is confident that Allianz SE's risk management system and internal control system meet both the challenges of a rapidly changing environment and day-to-day business needs.

This confidence is based on several factors:

- Due to its effective capital management, Allianz SE is well-capitalized. We have met our internal and regulatory solvency targets as of 31 December 2024.
- Allianz SE has a conservative, asset-liability oriented investment profile and disciplined business practices in the reinsurance business, leading to sustainable operating earnings with a well-balanced risk-return profile.
- Allianz SE is well-positioned to deal with potentially adverse future events, among others due to its strong internal limit framework, stress testing, internal model, and risk management practices.
- Allianz has dedicated guidelines and policies that clearly define the general principles, the roles and responsibilities, as well as the processes, for the risk management framework.
- Our risk management framework is regularly subject to audit activities performed by our internal audit function.
- In addition, external auditors are independently and regularly reviewing the Allianz SE's risk governance as well as performing quality reviews of risk processes.
- An assessment of the effectiveness of the Allianz SE Risk Management function, as well as of the implementation maturity of the risk management framework and corresponding risk management processes, is performed following the Risk Assessment, Diagnostics, Analysis and Reporting (RADAR) process.

Based on the information available to us at the moment of report completion, we expect to continue to be sufficiently capitalized and compliant with both the regulatory Solvency Capital Requirement and the Minimum Capital Requirement. In addition, Allianz is carefully monitoring geopolitical developments, political shifts and tensions within and between Europe and the United States, as well as regional political crises, and manages its portfolios to ensure that the Group, Allianz SE, and the other Group companies have sufficient resources to meet their solvency capital needs.

1_Unaudited.