HDI Global SE

2021 Annual Report

HDI Global SE at a glance

		2021	2020
Gross premium income	EUR million	5,109	4,524
Increase/decrease in gross premium income	%	12.9	1.7
Income from premiums earned for own account	EUR million	2,088	2,088
Expenses on insurance claims for own account	EUR million	1,691	1,602
Loss ratio for own account[1)]	%	81.0	76.7
Expenses for insurance operations for own account	EUR million	395	429
Expense ratio for own account[2)]	%	18.9	20.6
Underwriting result before equalisation reserve for own account	EUR million	44	-11
Combined ratio for own account	%	99.9	97.3
Investments	EUR million	8,915	7,911
Investment income	EUR million	371	259
Non-underwriting result[4)]	EUR million	203	87
Result from ordinary activities	EUR million	160	36
Tax expense	EUR million	51	31
Loss (–)/ profit transferred under a profit-and-loss transfer agreement	EUR million	108	4
Operating profit/loss (result from ordinary activities less changes in the equalisation reserve)	EUR million	246	76
Capital, reserves and underwriting provisions			
Equity	EUR million	409	409
Subordinated liabilities	EUR million	380	200
Equalisation reserve and similar provisions for own account	EUR million	803	717
Other underwriting provisions for own account[5)]	EUR million	7,278	6,519
Total	EUR million	8,870	7,845
Of earned premiums for own account	%	424.8	375.7
Ratio of underwriting provisions for own account[6)]	%	317.0	282.6
Insurance contracts	1,000	707	711
Reported claims	1,000	180	203
Average number of employees throughout the year	Number	2,805	2,835

1) *Expenses on insurance claims for own account as a percentage of premiums earned for own account*

2) *Expenses on insurance operations for own account as a percentage of premiums earned for own account*

3) *Sum of expenses on insurance claims for own account and expenses on insurance operations for own account as a percentage of earned premiums for own account*

4) *Sum of net investment income and other comprehensive income*

5) *Excluding provision for premium refunds*

6) *Provision for outstanding claims for own account as a percentage of earned premiums for own account*

For computational reasons, the tables may show rounding differences of +/- one unit count. Monetary amounts that are smaller than EUR 0.5 thousand are shown as ‚0‘. Figures that are not available for the Company are marked with an ‚n-dash‘.

Contents

Ladies and Gentlemen,

HDI Global SE closed financial year 2021 with a very satisfactory result despite the very high burden of claims and further challenges from the second pandemic year. Gross written premiums increased by EUR 585 million to EUR 5.1 (4.5) billion, thereby exceeding the expectations. At the same time, we recorded a noticeable decline in the net expense ratio to 18.9% (20.6%), which was also beyond expectations. The combined ratio (net) may have increased to 99.9% (97.3%) as a consequence of the record level of claims, but it remained below the 100% mark in line with our strategy.

Our record points above all to three things: We have accomplished the turnaround; we are once again profitable; and we are very resilient in times of crisis.

At the same time, the past financial year was marked by an accumulation of devastating natural events, which also had a significant impact on our balance sheet. The resulting losses were higher than in the previous year and thus once again above the ten-year average. Among other things, hurricane “Ida” in August and winter storm “Uri” in February in the USA were responsible for the high losses. In Europe, primarily Germany, Belgium, the Netherlands, the Czech Republic and Switzerland were affected by the flood disaster in July triggered by rain storm “Bernd”. Our customers reported more than six hundred claims during this period, for which an average of around EUR 450,000 was paid out per claim.

Despite the heavy burden of natural catastrophes in financial year 2021, the underwriting result before allocations to the equalisation reserve improved significantly to EUR 44 (-11) million. The higher burden of claims was primarily offset by the successful restructuring and profitability measures, the consistent restructuring of the portfolio, lockdown-related decreases in frequency losses, and premium reserves that were not needed.

The investment result increased significantly to EUR 308 (211) million in 2021, which among other things can be attributed to higher income from alternative investments. Due to the increase in the underwriting result and the positive investment result, our transfer of profits to our parent company rose to EUR 108 (2020: 4) million.

So we are back on course despite substantial headwinds. At the same time, we have made very encouraging progress in many areas. I would like to mention three of them here.

With our programme of change “one.Germany”, we have repositioned ourselves in our home market of Germany: We have merged Group and industrial entities in each affected unit and grouped our locations into four strong regions. At the same time, we have maintained our regional proximity to customers and business partners. All this was done in close cooperation with our social partners. The benefits are manifold: More knowledge is being shared; we have overcome obstacles caused by inconsistent structures and outdated hierarchies; and decision-making paths have been shortened. In short, we are more agile and responsive in these four regions with eleven branches than ever before. We now serve our customers even more purposefully.

We have also taken a major step forward in terms of diversity, which is a key factor of success for us as a company with global operations. People with different backgrounds make our organisation more successful. We need diverse opinions and ideas – and people who represent them. In order for everyone to reach their potential, they must also have a sense of well-being. And we want to support that. That is why we have appointed a new Diversity and Inclusion Manager in the HDI Group to drive this issue forward.

For our customers and for us, risks and requirements in the areas of environment, social responsibility and governance (ESG) are given top consideration in strategic decision-making. We are also making progress in this field. With respect to investments, our sister company Ampega is pursuing major projects on ESG-compliant investing for the HDI Group and therefore also for us. As a business, we are already carbon neutral in Germany and aim to achieve this worldwide by 2025. As a globally active industrial insurer, we support our customers in their efforts to move away from the carbon economy and meet ever more ambitious environmental standards. The changes this will necessitate in their operations may bring new risks. We therefore focus on analysing, mitigating and insuring against these risks.

Our goal for 2022 is to continue on our path of profitable growth. We are well-prepared for this as an underwriting champion. This is also necessary because there are major challenges on the road ahead due to climate change and geopolitical crises.

For the year ahead, my wish for our entire team in Germany and at all our locations around the world is that we leave Covid-19 behind us and are able to meet again more often in person in our private lives and at work. This social bond is vitally important for our sense of solidarity and for our cooperation. I think we‘ve done very well with the steps we have taken so far in our New Normal. I am very pleased with this, as it allows me and the entire Board of Management of HDI Global SE to look to the future with confidence.

We would like to take this opportunity to thank our employees in Germany and abroad. The strength of our enterprise lies in their energy and commitment. In addition, we would like to thank our customers and business partners for their close relationship with us and their confidence in our insurance solutions.

Sincerely

Dr Edgar Puls
Chairman of the Board of Management of HDI Global SE

Governing bodies of the Company

Supervisory Board

Torsten Leue
Chairman
Hannover
Chairman of the Board of Management of
HDI Haftpflichtverband der Deutschen
Industrie V. a. G. and of Talanx AG

Ulrich Weber
Deputy Chairman
Krefeld
Attorney-at-law

Dr Joachim Brenk
Lübeck
Chairman of the
Board of Management of
L. Possehl & Co. mbH

Dr Michael Ollmann
Hamburg
Management Consultant

Sebastian Gascard*
Isernhagen
In-house Company Lawyer
(Liability Underwriter)
HDI Global SE

Jutta Mück*
Diemelstadt
Account Manager
Sales Industrial Lines
HDI Global SE

* Employee representative

Board of Management

Dr Edgar Puls
Chairman

Member of the Board of Management responsible for
- the Chairman duties as stipulated under the Rules of Procedure
- Compliance
- Internal Auditing
- Human Resources
- Corporate Development

as well as
Member of the Board of Management of HDI Haftpflichtverband der Deutschen Industrie V.a.G. and of Talanx AG

Ralph Beutter
(since 01.01.2022)
Member of the Board of Management responsible for
- Specialty Business
- Aviation insurance
- Legal protection insurance
- Motor insurance

Yves Betz
(until 09.11.2021)

Dr Mukadder Erdönmez
Member of the Board of Management responsible for
- Liability insurance
- Cyber insurance

Dr Christian Hermelingmeier
Member of the Board of Management responsible for
- Accounting
- Premium Collections
- Cash Management, ALM Capital Management
- Controlling, Investment Controlling
- Money Laundering Prevention
- Risk Management
- Actuarial Function
- Coordination of passive reinsurance
- HDI Reinsurance (Ireland) SE
- HDI Global Network AG

David Hullin
Member of the Board of Management responsible for
- Region Europe
- Region Americas (North and South America)

Dr Thomas Kuhnt
Member of the Board of Management responsible for
- Operations and IP administration
- IT demand and IT projects
- Technical Pricing and Guidance
- Group accident insurance

Andreas Luberichs
Member of the Board of Management responsible for
- Region Germany
- Advisory Council

Claire McDonald
(since 01.01.2022)
Member of the Board of Management responsible for
- Property insurance (fire insurance and engineering insurance)
- Marine insurance
- Risk Engineering

Jens Wohlthat
Member of the Board of Management responsible for
- Region East: Africa, APAC, Russia
- Strategic investments

Report of the Supervisory Board

The Supervisory Board continuously monitored the Board of Management's conduct of business in the past financial year 2021 in accordance with the responsibilities incumbent on it under the law, the articles of association and the rules of procedure and received comprehensive oral and written reports from the Board of Management on the business development and economic position of the Company. The Chairman of the Supervisory Board was further informed by the Chairman of the Board of Management about important developments and upcoming decisions on a regular basis.

The Supervisory Board convened for three ordinary meetings on 4 March 2021, 25 August 2021 and 8 November 2021. During these meetings, the reports of the Board of Management on the current financial year and the economic and financial performance of the Company were discussed in detail. As part of the written and verbal reporting, the Supervisory Board was also informed about the Company‘s risk position as well as any changes that had occurred together with their causes.

The Supervisory Board participated in the decisions of the Board of Management within the scope of its legal and statutory responsibility and assured itself that the management of the Company was conducted in a manner that was lawful, proper, appropriate and profitable. During the 2021 financial year, there was no occasion for the Supervisory Board to undertake examinations within the meaning of section 111(2) of the German Stock Corporation Act (AktG).

The Supervisory Board's Personnel Committee convened for three meetings in the reporting period and made recommendations to the full Supervisory Board regarding resolutions, in particular with respect to the composition of the Board of Management as well as the remuneration of its members.

Points of focus for the deliberations in plenary sessions
The Supervisory Board's deliberations focused, among other things, on the realignment of the organisation in Germany, the streamlining of operating structures across the Group, the further expansion of the special insurance business and the implementation of innovative technologies ("digital transformation"). Furthermore, the operational planning of the Company for financial year 2022 was discussed in detail.

To the extent that the transactions and measures taken by the Board of Management required the approval of the Supervisory Board in accordance with the law, the articles of association and the rules of procedure, resolutions to that effect were adopted after a review and deliberations.

The Supervisory Board satisfied itself that the internal control and risk management systems were performing well and received ongoing reports on this from the Board of Management.

An Audit Committee was set up effective 1 January 2022.

Audit of the annual financial statements
The annual financial statements as at 31 December 2021 as well as the management report presented by the Board of Management, including the accounting, were audited by PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Hannover. The auditors were appointed by the Supervisory Board, which also awarded the specific audit engagement.

The audit did not lead to any reservations. The unqualified audit opinion states that the accounting and the annual financial statements present fairly, in all material respects, the net assets, financial position and results of operations, and that the management report is consistent with the annual financial statements. The documentation for the annual financial statements and the PricewaterhouseCoopers GmbH audit reports were forwarded to all Supervisory Board members on a timely basis.

The independent auditor was present at the meeting of the Audit Committee held on 3 March 2022 to discuss the annual financial statements and the management report, reported on the performance and quality of the audit, and was available to the Committee to provide additional information. The Committee discussed the annual financial statements prepared by the Board of Management, reviewed the audit report of the independent auditor, and addressed follow-up questions to the independent auditor on some specific points. The Committee arrived at the conclusion that the audit report was in compliance with sections 317 and 321 of the German Commercial Code (HGB) and that it did not raise any concerns. The Committee further concluded that the management report satisfied the requirements in section 289 HGB and conformed to the statements in the reports to the Supervisory Board pursuant to section 90 AktG. The management report was also consistent with the Committee's own assessment of the Company's position. The management report, and in particular the statements made therein regarding the future development of the Company, were approved by the Committee.

Following the final results of the Committee's examination of the annual financial statements and the management report, it concurred with the auditor's opinion and recommended that the Supervisory Board approve the annual financial statements prepared by the Board of Management.

Furthermore, the Committee examined the quality of the audit based on the report presented.

The auditor was also present at the meeting of the Supervisory Board held on the same day, where they summarised the items discussed at the Audit Committee meeting and presented the results of the audit. No objections are to be raised based on the final results of the examination of the annual financial statements and management report carried out by the Supervisory Board; consequently, the Supervisory Board concurred with the Committee's recommendation and approved the annual financial statements prepared by the Board of Management on 3 March 2022. The Annual Financial Statements are thereby adopted.

Composition of the Supervisory Board and the Board of Management

The composition of the Supervisory Board did not change in the 2021 reporting period.

Yves Betz stepped down from his position as a member of the Board of Management effective at the end of 9 November 2021. Claire McDonald and Ralph Beutter were appointed to the Board of Management as new members effective 1 January 2022.

The Supervisory Board wishes to thank the members of the Board of Management and all employees for their commitment and contribution during the reporting period.

Hannover, 3 March 2022
On behalf of the Supervisory Board

Torsten Leue
(Chairman)

Management report

Basic principles of the Company

HDI Global SE is an entity of the Talanx Group and bundles the worldwide operations in the Industrial Lines Division. It is a wholly owned subsidiary of Talanx AG headquartered in Hannover, Germany.

For decades, HDI Global SE has been one of the leading insurance providers of corporate groups, industry and small and medium-sized enterprises in Europe. As a strong and expert partner, the Company comprehensively covers the need for tailor-made insurance solutions for industrial and commercial customers from the trade, production and service sectors. Beyond its prominent presence in the German market, the Company conducts significant activities in 160 countries through foreign branch offices, subsidiaries and fellow subsidiaries as well as a network of partners. One of HDI Global SE's strategic objectives is globalisation in order to serve globally active clients with local policies even better by providing the specified service and insurance protection worldwide for all risks included.

From third-party liability, motor insurance, accident as well as fire and property insurance to marine, financial lines and engineering insurance: HDI Global SE offers the complete range of products for the coverage of entrepreneurial risks. Global coverage in the form of international insurance programmes demonstrates in particular the operational capabilities of the Company.

Report on economic position

Macroeconomic and industry-specific environment

Macroeconomic development

At the beginning of 2021, the global economy was initially under the influence of new waves of Covid-19 infections along with the associated restrictions on public life. The economic recovery did not begin in earnest until progress was made with the vaccination campaign. After global output recorded only its second decline in the past 40 years, it registered its sharpest rise in this same period with an increase of 5.9% in 2021 compared with the previous year.

In Germany, this development was reflected in a robust increase in exports, which made up for the decrease in the previous year. Whereas the government increased its spending once more in support of the recovery, private households demonstrated restraint in light of price increases as a consequence of rising prices for raw materials and supply chain disruptions. The latter also created problems for the industrial sector, whose production volume in November was still around 3% below its pre-crisis level. At +2.8% year-over-year, the overall increase in German economic output measured on GDP remained well below the average for the eurozone (expected +5.2%). The large European countries of France (expected +6.8%) and Italy (expected +6.3%) significantly outperformed the local trend, albeit after their economies had also recorded more substantial downturns in the previous year. The strongest growth in the eurozone since its inception was supported by extensive fiscal measures as well as the ECB's unchanged expansive monetary policy.

In the USA, the government of the new President Biden supported the post-Covid-recovery with additional fiscal packages, although at USD 1,844 billion the total was significantly lower than in the previous year (USD 3,703 billion). This, combined with high savings and unemployment benefits that expired in the fall, provided for a boost in consumer spending – the most important economic pillar of the US economy. Capital expenditures also increased sharply against the background of recovering demand and the continuing environment of low-interest rates. GDP in the US again exceeded its pre-crisis level already in 2021 with an increase of 5.7% compared with the previous year (2020: –3.4%).

The momentum of growth in the industrialised countries was exceeded by that in emerging markets and developing countries, which for their part in 2021 recorded the highest growth in the last ten years. However, the picture differed from region to region: Asia lagged behind Latin America after its economic output fell around twice as far in the first year of the pandemic. In China, which as one of the few major economic areas had been able to record positive economic growth even in 2020, gross domestic product increased by 8.1% year-over-year, representing the strongest growth since 2011.

While the slump in demand due to Covid-19 provided for a significantly declining price momentum worldwide in 2020, inflation rates increased in the past year. The rate of inflation peaked at 7.0% in the USA (the highest amount since 1982), and at 5.0% in the eurozone (the highest amount recorded since the inception of the monetary union). Over the year there was an average increase from 1.2% to 4.7% and from 0.3% to 2.6% respectively. Rising prices for raw materials and disruptions of global supply chains, in particular, drove inflation over the course of the economic recovery.

Under this impression, numerous central banks around the world initiated the turnaround again towards more restrictive monetary policy. The US Federal Reserve ("the Fed") may have abstained from increasing its key interest rate in 2021, lowered in the pandemic to 0.00% – 0.25%, but it began reducing its monthly bond purchases in the fall. The ECB also left its deposit rate at –0.50%. Though in contrast to the Fed, the monetary watchdog in the eurozone has so far only announced – and not yet implemented – a decrease in the pace of its bond purchases.

Capital markets
In 2021, international financial markets were caught between hopes for the economy on the one hand and concerns about escalating inflation and corresponding reactions on the part of central banks on the other hand. Against this backdrop, the S&P 500 posted multiple all-time highs over the course of the year and increased a total of 26.9%. The leading European indices also reached new record levels. Over the year as a whole, however, the performance of the DAX (+15.8%) and EURO STOXX (+20.4%) indices lagged behind that of their US counterpart (S&P 500). In contrast, the stock markets in emerging economies and developing countries (MSCI EM: –4.6%) fared considerably worse, with China (MSCI CHINA: –22.4%) in particular standing out in light of the government's various regulatory initiatives and distortions in the real estate sector.

Expectations with respect to rising key interest rates and less support from central banks in the future in the form of bond purchases led to price losses on bond markets in the USA and Europe in 2021. The yield on 10-year US Treasuries peaked at 1.74% and was 1.51% at the end of the year, or 0.6 percentage points higher than at the beginning of the year. For German government bonds of the same maturity, the increase was just under 0.4 percentage points. These movements also did not stop at the risk premiums for Southern European government bonds, although the positive economic development and continuing support on the part of central banks prevented sharper increases. The price of oil rose sharply from USD 52 to USD 78 (Brent) in 2021, in line with the prices of other commodities, whereas the price of gold fell 3.6% to USD 1,829 per troy ounce and the euro depreciated 6.9% against the US dollar to 1.137.

International insurance markets
In light of the coronavirus crisis, the international property/casualty insurance business proved to be robust. Overall, positive premium growth was recorded in 2021. Industrial business in particular benefited from above-average growth. As expected, growth in emerging markets was higher than in the developed insurance markets.

The Asia-Pacific region exhibited the strongest growth among the developed insurance markets. Europe and North America also recorded stable premium growth. The positive premium trend in emerging markets was driven both by growth in China as well as by other emerging markets. Latin America also recorded positive real premium growth again in 2021.

Claims as a result of natural disasters in the reporting period exceeded those of the previous year, thereby once again exceeding the average for the previous ten years – both total losses as well as insured losses. The two highest loss amounts were caused by hurricane "Ida" at the end of August and winter storm "Uri" as well as other secondary natural hazard events in February in the USA. Europe – primarily Germany, Belgium, the Netherlands, the Czech Republic and Switzerland – was burdened with natural hazard losses due to the flood disaster in July.

The trend in international non-life reinsurance was significantly influenced by the effects of the Covid-19 pandemic as well as by high natural hazard losses, which sent expenses from large losses skyrocketing. In light of the increased uncertainty, the trend of price increases, which was already observed in 2020, continued in the wake of contract renewals during the course of the year.

German insurance industry
In property/casualty insurance, the German insurance industry recorded slightly lower premium growth in 2021 than in the previous year. Lower premium income was recorded in motor and property insurance due to the pandemic. The motor insurance business was unable to match the pre-Covid increase in premiums, despite the reduced restrictions related to the coronavirus pandemic.

Total claims payments significantly exceeded the previous year's level. The year 2021 was particularly burdened by the flood disaster caused by the heavy rain system "Bernd" as well as by other severe weather events with high natural hazard losses. The insured losses caused by severe weather events were more than three times greater than the long-term average.

Legal and regulatory environment

Insurance companies (primary insurers and reinsurance companies), banks and asset management companies are subject to comprehensive legal and financial supervision by supervisory authorities around the world. In the Federal Republic of Germany, this is the responsibility of the Federal Financial Supervisory Authority (BaFin). In addition, there are extensive legal requirements for business activities. In recent years, the regulatory framework has become more stringent, which has led to increasing complexity. This trend continued in 2021.

The marketing of insurance products is subject to extensive legal requirements. When cooperating with intermediaries, primary insurers must comply with the statutory requirements as well as the requirements of BaFin Circular 11/2018 Insurance Distributions governing cooperation with insurance intermediaries as well as regarding risk management relating to distribution. Product monitoring and the governance of insurance products is governed, among other things, by Delegated Regulation (EU) 2017/2358 of the European Commission.

Overarching aspects of business organisation ("system of governance") as well as key terms such as "proportionality", "management boards" and "supervisory boards" are explained from the perspective of the supervisory authority in BaFin Circular 2/2017 (VA) regarding the regulatory interpretation of the Minimum Requirements under Supervisory Law on the System of Governance of Insurance Undertakings (MaGo). Regardless of the lack of direct legally binding obligation of this Circular, the MaGo will also be taken into consideration in the structure of the Group's organisation, in particular in the areas of general governance, key functions, the risk management system, requirements on own funds, the internal control system, outsourcing and business continuity management.

HDI Global SE is obligated to prevent money laundering based on the Money Laundering Act (GwG). Minimum standards for HDI Global SE are defined for this purpose by HDI V.a.G. as the parent company of the Talanx Group. The Group money laundering function rolled out a Group-wide risk analysis in all divisions and documented the risk-based measures taken by Group companies obligated to prevent money laundering in the fourth quarter of 2020 as required under the Money Laundering Act. In addition, quarterly Group-wide reporting was implemented in the second quarter of 2021 in order to ensure the exchange of information within the Group. HDI Global SE's risk of being misused for money laundering or the financing of terrorism is classified as low overall. HDI

Global SE carries out the measures within the Group's guidelines in order to implement the requirements of the Money Laundering Act.

Digitalisation has increased in significance in recent years. This is accompanied by a transition to digital, data-based business models; the resulting legal issues and challenges with a focus on IT security are also playing an increasingly important role for HDI Global SE.

With Circular 10/ 2018 regarding Supervisory Requirements for IT in Insurance Undertakings (VAIT), the BaFin provided instructions for interpreting the provisions governing business organisation in the Insurance Supervision Act (VAG) insofar as they relate to the companies' technical/organisational provisioning.

The same applies with respect to Circular 11/2019 regarding Supervisory Requirements for IT in German Asset Managers (KAIT). These Circulars are updated and expanded on an ongoing basis. Furthermore, the agency published guidance for outsourcing to cloud providers. In addition, there were regulatory initiatives this year at the level of the EU and in Germany for the development, implementation and use of artificial intelligence that also affect the insurance industry and whose development and concrete effect on the Talanx Group is being observed.

In HDI Global SE we handle extensive personal data, among other things, for the processing of applications and payments as well as the execution of contracts. In order to ensure compliance with data protection requirements, such as the EU General Data Protection Regulation (GDPR) and the German Federal Data Protection Act (BDSG), the data protection management system is designed to advise and monitor the requirements. Employees are sensitised to the careful handling of data (training) and are committed in writing to compliance with data protection requirements. For process-independent data protection requirements, such as the commissioning of service providers, central procedures must be observed. The same applies to the data protection rights of customers, shareholders and employees.

Compliance with applicable laws is a requirement for the permanently successful operations of HDI Global SE. The Company pays close attention to adapting its business and products to the legal, regulatory and tax environment. The mechanisms installed for this purpose ensure that future legal developments and their effects on our business activities are identified and evaluated at an early stage so that we can make the necessary adjustments in good time.

Business performance

Insurance business as a whole

	2021	2021	2020	2020
EUR million	**Gross**	**Net**	**Gross**	**Net**
Premiums	5,109	2,154	4,524	2,134
Premiums earned	4,897	2,088	4,406	2,088
Expenses for insurance claims	3,397	1,691	2,691	1,602
Expenses for insurance operations	861	395	818	429
Underwriting result for own account		-42		-51
In %				
Loss ratio*	69.4	81.0	61.1	76.7
Expense ratio**	17.6	18.9	18.6	20.6
Combined ratio***	87.0	99.9	79.6	97.3

** Expenses on insurance claims as a percentage of premiums earned.*

*** Expenses on insurance operations as a percentage of premiums earned.*

**** Sum of expenses on insurance claims and expenses on insurance operations as a percentage of premiums earned.*

HDI Global SE's gross written premiums increased by EUR 585 million to EUR 5,109 (4,524) million in the reporting period, thereby exceeding the expectations. This is due in particular to portfolio growth in the third-party liability, all-risk and engineering insurance lines, which is to be seen alongside targeted measures to boost the profitability of the portfolio, especially in casualty insurance with shrinking portfolios.

A further driver of premium growth in the business accepted for reinsurance was the retrocession of premiums by HDI Global Network AG to HDI Global SE as part of an intra-Group reinsurance solution. This also results in shifts between direct business in the UK and business accepted for reinsurance in Germany.

Gross premiums for the financial year

EUR million, %		
Liability insurance	1,688	33.0
All-risk insurance	1,541	30.2
Engineering Insurance	495	9.7
Motor insurance	472	9.2
Marine and aviation insurance	434	8.5
Fire insurance	204	4.0
Other Insurance	192	3.8
Casualty insurance	83	1.6
Total	**5,109**	**100.0**

At EUR 2,088 (2,088) million, net premiums earned were at the previous year's level in contrast to gross premiums earned, which can be attributed primarily to larger amounts ceded to reinsurers.

Gross claims expenses increased significantly by EUR 707 million to EUR 3,397 (2,691) million as a result of extraordinarily large losses, in particular from the natural disasters of rain storm "Bernd", winter storm "Uri" and hurricane "Ida", which was evident in claims expenses for the financial year, which had risen significantly by EUR 715 million. The run-off profit improved slightly by EUR 9 million year-on-year to EUR 537 (528) million. Consequently, the gross loss ratio increased significantly by 8.3 percentage points to 69.4% (61.1%).

The aforementioned effects were less evident in net expenses for insurance claims as a result of reinsurance relief. They nevertheless increased by EUR 89 million to EUR 1,691 (1,602) million, resulting in a 4.3 percentage point increase in the net loss ratio from 76.7% to 81.0%.

Gross commission expenses rose by EUR 32 million to EUR 508 (476) million and therefore in line with robust growth on a gross basis. Gross administrative expenses increased slightly by EUR 11 million to EUR 353 (342) million and thus lagged disproportionately behind the portfolio trend, which led to a decrease in the expense ratio of 1.0 percentage points to 17.6% (18.6%) and exceeded the expectations. This trend continued on a net basis, as – contrary to expectations – a considerably lower net expense ratio of 18.9% (20.6%) resulted from the decrease of EUR 34 million to EUR 395 (429) million in net expenses for insurance operations.

The combined ratio reflected the aforementioned effects, increasing to 87.0% (79.6%) on a gross basis and 99.9% (97.3%) on a net basis as a consequence of extraordinarily large losses.

Overall, a slightly improved underwriting result of EUR -42 (-51) million was achieved, which remained below our expectations. In addition to the aforementioned effects, the result includes an income from the decrease in other net underwriting provisions in the amount of EUR 41 (-62) million. This also includes an addition to the equalisation reserve in the amount of EUR 86 (40) million.

Direct written insurance business

Liability Insurance

	2021	2021	2020	2020
EUR million	**Gross**	**Net**	**Gross**	**Net**
Premiums	1,174	507	1,089	598
Premiums earned	1,157	523	1,059	582
Expenses for insurance claims	856	442	773	490
Expenses for insurance operations	171	66	171	86
Underwriting result for own account		21		-20
In %				
Loss ratio	74.0	84.6	73.0	84.2
Expense ratio	14.8	12.7	16.2	14.8
Combined ratio	88.8	97.3	89.2	99.0

Liability insurance mainly covers commercial general liability (CGL). In addition, the special lines, personal, pharmaceutical, planning, medical malpractice and nuclear facility liability insurance lines and pecuniary loss liability insurance for governing bodies as well as the US casualty business currently being liquidated are presented under this item.

Gross written premiums were successfully increased in the financial year by a total of EUR 85 million to EUR 1,174 (1,089) million due to restructuring activities. Net premiums earned decreased by EUR 59 million to EUR 523 (582) million compared with the previous year due to a shift in reinsurance premiums between direct business and business accepted for reinsurance.

Gross expenses for insurance claims increased by EUR 82 million to EUR 856 (773) million as a result of retroactive appropriations for reserves in Germany and the associated higher level of provisions for unknown losses incurred but not yet reported for the financial year. The run-off result showed a loss of EUR 29 million (compared with a gain of EUR 49 million in the previous year). Claims expenses for the financial year increased by EUR 4 million to EUR 827 (822) million. The loss ratio for the financial year fell year-on-year to 71.5% (77.6%) and the loss ratio for the prior financial year increased to 2.5% (-4.6%).

Net expenses for insurance claims fell by EUR 48 million to EUR 442 (490) million due to a shift between direct business and business accepted for reinsurance. The net loss ratio increased slightly in the financial year by 0.4 percentage points to 84.6% (84.2%).

Expenses for insurance operations amounted to EUR 171 (171) million on a gross basis and EUR 66 (86) million on a net basis due to a shift between direct business and business accepted for reinsurance. At 14.8 (16.2%), the gross expense ratio remained clearly below the previous year’s level, while the net expense ratio fell analogous to 12.7% (14.8%) on a gross basis.

The combined ratio reflected the developments described above and was equal to 88.8% (89.2%) for the gross ratio and 97.3% (99.0%) for the net ratio.

After allocating EUR 7 (6) million to the equalisation reserve, the liability insurance line shows a net underwriting loss of EUR 21 (-20) million.

Fire insurance

	2021	2021	2020	2020
EUR million	**Gross**	**Net**	Gross	Net
Premiums	194	79	174	70
Premiums earned	187	73	178	73
Expenses for insurance claims	146	77	87	43
Expenses for insurance operations	37	18	31	17
Underwriting result for own account		-23		-24
In %				
Loss ratio	78.1	105.5	48.6	58.9
Expense ratio	19.7	24.8	17.4	23.0
Combined ratio	97.8	130.3	66.0	82.0

Gross premium income from industrial fire and fire business interruption insurance increased in the financial year to EUR 194 (174) million. The increase in premiums can be attributed mainly to the restructuring activities carried out during the current and previous financial year. Net premiums earned remained at the previous year's level of EUR 73 (73) million due to larger amounts ceded to reinsurers.

Gross expenses for insurance claims for the financial year rose by approximately EUR 60 million to EUR 146 (87) million due to higher large losses. Claims expenses for the financial year increased by EUR 115 million to EUR 203 (88) million. The run-off result showed a profit of EUR 56 (-1) million. The gross loss ratio increased by 29.5 percentage points to 78.1% (48.6%) due to higher claim expenses in the NatCat segment.

Net expenses for insurance claims increased analogous to insurance claims on a gross basis, rising by EUR 34 million to EUR 77 (43) million. The net loss ratio rose accordingly by 46.6 percentage points to 105.5% (58.9%).

Gross expenses for insurance operations increased by EUR 6 million to EUR 37 (31) million due to the increase in premiums. The gross expense ratio rose to 19.7% (17.4%). The net expense ratio climbed by 1.7 percentage points to 24.8% (23.0%). The combined ratio reflected the development described above and increased to 97.8% (66.0%) on a gross basis and to 130.3% (82.0%) on a net basis.

An underwriting result of EUR -23 (-24) million remained for the financial year after a reversal of the equalisation reserve in the amount of EUR 5 million (with an addition of EUR 33 million in the previous year).

Motor insurance

	2021	2021	2020	2020
EUR million	**Gross**	**Net**	**Gross**	**Net**
Premiums	371	269	386	360
Premiums earned	370	289	383	357
Expenses for insurance claims	275	222	277	254
Expenses for insurance operations	61	47	66	60
Underwriting result for own account		23		56
In %				
Loss ratio	74.2	76.9	72.3	71.2
Expense ratio	16.5	16.3	17.2	16.9
Combined ratio	90.7	93.2	89.5	88.1

The decrease in premiums from the previous year also continued in 2021. Gross written premiums in the motor insurance line decreased in the financial year by EUR 15 million to EUR 371 (386) million. This decrease is due to contract terminations that could not be compensated by new business and the agreement of additional premiums. The reduction in gross premiums earned was somewhat smaller. It fell by EUR 13 million to EUR 370 (383) million.

Net premiums earned decreased by EUR 68 million to EUR 289 (357) million due to a shift between direct business and business accepted for reinsurance.

Gross expenses on insurance claims declined by EUR 2 million and were equal to EUR 275 (277) million. Claims expenses for the financial year increased by EUR 17 million to EUR 320 (304) million as a consequence of the renewed increase in traffic despite the Covid-19 pandemic. The run-off result increased year-on-year by EUR 19 million to EUR 46 (26) million. The gross loss ratio of 74.2% (72.3%) exceeded the previous year’s level.

Analogous to the shift on the net premium side between direct business and business accepted for reinsurance, net expenses for insurance claims decreased to EUR 222 (254) million. The net loss ratio rose to 76.9% (71.2%).

Gross expenses for insurance operations decreased in line with the decrease in premiums and amounted to EUR 61 (66) million. Both administrative expenses on a gross basis at EUR 37 (38) million as well as commission expenses at EUR 24 (27) million turned out lower than in the previous year. The gross expense ratio improved slightly to 16.5% (17.2%). At 16.3% (16.9%), the net expense ratio was likewise slightly lower than in the previous year.

The combined ratio increased to 90.7% (89.5%) on a gross basis and to 93.2% (88.1%) on a net basis.

An underwriting result of EUR 23 (56) million overall remained for the financial year after allocating EUR 1 million to the equalisation reserve (with a withdrawal of 22 EUR million from the equalisation reserve in the previous year).

Marine and aviation insurance

	2021	2021	2020	2020
EUR million	**Gross**	**Net**	Gross	Net
Premiums	322	204	328	224
Premiums earned	316	197	325	223
Expenses for insurance claims	167	109	203	160
Expenses for insurance operations	70	55	71	58
Underwriting result for own account		-13		-19
In %				
Loss ratio	52.8	55.2	62.3	72.0
Expense ratio	22.1	27.9	21.8	26.1
Combined ratio	74.9	83.0	84.1	98.0

Gross written premiums for marine and aviation insurance decreased by EUR 6 million to EUR 322 (328) million in the financial year. The marine line recorded a decrease of EUR 11 million, attributable to both business in Germany as well as international business. In contrast, the aviation line recorded an increase in premiums of EUR 5 million to EUR 23 (18) million, in particular in the general aviation business.

Gross expenses for claims incurred fell overall by EUR 36 million to EUR 167 (203) million. Gross expenses for the financial year in the marine insurance line decreased significantly by EUR 21 million to EUR 208 (229) million, which can be attributed, above all, to the decrease in premiums. The run-off profit of EUR 49 (30) million was likewise considerably more positive and is particularly evident in Germany.

Gross expenses for the financial year increased by EUR 8 million to EUR 15 (8) million in the aviation insurance line, which can be attributed primarily to the increase in premiums and higher claim expenses in Germany. The run-off result increased to a profit of EUR 7 (4) million.

The gross loss ratio fell in total by 9.5 percentage points to 52.8% (62.3%).

Net expenses on insurance claims declined by EUR 52 million to EUR 109 (160) million.

In the marine insurance line, the decrease in claims expenses for the financial year and the increase in the run-off result followed the gross trend.

The underwriting result for the financial year was EUR -13 (-19) million after an allocation to the equalisation reserve in the amount of EUR 45 (19) million and a gain from the decrease in other net underwriting provisions in the amount of EUR -1 (3) million.

Engineering insurance

	2021	2021	2020	2020
EUR million	**Gross**	**Net**	Gross	Net
Premiums	354	145	331	160
Premiums earned	327	144	315	154
Expenses for insurance claims	245	114	185	97
Expenses for insurance operations	68	22	69	29
Underwriting result for own account		7		17
In %				
Loss ratio	74.7	79.3	58.6	62.6
Expense ratio	20.7	14.9	22.0	19.0
Combined ratio	95.4	94.2	80.6	81.5

The engineering insurance line encompasses insurance for machinery, installation, construction services, existing buildings', electronics and machinery warranties, as well as the respective associated business interruption insurances.

Gross written premiums in the engineering insurance line rose year-on-year to EUR 354 (331) million, which can be attributed primarily to premium growth abroad. Net premiums earned amounted to EUR 145 (160) million due to the revised reinsurance structure.

Gross expenses on insurance claims for the financial year rose by EUR 60 million to EUR 245 (185) million. Gross claims expenses for the financial year rose by EUR 31 million to EUR 257 (226) million, which can be attributed in particular to Germany. Gross run-off showed a profit of EUR 13 (41) million, which can be attributed primarily to international business. These developments increased the gross loss ratio by 16.1 percentage points to 74.7% (58.6%).

Net expenses for insurance claims rose by EUR 18 million to EUR 114 (97) million, which can be attributed to the EUR 25 million increase in net claims expenses for the financial year to EUR 139 (115) million. Net run-off profit increased by EUR 7 million to a run-off profit of EUR 25 (18) million. The net loss ratio increased accordingly by 16.7 percentage points to 79.3% (62.6%).

Expenses for insurance operations fell to EUR 68 (69) million on a gross basis and to EUR 22 (29) million on a net basis. The expense ratio fell on a gross basis to 20.7% (22.0%) and on a net basis to 14.9% (19.0%).

The combined ratio reflected the developments described above and was equal to 95.4% (80.6%) for the gross ratio and 94.2% (81.5%) for the net ratio.

Overall, a net underwriting profit of EUR 7 (17) million was reported for the engineering insurance line.

Casualty insurance

	2021	2021	2020	2020
EUR million	**Gross**	**Net**	Gross	Net
Premiums	73	62	91	79
Premiums earned	72	60	91	79
Expenses for insurance claims	34	32	64	62
Expenses for insurance operations	19	17	23	21
Underwriting result for own account		0		-5
In %				
Loss ratio	46.9	53.8	69.7	78.4
Expense ratio	26.7	28.9	25.0	26.6
Combined ratio	73.6	82.6	94.7	105.1

The casualty insurance line includes the general accident, motor accident, clinical trials and aviation accident insurance classes. By far the largest share of gross premium income is attributable to the general casualty insurance class, which is, in turn, driven by group casualty insurance.

In the financial year, the casualty insurance line recorded a decrease in gross written premiums by EUR 18 million to EUR 73 (91) million. This development can be attributed primarily to a restructuring of the portfolio in a foreign branch. Similarly, the decrease in net premiums earned fell to EUR 60 (79) million.

Gross expenses for insurance cases decreased year-on-year by EUR 30 million to EUR 34 (64) million, which can likewise be attributed to the restructuring of the portfolio. On the other hand, an improvement in the run-off result was recorded, in particular in international business. The gross loss ratio fell accordingly by 22.8 percentage points to 46.9% (69.7%).

Net expenses on insurance claims declined by EUR 30 million to EUR 32 (62) million. The net claims trend followed the gross trend. The net loss ratio declined by 24.7 percentage points to 53.8% (78.4%).

Expenses for insurance operations decreased to EUR 19 (23) million on a gross basis and to EUR 17 (21) million on a net basis. This is mainly due to the trend in premiums. Both the gross expense ratio of 26.7% (25.0%) as well as the net expense ratio of 28.9% (26.6%) exceeded the previous year's level. The combined ratio reflected the developments described above, declining to 73.6% (94.7%) on a gross basis and to 82.6% (105.1%) on a net basis.

The financial year exhibited an underwriting result of EUR 0 (-5) overall. The underwriting result in the financial year includes an allocation to the equalisation reserve in the amount of EUR 10 million, whereas no allocation or withdrawal was made in the previous year.

All-risk insurance

	2021	2021	2020	2020
EUR million	**Gross**	**Net**	Gross	Net
Premiums	691	139	653	146
Premiums earned	665	131	628	135
Expenses for insurance claims	596	176	189	55
Expenses for insurance operations	82	8	107	20
Underwriting result for own account		-34		28
In %				
Loss ratio	89.5	134.4	30.1	40.5
Expense ratio	12.4	6.3	17.1	14.8
Combined ratio	101.9	140.7	47.2	55.3

The all-risk business includes the insurance classes all-risk property insurance and all-risk business interruption insurance.

In the financial year, the all-risk insurance line achieved an increase in gross written premiums by EUR 38 million to EUR 691 (653) million. This development can be attributed substantially to the German branches. Net premiums earned fell to EUR 131 (135) million due to increased restoration fees.

Gross expenses on insurance claims for the financial year rose by EUR 407 million to EUR 596 (189) million. This development can be attributed primarily to gross claims expenses for the financial year, which increased by EUR 309 million to EUR 688 (379) million due to a greater burden of large losses. In addition, gross run-off profit declined by EUR 98 million to EUR 93 (190) million. These developments increased the gross loss ratio by 59.4 percentage points to 89.5% (30.1%).

Net expenses for insurance claims rose by EUR 121 million to EUR 176 (55) million due to higher expenses for large losses and were driven both by the increase in claims expenses for the financial year of EUR 68 million to EUR 183 (115) million as well as by the decrease in run-off profit of EUR 52 million to EUR 8 (60) million. The net loss ratio increased accordingly by 93.9 percentage points to 134.4% (40.5%).

Gross expenses for insurance operations for the financial year decreased to EUR 82 (107) million. At EUR 8 million, net expenses for insurance operations were EUR 12 million below the previous year’s level. The expense ratios fell on a gross basis to 12.4% (17.1%) and on a net basis to 6.3% (14.8%). The combined ratios reflected the developments described above and were recorded at 101.9% (47.2%) for the gross ratio and 140.7% (55.3%) for the net ratio.

In total, an underwriting result of EUR -34 (28) million is reported for the all-risk insurance line.

Other insurance

	2021	2021	2020	2020
EUR million	**Gross**	**Net**	Gross	Net
Premiums	180	68	185	70
Premiums earned	183	68	183	70
Expenses for insurance claims	190	45	68	26
Expenses for insurance operations	39	14	41	18
Underwriting result for own account		11		25
In %				
Loss ratio	103.8	66.1	37.5	36.5
Expense ratio	21.1	20.7	22.3	25.7
Combined ratio	124.8	86.7	59.8	62.2

Those insurance classes that, in light of their business volumes, are not required to be reported separately, are combined under other insurance. The most important aspects of this line of business relate to industrial risks in the extended coverage (EC) insurance classes. Furthermore, the multi-line and multi-risk products as well as the legal protection, crisis management and cyber classes that are available across all insurance lines, are included in the other insurance line.

On balance, gross written premiums in the other insurance line fell year-on-year to EUR 180 (185) million. A positive premium trend was only observed in the areas of cyber and legal protection, whereas there were premium losses in the other insurance classes as a result of the Covid-19 pandemic. Net premiums earned decreased to EUR 68 (70) million analogous to the gross premium trend. Premiums and expenses for the financial year were ceded in full to HDI Global Specialty SE both for the legal protection as well as the crisis management business for financial year 2021.

Gross expenses for insurance claims incurred increased by a total of EUR 122 million to EUR 190 (68) million. This was attributable to the doubling of claims expenses for the financial year to EUR 218 (109) million, which was realised primarily in the cyber, extended coverage (EC) and multi-risk insurance classes. The gross loss ratio rose by a total of 66.3 percentage points and was at 103.8% (37.5%).

Net expenses for claims incurred rose by EUR 19 million to a total of EUR 45 (26) million. As a result, the net loss ratio increased considerably by 29.6 percentage points to a total of 66.1% (36.5%).

Gross expenses for insurance operations fell year-on-year by EUR 2 million to EUR 39 (41) million. Therefore, the gross expense ratio decreased to 21.1% (22.3%). Net expenses for insurance operations fell year-on-year by EUR 4 million to EUR 14 (18) million. As a result, the net expense ratio fell to 20.7% (25.7%). The combined ratios reflected the developments described above and were equal to 124.8% (59.8%) for the gross ratio and 86.8% (62.2%) for the net ratio.

There was an underwriting result of EUR 11 (25) million overall in the reporting period in the other insurance classes.

Business accepted for reinsurance

Total

EUR million	2021 Gross	2021 Net	2020 Gross	2020 Net
Premiums	1,750	681	1,287	427
Premiums earned	1,620	604	1,244	415
Expenses for insurance claims	891	474	845	415
Expenses for insurance operations	314	147	239	120
Underwriting result for own account		-33		-109
In %				
Loss ratio	55.0	78.6	68.0	100.1
Expense ratio	19.4	24.4	19.2	28.9
Combined ratio	74.4	103.0	87.2	129.0

The business accepted for reinsurance predominantly represents the share of foreign premiums from international insurance programmes for which HDI Global SE acts as the lead or sole underwriter for its customers in Germany and abroad. The ceding companies in these cases are foreign units of HDI Global SE and subsidiaries of the Talanx Group, that have written policies in the respective countries in accordance with the specifications of HDI Global SE as well as the direct subsidiary HDI Global Network AG.

Other sources of our indirect insurance business are the reinsurance of captives of German and selected international key accounts as well as the central underwriting, in Hannover, of international risks of large foreign companies.

Gross premium income from business accepted for reinsurance amounted to EUR 1,750 (1,287) million in the financial year and therefore considerably exceeded the previous year's amount. The major part of this total, or EUR 851 (727) million, was attributable to the all-risk insurance line (including business interruption), followed by liability at EUR 514 (291) million and engineering insurance lines at EUR 141 (111) million. The increase resulted from both growth as well as shifts between direct business in the UK branch and business accepted for reinsurance in Germany in connection with an intra-Group reinsurance solution.

Net premiums earned reflect the gross trend and at EUR 604 (415) million likewise considerably exceeded the previous year's amount.

Gross expenses for insurance cases increased slightly in the financial year by EUR 46 million to EUR 891 (845) million, which can be attributed primarily to the higher business volume. The comparison period was significantly characterised by pandemic losses. The gross loss ratio decreased significantly by 13.0 percentage points to 55.0% (68.0%) as a consequence of disproportionately high premium growth. Net expenses for insurance claims rose by EUR 59 million and amounted to EUR 474 (415) million. The net loss ratio was 78.6% (100.1%).

Gross expenses for insurance operations increased by EUR 75 million to EUR 314 (239) million and follow earned premiums. The increase is clearly reflected in commission expenses, which increased by EUR 69 million to EUR 235 (165) million, whereas administrative costs in the amount of EUR 80 (74) million were up only slightly year-over-year. Thus, at 19.4% (19.2%) the gross expense ratio was 0.2 percentage points higher than in the previous year. Net expenses increased to EUR 148 (120) million. Given a simultaneous increase in net premiums earned, the result is a considerable decrease in the net expense ratio of 4.5 percentage points to 24.4% (28.9%).

The combined ratio reflected the aforementioned developments, declining to 74.4% (87.2%) on a gross basis and to 103.0% (129.0%) on a net basis.

In total, the business accepted for reinsurance showed an increased underwriting profit of EUR -33 (-109) million. This includes an addition to the equalisation reserve in the amount of EUR 28 (4) million.

All-risk insurance

	2021	2021	2020	2020
EUR million	**Gross**	**Net**	Gross	Net
Premiums	851	204	727	206
Premiums earned	810	193	693	199
Expenses for insurance claims	463	173	499	270
Expenses for insurance operations	136	40	117	51
Underwriting result for own account		-11		-115
In %				
Loss ratio	57.2	89.5	72.1	135.8
Expense ratio	16.8	20.6	16.9	25.8
Combined ratio	73.9	110.1	89.0	161.5

Liability insurance

	2021	2021	2020	2020
EUR million	**Gross**	**Net**	Gross	Net
Premiums	513	298	291	134
Premiums earned	465	263	288	130
Expenses for insurance claims	269	194	146	70
Expenses for insurance operations	95	61	55	34
Underwriting result for own account		-5		3
In %				
Loss ratio	57.9	73.9	50.8	53.7
Expense ratio	20.5	23.3	19.2	26.3
Combined ratio	78.4	97.1	70.0	79.9

Engineering insurance

	2021	2021	2020	2020
EUR million	**Gross**	**Net**	Gross	Net
Premiums	141	51	111	34
Premiums earned	121	37	107	35
Expenses for insurance claims	16	21	94	43
Expenses for insurance operations	33	13	30	12
Underwriting result for own account		4		-16
In %				
Loss ratio	13.5	58.8	87.7	123.5
Expense ratio	27.7	34.5	27.7	34.9
Combined ratio	41.1	93.3	115.4	158.4

Branch office report

Branches as representative offices of HDI Global SE in foreign markets

HDI Global SE maintains branches in foreign target markets in order to offer international customers a direct presence. HDI Global SE thereby develops additional growth opportunities outside of the domestic German market both in new markets as well as in new customer segments.

Branches of HDI Global SE

	2021	2021	2020	2020
EUR million, number	**Gross prem.**	**Employees***	Gross prem.	Employees*
Germany, Hannover	2,694	1,801	2,266	1,826
France, Paris	507	145	448	134
United Kingdom, London	380	120	363	105
The Netherlands, Rotterdam	285	186	301	217
Belgium, Brussels	221	79	207	79
Australia, Sydney	199	83	137	64
Spain, Madrid	143	78	133	78
Italy, Milan	141	81	115	73
Switzerland, Zurich	133	87	145	83
Canada, Toronto	100	31	81	25
Singapore	68	28	49	25
Japan, Tokyo	65	28	82	30
Greece, Athens	56	26	57	24
China, Hong Kong	39	30	41	29
Denmark, Copenhagen	38	19	29	18
Ireland, Dublin	36	5	69	6
Malaysia, Labuan	4	1	2	1
Norway, Oslo	0	2	0	2
Total	**5,109**	**2,830**	4,524	2,819

**Active core employees as at the reporting date.*

Key processes in individual branches

An intra-Group reinsurance solution was implemented with HDI Global Network AG in the UK branch due to the political Brexit decision in order to satisfy the changed regulatory requirements.

HDI Global Network AG retrocedes the corresponding business to HDI Global SE, resulting in an increase in business accepted for reinsurance.

In the Dutch branch, a decision was made in connection with a strategic realignment not to continue the motor business.

Significant changes in the gross premiums of individual branches
In the French branch, in particular new business and rate increases led to an increase in gross premiums of EUR 59 million to EUR 507 (448) million.

Gross premiums in the UK branch increased by EUR 18 million to EUR 380 (363) million, which can be attributed primarily to the expansion of the marine insurance business, surplus premiums from a key account and increased premium volume with respect to policies ordered for international insurance programmes.

The Dutch branch recorded declining gross premiums in the amount of EUR 16 million due to restructuring measures in the motor and marine insurance business. As a result, gross premiums amounted to EUR 285 (301) million in the financial year just ended.

The performance of the Swiss branch was influenced in particular by the discontinuation of the casualty insurance business. Premiums at the branch decreased overall to EUR 133 (145) million.

In addition, the Irish and Japanese branches also recorded a decrease in gross premiums. In Ireland, the discontinuation of a cooperation on behalf of a third party was responsible for the decrease of EUR 33 million to EUR 36 (69) million. In Japan, the loss of a key account and less fronting business for third parties were the main reasons for the decrease of EUR 16 million in gross premiums to EUR 65 (82) million.

The Australian branch benefited in particular from the hard insurance market and was able to increase gross premiums written by EUR 32 million to EUR 199 (137) million as a result of new business and rate adjustments.

Gross premiums in the Italian branch increased by EUR 26 million to EUR 141 (115) million. The main reason for this was the acquisition of a key account.

In line with the general business strategy, additional branches were able to expand their portfolio by means of new acquisitions or through premium adjustments in the respective market. This applied in particular to the Singapore and Canadian branches, which increased their premium volume to EUR 68 (49) million and EUR 100 (81) million respectively.

Non-insurance business

Investment result
Current-year investment income for the reporting period, which was mainly attributable to coupon payments on fixed interest securities was equal to EUR 334 (223) million. This compares to current-year expenses in the amount of EUR 17 (18) million. The current result amounted to EUR 317 (205) million. Alternative forms of investment, for example private equity, are proving to be quite stable even in difficult times. Thus, increased distributions from such investments more than compensated for declining interest income.

The average rate of return* was 3.8% (2.6%).

Net realised gains on the disposal of investments for the year under review were equal to EUR 14 (10) million. These gains in the amount of EUR 25 (36) million, which resulted from the sale of bearer notes (EUR 14 million), real estate (EUR 7 million) and investment funds (EUR 3 million), were offset by losses in the amount of EUR 11 (26) million, in particular from the disposal of bearer notes (EUR 10 million) and investment funds (EUR 1 million). These investments were sold in the ordinary course of business.

The cumulative balance of write-downs and reversals thereof amounts to EUR -35 (-4) million.

Overall, an extraordinary investment result in the amount of EUR -20 (7) million contributed to the decrease in net income.

The balance sheet result from investments amounted to a total of EUR 309 (212) million. In the second year influenced by the coronavirus, this was around 4% above the level of the pre-Covid year, thereby exceeding our expectations. The total net return** for the reporting period reached 3.7% (2.7%).

** Ongoing gross income less expenses for the management of investments less amortisation in relation to the average portfolio of investments as at 1 January and 31 December of the respective financial year.*
*** All income less all expenses for investments in relation to the average portfolio of investments as at 1 January and 31 December of the respective financial year.*

Other income/other expenses

The other comprehensive income in the financial year was EUR -106 (-124) million. In other income there was, among other things, an increase in income of EUR 8 million to EUR 15 (7) million from the reversal of specific and general valuation allowances. In other expenses, no intangible assets were amortised (previous year: EUR 7 million), and interest expenses fell by EUR 4 million to EUR 11 (15) million, among other things. The net balance of exchange rate gains and losses for the financial year was a net gain of EUR 1 (2) million.

Comprehensive income of HDI Global SE

	2021	2020
EUR million		
Underwriting result for own account	-42	-51
Total investment income (incl. underwriting interest income)	309	211
Result from other income/other expenses	-106	-124
Result from ordinary activities	**161**	36
Taxes	-51	-32
Profit/loss (-) transferred to Talanx AG	**108**	4

As expected, a significant year-on-year increase in profits of EUR 108 (4) million was transferred to the parent company of HDI Global SE, Talanx AG, in the financial year based on the existing profit and loss transfer agreement.

Net assets and financial position

Investments

The volume of investments (excluding funds withheld) of HDI Global SE at the end of the year amounted to EUR 8,899 (7,894) million and therefore exceeded the previous year's level.

Fixed-interest investments (loans to affiliated companies, loans to long-term investees and investors, bearer bonds and other fixed-interest securities, loans guaranteed by mortgages, land charges and annuity land charges, registered bonds and notes receivable and loans) that are held directly in a portfolio, had a total volume of EUR 5,205 (4,574) million at the end of the year. This corresponded to a share of 58.5% (57.8%) of the total investments. Additional significant investment categories included bond funds at 14.7% (17.2%) as well as long-term equity investments and investments in affiliated companies at 21.7% (20.5%). Investments in fixed-interest securities included in particular bearer bonds with good credit ratings. The quality of fixed income securities decreased by one notch to an average rating of A- (A). The portfolio of bond funds decreased considerably to EUR 1,304 (1,363) million, as the investment strategy is now being pursued via directly held investments and the previously held funds were sold.

A gradual build-up of the equity portfolio was begun in the course of the year. The portfolio amounted to EUR 114 (2) million at the end of the year.

The real estate portfolio remained virtually unchanged from the previous year at EUR 168 (170) million.

The carrying amounts of investments in affiliated companies and long-term equity investments increased in the reporting period to EUR 1,928 (1,622) million. The carrying amounts of the investees HDI AI EUR Beteiligungs-GmbH, Cologne, and HDI AI USD Beteiligungs-GmbH, Cologne, increased by a total of EUR 109 million to EUR 799 (689) million as a result of the successive capitalisation on the part of HDI Global SE. The investments in private equity, infrastructure and indirect properties, which also represent a focus of the investments, are managed in particular over these companies.

Term deposits amounted to EUR 65 (65) million at the end of the year.

The market value of the investments as at the balance sheet date was equal to EUR 10,018 (8,899) million. The increase resulted from the portfolio and market trend.

Equity (fully paid in)
The Company's capital stock still amounts to EUR 125 million. It is divided into 125,000 registered shares with no par value.

Subordinated liabilities
The subordinated liabilities relate to subordinated loans in the amount of EUR 200 million that specify a fixed-interest period ending 12 August 2031 with a coupon of 1.7%. After this date, the variable interest rate will be calculated based on the three-month EURIBOR plus a margin of 2.79%. These subordinated loans can be terminated early by the borrower for the first time on 12 August 2031. In addition, there is a subordinated loan in the amount of EUR 180 million that specifies a fixed-interest period ending 2 December 2031 with a coupon of 2.28%. After this date, the variable interest rate will be calculated based on the three-month EURIBOR plus a margin of 3.14%. This subordinated loan can be terminated early by the borrower for the first time on 2 December 2031.

Underwriting provisions
Underwriting provisions rose by EUR 838 million to EUR 8,092 (7,254) million. This line item primarily includes provisions for unsettled insurance claims in the amount of EUR 6,618 (5,900) million.

HDI Global SE operates on an international scale and therefore recognises underwriting liabilities in foreign currencies. The movement of underwriting equity and liability items denominated in foreign currencies are covered by matched foreign currency items on the asset site on an ongoing basis.

Financial position
The Company realises incoming cash flows from ongoing premium income, investment income and the return flows from investments of capital. According to the current liquidity planning, which covers projected changes in liquidity for the coming twelve months, the cash flows required to meet current payment obligations is assured.

In addition, a profit and loss transfer agreement is in effect with Talanx AG.

Other balance sheet items
The composition of the above, as well as other line items on the balance sheet, is set out in the notes to the financial statements.

Overall assessment of the economic position

The year under review was characterised primarily by the effects of natural disasters. Despite the resulting burden of large losses, the underwriting result was improved compared with the previous year and can be considered satisfactory under the given market conditions. In particular the measures to boost profitability and the sustained hard market phase are showing a positive effect on the combined ratio. The expense ratio was clearly below the level of the previous year. We therefore expect to remain one of the cost leaders in the industrial insurance market. Nevertheless, the underwriting result on a net basis is not yet in line with our goals; therefore, we continue to strive to increase our profitability. The investment result exceeded the expectations and contributed positively to the result for the year. HDI Global SE's year-end economic position remained unchanged at the time in which the management report was prepared.

Personnel and social report

Overview

The goal of personnel management at HDI Global SE is to ensure sustainable, profitable growth for the Company. This is achieved with the right employees at the right location carrying out the right tasks with the proper support. The HR activities are centred on the principles of value-based management and a culture of cohesion. Effective and efficient personnel processes and services are needed in the competition for the most-talented employees of the future and the challenges of demographic change. Human resources, personnel marketing, initial vocational training and personnel development are key elements of the group-wide personnel management. The employees of HDI Global SE are distinguished by a high level of professionalism, above-average commitment, creativity, flexibility and values, but also increasingly by a high degree of agility, in particular with respect to the topic of digitalisation.

Company employee training

HDI Global SE has conducted trainee programmes for the past several years through which the participants receive a basic qualification as the underwriter of an insurance line, i.e. third-party liability, motor, marine, engineering insurance or property insurance. The trainees that go through this one-year training are deployed as needed to branches all over Germany. The trainee programme is sub-divided into various portions that focus on training in special areas and methods and are each completed with a period of practical training.

In order to locate and identify talented individuals and ensure their loyalty and commitment to the Company, HDI Global SE continues to focus on the development of its own young professionals by means of classic initial vocational training as insurance and finance specialists (Kaufleute für Versicherungen und Finanzen) (back office) or as part of a Dual Studies programme for Insurance/Management/Actuarial Studies (B.A. Versicherungswirtschaft) or a Bachelor of Science with a specialisation in Business Information Systems (B.Sc. Wirtschaftsinformatik).

Personnel marketing

The core tasks of personnel marketing are to increase HDI Global SE's attractiveness as an employer and its level of recognition as well as to provide support in the recruiting of well-suited, high-quality candidates of the defined target groups.

In addition to legal scholars and economists, this also includes people with knowledge in MINT fields, i.e. mathematics, informatics, natural sciences, or technology. The departments can come into contact with potential candidates, among other things, at events, job fairs or through collaborations with selected universities. In addition, the collaboration with Leibniz University Hannover was deepened as part of the cooperation with the House of Insurance.

Personnel development

Employees of HDI Global SE and of the entire Talanx Group can expand or augment their expertise in various development programmes in order to prepare themselves to take on functions with more responsibility. In orientation programmes, they subsequently receive support to establish themselves in the newly assumed responsibilities. The programmes continue to be very important for the development and loyalty of talented individuals.

The agile digital transformation has substantial effects on our learning needs and opportunities as well as our personal learning behaviour. For example, the offering of virtual training courses and computer-based learning content was greatly expanded.

Multilevel unconscious bias training for managers and employees is offered as part of diversity and inclusion management as well as various training courses aimed specifically at women in order to strengthen their position.

Employees active in sales fulfil their legal obligation for further training in particular by participating in technical seminars geared towards specific lines of business as well as sales training courses.

Transition of German employees

The operating structures of German Talanx Group companies bound by collective bargaining agreements are being streamlined in connection with the "One HDI" project. This change aims to make decision structures within the Group more dynamic and streamlined.

The project involves the twelve employer companies bound by collective bargaining agreements. The tasks and functions of German employees of HDI Global SE will be spun off to HDI AG effective 1 March 2022 (prior to the change name on 1 March 2022: HDI Service AG). The legal consequence is the transfer of the employees by way of a business transfer in accordance with section 613a of the German Civil Code (BGB) to HDI AG. The employees continue to act on behalf of HDI Global SE and represent it vis-à-vis the market and to customers.

Personnel deployment

The mobility of the employees remained very important also in 2021. During long-term deployments, the Company's specialists and managers make an important contribution to expanding global business by undertaking key tasks in foreign markets. The planned multi-month deployments of employees in a foreign branch for the purpose of promoting international collaboration were largely shifted to the second half of 2021 due to the Covid-19 pandemic. More are planned for early 2022.

International projects for the strategic further development of HDI Global SE enable employees at foreign branches to work at headquarters in Hannover for a period of time and to gather international experience. The deployment guidelines adopted by the Company's Board of Management ensure both an optimal structure for foreign deployments as well as the consideration of the individual needs of the employee.

Remuneration
HDI Global SE offers its employees attractive remuneration models. Remuneration for senior executives currently comprises a fixed and variable, performance-based component. The weighting between these components is derived based on the level of responsibility and function associated with the respective position, which is determined based on a standard job evaluation system throughout the Company. The amount of variable remuneration is determined by the achievement of personal goals as well as goals set by the Talanx Group and the division. Bonuses are awarded and paid out quarterly to non-executive employees in the form of spot-on awards as an incentive for special achievements.

Key employee indicators
In the reporting year, the annual headcount for HDI Global SE was 2,805 (2,835) employees. The average age of the employees was 45.0 (44.9) years, while the length of service was 16.1 (15.9) years. The part-time employment ratio was 15.5% as in the previous year.

The Board of Management of HDI Global SE would like to express its thanks to all of the employees for their personal commitment and contribution to the success of the Company. The Board would also like to thank all social partners for their constructive collaboration.

Non-financial statement

HDI Global SE is exempted under section 289b(2) of the German Commercial Code (HGB) from the obligation to include a non-financial statement in the management report, because it is included in the non-financial group statement of the parent company Talanx AG. The non-financial group statement for the Talanx Group is prepared based on section 315b(1) HGB in compliance with Directive 2013/34/EU und is published as a part of the group management report in the annual report on the parent company's website https://www.talanx.com/en/investor_relations/reporting/financial_reports.

Corporate governance declaration pursuant to section 289f (4) sentence 1 in conjunction with paragraph (2) no. 4 of the German Commercial Code (HGB)

In accordance with section 111(5) of the German Stock Corporation Act (AktG), the Supervisory Board of HDI Global SE in March 2017 specified an unchanged target of 16.7% for the proportion of women on the Company's Supervisory Board and a new target of 14.3% for the Board of Management. June 2022 was stipulated as the deadline for reaching these targets.

Furthermore, in accordance with section 76(4) AktG, the Board of Management in April 2017 resolved a target of 15.0% for both the first and second management levels for the same period.

The paragraphs entitled "Personnel and Social Report", "Non-financial statement" and "Corporate governance declaration pursuant to section 289f (4) sentence 1 in conjunction with paragraph (2) no. 4 of the German Commercial Code (HGB)" are expressly exempted under section 317(2) sentence 6 and/or sentence 4 HGB from being examined in connection with the audit of the annual financial statements and/or of the management report.

Risk report

Risk controlling in a time of change
HDI Global SE offers their policyholders comprehensive insurance protection so that the assumption of risks represents the core of its business. Pronounced risk awareness is an indispensable prerequisite for managing these risks. In this context, the Company developed a variety of processes and instruments some time ago, that are used not only to recognise, assess and manage risk but also to identify opportunities. The Company's risk management is focused on the negative random variations, that are risks.

HDI Global SE uses a comprehensive internal model to calculate risk capital for regulatory purposes. The time horizon considered in the internal model is one calendar year.

The monitoring systems and decision-making processes of HDI Global SE are embedded in the standards of the Talanx Group.

Structural organisation of risk management
The structural and organisational framework for the Company's risk management has been set out using a role concept that defines and delimits the tasks, rights and responsibilities. In addition, risk management and risk monitoring functions are separated under the segregation of functions.

The Company's Board of Management is responsible for the introduction and continued development of the risk management system as well as the risk strategy. It is assisted by the Risk Committee. The major tasks of the Risk Committee include, for example, the coordination of risk control measures, the analysis of risk positions, with particular regard to the risk strategy adopted by the Board of Management as well as the regular reporting of risk positions.

The roles of the Head of Risk Management include, inter alia, the coordination of activities of the independent Risk Controlling function.

The activities of the independent Risk Controlling function are mainly focused on the identification and assessment of risks at the aggregate level, including the validation of the risk assessments made by the risk management officers. The preparations for risk reporting, including statements about the utilisation of existing limits and thresholds as well as the regular quantitative analysis of risk bearing capacities also fall within the scope of its responsibilities.

The risk management system is regularly reviewed by Talanx AG's Internal Auditing department.

Risk controlling process
Based on the Company's risk strategy targets, which are consistent with those of Talanx AG, as well as the objectives of its own business strategy, the Company's risk-bearing capacity is regularly reviewed and reported to the Board of Management throughout the year. These quantitative observations are put into operation in connection with a consistent limit and threshold value system at the enterprise level. The utilisation of limits is regularly monitored. Concentration risk is accommodated, among other things, by means of appropriate limits and threshold values.

Within the framework of the qualitative risk control process, HDI Global SE focuses on significant risks. As a general rule, the single risks named by the risk management officers are aggregated into a report on risks and opportunities attached to future developments. The risk meetings, which are regularly held by the divisions and the corporate functions, rely on systems-supported risk identification.

The findings from the qualitative and quantitative analyses of the risk position provide the foundation for an internal risk report that is regularly prepared by HDI Global SE. This ensures that an overview of the Company's risk situation can be provided at all times. The risk categories required under Solvency II are fully covered by HDI Global SE. This enables them to be mapped to the risk categories in the German Accounting Standard GAS 20, which are discussed in the following.

Underwriting risks
Underwriting risks derive primarily from the premium/loss risk and the reserve risk.

In the property/casualty insurance line the premium/loss risk refers to the risk of having to pay future indemnification from insurance premiums that have been fixed in advance, but that, due to their limited predictability, are not known with certainty when premiums are set (risk of random loss and change). To limit this risk, HDI Global SE uses actuarial models, in particular for the setting of rates, monitors the claims experience on a regular basis and obtains reinsurance coverage.

The reserve risk refers to the risk that the underwriting provisions will not be sufficient to settle all unsettled and unreported claims in full. The level of reserves is regularly reviewed on a period-by-period basis and the run-off results are monitored in order to lower this risk. In addition, a provision (Spätschadenrückstellung) is recognised for losses presumed to have occurred but not yet reported ('IBNR').

The following table shows the development of the loss ratio for own account:

Loss ratio for own account

Claims expenses as percentage of premium earned	
2021	81.0
2020	76.7
2019	80.3
2018	89.9
2017	88.2
2016	77.9
2015	79.1
2014	83.3
2013	85.7
2012	79.3

HDI Global SE seeks, in particular, to mitigate the potential effect of a simultaneous occurrence of natural disasters and accumulation losses arising from underwriting risk by obtaining adequate reinsurance cover on behalf of the Company for peak claims. In addition, it uses loss analyses, natural disaster models, selective underwriting and regular monitoring of the claims experience to control and reduce risk.

The following table shows the development of the run-off ratio for own account:

Run-off result

Run-off result of the initial loss provision in %	
2021	5.0
2020	4.6
2019	4.1
2018	5.0
2017	6.3
2016	5.6
2015	9.0
2014	11.4
2013	10.7
2012	7.9

Risks of default on insurance business receivables

HDI Global SE reduces the risk of default on receivables from reinsurers by means of instructions and guidelines that apply to the entire segment. The reinsurance partners are carefully selected by the Group Reinsurance Committee, among others, and their creditworthiness is reviewed on an ongoing basis. The consistent and uniform utilisation of rating information applicable at the respective cut-off date is ensured by means of a rating information system accessible Group-wide. In order to avoid and/or limit default risks from the reinsurance business, appropriate measures are taken to collateralise receivables and/or other contractual obligations on the part of these reinsurance partners. Amounts contractually ceded to reinsurers are managed by way of operational hedging and placement guidelines.

The default risk from claims due from policy holders and insurance agents is accounted for in the form of general allowances for doubtful debt. Agents are also evaluated in terms of their credit worthiness. In particular a strict reminder and dunning process is carried out to counter potential delays or defaults on premium payments in collections directly from policyholders or from intermediaries and the development of outstanding receivables with respect to amount and age is closely followed.

In the direct written insurance business outstanding receivables due from policy holders and insurance agents that were more than 90 days in arrears as at the balance sheet date totalled EUR 188.3 million. This represents 27.1% of gross receivables. Over the past three years, HDI Global SE was required to write down an average of 0.9% (0.9%) of receivables on reinsurance business as at the balance sheet date.

The receivables from reinsurers based on rating classes are present-ed ented as follows as at the reporting date:

Receivables from reinsurers based on rating classes

EUR million, %		
≥ AA	234.1	35.5
A	192.5	29.2
BBB	2.7	0.4
NON	230.6	35.0
of which captives	*36.0*	
Total	659.9	100.0

Investment risks
Investment risks encompass primarily market risk, credit risk and liquidity risk.

Market risk arises from potential losses due to unfavourable changes in market prices and may be attributable to changes in interest rates, share prices and exchange rates. Credit risk refers to the risk that a debtor will be unable to meet its payment obligations. Liquidity risk involves the inability to meet payment obligations, in particular those under insurance agreements.

The measurement, control and management of risks with respect to market price risk rely on stress tests, modified duration and convexity and on the asset-liability management model that has been implemented. The actual developments in the capital markets are then taken into account as part of the ongoing process.

Credit risk is managed by means of a system of rating classes under the special investment guidelines. Credit risk related to mortgages and land charges as well as real estate is limited under the special investment guidelines. With respect to the management of liquidity and concentration risk, the focus is on the fungibility and diversification of the investments.

If derivative transactions are effected for the purpose of increasing income, to prepare acquisitions and hedge portfolios as well as transactions with structured products, they are entered into in accordance with the Company's internal guidelines.

Derivatives positions and transactions are shown in detail in the reporting. On the one hand, derivatives are efficient and flexible instruments of portfolio management. On the other hand, the use of derivatives is associated with additional risks such as basis risk, curve risk and spread risk, which are monitored in detail and systematically managed. Currently, derivatives are employed in the vast majority of cases for hedging purposes. The risk associated with the employed derivatives is adequately taken into account in the risk controlling.

Risk management objectives
The aim of risk management is to ensure that the investment targets give appropriate consideration to safety, profitability and liquidity while maintaining an appropriate asset allocation and diversification. The intent is to consider the overall-risk situation of the Company. This is characterised, in particular, by the underwriting obligations assumed, the existing structure of investments, own funds and other financial reserves of the Company.

The results of liquidity planning and controlling performed throughout the year are incorporated into the risk management and are taken into account in terms of the time horizon.

Management of the investment portfolio
Investments are subject to detailed guidelines and adherence is continuously monitored, as is compliance with the supervisory provisions. These investment guidelines are designed to serve as framework for the investment strategy, taking into account the operating insurance business and the time horizon, and as evidence vis-à-vis outside parties (BaFin, independent auditors, etc.). The monitoring of the ratios and limits specified in these guidelines is incumbent on the asset manager's risk controlling and on the Chief Financial Officer. All material changes to the investment guidelines including appendices and/or investment policies must be approved by the full Management Board of the Group and reported to the Supervisory Board.

Risk measurement and control
The risk associated with the bond portfolio is monitored by determining the interest rate risk on the basis of scenario analyses. Compliance with the specified limit in terms of bond portfolio's duration is also controlled. To monitor changes in the market values of interest-rate sensitive products, the convexity limits of bond products are further tracked on a daily basis. In connection with listed shares, Risk Controlling determines the risk associated with equity instruments on the basis of scenario analyses and stress tests, which are performed at least monthly in compliance with the supervisory regulations.

Fair value development scenarios for securities

Portfolio changes based on market value (EUR million)	
Portfolio	
Equities and other non-fixed interest securities	
Share prices -20%	-27.5
Fixed-interest securities and other loans	
Rise in yield +100 basis points	-293.1
Decline in yield -100 basis points	+320.7

In connection with the exchange rate risk, cover in matching currencies is monitored. In addition, exposures are controlled with respect to the additional limits by currency set by the Chief Financial Officer.

The default risks to be monitored comprise counterparty and issuer risk. Counterparty and issuer risk is controlled on the basis of counterparty lists as well as by monitoring the limits that are defined for each rating class.

EUR million, %		
Bearer bonds	3,651	56.1
Registered bonds/ Promissory note loans	857	13.2
Fixed income funds	1	20.0
Loans	696	10.7
Total	**6,509**	**100.0**
Rating AAA	1,490	22.9
Rating AA	1,064	16.3
Rating A	1,745	26.8
Rating BBB	1,832	28.1
Rating < BBB	44	0.7
n. r.	339	5.2
Total	**6,514**	**100.0**

As a result of the persistently low interest rate level, there is an elevated rollover risk associated with fixed-interest securities. The capacities on the market for attractive new investments are correspondingly limited.

The liquidity risk is taken into account through adequate fungibility and diversification of investments. The Company ensures sufficient liquidity at all times through the coordination between the investment portfolio and insurance obligations as well as the planning of its cash flows.

Key liquidity indicators are reviewed and reported regularly to monitor liquidity risk. Compliance with the specified minimum and maximum limits is tested in connection with the liquidity reserve.

Any risk limit excesses are immediately reported to the Chief Financial Officer and to Portfolio Management.

Operational risks

Operational risks include operating and legal risks. According to the internal risk categories these are as follows: compliance, legal and tax risks, risks arising from processes, security risks associated with information and computer technology, risks associated with business continuity and IT service continuity, personnel risks and the risks of fraud and/or outsourcing risks.

Failure of IT systems is seen as a typical risk scenario in the category of risk associated with business continuity and IT service continuity. This risk is limited, among other things, by means of a backup computer centre made available by HDI Systeme AG under a service level agreement as well as by contingency plans.

Risks from the category of process risks are mitigated by the internal management and control system. Based on structured process documentation, material risks and controls are identified, and assessed in a risk/control assessment and action items are formulated where necessary. In a specific case, this might mean that existing controls are adapted and/or that new/additional improvements and measures are initiated by the risk management officers.

In the compliance, legal and tax risk category, contractual arrangements or regulatory frameworks can lead to risk. In organisational terms, the handling of these issues is supported by appropriate organisational and operational arrangements, such as the division of competences between the functional departments at HDI Global SE and the corporate legal department at Talanx AG.

Against the background of a business that grows ever more complex and in which customer orientation plays an important role, HDI Global SE attaches a high priority to the qualitative aspects of human resources management as well as the continuing education and training programmes for functional and management staff. This is intended to counter other operational risk, for example in the risk category of personnel risk with the potentially limited availability of personnel.

Other risks

Other risks may include strategic risks, risks to reputation and so-called emerging risks. The principal strategic risk of a rating downgrade is mitigated by the continuous monitoring of capital adequacy and/or the risk bearing capacity as well as regular analyses of plans and forecasts. Risk management also deals specifically with sustainability risk and in particular addresses the question of how it effects the Company (“outside-in”). This risk entails events or conditions from the areas of environment, social and governance (ESG) that can have an actual or potentially significant negative impact on the Company’s net assets, financial position or results of operations as well as on its reputation should they occur. In principle, sustainability risk effects all of the risk categories that we have analysed. It can affect all areas of our business activities in the form of physical risk as well as transition risk in connection with transition processes.

Overall summary of the risk position

HDI Global SE counters potential risks from the corona crisis with numerous risk mitigation measures. These include, among other things, investing conservatively, strict asset-liability management, closely monitoring liquidity, a customer-oriented approach and digital transformation processes. In addition, corresponding business continuity measures (BCM) were implemented that enable us to maintain business operations in Germany and abroad even in the current situation.

Geopolitical tensions and military conflicts such as currently in Ukraine entail significant risks for the political balance of power in Europe and worldwide. Significant effects on financial markets are possible. Resulting increases in energy prices can further drive inflation. On balance, there are presently no known risks that could jeopardise the continued existence of HDI Global SE as a going concern. The Company fulfils the solvency requirements. The Company will publish the specific ratios in April 2022 in the Solvency and Financial Condition Report (SFCR) for the year ended 31 December 2021.

The audit does not cover the determination of the solvency capital requirement (SCR) or the determination of regulatory capital, the entire Solvency and Financial Condition Report (SFCR) in accordance with section 40 of the Insurance Supervision Act (Versicherungsaufsichtsgesetz; VAG) or other reports to the supervisory authorities and the internal models.

Report on expected developments and on opportunities

Our comments below are based on sound expert third-party opinions as well as on plans and forecasts deemed cogent by us; nevertheless, they represent our subjective opinion. Therefore, it cannot be ruled out that actual developments may differ from the expected development presented here.

Economic climate
As in the previous year, the spread of the more infectious omicron virus variant brought about renewed restrictions on public life in numerous countries worldwide at the beginning of 2022. However, in contrast to 2021, large parts of the population are meanwhile protected from serious courses of the disease – at least in the industrialised countries – thanks to vaccination campaigns; as a result, the restrictions are less severe and should also be less severe in the future with possible subsequent waves of infection. Although global economic growth is expected to weaken somewhat in the second year after the outbreak of the Covid-19 pandemic, we expect 2022 to be another year of above-average growth. Growth in the industrialised countries is expected to remain well above the long-term growth potential, while developing nations and emerging markets will likely return to their pre-crisis growth path.

In Europe, the continuation of the upswing should be driven primarily by consumer spending, which is benefiting from low unemployment and high savings accumulated during the pandemic. In addition, we expect stronger wage growth that will at least partially offset inflation, which is expected to decline over the course of the year while still remaining high. This will be augmented by funds from the Next Generation EU programme, which has already been approved even though most of the funds have not yet been disbursed, while monetary policy support from the ECB should only gradually taper off.

A similar picture emerges also for the USA, where significant wage growth is already evident in light of a persistent shortage of labour. This should fuel consumer spending together with high savings, despite increased inflation. The increased demand should in turn provide companies with incentives to make further capital expenditures. The anticipated significant decline in monetary and fiscal policy support is expected to provide some headwind.

We see major risks for the global growth outlook in the insufficient efficacy of vaccines against new virus variants, the (re-)kindling of geopolitical conflicts (USA/Europe/Russia, USA/China, etc.) and the delayed elimination of bottlenecks in global supply chains. For the USA, too much/too fast monetary tightening by the US Federal Reserve also poses a significant risk to economic recovery, while the eurozone in particular would suffer under

Capital markets
After numerous central banks around the world already increased their key interest rates in 2021, we also expect the Fed to end its net bond purchases in the first quarter and subsequently begin a cycle of interest rate hikes. The US key interest rate should end the year at 0.5 – 0.75%, 0.5 percentage points higher than its current level. In the meantime, the ECB will likely also scale back its bond purchases but not stop them completely, while in our opinion an increase in the key interest rate will again not be on the agenda in 2022.

The waning – if not ending – monetary policy support should be reflected in a limited increase in capital market yields, with US yields pulling their European counterparts higher in tow. This is also likely to be accompanied by a further limited increase in risk premiums for corporate and Southern European government bonds from historically low levels. Despite the headwinds from rising interest rates and slower corporate earnings growth following the post-Covid boom, we believe the equity markets will continue to have limited upside potential also in 2022. However, in particular an increase in interest rates that is too much/too fast entails the risk of setbacks.

International insurance markets
In international property/casualty insurance, we expect premium income growth to outperform the trend for 2022. We anticipate increased growth momentum in both developed insurance markets as well as in emerging markets. The momentum will likely turn out to be considerably stronger in the latter.

For developed European insurance markets, we expect increasing premium income for 2022 compared with the reporting period, while growth in North America is expected at a similar level. We see a further hardening market with respect to commercial and industrial insurance lines as a driver of this development, in particular in the industrial property and liability insurance business. For Central and Eastern Europe and for Latin America, we expect a slightly positive trend. The strongest growth momentum will likely come from Asia in the coming year, in particular from China.

Profitability is expected to recover in 2022 after coming under pressure in 2021 as a result of unusually large natural disasters, among other things. Due to the likely continuation of low interest rates, it will be crucial to maintain a high level of underwriting discipline.

German insurance industry

The macroeconomic environment continues to be characterised by risk factors and forecasts therefore generally carry a caveat. In particular the uncertainty over the further course of the Covid-19 pandemic will influence the industry in 2022. Under the assumption that protective vaccinations can be successfully expanded and Covid-related restrictions can be successively eased, the insurance industry should achieve positive premium growth compared with the previous year in the estimation of the German Insurance Association (GDV).

In the property/casualty insurance business, we expect somewhat higher growth in premium income for 2022 in Germany compared with the reporting period. A further normalisation of the level of mobility should provide impetus for a positive premium trend. Demand should increase in all industrial insurance classes, provided the forecasted economic recoveries materialise.

HDI Global SE

Financial year 2021 was characterised primarily by natural disasters. Despite the burden of large losses from rain storm “Bernd”, winter storm “Uri” and hurricane “Ida”, HG’s underwriting result improved considerably compared with the previous year. While the comparison period was heavily affected by Covid-19, no significant impacts from the pandemic were visible in the results for the reporting period. For the year 2022, we expect further improvement in profitability and the underwriting result.

The implementation of the “HDI Global 4.0” programme was continued in the year under review with a two-stage approach consisting of a Perform phase and a Transform phase. In order to focus the Perform phase in a continuous and uniform process within HDI Global SE, a new management model was implemented with the goal of making the business continuously more profitable and less risky. The Transform phase aims to establish the Company as an underwriting champion in the challenging industrial insurance market. For this goal, the nationwide underwriting expertise of the eleven locations in Germany were bundled into four regions in financial year 2021. We expect that this will lead to a cultivation of underwriting discipline and therefore to significant gross premium growth as well as an increase in profitability in 2022. The positive market phase will support us in this.

We assume slightly improved net loss ratio from the normalisation of the large loss situation and the sustained profitability of the portfolio.

The capacity for innovation and a focus on service is becoming increasingly important in the insurance industry. We are pressing ahead with numerous projects in order to shape the digital transformation as well as to harmonise and optimise the process and IT landscape worldwide. Despite the correspondingly necessary investments, we expect the net expense ratio to remain constant.

As a consequence of the assumptions made, we expect a slight decrease in the combined ratio on a net basis before allocations to the equalisation reserve.

Capital markets continued to be characterised in 2021 by the persistent worldwide pandemic (Covid-19) and also by rising inflation expectations. In our view, the year 2022 will likewise be influenced by uncertainty and the low interest rate level in the eurozone will remain unchanged, which will continue to negatively impact current returns on the investment portfolio. In order to partially compensate for these dwindling returns, we will continue to invest in alternative asset forms with high potential, whereby a focus on ESG, among other things, will play an important role. These are primarily investments in real estate, private equity and infrastructure. Since these investments made extraordinarily good contributions to earnings in the past year, we expect the overall investment result in 2022 to be noticeably lower than in 2021.

Due to the aforementioned developments, we expect overall earnings to decline slightly in 2022. In this context, the profitability of the portfolio will not be able to offset dwindling investment income.

Opportunities arising from changes in the framework conditions

Coronavirus pandemic

Besides the human tragedy, the current pandemic, which was triggered by the SARS-CoV-2 virus, developed into a global economic crisis. Nevertheless, we see opportunities for HDI Global SE for positive business performance. Thanks to the increased use of digital services during the coronavirus crisis, we have the opportunity to advance digital projects quicker than in the past. Owing to the digital transformation surge in our Group, we also see opportunities to promote products through online distribution channels. In addition, the transformation of our corporate culture has accelerated as a result of the coronavirus crisis. During the crisis, we have shown that we can adapt quickly to changing circumstances. We managed the sudden switch of a majority of the Group’s employees from office work to working from home in a very short time with almost no problems. This is an important milestone with respect to our transformation into an agile organisation.

If we should cope with the coronavirus crisis better than expected, premium growth and net profits could be positively impacted, as a result of which our forecasts could be exceeded.

Climate change
The average temperature on earth is rising with the increasing emission of greenhouse gases. As a result, extreme weather events are becoming more frequent, which significantly increases the volume of losses from natural disasters and leads us as an insurer to expect increasing demand for insurance solutions to cover risks from natural disasters. This applies both to the primary insurance sector and to reinsurance. We have both highly developed risk models for estimating risks from natural disasters and extensive expertise in risk management. This puts us in a position to offer our customers tailor-made insurance solutions to cover existential risks. Furthermore, there is an increased need as a result of climate change to cover rising energy needs from renewable sources of energy. As an institutional investor, this enables us to put much more money into alternative investments such as wind farms. Furthermore, Talanx has published a green bond framework. This framework should enable us to issue green bonds in the future. Green bond issues are an important building block to achieving the sustainability goals we set for ourselves, such as CO2 neutrality and ESG conformity. Incidentally, we expect interest rate discounts with green bonds compared with conventional bonds that will ultimately increase our Company's profits.

If demand for insurance and green bonds in this regard rises faster than expected, it could have a positive effect on premium growth and earnings and lead to forecasts being exceeded.

Energy transition
Germany made the fundamental decision for its society to meet its energy requirements in the future primarily from renewable sources. At the federal level, the energy transition and climate protection are of great importance. The reorganisation of the energy system in favour of a regenerative provision of energy is to be further continued, whereby the focus will be simultaneously placed on halting the cost increase for the consumers. In addition to a further expansion of renewable sources of energy in a stable regulatory environment, energy efficiency is becoming increasingly important. We see an opportunity to make Germany an even better place to do business by reorganising the energy system, which can become an important provider of stimulus for innovation and technological progress. As insurance group, we are actively supporting this transformation. Industrial insurance customers are offered tailored solutions for the development, sales and implementation of new energy technologies. In addition to renewable sources of energy, storage technologies, the expansion of the grid and the intelligent management of individual components (smart grid) will contribute to the success of the energy transition. The energy transition is being supported with these investment activities in the energy sector. Building on existing investments in energy networks and wind farms, in the future we want to further expand our investments in the energy distribution and renewable energy segments.

If we should benefit more than currently expected from sales opportunities due to the energy transition, premium growth and profitability could be positively impacted, as a result of which the forecasts could be exceeded.

Opportunities created by the Company
Digitalisation
Hardly any other development is changing the insurance industry as permanently as digitalisation. As a result of digitalisation, business processes and models are being fundamentally redesigned through the use of IT systems. This development is crucial in particular for the competitiveness of insurance companies. This creates new opportunities in the communication with customers, the processing of insurance claims, the evaluation of data and the development of new business fields.

We are conducting numerous projects in order to shape the digital transformation. For example, in the Industrial Lines segment, the process and IT landscape should be harmonised on a cross-border basis. In this way, we intend to become a global leading provider of industrial insurance policies.

Thanks to the digital transformation, it is possible to process insurance claims considerably quicker, more simply and more cost-effectively. Already today we use IT systems to precisely tailor offers to customers and determine premiums automatically and in real time. Above all things, however, digitalisation affords the opportunity to benefit from operations of scale as a large internationally operating insurance undertaking. As part of the digital transformation, customers' behaviour and expectations have changed with respect to claims adjustment. This relates in particular to the young generation of customers that expects quick and easy solutions. In order to respond to new customer needs, we developed a claims service app. It enables the customer to transmit a claim notification with important information regarding the claim within a few minutes. In order to quickly help customers also following exceptional loss events – such as torrential rain, storms or severe hail showers – we developed a virtual call centre assistant. This chat bot asks for the customer's basic data using artificial intelligence. This way, our employees gain time that they can use to assist affected customers on a case-by-case basis developing measures that are precisely tailored to their needs.

If the Group's digitalisation projects are implemented faster and adopted by the customers more quickly than currently expected, the premium trend and results of operations could be positively impacted, as a result of which we could exceed our forecasts.

Agility

Changes in the globalised world in the information era are taking place at an increasingly fast pace. The world is characterised by volatility, uncertainty, complexity and ambiguity (VUCA). As an insurance company, in order to keep up with the speed of these changes, it is necessary for the Company to transform itself into an agile organisation. Being an agile organisation means for us being a learning organisation that focuses on the customers' utility in order to increase the Company's profits. For this reason, we are counting on interdisciplinary and creative teams, open and direct communication and flat hierarchies as well as practising the art of dealing with errors. By numerous initiatives, we are supporting the transformation of our company into an agile organisation. We design our workplaces in a way to shorten paths of communication and promote interdepartmental exchange.

With the help of our Agility Campus our employees become familiar with agile methods and are given the ability to develop new solutions independently. Daily stand-up meetings are conducted in our teams in order to improve the teams' self-management. Furthermore, we are focusing on hybrid work and offer our employees the opportunity to complete up to 60% of their work remotely, i.e. outside of the office. This enables our employees to achieve a better work-life balance, while at the same time maintaining a direct exchange among colleagues.

We also conduct, for example, hackathons in order to collect new ideas that we further develop in our digital lab. Agility offers opportunities for customers, employees and investors.

Customers can benefit from new insurance solutions that are tailored precisely to their needs. Employees have greater flexibility and scope for new ideas when they work agilely and can grow with new challenges. Finally, investors benefit from increasing corporate profits, when the customers are satisfied and the employees can take full advantage of their potential.

If the transformation into an agile organisation should be implemented more quickly than expected, the premium trend and profitability could be positively impacted, as a result of which our forecasts would be exceeded.

Focusing on the core HDI brand

As an entity of the Talanx Group, we can look back on a tradition of over one hundred years. By focusing on the core HDI brand within the Talanx Group, we see opportunities both to develop a stronger common identity internally as well as to increase visibility vis-à-vis our customers and speak with one voice.

If the focus on the core HDI brand as part of the brand strategy of the Talanx Group should make a greater contribution than expected towards strengthening the HDI brand, premium growth and the profitability could be positively impacted, as a result of which the forecasts could be exceeded.

Sales opportunities

Internet

As a result of the increasing digitalisation, cyber-attacks over the Internet are leading more and more to massive losses at companies. In particular, hacker attacks that have come to light in the recent past show that manufacturing industrial enterprises in particular are not protected from the risks of cybercrime despite the best defence mechanisms. The focus is also being shifted increasingly to the responsibility of the top management. For this reason, HDI Global SE developed the product Cyber+. The various risks can be covered comprehensively in one insurance solution with Cyber+. The holistic and integrated insurance protection covers on the one hand direct losses as a result of cybercrime while on the other hand securing third-party claims for which companies are liable to customers, service providers or other third parties. The responsibilities of the managing directors under civil and criminal laws can also be accommodated.

If we can utilise the sales opportunities arising from the additional need to provide security from internet risks better than currently expected, premium growth and net profits could be positively impacted, as a result of which our forecasts could be exceeded.

New markets and the bundling of business

Owing to the Group's decentral structure, individual entrepreneurial thinking and action can be developed, which leads to a focused observation of the customer markets. For example, the expansion of the international market for special risks was tackled with the establishment of HDI Global Specialty SE and further focused beginning in 2022 with the acquisition of all shares. Further market opportunities are likewise seen in the continuous expansion of the insurance business in local markets abroad as well as in international programmes.

Despite the challenges, as a traditional and experienced industrial insurer we have the necessary expertise as well as the corresponding processes and working methods, etc., to take advantage of our opportunities and to press ahead down our path of profitability.

If we can better utilise the sales opportunities arising from the development of new markets and the bundling of business than currently expected, the premium trend and profitability could be positively impacted, as a result of which we could exceed our forecasts.

Report on equality and equal pay

Diversity Management
The diversity of employees is also part of HDI Global SE's corporate identity. As a company, we derive a large part of our performance and efficiency from precisely this diversity. We are convinced that a diverse, inclusive and respectful corporate culture is a key factor for business success and helps ensure that all employees reach their full potential.

People with different genders and gender identities of all ages with various national, ethnic, social and religious backgrounds and different sexual orientations as well as people with and without physical and mental disabilities work together at HDI Global SE. A corporate culture characterised by respect, appreciation and mutual acceptance is cultivated. The goal is to provide not only for a working atmosphere characterised by openness and inclusion, but also to actively and consciously take advantage of diversity in order to maintain and further increase the success and competitiveness of the Group and the companies. Measures implemented in the financial year include: the definition of responsibility at the Group level and introduction of a Diversity & Inclusion Management programme, development of the Group-wide strategy for the promotion of diversity, equal opportunity and inclusion, unconscious bias training for managers and employees, including all employees in Human Resources, the opening of an in-house day care centre at the Hannover location, the adaptation of job listings, special training for women, establishment of the LGBTIQ network pride@Talanx, establishment of a Safe(r) Space Network for blacks (B) and people of color (PoC), the implementation of an international Diversity Week, roundtables and various awareness campaigns for the individual diversity dimensions with internal and external keynote speeches, workshops and think tanks, and an international work group within HDI Global SE with the participation of all locations as well as numerous local activities and measures.

HDI Global SE pledges to support equal opportunities and would like to further increase the number of women in managerial positions. As part of a mentoring programme, the development of talented women in higher specialist or management positions is supported. The women's network Women@Talanx, which provides women in the Group with a platform for discussion and mutual support, has been in operation since 2016. In order to prevent a lack of female managers, an effort is made to bring about a balanced level of diversity when hiring trainees.

In order to bolster the personal resources, the employees fall back on comprehensive prevention measures as part of holistic health management. This year, for example, a digital health week programme was conducted for the second time The Employee Assistance Programme introduced in 2016 will be continued. The offer includes an anonymous and immediate consultation free of charge in the event of private, professional or psychological health concerns as well as a family service.

Equal pay
Remuneration is paid independent of gender. Employees who are remunerated based on the collective salary agreement for the private insurance industry receive a collectively agreed salary based on the relevant pay scale group. In addition, the pay of pay-scale and non-pay-scale employees is reviewed annually as part of a uniform process with the goal of avoiding any wage differences between the sexes.

In accordance with section 21(2) of the Act to Promote the Transparency of Pay Structures (EntgTranspG), the following disclosures reflect the changes compared with the last report:

The average number of employees was 1,950 in the 2020 calendar year, of which 866 women and 1,084 men. Compared with the previous year, the share of female employees increased by 3.1 percentage points. The average number of full-time employees was 1,620, of which 584 women and 1,036 men. Compared with the previous year, the share of female employees increased by 1.9 percentage points. The average number of part-time employees was 330, of which 282 women and 48 men. Compared with the previous year, the share of female part-time employees increased by 5.6 percentage points.

The Report on equality and equal pay is neither a component of the annual financial statements nor of the management report; as such, the corresponding provisions and thereby associated legal consequences in particular under the German Commercial Code (HGB) do not apply.

Scope of business operations

Branches

In Germany
Berlin, Dortmund, Düsseldorf, Essen, Hamburg, Hannover, Leipzig, Mainz, Munich, Nuremberg, Stuttgart.

International
Athens, Brussels, Copenhagen, Dublin, Hong Kong, Labuan, London, Madrid, Milan, Oslo, Paris, Rotterdam, Singapore, Sydney, Tokyo, Toronto, Zurich.

Products

Casualty insurance
Aviation accident insurance,
clinical trials insurance,
individual comprehensive casualty insurance,
individual partial casualty insurance,
group casualty insurance,
motor casualty insurance,
medical insurance in connection with foreign travel insurance,
other casualty insurance

Liability insurance
Occupational and industrial injury liability insurance,
water pollution liability insurance,
business and property damage liability insurance,
property damage liability insurance,
Directors and Officers (individual),
fire liability insurance,
aviation liability insurance,
environmental liability insurance,
space flight liability insurance,
pharmaceutical, radiation and nuclear facility liability insurance,
sports liability insurance,
other general liability coverage

Motor third-party liability insurance

Other motor insurance
Comprehensive motor insurance,
partial motor insurance

Legal protection insurance

Fire and property insurance
Industrial fire insurance,
agricultural fire insurance,
fire business interruption insurance,
other fire insurance,
machinery insurance,
electronics insurance,
installation insurance,
construction services insurance,
existing buildings' insurance,
TV - business interruption insurance,
other engineering insurance coverage,
extended coverage (EC) insurance,
EC - business interruption insurance,
burglary and theft insurance,
tap water insurance,
glass insurance,
storm insurance,
umbrella insurance,
other property loss insurance (motor),
other property loss insurance (marine),
motor warranty insurance

Marine and aviation insurance
Comprehensive aircraft insurance,
comprehensive aviation war risk insurance,
comprehensive spaceflight insurance,
merchandise insurance,
blue water hull insurance,
traffic liability insurance,
brown water hull insurance,
terrorist risk - marine,
goods-in-transport insurance, valuables insurance,
comprehensive insurance,
other marine insurance,
other aviation and spaceflight insurance

Credit and collateral insurance
Surety insurance,
export credit insurance

Other insurance
Machinery warranty insurance,
other property loss insurance (motor warranty insurance),
other property damage insurance (aviation),
other property damage insurance (marine),

other property damage insurance (ransom payments),
other property loss insurance (remediation consultation insurance),
other business interruption insurance,
other miscellaneous insurance,
Other property loss insurance (exhibitions, hunting and sporting weapons,
motor luggage, musical instruments, cameras, reefer cargo, nuclear facilities, automated devices),
Other business disruption insurance (film production insurance, operations shut-down),
other financial losses (loss of license, loss of rent),
other miscellaneous insurance (tank and barrel leakage),
loss of reputation (computer misuse),
burglary, theft and robbery insurance,
tap water insurance,
glass insurance,
storm insurance,
umbrella insurance,
cyber insurance,
other casualty insurance

All-risk insurance
All-risk property insurance,
all-risk business interruption insurance,
multi-line insurance,
multi-peril insurance

HDI Global SE also provides reinsurance in the following insurance classes:
Casualty insurance,
liability insurance,
motor insurance,
aviation insurance,
legal protection insurance,
industrial fire insurance (including terrorism risk, TV),
fire business interruption insurance,
credit insurance,
other miscellaneous insurance,
loss of reputation insurance,
engineering insurance,
Marine insurance

In addition, HDI Global SE also covers liability risks in relation to nuclear installations, pharmaceuticals and terrorism risks as part of the business accepted for reinsurance.

Balance sheet as at 31 December 2021

Assets			**31.12.2021**	**31.12.2020**
EUR thousand				
A. Intangible fixed assets				
I. Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets			472	714
B. Investments				
I. Land, land rights and buildings, including buildings on third-party land		168,268		170,498
II. Investments in affiliated companies and other equity investments				
1. Shares in affiliated companies	1,739,732			1,424,577
2. Loans to affiliated companies	663,984			279,677
3. Other long-term equity investments	188,377			197,699
4. Loans to other long-term investees and investors	32,259			44,685
		2,624,353		**1,946,637**
III. Other investments				
1. Shares, interests or shares in investment funds and other floating-rate securities	1,532,823			1,461,949
2. Bearer bonds and other fixed-interest securities	3,651,242			3,300,295
3. Mortgages, land charges and annuity land charges	313			417
4. Other loans				
a) Registered bonds	646,225			719,137
b) Notes receivable and loans	210,836			229,936
5. Deposits with financial institutions	64,745			65,075
		6,106,184		**5,776,808**
IV. Deposits retained by ceding companies on busniess accepted for reinsurance		16,588		16,657
			8,915,394	**7,910,600**
C. Receivables				
I. Receivables arising from direct written insurance business, due from:				
1. Policy holders	315,413			277,219
2. Intermediaries	369,560			396,917
		684,973		**674,136**
II. Receivables on reinsurance business of which due to affiliated companies: EUR 148,800 (42,996) thousand		653,610		538,896
III. Other receivables of which due to affiliated companies: EUR 194,663 (106,702) thousand		768,539		609,036
			2,107,121	**1,822,068**
D. Other assets				
I. Tangible fixed assets and inventories		10,533		9,528
II. Cash at banks, cheques and cash-in-hand		532,944		321,597
			543,477	**331,124**
E. Accrued or deferred items				
I. Deferred rent and interest income		48,890		49,007
II. Other prepaid expenses		5,851		2,824
			54,741	**51,831**
F. Excess of plan assets over post-employment benefit liability			3,828	0
Total assets			**11,625,032**	**10,116,338**

Equity and liabilities			**31.12.2021**	**31.12.2020**
EUR thousand				
A. Equity				
I. Subscribed capital		125,000		125,000
II. Capital reserves		284,043		284,043
			409,043	**409,043**
B. Subordinated liabilities			380,000	200,000
C. Underwriting provisions				
I. Unearned premium reserve				
1. Gross amount	1,271,985			1,023,450
2. less: share for business ceded for reinsurance	674,421			507,734
		597,564		**515,716**
II. Provision for outstanding claims				
1. Gross amount	12,941,950			11,294,051
2. less: share for business ceded for reinsurance	6,324,118			5,393,983
		6,617,832		**5,900,067**
III. Provision for profit-related and non-profit-related premium refunds				
1. Gross amount	16,174			20,375
2. less: share for business ceded for reinsurance	5,176			1,746
		10,998		**18,629**
IV. Equalisation reserve and similar provisions		802,918		716,670
V. Other underwriting provisions				
1. Gross amount	85,452			183,404
2. less: share for business ceded for reinsurance	22,711			80,204
		62,741		**103,200**
			8,092,053	**7,254,282**
D. Other provisions				
I. Provisions for pensions and similar obligations		494,548		472,020
II. Provisions for taxes		51,531		43,349
III. Other provisions		96,843		81,833
			642,923	
E. Deposits retained on reinsurance ceded			157,096	152,743
F. Other liabilities				
I. Liabilities from direct written insurance business due to:				
1. Policy holders	89,280			106,078
2. Intermediaries	168,105			158,484
		257,385		**264,562**
II. Payables on reinsurance business of which due to affiliated companies: EUR 233,297 (90,854) thousand		757,983		690,046
III. Other liabilities of which taxes: EUR 55,127 (45,141) thousand of which social security: EUR 1,633 (1,299) thousand of which due to affiliated companies: EUR 408,614 (99,296) thousand		924,638		546,774
			1,940,006	**1,501,382**
G. Deferred and accrued items			3,910	1,685
Total equity and liabilities			**11,625,032**	**10,116,338**

The annuity provision recognised on the balance sheet as at the close of the 2021 financial year under equity and liabilities C.II. is equal to EUR 54,112,886.73. It is confirmed that the provision for outstanding pension claims shown on the balance sheet under line C.II. has been calculated in consideration of section 341f and section 341g HGB as well as in compliance with the regulation issued based on section 88 (3) of the Insurance Supervision Act (*Versicherungsaufsichtsgesetz;* VAG).

Hannover, 1 February 2022 The Responsible Actuary Thomas Adrian Schmidt

Income statement for the period from 1 January to 31 December 2021

I. Underwriting account			**2021**	**2020**
EUR thousand				
1. Premiums earned for own account				
a) Gross written premiums	5,109,096			4,524,181
b) Premiums ceded to reinsurance	2,954,753			2,390,478
		2,154,343		**2,133,703**
c) Change to the gross premium reserve unearned	-212,157			-117,795
d) Adjustment of reinsurers' share in gross premiums unearned	-145,724			-71,990
		-66,432		**-45,805**
			2,087,910	**2,087,898**
2. Underwriting interest income for own account			330	397
3. Other underwriting income for own account			4,557	2,711
4. Expenses on insurance claims for own account				
a) Claims payments				
aa) Gross amount	2,019,859			2,721,349
bb) Reinsurers' share	919,809			1,390,107
		1,100,050		**1,331,243**
b) Changes to the provision for outstanding claims				
aa) Gross amount	1,377,625			-30,554
bb) Reinsurers' share	786,444			-301,081
		591,180		**270,527**
			1,691,230	**1,601,769**
5. Change to other net underwriting provisions			-41,266	62,070
6. Expenses for profit-related and non-profit related premium refunds for own account			674	10,261
7. Expenses for insurance operations for own account				
a) Gross expenses for insurance operations		860,831		818,388
b) less: commissions and profit commissions received for business ceded to reinsurance		465,620		389,067
			395,211	**429,321**
8. Other underwriting expenses for own account			3,103	-1,436
9. Subtotal			**43,845**	**-10,980**
10. Changes to equalisation reserve and similar provisions			-86,248	-39,708
11. Underwriting result for own account			**-42,403**	**-50,688**

II. Non-underwriting account			**2021**	**2020**
EUR thousand				
1. Investment income				
a) Income from long-term equity investments of which from affiliated companies: EUR 2,951 (58,627) thousand	12,276			70,557
b) Income from other investments of which from affiliated companies: EUR 8,038 (7,036) thousand				
ba) Income from land, land rights and buildings, including buildings on third-party land	13,481			13,134
bb) Income from other investments	154,337			121,659
c) Income from reversal of write-downs	174			7
d) Gains on disposal of investments	24,898			35,936
e) Income from profits received under profit pooling, profit-or-loss transfer, or partial profit transfer agreements	166,278			17,275
		371,444		**258,568**
2. Investment expenses				
a) Investment management expenses, interest expenses and other expenses related to capital investments	12,777			13,877
b) Write-downs of investments	38,979			7,295
c) Losses on disposal of investments	10,836			25,682
d) Cost of loss absorption	15			10
		62,607		**46,865**
		308,837		**211,703**
3. Underwriting interest income		330		397
			308,507	**211,306**
4. Other income		80,204		71,988
5. Other expenses		185,956		196,176
			-105,752	**-124,189**
6. Result from ordinary activities			**160,352**	**36,430**
7. Extraordinary expenses		1,500		1,718
8. Extraordinary result			**-1,500**	**-1,718**
9. Taxes on income		45,848		25,169
10. Other taxes		4,952		5,732
			50,800	**30,902**
12. Profit transferred on the basis of profit pooling, profit-and-loss-transfer, or partial profit transfer agreements		108,053		3,810
			-108,053	**-3,810**
13. Net profit/loss for the year			**0**	**0**

Notes to the financial statements

General information

HDI Global SE is headquartered at HDI-Platz 1, 30659 Hannover, entered in the commercial register of the Local Court of Hannover (Amtsgericht Hannover) under HRB 60320.

The annual financial statements and the management report for the 2021 financial year were prepared in accordance with the regulations in the German Commercial Code (HGB), the German Stock Corporation Act (AktG), the German Insurance Supervision Act (VAG) and the Regulation on the Accounting of Insurance Undertakings (RechVersV) in the version applicable at the balance sheet date.

Accounting policies

Assets

Intangible fixed assets
Intangible fixed assets were recognised at cost less amortisation applied in accordance with their customary useful lives. The domains hdi-global.com and hdiglobal.com represent an exception to this rule. They were recognised at cost and are not amortised.

Land, land rights and buildings, including buildings on third-party land
Land and buildings were accounted for at cost, less straight-line depreciation of buildings based on the typical useful life (section 341b(1) sentence 1 in conjunction with sections 255 and 253(3) HGB) and write-downs if the impairment is expected to be permanent (section 253(3) sentence 5 HGB).

Investments in affiliated companies and long-term equity investments
Investments in affiliated companies and long-term equity investments were recognised at cost less any write-downs to the lower fair value in accordance with section 341b(1) sentence 2 HGB in conjunction with section 253(3) sentence 5 HGB.

Loans to affiliated companies and other long-term investees and investors were measured at amortised cost using the effective interest method in accordance with section 341c(3) HGB. Necessary write-downs were recognised based on the less strict lower-of-cost-or-market principle.

The market value of the shares in affiliated companies and equity investments has been determined in accordance with section 56 RechVersV. As a rule, the present value of future distributable financial surpluses (capitalised value of expected earnings) was recognised as the fair value. If the continuation of operations as a legally independent unit could no longer be assumed in the short to medium term, a net asset value would be applied. In individual cases, the fair value was set equal to the carrying amount as long as there was no indication of impairment. For companies whose noteworthy assets comprise land and buildings, the fair market value of the land and buildings was taken into account.

The fair values of loans to affiliated companies and to long-term investees and investors were determined by means of product and rating-specific yield curves using a net present value method. Special structures such as deposit protection, guaranty obligations, or subordination were taken into account with respect to the spread premiums applied.

Other investments

Provided that they are accounted for based on the principles governing current assets, stocks, shares, or investment fund units and other variable-interest-bearing securities as well as bearer bonds and other fixed-interest securities were measured according to the strict lower-of-cost-or-market principle at cost or the lower quoted or market price. The requirement to reverse write-downs was observed (section 341b(2) HGB in conjunction with sections 255(1) and 253(1) sentence 1, (4) and (5) HGB). If these securities are intended to serve the business operations permanently, they were measured according to the less strict lower-of-cost-or-market principle (section 341b(2) HGB in conjunction with section 253(3) HGB). Permanent impairment was recognised in profit or loss. For securities acquired above or below par, the difference was amortised over the term to maturity using the effective interest method.

As a general rule, derivatives were measured at cost or the lower fair value prevailing on the balance sheet date. In case of a negative market value, provisions for anticipated losses from pending transactions were recognised.

Options were valued separately. The costs represent the upper value limits. Provisions for anticipated losses were recognised in the event of negative fair values.

Foreign exchange futures are subject to a prohibition on recognition according to the so-called non-recognition principle for pending transactions. In case of a negative market value, provisions for anticipated losses from pending transactions would be recognised. There were no open forward exchange contracts as of 31 December 2021.

Mortgages land charges and annuity land charges as well as registered bonds, notes receivable and loans were measured at amortised cost (section 341c[3] HGB), whereby the investments are recognised at the purchase price or the payout amount upon acquisition. The difference to the repayment amount was amortised using the effective interest method. Necessary write-downs were recognised based on the less strict lower-of-cost-or-market principle.

With respect to the structured products in the portfolio, they are financial instruments for which the underlying instrument in the form of a fixed income cash instrument is contractually bundled as a unit with one or more derivatives. They are generally accounted for uniformly at amortised cost based on the provisions for investments accounted for as assets according to the less strict lower of cost or market principle (section 341b(1) sentence 2 HGB in conjunction with section 253(3) sentence 5 HGB).

Deposits with banks and funds withheld were recognised at their nominal amounts.

Receivables

Receivables from direct written insurance business were recognised at their nominal amounts. For the business in Germany, a global valuation allowance for receivables from policy holders and insurance brokers was calculated in the amount of 1%. For the international business, a global valuation allowance was recognised based on the age structure of receivables from policy holders and for the receivables from insurance brokers, the general risk of default was taken into account through the recognition of an adequate global valuation allowance.

Reinsurance receivables and other receivables were recognised on the balance sheet date at their nominal amounts. The general default risk related to receivables was accounted for by recognising an adequate global valuation allowance.

Since the cost accounts were closed for new postings before the balance sheet date, costs that were posted after the record date for accrued and deferred items were recognised as other receivables. This item is offset by estimated costs for the period between the closing of the cost accounts and the balance sheet date, which were reported under other provisions.

Other assets

Operating and office equipment was recognised at cost and is depreciated over the customary useful life. The depreciation was applied according to the straight-line method; the periods of useful life range from 3 to 20 years. Low-value items up to EUR 250 are immediately recognised as operating expenses. Low-value items costing between EUR 250 and EUR 800 are capitalised and written off in the year of acquisition. Some inventory items are carried at a fixed value.

Cash at banks, cheques and cash-in-hand were recognised at their nominal amount.

Prepaid expenses

The items to be included under prepaid expenses were recognised at nominal value.

Excess of plan assets over post-employment benefit liability

The line item "Excess of plan assets over post-employment benefit liability" represents the excess amount remaining after netting post-employment benefit obligations with plan assets under individual contracts (mainly pension liability insurances).

Deferred taxes

Since HDI Global SE in its relationship with Talanx AG is a consolidated tax group subsidiary (Organgesellschaft), deferred taxes on measurement differences of the German parent company were presented at the level of the consolidated tax group parent (Organträger), so that only differences between the carrying amounts in the financial accounts and in the local tax accounts of the foreign branch office are to be taken into account.

The anticipated future tax expenses and refunds for each permanent establishment were netted when determining accrued tax amounts. For this purpose, deferred tax liabilities from temporary differences (in particular from the provisions for premium transfers) were netted with the deferred tax assets from temporary differences (in particular with respect to the differing carrying amounts in the financial accounts and the local tax accounts of the loss provisions and equalisation reserves) as well as with deferred tax assets on tax loss carry forwards for all foreign branches separately for each individual country. Deferred taxes were measured based on the local tax rate. Due to the existing option to recognise deferred tax assets, the excess of assets over liabilities resulting from the netting was not accounted for on the balance sheet.

Tax rates

In %	2021
Australia, Sydney	30,0
Japan, Tokyo	28
Canada, Toronto	26,5
France, Paris	25,83
Belgium, Brussels/Norway, Oslo/Spain, Madrid/The Netherlands, Rotterdam/United Kingdom, London	25
Greece, Athens/Italy, Milan/Malaysia, Labuan	24
Denmark, Copenhagen	22
Switzerland, Zurich	21,3
Singapore (onshore / offshore)	17,0/10,0
China, Hong Kong	16,5
Ireland, Dublin	12,5

Equity and liabilities

Subordinated liabilities
The subordinated liabilities were recognised at their nominal amount.

Approximation and simplification methods
For the purposes of the timely preparation of the consolidated financial statements and the requisite punctual delivery of the individual financial statements, both written amounts as well as estimates were used as part of the fast-close process implemented in reinsurance.

The reinsurers' contractual shares of the relevant gross line items were determined and posted as at the current reporting date for material reinsurance contracts. A gross time lag of one month was applied for selected reinsurance contracts. In the case of material fluctuations, separate estimates were entered; for example, losses incurred above the priority in connection with non-proportional reinsurance contracts, thereby taking large loss events into account up to the current reporting date.

The method used is subject to regular technical controls; in aggregate, it does not have a material effect on the net assets, financial position and results of operations of the Company.

Underwriting provisions
For both the direct written business and the business accepted for reinsurance – provided no information in this respect was provided by the ceding companies – unearned premiums were determined according to the 1/360 method or for the exact number of days (pro rata temporis) in compliance with the regulations of the supervisory authority and the circular from the German Federal Minister of Finance dated 30 April 1974. The shares ceded for reinsurance are accrued in accordance with the contractual agreements.

For the direct written insurance business, the provision for outstanding claims was determined separately for each individual claim. In the co-insurance business, the information provided by the lead insurers was adopted. If the information from the lead insurers was not available as at the balance sheet date, the provisions were estimated for each business relationship on the basis of past experience. In motor liability, motor comprehensive and motor partial own damage insurance, the group-valuation option was used for unsettled minor claims. The provision for the indemnification of claims for losses in the financial year was measured globally in the maritime area for the investment and underwriting business based on past experience from prior years.

Corresponding provisions for claims incurred but not yet reported ("IBNR") were recognised for insurance claims that were not yet known at the balance sheet date. These provisions for claims incurred but not yet reported were calculated based on the origin of the insurance business as well as the distinctive characteristics of the respective lines using various methods. In the motor liability class, the provisions were calculated based on the chain ladder method. In the other classes the calculation is made based on the expected loss expenses and geared towards a three to five-year average, taking special factors into account.

The annuity provision calculated in accordance with section 65 VAG (German Insurance Supervisory Act) and the provision for anticipated claims adjustment expenses were recognised in addition. The provision for external claims adjustment expenses is comprised of external and internal costs. Whereas the provision for external claims adjustment expenses is recognised for each individual insurance claim, the provision for internal claims adjustment expenses is determined using a factor-based approximation method. This method is based on actual claims payments made as a measure of volume for costs incurred and determines the future provision for internal claims adjustment expenses as a percentage share of the current provision for claims payments based on this relationship.

The corresponding percentage rate/factor is determined as the average of historical observation years. Since it is assumed that the claims for reported losses have already been partially adjusted, the determined factor is reduced based on past experience for specific lines.

The (gross) annuity claims provision included in the provision for outstanding claims was calculated based on actuarial principles. The calculation was made based on the DAV 2006 HUR actuarial chart for women and men. The actuarial interest rate is 0.2% (0.7%).

Receivables from recoveries, salvages and loss sharing agreements for settled claims have been taken into account as deductions to the loss provision ("loss reserve").

A provision for premium refunds was recognised in accordance with contractual terms and conditions.

The equalisation reserve was calculated in compliance with the regulations according to section 29 RechVersV and the Appendix to section 29 RechVersV as well as the Regulations on Reporting for Insurance Undertakings (BerVersV).

The provision for the insurance for nuclear facilities and terrorism risk was calculated in accordance with section 30(2) and/or (2a) RechVersV. The provision for major risks relating to pharmaceutical risk was determined in accordance with section 30(1) RechVersV.

The other underwriting provisions were determined as follows:

Provisions for premium adjustments were recognised on the basis of portfolio analyses in connection with expert opinions.

The provision for premium lapse risks was calculated by determining the average rate of premium lapses for the last three years and multiplying it with the premiums for the current year.

The provision for obligations arising from membership in the Verkehrsopferhilfe e. V. association was recognised according to the notice from the association. The provision for repayment amounts on suspended motor insurance policies was determined on a contract-by-contract basis.

The provision for impending losses from directly written insurance business or insurance business accepted for reinsurance reported under other underwriting provisions in accordance with section 31(1) no. 2 RechVersV are recognised as the negative balance of the income expected for the contracts for which there is a legal obligation at the balance sheet date and the expected expenses. The income includes the expected premium as well as the effects of interest. The expenses include claim expenses and administrative expenses. The expense items are derived based on past experience and adjusted as needed if the forecast of future performance was distorted by effects in prior loss years.

With respect to the underwriting provisions from the insurance business accepted for reinsurance, the provisions ceded by the prior insurers were generally recognised under liabilities unless the Company had better knowledge. To the extent that the amounts ceded were not yet available at the time that the financial statements were prepared, the provision for losses ("loss reserve") was estimated using the amounts ceded last year.

Other provisions

Pension liabilities were recognised in accordance with section 253(1) sentence 2 HGB in the amount of the settlement amount dictated by prudent business judgement and discounted according to section 253(2) sentence 2 HGB with the average interest rate for the past 10 years forecasted as of 31 December 2021 with an assumed remaining term of 15 years by the German Bundesbank in accordance with the Regulation on the Discounting of Provisions (RückAbzinsV) published on

31 October 2021. The provisions for pensions for employer-funded commitments and for employee-funded commitments not contingent on securities were calculated in accordance with the projected unit credit method. The adjustment of benefits with respect to commitments under deferred compensation as a result of future expected surplus participation on the part of reinsurers was taken into account based on individual agreements.

The measurement is based on the turnover probabilities (probabilities of withdrawal) according to the “Heubeck 2018G actuarial charts”, which were reduced based on the risk trend observed in the portfolio. Further information regarding trend assumptions, the discount rate and the difference in accordance with section 253(6) HGB is provided under section D.1 Provisions for pensions and similar obligations of this report.

The securities-linked employee-financed commitments are exclusively pension commitments covered by fully matched benefit reinsurance, which are measured in accordance with section 253(1) sentence 3 HGB. For these commitments, the settlement amount therefore corresponds to at least the fair value of the plan assets of the life insurance agreement plus surplus participation.

The calculation of the provision for partial retirement included all employees of the Company who have already taken advantage of partial retirement. The calculations were carried out using the modified “Heubeck 2018 G” actuarial charts as they are used to measure pension liabilities. The calculations were based on the actuarial decrement tables for active employees. A forecasted actuarial interest rate of 0.34% (0.48%) was applied under the assumption of an average remaining term of two years. A rate of 2.90% (2.50%) was assumed for salary increases. In accordance with section 253 HGB, the provisions are recognised at the required settlement amount. They comprise the provisions for back wages and salaries, the provisions for top-up amounts, the provisions for the additional employer contributions to the statutory pension insurance scheme and provisions for severance.

The anniversary obligations are measured based on the same principles as the pension liabilities, whereby the same assumptions for taking into account salary trend and fluctuation probabilities are applied. Only the projected discount rate is calculated differently using an average mean of the past seven years and applied at 1.35% (1.61%).

Provisions for taxes and other provisions take all identifiable risks and uncertain obligations into account and were recognised at the settlement amount dictated by prudent business judgement.

Provisions with a remaining term of more than one year were discounted at the average market interest rate for the last seven years as determined and published by the German Bundesbank in accordance with the RückAbzinzV.

Deposits retained
Deposits retained on direct written insurance business were recognised as a liability at the settlement amount.

Other liabilities
Other liabilities are recognised at their settlement amounts.

Deferred income
Income prior to the reporting date was presented under deferred income to the extent that it represents income for a specific period after the reporting date.

Currency translation
If there are items denominated in foreign currency, they are translated as at the balance sheet date at the closing rate (mean spot exchange rate) for balance sheet items and at the average rate for items in the income statement. With respect to

monthly foreign currency measurement, the portfolio positions are translated at the respective exchange rate prevailing at the end of the month.

The translation rate for the monthly measurement of income statement line items is the respective final rate on the last day of the preceding month. These items are translated using a rolling method. The addition of the translated individual items effectively resulted in a translation at average rates.

In order to limit exposure to currency risk as much as possible, liabilities denominated in a foreign currency are largely matched with assets in the same currencies/amount. For each currency, the foreign currency liabilities are combined with the foreign currency assets matching them in hedging relationships in accordance with section 254 HGB (portfolio hedges), whereby the items allocated to the hedging relationships are primarily non-current assets, underwriting provisions and non-current liabilities. Foreign currencies are generally translated regardless of the restrictions of the historical cost convention and the realisation principle.

If there is a surplus for a particular currency, it is examined whether is is sustainable or not. Sustainable surpluses are combined with currency forwards in separate hedging relationships in accordance with section 254 HGB and are generally translated independent of the restrictions of the historical cost convention and the realisation principle. In the reporting period, there were sustainable surpluses exclusively in the Canadian dollar.

The gross hedge presentation method is applied to the effective portion of the hedging relationships.

Temporary surpluses and deficits are generally translated immediately through profit or loss. The remaining assets and liabilities outside of the aforementioned hedging relationships per currency have a remaining term of less than one year and are therefore measured in compliance with section 256a HGB.

Assets

Changes to assets A. and B. I. to B. III in the 2021 financial year

EUR thousand			Balance sheet amounts for the prior year	Additions
A.	Intangible fixed assets			
	I.	Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	714	72
B. I.	Land, land rights and buildings, including buildings on third-party land		170,498	2,308
B. II.	Investments in affiliated companies and long-term equity investments			
	1.	Shares in affiliated companies	1,424,577	352,298
	2.	Loans to affiliated companies	279,677	400,433
	3.	Long-term equity investments	197,699	27,088
	4.	Loans to other long-term investees and investors	44,685	798
		Total B. II.	**1,946,637**	**780,617**
B. III.	Other investments			
	1.	Shares, shares in investment funds and other non-fixed interest securities	1,461,949	184,321
	2.	Bearer bonds and other fixed interest securities	3,300,295	1,931,128
	3.	Mortgages, land charges and annuity land charges	417	60
	4.	Other loans		
		a) Registered bonds	719,137	6,913
		b) Promissory notes and loans	229,936	4,718
	5.	Deposits with financial institutions	65,075	–
		Total B. III.	**5,776,808**	**2,127,140**
Total			**7,894,657**	**2,910,137**

Disposals	Reclassifications	Exchange rate fluctuations	Reversal of write-downs	Amortisation, depreciation and write-downs	Balance sheet values for the financial year	Market values 31.12.2021
–	–	12	–	326	**472**	**n/a**
759	–	–	–	3,779	**168,268**	**233,643**
58,446	0	21,932	0	629	**1,739,732**	**2,561,006**
48,411	13,259	19,027	0	–	**663,984**	**670,657**
35,792	0	505	0	1,123	**188,377**	**258,291**
644	-13,259	680	0	–	**32,259**	**32,259**
143,293	**0**	**42,143**	**0**	**1,751**	**2,624,353**	**3,522,213**
91,712	0	3,117	172	25,024	**1,532,823**	**1,589,865**
1,683,392	0	106,634	1	3,424	**3,651,242**	**3,707,388**
163	–	–	–	–	**313**	**407**
79,824	0	0	0	–	**646,225**	**679,411**
19,955	0	1,137	0	5,000	**210,836**	**214,709**
5,459	0	5,129	0	–	**64,745**	**64,745**
1,880,506	**0**	**116,017**	**174**	**33,448**	**6,106,185**	**6,256,525**
2,024,558	**0**	**158,172**	**174**	**39,305**	**8,899,277**	**10,012,381**

B. Investments

The fair values of the investments were determined as follows:

The gross rental value method in accordance with the regulations concerning the principles governing the assessment of the fair market values of properties (German Ordinance on the Valuation of Property/Real estate; ImmoWertV) and the supplementary Valuation Guidelines are applied to determine the fair value of our real estate. The present value of cash flows generated by the real estate and discounted over its remaining economic useful life was determined using this approach. As a general rule, current market values are determined by external experts every five years (section 55(3) of the Regulation on the Accounting of Insurance Undertakings (RechVersV). The cost or the value assessed in a report compiled by an external, publicly certified expert was recognised for all land and buildings newly acquired as well as properties under construction.

When determining the fair values of the interest in affiliated companies and long-term equity investments, companies valued using the income capitalisation approach were recognised by default at the present value of their future distributable financial surpluses. If the continuation of operations as a legally independent unit could no longer be assumed in the short to medium term, a net asset value would be applied. In individual cases, the fair value was set equal to the carrying amount as long as there was no indication of impairment. For companies whose noteworthy assets comprise land and buildings, the fair market value of the land and buildings was taken into account.

The fair values of loans to affiliated companies and to long-term investees and investors were determined by means of product and rating-specific yield curves using a net present value method. Special structures such as deposit protection, guaranty obligations, or subordination were taken into account with respect to the spread premiums applied.

The fair value of other investments was generally determined on the basis of their open market value. For investments having a market or listed price, the market value was defined as the market or listed price on the balance sheet date, or on the last day prior to this date for which a market or listed price could be identified. In cases in which no stock market quotations were available, yield-implied prices were used based on price formation methods established in financial markets. Investments were valued at maximum at their expected realisable value in accordance with the principle of prudence.

The fair values of the registered bonds, notes receivable and loans were determined by means of product and rating-specific yield curves using a net present value method. Special structures such as deposit protection, guaranty obligations, or subordination were taken into account with respect to the spread premiums applied. The fair value of zero-coupon registered bonds and zero-coupon notes receivable was determined based on the Company's own calculations derived using actuarial methods.

Disclosures pursuant to section 52 no. 1a RechVersV
The carrying amount of owned properties used in connection with Company operations was equal to EUR 0 (759) thousand.

Disclosures pursuant to section 55(7) RechVersV
The fair values were determined on the basis of internal and external expert opinions from 2021. The fair value as at December 2021 is EUR 233,643 million.

Investments with hidden losses (section 285 no. 18 HGB)

	Carrying amounts 31.12.2021	Market values 31.12.2021
EUR thousand		
Shares, shares in investment funds and other non-fixed interest securities	62,251	60,510
Bearer bonds and other fixed interest securities	1,367,493	1,341,532
Total	**1,429,744**	**1,402,042**

A write-down in the amount of EUR 28,454 (4,978) thousand was avoided by means of dedication as fixed assets in accordance with section 341b(2) HGB. In the opinion of the Company, the omitted write-downs are temporary impairments.

In order to assess the existence of permanent impairment with respect to bearer notes and other fixed income securities accounted for as fixed assets, credit assessments of the issuers and the development of the ratings are taken into account. In order to identify the existence of expected permanent impairment of shares, interests or shares in investment funds, the 20% applicability criterion recommended by the Technical Committee for Insurance (Versicherungsfachausschuss) of the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW)is applied. Based on this criterion, permanent impairment is indicated if the fair value of a security is more than 20% lower than the carrying amount for the entire six months preceding the balance sheet date.

Hedge accounting in accordance with section 254 HGB (section 285 no. 23 HGB)

Type of hedge	Hedged item	Hedging transaction	Nature of the risks	Amount of risks hedged
Section 285 no. 23a HGB Portfolio-Hedge	Foreign currency liabilities	Foreign currency assets	Foreign currency risk	Currency result from the hedged foreign currency liabilities; Recognition of effective changes in the value of hedged items and hedging transactions based on the application of the gross hedge presentation method in the balance sheet and income statement
	As of the balance sheet date, hedging relationships in the total amount of EUR 2,018 million were recognised and broken down to the following major currencies:			
	US dollar	EUR 954 million		
	Pounds sterling	EUR 299 million		
	Swiss franc	EUR 267 million		
	Canadian dollar	EUR 238 million		
	Australian dollar	EUR 155 million		
Section 285 no. 23b HGB Portfolio-Hedge	Variable securities portfolio (sustained surplus in foreign currency assets)	Hedging is carried out by means of currency forwards (sale of Canadian dollars against the purchase of euros)	Foreign currency risk	Currency result from the hedged foreign currency assets; Recognition of effective changes in the value of hedged items and hedging transactions based on the application of the gross hedge presentation method in the balance sheet and income statement

Disclosures pursuant to section 277(3) HGB
The write-downs on investments include write-downs of EUR 31,775 thousand (EUR 1,342 thousand) in accordance with section 277(3) sentence 1 HGB

Shares or shares in investment funds pursuant to section 285 no. 26 HGB

Line item B. III. 1. Shares, interests or shares in investment funds and other floating rate securities includes the funds listed below in which our Company holds an interest of more than 10%. There are no restrictions with respect to the daily surrender option.

	Balance sheet values 31.12.2021	Market values 31.12.2021	Distribution 31.12.2021
EUR thousand			
Bond funds			
Fisch Conv. Global Defensive	28,224	31,202	46
CS Lux AgnaNola Global Convertible Bond Fund	39,960	46,846	0
EURO-RENT 3 Master	1,081,865	1,112,656	37,341
Subtotal Bond fund	**1,150,049**	**1,190,704**	**37,387**
Mixed funds			
HDI Global SE Absolute Return	623	622	0
HDI Globale Equities	111,163	120,640	885
Subtotal Mixed funds	**111,785**	**121,262**	**885**
Total	**1,261,835**	**1,311,966**	**38,272**

Write-downs pursuant to section 253(3) sentence 4 HGB were not applied to the special funds reportable under unrealised losses, since the Company considered the impairments to be temporary, as the fair value of the fund is higher than its carrying amount.

For the equity funds held as fixed assets, the fair value of every single share in the portfolio was calculated by the EPS (“earnings per share”) method. If EPS data was not available, market values (max. 120%) were used as an alternative.

For bond funds held as fixed assets, the fair value of fund shares represents the sum of its constituting components (bonds, cash, accrued interest, payables/receivables, derivatives, etc.). The fair value of each individual bond in the portfolio corresponds to the amortised cost for each bond or the lower market value in a credit event or if the market value is lower than 50% of the nominal value.

There are no restrictions with respect to the daily surrender option.

Disclosures pursuant to section 341b(2) HGB

The Company has exercised the option pursuant to section 341b(2) HGB to classify investments with a carrying amount of EUR 4,938,889 (4,546,739) thousand as fixed assets. EUR 1,532,823 (1,458,032) thousand of this amount can be attributed to shares, shares in investment funds and other floating rate securities and EUR 3,406,065 (3,088,707) thousand to bearer bonds and other fixed-interest securities.

B. II. Investments in affiliated companies and long-term equity investments

Name, registered office	Share in %[1]	Currency	Equity in thousand	Result in thousand
Caplantic AIF, SICAV-SIF S.C.Sp., Luxembourg[2]	24.71	EUR	9,954	–42,234
Credit Suisse (Lux) Gas Transit Switzerland SCS, Luxembourg[3]	16.31	EUR	136,726	3,694
Credit Suisse (Lux) Wind Power Central Norway SCS, Luxembourg[4]	10.96	EUR	263,842	–3,736
Extremus Versicherungs-Aktiengesellschaft, Cologne[4]	13.00	EUR	64,219	2,979
Ferme Eolienne des Mignaudieres SNC, Toulouse[4]	99.99	EUR	16,056	654
Funderburk Lighthouse Limited, Grand Cayman[4]	100.00	USD	37,505	–3,922
H. J. Roelofs Assekuradeuren B. V., Rotterdam[4]	100.00	EUR	158	0
Hannover Risk Consultants B. V., Rotterdam[4]	100.00	EUR	–34	–0
HDI AI EUR Beteiligungs-GmbH, Cologne[4]	100.00	EUR	529,700	1,564
HDI AI USD Beteiligungs-GmbH, Cologne[4]	100.00	EUR	249,280	8,251
HDI Global Insurance Limited Liability Company, Moscow[4]	100.00	RUB	450,284	67,496
HDI Global Network AG, Hannover[4]	100.00	EUR	211,564	–[6]
HDI Global Network AG Escritório de Representaçao no Brasil Ltda, São Paulo[4]	100.00	BRL	358	16
HDI Global SA Ltd., Johannesburg[4]	100.00	ZAR	64,610	2,102
HDI Global Seguros S.A., Mexiko City[4]	100.00	MXN	229,452	28,911
HDI Global Seguros S.A., São Paulo[4]	100.00	BRL	62,947	12,008
HDI Global Specialty Holding GmbH, Hannover[4]	100.00	EUR	148,544	–[6]
HDI Global Specialty Schadenregulierung GmbH, Hannover[4]	100.00	EUR	25	1
HDI Global Specialty SE, Hannover[4]	100.00	EUR	238,327	–17,435
HDI Reinsurance (Ireland) SE, Dublin[4]	100.00	EUR	274,111	2,432
HDI Risk Consulting GmbH, Hannover[4]	100.00	EUR	1,626	–[6]
HDI Specialty Insurance Company, Illinois[4]	100.00	USD	48,835	–3,608
HDI Versicherung AG, Vienna[4]	89.74	EUR	28,421	10,093
Heuberg S.L., Barcelona[4]	15.00	EUR	13,604	549
IVEC Institutional Venture and Equity Capital GmbH, Cologne[4]	23.80	EUR	8,284	–747
Le Souffle des Pellicornes S.N.C, Lille	100.00	EUR	16,949	2,196
Magma HDI General Insurance Ltd., Kolkata[5]	21.01	INR	3,498,901	–321,157
Petro Vietnam Insurance Holdings Joint Stock Corporation, Hanoi[4]	49.71	VND	6,486,435,942	715,735,555
Riethorst Grundstücksgesellschaft AG & Co. KG, Hannover[4]	50.00	EUR	140,025	7,265
Talanx Infrastructure France 1 GmbH, Cologne[4]	100.00	EUR	37,835	–3,379
Talanx Infrastructure Portugal GmbH, Cologne[4]	30.00	EUR	749	–2
Windfarm Bellheim GmbH & Co. KG, Cologne[4]	15.00	EUR	52,603	1,936
Windpark Vier Fichten GmbH & Co. KG, Cologne[4]	100.00	EUR	3,105	549
WP Berngerode GmbH & Co. KG, Cologne[4]	20.00	EUR	39,464	596
WP Mörsdorf Nord GmbH & Co. KG, Cologne[4]	25.00	EUR	28,668	975

1) The percentage of shares held is determined as the sum of all shares held directly or indirectly.

2) Carrying amounts as at 30 September 2020

3) Carrying amounts as at 30 June 2021

4) Carrying amounts as at 31 December2020

5) Carrying amounts as at 31 March 2020

6) A profit-and-loss transfer agreement is in effect.

C. III. Other receivables

	31.12.2021	31.12.2020
EUR thousand		
Claims payments/Co-insurance/Share of losses attributable to other companies	471,331	400,952
Receivables from affiliated companies	191,459	104,937
Receivables from tax authorities	37,983	31,774
Receivables due to timing differences in accounting entries	26,666	25,383
Payments not yet assigned	23,239	22,853
Receivables for incidental expenses incurred in connection with real estate	2,535	3,045
Receivables from the sale of renewal rights	1,989	1,989
Receivables from security deposits, sureties and loan collaterals	1,884	1,460
Receivables from insurance pools	293	360
Miscellaneous	11,159	16,283
Total	**768,539**	**609,036**

Receivables from affiliated companies relate to receivables from HDI AI EUR Beteiligungs-GmbH in the amount of EUR 74,457 (0) thousand, from HDI AI USD Beteiligungs-GmbH in the amount of EUR 65,226 thousand, from HDI Global Network AG in the amount of EUR 25,322 (15,744) thousand and from HDI Risk Consulting GmbH in the amount of EUR 1,273 (1,531) thousand from profit transfers.

Receivables from the sale of renewal rights to affiliated companies amount to EUR 1,989 (1,989) thousand.

Other receivables have a remaining term of more than one year in the amount of EUR 10,015 (3,612) thousand.

D. I. Tangible fixed assets and inventories

	2021	2020
EUR thousand		
Balance as at 01.01.2021	9,528	9,078
Additions	4,127	3,708
Disposals	263	2,003
Amortisation, depreciation and write-downs	2,922	1,177
Exchange rate fluctuations	63	-78
Balance as at the end of the financial year	**10,533**	**9,528**

E. I. Deferred rent and interest income

Only income from interest was accrued in the amount of EUR 48,890 (49,007) thousand.

E. II. Other prepaid expenses

Other prepaid expenses in the amount of EUR 5,851 (2,824) thousand represent administrative expenses.

Equity and liabilities

A. I. Subscribed capital

The subscribed capital in the amount of EUR 125,000 thousand is fully paid in and is divided into 125,000 registered shares of EUR 1,000 each. Talanx AG is the sole shareholder.

A. II. Capital reserves

The capital reserves are equal to EUR 284,043 thousand. The creation of a statutory reserve is not required since section 150(2) AktG ("statutory reserve fund") has already been satisfied by the creation of a capital reserve in accordance with section 272(2) no. 1 HGB.

B. Subordinated liabilities

	31.12.2021	**31.12.2020**
EUR thousand		
Talanx AG, Hannover	280,000	-
HDI Lebensversicherungs AG, Cologne	40,000	-
TARGO Lebensversicherung AG, Hilden	20,000	-
HDI Versicherung AG, Hannover	15,000	20,000
neue leben Pensionskasse AG, Hamburg	10,000	-
HDI Pensionskasse AG, Cologne	7,500	-
PB Lebensversicherung AG, Hilden	5,000	88,632
Gerling Versorgungskasse VVaG, Cologne	2,500	2,736
neue leben Lebensversicherung AG, Hamburg	-	88,632
Gesamt	**380,000**	**200,000**

With a contract dated 2 December 2021, Talanx AG granted HDI Global SE a subordinated loan in the nominal amount of EUR 180,000 thousand maturing on 2 December 2041. All other subordinated loans were extended to HDI Global SE by the respective lender with a contractual date of 12 August 2021 maturing on 12 August 2041.

C. Total gross underwriting provisions

	31.12.2021	31.12.2020
EUR thousand		
Direct written insurance business		
Casualty insurance	239,886	235,832
Liability insurance	5,865,858	5,494,024
Motor third-party liability insurance	830,813	786,705
Other motor insurance	158,222	144,061
Fire and property insurance	1,502,907	1,359,308
of which:		
a) Fire insurance	449,781	462,454
b) Engineering insurance	921,596	846,250
c) Other property insurance	131,531	50,604
Marine and aviation insurance	643,273	590,804
Legal protection insurance	74,976	84,202
All-risk insurance	1,211,222	975,253
Other insurance	179,977	134,727
Total	**10,707,134**	**9,804,915**
Business accepted for reinsurance	4,411,345	3,433,036
Total insurance business	**15,118,478**	**13,237,950**

Of which:

a) Gross provision for outstanding claims: EUR 12.941.950 (11.294.051) thousand

b) Equalisation reserve and similar provisions: EUR 802.918 (716.670) thousand

C. II. 1. Gross provision for outstanding claims

	31.12.2021	31.12.2020
EUR thousand		
Direct written insurance business		
Casualty insurance	187,159	197,284
Liability insurance	5,424,700	5,064,406
Motor third-party liability insurance	798,537	751,318
Other motor insurance	65,478	54,235
Fire and property insurance	1,133,099	1,015,786
of which:		
a) Fire insurance	336,294	351,486
b) Engineering insurance	676,877	627,052
c) Other property insurance	119,928	37,249
Marine and aviation insurance	507,009	505,026
Legal protection insurance	71,461	80,768
All-risk insurance	1,018,849	738,611
Other insurance	166,603	119,228
Total	**9,372,895**	**8,526,660**
Business accepted for reinsurance	3,569,055	2,767,391
Total insurance business	**12,941,950**	**11,294,051**

C.III. Gross provision for profit-related and non-profit-related premium refunds

This item amounts to EUR 16,174 (20,375) million and, as in the previous year, relates exclusively to non-performance-related premium refunds.

C. IV. Equalisation reserve and similar provisions

	31.12.2021	31.12.2020
EUR thousand		
Direct written insurance business		
Casualty insurance	10,034	0
Liability insurance	154,977	148,027
Other motor insurance	78,842	77,925
Fire and property insurance	79,956	84,653
of which:		
a) Fire insurance	79,956	84,653
Marine and aviation insurance	93,898	49,077
Other insurance	915	648
Total	**418,620**	**360,330**
Business accepted for reinsurance	384,298	356,340
Total insurance business	**802,918**	**716,670**

D. I. Provision for pensions and similar obligations

	2021	2020
EUR thousand		
Balance as at the start of the financial year	472,020	463,229
Change	-4,036	-22,585
Accrued interest / interest rate change	26,565	31,376
Balance as at the end of the financial year	**494,548**	**472,020**

As required by the German Accounting Law Modernisation Act (BilMoG), the provision for pensions was measured at the settlement amount, taking into account salary and pension trends as well as employee turnover rates, and discounted to the balance sheet date. In Germany, the presumed trend was 2.90% (2.50%) for salary increases and 1.90% (1.64%) for pension increases. The provisions for pensions were discounted using an interest rate of 1.87% (2.31%) and assuming a remaining term of 15 years. The discount rate applied in the measurement of pension obligations at the UK branch is 2.96% (3.36%). Salary increases were factored into the calculation at 2.90% (2.50%) and pension increases at 3.70% (3.30%).

Probable staff turnover rates (%)

Age	Men	Women
20	0.0	2.7
25	16.5	12.6
30	10.72	8.29
35	6.8	5.6
40	6.4	5.3
45	5.6	4.6
50	3.6	3.5
55	2.7	3.2
60 or older	0.0	0.0

The settlement amount for the employer-funded provision for pensions as at 31 December 2021 was EUR 551,706 (516,219) thousand. The fund held to cover this amount was accounted for at fair value of EUR 62,905 (45,785) thousand in accordance with section 253(1) sentence 4 HGB. The cost of the fund converted based on the exchange rate prevailing on the reporting date was EUR 52,236 (35,608) thousand.

The settlement amount for the employee-funded provision for pensions was EUR 9,955 (9,725) thousand. Nettable plan assets totalling EUR 8,036 (8,140) thousand represent pension liability insurance claims offset in the amount of EUR 8,035 (8,139) thousand with the obligations. The amortised cost determined according to the lower of cost or market principle and thus the fair value within the meaning of section 255(4) sentence 3 HGB is equal to the so-called actuarial reserves of the insurance agreement plus excess.

Income from plan assets for pension obligations in the amount of EUR 3,843 thousand was netted with expenses from the unwinding of the discount on provisions for pension obligations in the amount of EUR 6,342 thousand in the reporting period.

The difference in accordance with section 253(6) sentence 1 amounts to EUR 46,963 thousand. In order to calculate the difference, the commitment discounted at the average interest rate of the past ten years and recognised was compared to the amount that would have resulted if it had been discounted at the average interest rate of the past seven years.

D. III. Other provisions

	31.12.2021	31.12.2020
EUR thousand		
Remuneration payable	43,129	30,506
Consulting costs	15,208	14,576
Vacation claims and credit balances in flextime accounts	9,052	8,866
Partial retirement	7,762	8,322
Costs for the preparation of the annual financial statements	2,477	2,563
Anniversary bonuses	1,112	1,562
Administrative expenses of foreign branch offices	2,782	2,080
Provisions for costs	3,025	5,217
Pension fund	1,174	1,187
Outstanding invoices for building-related expenses	785	1,356
Berufsgenossenschaft (Employers´ Liability Association)	524	518
Litigation expenses	811	–
Miscellaneous	9,002	5,079
Total	**96,843**	**81,833**

The settlement amount of the provision of partial retirement was equal to EUR 13,399 (14,044) thousand. The fund held to cover this amount was accounted for at fair value in the amount of EUR 5,637 (5,723) thousand. The cost of the fund amounted to EUR 5,637 (5,723) thousand.

F. IV. Other liabilities

	Term < 1 year 31.12.2021	Term < 1 year 31.12.2020	**Term > 1 year 31.12.2021**	Term > 1 year 31.12.2020	**Total 31.12.2021**	Total 31.12.2020
EUR thousand						
Liabilities from non-group lead business	349,512	283,743	42,552	48,137	392,064	331,879
Liabilities to affiliated companies	400,802	99,296	–	–	400,802	99,296
Liabilities due to tax authorities	55,138	49,793	–	–	55,138	49,793
Liabilities not yet attributed	58,555	48,109	1,777	287	60,332	48,395
Trade payables	2,586	6,268	1,300	12	3,886	6,280
Liabilities to social security institutions	1,633	1,299	–	–	1,633	1,299
Liabilities from the investing activities based on claim payments	1	197	–	–	1	197
Liability from the acquisition of corporate bonds	0	0	–	–	0	0
Miscellaneous	10,782	9,203	–	432	10,782	9,635
Total	**879,009**	**497,908**	**45,629**	**48,867**	**924,638**	**546,775**

The increase in other liabilities to affiliated companies of EUR 301,506 thousand to EUR 400,802 (99,296) thousand can be attributed primarily to an increase in liabilities in connection with short-term overdraft facilities (increase of EUR 198,919 thousand to EUR 249,322 thousand) as well as an increase in the transfer of profits to the parent company Talanx AG (increase of EUR 104,243 thousand to EUR 108,053 thousand).

Other liabilities do not include any liabilities with a remaining term to maturity of more than five years.

G. Deferred income

EUR 3,001 (1,171) thousand in deferred income items in the amount of EUR 3,910 (1,685) thousand relates to management commissions collected for the subsequent year.

Income statement

I. 1. a) Gross written premiums

EUR thousand	2021	2020
Direct written insurance business		
Casualty insurance	72,954	90,959
Liability insurance	1,174,122	1,088,934
Motor third-party liability insurance	233,958	244,262
Other motor insurance	136,814	141,948
Fire and property insurance	609,478	569,689
of which:		
a) Fire insurance	194,412	174,431
b) Engineering insurance	354,158	331,348
c) Other property insurance	60,909	63,910
Marine and aviation insurance	321,778	327,702
All-risk insurance	690,798	652,811
Legal protection insurance	25,336	27,074
Other insurance	94,227	94,048
Total	**3,359,465**	**3,237,428**
Business accepted for reinsurance	1,749,631	1,286,754
Total insurance business	**5,109,096**	**4,524,181**

Origin of gross written premiums for the direct written insurance business

EUR thousand	2021	2020
In Germany	1,552,774	1,500,178
Other member states of the European Community as well as other treaty states of the Agreement Creating the European Economic Area	1,075,341	1,054,759
Third countries	731,350	682,491
Total	**3,359,465**	**3,237,428**

I. 1. Gross premiums earned

EUR thousand	2021	2020
Direct written insurance business		
Casualty insurance	71,910	91,422
Liability insurance	1,156,645	1,059,343
Motor third-party liability insurance	234,373	241,762
Other motor insurance	135,770	141,540
Fire and property insurance	577,372	553,669
of which:		
a) Fire insurance	187,367	178,132
b) Engineering insurance	327,196	315,286
c) Other property insurance	62,809	60,252
Marine and aviation insurance	315,539	325,109
All-risk insurance	665,396	627,551
Legal protection insurance	25,257	27,201
Other insurance	94,581	95,162
Total	**3,276,843**	**3,162,760**
Business accepted for reinsurance	1,620,097	1,243,627
Total insurance business	**4,896,940**	**4,406,386**

I. 1. Net premiums earned

EUR thousand	2021	2020
Direct written insurance business		
Casualty insurance	60,340	79,481
Liability insurance	522,740	581,839
Motor third-party liability insurance	174,598	224,806
Other motor insurance	113,992	132,070
Fire and property insurance	244,522	252,016
of which:		
a) Fire insurance	73,159	72,821
b) Engineering insurance	144,301	154,473
c) Other property insurance	27,062	24,722
Marine and aviation insurance	196,606	222,931
All-risk insurance	130,596	134,692
Legal protection insurance	-68	-1
Other insurance	41,073	45,192
Total	**1,484,399**	**1,673,028**
Business accepted for reinsurance	603,511	414,870
Total insurance business	**2,087,910**	**2,087,898**

I. 2. Underwriting interest income for own account

In the direct written gross insurance business, underwriting interest income was calculated on the annuity claims provision by multiplying the previous year's annuity provisions by the associated actuarial interest rate of 0.7% (0.9%).

I. 4. Gross expenses for insurance claims

	2021	2020
EUR thousand		
Direct written insurance business		
Casualty insurance	33,711	63,727
Liability insurance	855,887	773,471
Motor third-party liability insurance	182,849	196,884
Other motor insurance	91,673	80,201
Fire and property insurance	492,576	275,034
of which:		
a) Fire insurance	146,344	86,564
b) Engineering insurance	244,510	184,718
c) Other property insurance	101,722	3,752
Marine and aviation insurance	166,536	202,625
All-risk insurance	595,596	189,009
Legal protection insurance	3,529	12,816
Other insurance	84,250	51,856
Total	**2,506,608**	**1,845,624**
Business accepted for reinsurance	890,876	845,171
Total insurance business	**3,397,483**	**2,690,795**

I. 7. a) Gross expenses for insurance operations

	2021	2020
EUR thousand		
Direct written insurance business		
Casualty insurance	19,183	22,884
Liability insurance	170,994	171,414
Motor third-party liability insurance	36,275	39,723
Other motor insurance	24,886	26,092
Fire and property insurance	114,220	111,871
of which:		
a) Fire insurance	36,842	30,926
b) Engineering insurance	67,583	69,333
c) Other property insurance	9,795	11,612
Marine and aviation insurance	69,699	70,881
All-risk insurance	82,345	107,279
Legal protection insurance	4,561	4,524
Other insurance	24,176	24,662
Total	**546,339**	**579,331**
Business accepted for reinsurance	314,492	239,058
Total insurance business	**860,831**	**818,388**

Of the gross expenses for insurance operations for the financial year, EUR 138,969 (118,499) thousand are attributable to acquisition expenses and EUR 721,862 (699,889) thousand are attributable to general and administrative expenses.

Reinsurance balance

EUR thousand	2021	2020
Direct written insurance business		
Casualty insurance	-8,534	-8,824
Liability insurance	-115,653	-108,808
Motor third-party liability insurance	-11,328	4,205
Other motor insurance	-3,538	-2,169
Fire and property insurance	4,863	-99,502
of which:		
a) Fire insurance	-26,325	-47,498
b) Engineering insurance	-6,707	-32,717
c) Other property insurance	37,896	-19,287
Marine and aviation insurance	-45,972	-47,230
All-risk insurance	-40,646	-271,035
Legal protection insurance	-7,453	-6,857
Other insurance	23,961	-20,833
Total	**-204,300**	**-561,052**
Business accepted for reinsurance	-432,856	-279,344
Total insurance business	**-637,156**	**-840,396**

– = in favour of the reinsurers

The reinsurance balance is calculated as the reinsurers' earned premiums and the reinsurers' share of gross expenses for insurance claims and gross expenses for insurance operations.

The balance for the reinsurance business includes a total amount of EUR 128 (148) million for non-cash reinstatement premiums. This breaks down into EUR 106 (133) million for the direct written insurance business and EUR 22 (15) million for the business accepted for reinsurance.

I. 11. Underwriting result for own account

EUR thousand	2021	2020
Direct written insurance business		
Casualty insurance	27	-4,764
Liability insurance	21,205	-19,690
Motor third-party liability insurance	8,358	11,659
Other motor insurance	14,307	44,421
Fire and property insurance	-26,826	18,185
of which:		
a) Fire insurance	-23,096	-24,358
b) Engineering insurance	7,115	16,877
c) Other property insurance	-10,846	25,667
Marine and aviation insurance	-13,164	-18,625
All-risk insurance	-34,379	28,179
Legal protection insurance	9,715	3,004
Other insurance	11,620	-3,582
Total	**-9,138**	**58,789**
Business accepted for reinsurance	-33,264	-109,476
Total insurance business	**-42,403**	**-50,688**

Run-off result for own account

In the financial year, HDI Global SE realised a run-off profit in the amount of EUR 302,304 (256,649) thousand. The information on the run-off results for the individual lines of business are discussed in the management report under Results of operations.

Commissions and other compensation for insurance agents, personnel expense

EUR thousand	2021	2020
Commissions of any kind for insurance agents within the meaning of section 92 HGB for direct written insurance business	272,879	310,590
Wages and salaries	248,158	230,830
Social insurance contributions and expenses for benefits	38,226	37,550
Expenses for retirement benefits	25,507	11,162
Total expenses	**584,769**	**590,131**

Number of insurance contracts with a minimum term of one year

	2021	2020
Number		
Direct written insurance business		
Casualty insurance	14,182	17,794
Liability insurance	76,924	66,673
Motor insurance	519,554	531,899
Fire and property insurance	31,280	32,990
of which:		
a) Fire insurance	7,818	9,522
b) Engineering insurance	17,582	17,500
c) Other property insurance	5,880	5,968
Marine and aviation insurance	22,236	22,769
All-risk insurance	24,497	12,237
Legal protection insurance	6,638	10,941
Other insurance	12,006	15,506
Total	**707,317**	**710,809**

II. 4. Other income

	2021	2020
EUR thousand		
Income from services rendered	43.931	43.669
Income from reversal of specific and global valuation allowances	15.378	6.645
Currency exchange gains	9.403	9.972
Income from the sale of renewal rights	3.645	582
Interest and similar income	2.323	1.314
Income from the derecognition of liabilities	1.399	5.759
Income from the reversal of other provisions	655	1.536
Miscellaneous	3.470	2.511
Total	**80.204**	**71.988**

II. 5. Other expenses

	2021	2020
EUR thousand		
Other expenses for the Company as a whole	69,256	67,138
Expenses for services	36,448	36,559
Write-downs of receivables	29,320	29,115
Additions to the interest portion of the provision for pensions	28,286	29,264
Interest expense	10,648	15,087
Currency exchange losses	7,929	7,738
Amortisation and write-downs of intangible fixed assets	0	7,154
Miscellaneous	4,069	4,121
Total	**185,956**	**196,176**

Interest expenses include expenses for the unwinding of the discount in the amount of EUR 155 (37) thousand.

As a general rule, the expense of changes in interest rates related to pension obligations is shown under other expenses in compliance with IDW AcP HFA 30 para. 87 in order to facilitate greater transparency in the presentation of the costs of the ongoing insurance business in contrast with capital market and regulatory influences on the existing pension obligation.

II 7. Extraordinary result.
The extraordinary result amounts to EUR -1,500 (-1,718) thousand and includes extraordinary expenses from restructuring.

II. 9. Taxes on income
Taxes on income amount to EUR 45,848 (25,169) thousand. These are essentially the actual taxes for the financial year of the foreign branches in the amount of EUR 47,726 thousand. The expense from German taxes on income amounted to EUR 109 thousand and relates primarily to deductible withholding tax.

II. 10. Other taxes
The line item Other taxes relates in the amount of EUR 5,532 thousand to expenses on the part of the foreign branches and in the amount of EUR 580 thousand to German income from other taxes (of which EUR 310 thousand can be attributed to property taxes and EUR 890 thousand to insurance and fire protection taxes), resulting in an expense from other taxes in the amount of EUR 4,952 thousand.

Other disclosures

Employees

	2021	2020
Number (average)		
Full-time employees	2,374	2,393
Part-time employees	431	441
Total	**2,805**	**2,834**

Employee share programme
In October 2021, the parent company Talanx AG launched an employee stock ownership programme (ESOP) in which the employees of HDI Global SE were each offered various options under which a maximum of 30, 120 or 288 shares could be subscribed. The shares were issued to the employees in November. The exercise price was based on the lowest daily price on the Frankfurt and Hannover stock exchanges on 29 October 2021, less a discount of 15, 7.50 or 5 euros per share depending on the chosen option, and amounted to EUR 26.04, EUR 33.54 or EUR 36.04. A total of 74,744 shares were acquired. The transaction resulted in personnel expenses of EUR 612 thousand. The shares issued are subject to a vesting period ending on 30 November 2023.

Governing bodies of the Company
Please find the names of the members of the Supervisory Board and the Board of Management in the overview on pages 4 and 5 of this report.

Remuneration for the members of governing bodies and advisory boards
Remuneration for the members of the Board of Management totalled EUR 8,156 (5,058) thousand. Total remuneration for the Supervisory Board was equal to EUR 73 (81) thousand and remuneration for the Advisory Board totalled EUR 522 (614) thousand. The remuneration of former Board of Management members and their survivors totalled EUR 5,171 (5,482) thousand. A total of EUR 64,585 (64,488) thousand was recognised for pension liabilities due to former Management Board members and their survivors.

Under the share-based remuneration system introduced in 2011, the Board of Management was allocated 17,087 (18,108) virtual shares with a fair value of EUR 622 (575) thousand in the reporting period.

Important agreements
A control and profit and loss transfer agreement is in effect with Talanx AG as the controlling company (parent entity). In addition, there are control and profit and loss transfer agreements between HDI Global SE as the controlling company and HDI Risk Consulting GmbH, HDI Global Network AG, HDI Global Specialty Holding GmbH, HDI AI EUR Beteiligungs-GmbH and HDI AI USD Beteiligungs-GmbH, each as the controlled company.

Shareholdings in the Company
The sole shareholder of HDI Global SE is Talanx AG, which holds 100% of the share capital. Talanx AG has notified the Company that it holds a direct majority interest in HDI Global SE, Hannover (notice pursuant to section 20(4) AktG) and that it holds more than one fourth of the shares of HDI Global SE directly at the same time (notice pursuant to section 20(1) and (3) AktG).

Credit lines granted

The subsidiary HDI Global Network AG was extended a credit line under a loan agreement in the amount of CAD 460,000 thousand with a term ending on 1 October 2024. HDI Global Network AG had drawn down a loan of CAD 215,500 thousand from this amount as at the balance sheet date.

Contingencies and other financial obligations

HDI Global SE is a member of Verkehrsopferhilfe e.V., Hamburg. As a result of this membership, it is obligated to contribute to the potential payments made by the association as well as its general and administrative expenses in line with our pro-rata share of the premium income generated by the members of the association in direct written motor liability insurance in the next to last calendar year.

As a member of the Pharma-Rückversicherungs-Gemeinschaft, HDI Global SE is required to assume a pro-rata share of the outstanding obligations in the event that any of the remaining members becomes insolvent. The similar obligation exists under a contractual agreement with the Deutsche Kernreaktor-Versicherungsgemeinschaft as regards a default of one of the association members.

HDI Global SE set up a trust account that showed a current balance of EUR 321,275 (343,903) thousand as at the balance sheet date in order to provide collateral for underwriting liabilities to HDI Global Insurance Company. The carrying amount of the collateral deposited in this trust account in the form of securities and cash amounted to EUR 310,226 (323,950) thousand as at the balance sheet date. In addition, there are further assets with a carrying amount of EUR 223,540 (167,660) thousand that are pledged, transferred as collateral or deposited, resulting in a total value of EUR 533,765 (491,610) thousand.

Talanx AG, Hannover, assumed the fulfilment of the Company's obligations for old age pensions from former employees for internal and external arrangements. Under this pension commitment, the Company has a joint liability in an amount totalling EUR 64,585 (64,488) thousand as at the end of the financial year.

The shortfall due to pension obligations within the meaning of Article 28(1) EGHGB that is not recognised on the balance sheet is equal to EUR 4,686 (7,170) thousand.

As the sponsoring undertaking for Gerling Versorgungskasse VVaG, the Company is proportionately liable for any deficits at Gerling Versorgungskasse.

Other financial obligations amounting to EUR 6,582 (9,650) thousand consist primarily of guarantee credits and bank guarantees. Letters of credit in effect with various banks total EUR 980,792 (528,924) thousand. In addition, there are obligations under fixed liability guarantees in the amount of EUR 68,000 (68,000) thousand.

The Company’s Board of Management views the probability that obligations arising from the above contingent liabilities will result in actual claims and payments to be low.

The total amount of other financial obligations and contingent liabilities was EUR 1,658,410 (1,169,842) thousand.

Capital contribution commitments vis-à-vis contracting parties

	31.12.2020	31.12.2019
EUR thousand		
HDI AI EUR Beteiligungs-GmbH, Cologne	53,881	50,881
HDI AI USD Beteiligungs-GmbH, Cologne	10,767	1,801
Muzinich Pan-European Private Debt I, SCSp	10,000	2,142
UBS Clean Energy Infrastructure Switzerland 2, KmGK, Basle	5,158	5,377
Bridgepoint Credit Opportunities II LP	4,516	4,516
Ares Senior Direct Lending Parallel Fund (U) LP	4,459	6,282
BlackRock European Middle Market Debt II SCSp	2,895	4,628
Five Arrows Direct Lending SCSp	2,730	2,906
Arcmont Senior Lending Fund (SLF I)	2,560	3,057
CVC Credit Partners EU DL II Co-Invest Feeder SCSp	2,335	0
AG DL III Offshore Unlevered LP	2,314	3,966
Projekt Spring -Tranche B- MC	1,641	0
Ares Capital Europe IV (E) Unlevered	1,630	2,761
Ares Capital Europe II (E), L.P.	1,520	1,520
Crown European Private Debt II S.C.Sp.	1,500	3,000
Barings European Private Loan Fund II (unlevered)	1,429	2,478
Monroe Capital Private Credit Fund III LP	1,322	2,769
Muzinich Pan-European Private Debt I SCSp	1,307	0
Violin IFT Bond	0	6,744
Total	**111,965**	**104,828**

There are no further call commitments on shares and interests, notes payable or other contingent liabilities of any kind.

Disclosures regarding the Project IBOR Reform

The IASB published “Interest Rate Benchmark Reform – Phase 2” (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) in connection with phase two of its Interest Rate Benchmark Reform project. The amendments to the Standards were endorsed by the EU in January 2021 and are to be applied for financial years beginning on or after 1 January 2021. The amendments serve the implementation specific issues in connection with the replacement of an existing benchmark interest rate with an alternative interest rate.

A separate implementation project was set up in order to examine the effects of the IBOR reform on the Company and to ensure a smooth transition to alternative benchmark interest rates. The study is being conducted at the level of the respective individual contracts. Furthermore, the implications for the measurement of financial instruments and the corresponding necessary adjustments in the IT systems are under observation. In addition to a portfolio analysis, the effects on accounting and financial reporting were analysed as at 31 December 2021 and our investment strategy was adjusted based on the results. In addition, an announcement was communicated within the Group as well as to counterparties and issuers.

The transition to the alternative benchmark interest rates has been successively implemented since the year 2021, with valuation effects in excess of a previously defined de minimis and/or materiality threshold being offset by the exchange of compensation payments with the respective counterparties.

We would like to point out that certain assets in our portfolio whose contractual terms are not explicitly based on the alternative benchmark interest rates can be subject to valuation effects when these benchmark interest rates are used to determine their fair value. The portfolio at the reporting date includes 37 contracts with a fair value totalling EUR 97,444 thousand whose contractual terms are based on the benchmark interest rates to be reformed and which are affected by the transition to alternative benchmark interest rates. We do not expect the change to have any significant effects on profit or loss.

Risk per category (as at 31.12.2021) affected by the reform

LIBOR Rate (old)	Number of contracts	Market value EUR thousand
USD LIBOR 3M	36	86,322
USD LIBOR 6M	1	11,122

Related party disclosures
The Company is engaged in extensive reinsurance agreements with companies in the Talanx Group. Appropriate considerations are paid and received for all reinsurance coverage as well as any and all services that are received and/or rendered in connection with this protection. To that extent, this business has no effect on the net assets or results of operations when compared to the use and rendering of the described services by or for companies that are not related parties.

In the reporting period, there were no non-arms' length transactions with related parties that were relevant to an assessment of the financial position or results of operations.

Total audit fees
The fee for the independent auditor – broken down into expenses for audit service, for other certification services, and for other services – are included in the consolidated financial statements of HDI Haftpflichtverband der Deutschen Industrie V.a.G. and Talanx AG on a pro-rata basis.

The independent auditor audited the annual financial statements, including the management report and the reporting package prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended 31 December 2021. The reporting packages prepared on a quarterly basis in accordance with IFRS were subjected to a review. In addition, the solvency statement for the year ended 31 December 2021 was audited. Furthermore, assurance engagements were performed in the reporting period based on the International Standard on Assurance Engagements (ISAE) 3000. Moreover, (agreed-upon) procedures were performed in the reporting period based on the International Standard on Assurance Engagements 4400 (ISAE 4400)

Consolidated financial statements
The Company is a group company of the HDI Haftpflichtverband der Deutschen Industrie Versicherungsverein auf Gegenseitigkeit, Hannover and of Talanx AG, Hannover. HDI Haftpflichtverband der Deutschen Industrie Versicherungsverein auf Gegenseitigkeit (the parent company of the HDI Group) prepares consolidated financial statements (for the largest group of companies) according to section 341i HGB in conjunction with section 290 HGB that includes the Company within the basis of consolidation. Talanx AG as the parent company of the Talanx Group is further required to prepare consolidated financial statements (for the smallest group of companies) pursuant to section 341i HGB in conjunction with section 290 HGB, which are prepared – as provided for in section 315e(1) HGB – on the basis of the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) in accordance with article 4 of Regulation (EC) No. 1606/2002. The consolidated financial statements are published in the German Federal Gazette (Bundesanzeiger). The inclusion of HDI Global SE in the consolidated financial statements of HDI Haftpflichtverband der Deutschen Industrie Versicherungsverein auf Gegenseitigkeit and Talanx AG exempts the Company in accordance with section 291(1) HGB from preparing its own consolidated financial statements.

Report on post-balance sheet date events

The effects of the military conflict that began on the territory of Ukraine in February cannot be assessed at this point in time. Geopolitical crises always lead to uncertainty and greater volatility on the capital markets.

HDI Global SE's investments are hardly affected by the military conflict between Russia and Ukraine, as there is only marginal direct exposure to both countries.

The uncertain overall situation does not permit a reliable assessment at this time as to what extent the investments could be indirectly impacted by second-round effects and pending sanctions.

However, the investment portfolios are in a good position to absorb potential second-round effects due to the relatively limited trade relations on the part of Western companies with Russia and Ukraine as well as solid fundamentals in the corporate sector.

We would only be indirectly affected by the financial consequences of the crisis and potential economic sanctions.

There were no other significant events after the closing of the financial year that might have a material effect on the net assets, financial position and results of operations of the Company.

Hannover, 15 February 2022

The Board of Management

Dr. Edgar Puls

Ralph Beutter | Dr Mukadder Erdönmez | Dr Christian Hermelingmeier

David Hullin | Dr. Thomas Kuhnt | Andreas Luberichs

Claire McDonald | Jens Wohlthat

INDEPENDENT AUDITOR’S REPORT

To HDI Global SE, Hannover

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

Audit Opinions

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

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2021 and of its financial performance for the financial year from 1 January to 31 December 2021 in compliance with German Legally Required Accounting Principles, and

- the accompanying management report as a whole provides an appropriate view of the Company’s position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the statement on corporate governance referred to above.

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

Basis for the Audit Opinions

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

Key Audit Matters in the Audit of the Annual Financial Statements

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

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

❶ Measurement of investments

❷ Measurement of the provision for outstanding claims ("loss reserves")

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

① Matter and issue

② Audit approach and findings

③ Reference to further information

Hereinafter we present the key audit matters:

❶ Measurement of investments

① Investments are stated at EUR 8,915 million (76,7 % of total assets) in the Company's annual financial statement. The commercial-law valuation of the individual investments is based on the acquisition costs and the lower fair value. For investments that are not measured on the basis of stock exchange prices or other market prices (e.g. for equity investments not quoted on stock exchanges, registered bonds, notes receivable and loans as well as real estate), there is an elevated measurement risk due to the necessity of using model calculations. In this context judgements, estimates and assumptions are to be made by the management, also regarding possible effects of the ongoing Corona crisis. Minor changes in these assumptions as well as in the methods applied can have a significant effect on the measurement of the investments. The measurement of the investments was particularly important during our audit due to the material importance of the investments for the Company's net assets and results of operations as well as the judgements on the part of management and the associated estimation uncertainties.

② Considering the importance of the investments for the Company's business as a whole, we assessed the models used by the Company and assumptions made by the management during our audit, based, among other things, on our valuation expertise for investments, our industry knowledge and our industry experience. We also assessed the structure and effectiveness of the controls set up by the Company for the valuation of the investments and recognition of the result from investments. Building on this, we conducted further analytical audit procedures and tests of detail with respect to the valuation of the investments. In this context, we also assessed the management's assessment of the impact of the Corona crisis on the valuation of the investments. Among other things, we also closely examined the underlying carrying amounts and their recoverability using the records provided and reviewed the consistent application of valuation methods and proper accrual of the investments. In addition, we assessed the valuation reports obtained by the Company (including the applied valuation parameters and assumptions made) for the Company's key properties. Based on our audit procedures, we were satisfied that the estimates and assumptions made by the management regarding the valuation of investments are justified and sufficiently documented.

③ The Company's disclosures regarding its shares in affiliated companies are contained in the Notes to the annual financial statements in the Section entitled Accounting policies and Assets.

❷ Measurement of the provision for outstanding claims (“loss reserves”)

① In the Company’s annual financial statements, provision for outstanding claims (“loss reserves”) are reported in the gross amount of EUR 12,942,0 million (111.3 % of total liabilities) under the balance sheet item Provision for outstanding claims. Insurance companies are to recognise underwriting provisions insofar as they are necessary based on prudent business judgement in order to ensure the permanent ability to satisfy obligations under insurance contracts. In addition to taking the requirements under German GAAP and regulatory requirements into account, the determination of assumptions in order to measure the underwriting provisions requires an estimation of future events and the application of appropriate valuation methods. This also includes the expected effects of the ongoing Corona crisis on the determination of loss reserves in the affected lines of business. Judgements and assumptions made by the management are based on the methods applied to determine the amount of the provision for outstanding claims as well as the calculation parameters. Minor changes in these assumptions as well as in the methods applied can have a significant effect on the measurement of the provision for outstanding claims. The measurement of the provision for outstanding claims was particularly important during our audit due to the material importance of these provisions for the Company’s net assets and results of operations as well as the management’s significant (accounting) judgements and the associated estimation uncertainties.

② Considering the importance of the provision for outstanding claims for the Company’s business as a whole, we assessed the methods used by the Company and the assumptions made by the management during our audit together with our internal valuation specialists, based, among other things, on our industry knowledge and our industry experience as well as on generally accepted methods. We also assessed the structure and effectiveness of the controls set up by the Company for the determination and recognition of the provision for outstanding claims. Building on this, we conducted further analytical audit procedures and tests of detail with respect to the measurement of the provision for outstanding claims. Among other things, we also reconciled the data underlying the calculation of the settlement amount with the base documents. Accordingly, we closely examined the results calculated by the Company regarding the amount of the provisions on the basis of the applied statutory requirements and reviewed the consistent application of the measurement methods and the proper accrual of the provisions. In this context, we also assessed the management’s assessment of the impact of the Corona crisis on the affected lines of business. Based on our audit procedures, we were satisfied that the estimates and assumptions made by the management regarding the measurement of the provision for outstanding claims are justified and sufficiently documented.

③ The Company's disclosures regarding its provision for outstanding claims are contained in the Notes to the financial statements in the sections entitled Accounting policies and Equity and liabilities.

Other Information

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

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

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

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

- is materially inconsistent with the annual financial statements, with the management report disclosures audited in terms of content or with our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as auditor by the annual general meeting on 4 March 2021. We were engaged by the supervisory board on 15 November 2021. We have been the auditor of the HDI Global SE, Hannover, without interruption since the financial year 2018.

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

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Florian Möller.

Hannover, 3 March 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Florian Möller	Janna Brüning
Wirtschaftsprüfer	Wirtschaftsprüferin
[German public auditor]	[German public auditor]

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This is a translation of the original German text; the German version takes precedence in case of any discrepancies in the translation.
The German version is avaliable on www.bundesanzeiger.de.

Konzernstruktur
Group structure

talanx.

Talanx AG

Geschäftsbereich Industrieversicherung
Industrial Lines Division

- HDI Global SE
- HDI Global Specialty SE
- HDI Versicherung AG (Austria)
- HDI Global Seguros S.A. (Brazil)
- HDI Global Seguros S.A. (Mexico)
- HDI Global Insurance Limited Liability Company (Russia)
- HDI Global SA Ltd. (South Africa)
- HDI Global Insurance Company (USA)
- HDI Global Network AG
- HDI Reinsurance (Ireland) SE

Geschäftsbereich Privat- und Firmenversicherung Deutschland
Retail Germany Division

Schaden/Unfallversicherung *Property/Casualty Insurance* | Lebensversicherung *Life Insurance*

- HDI Deutschland AG
- HDI Versicherung AG
- Lifestyle Protection AG
- neue leben Unfallversicherung AG
- PB Versicherung AG
- TARGO Versicherung AG
- HDI Lebensversicherung AG
- HDI Pensionskasse AG
- Lifestyle Protection Lebensversicherung AG
- neue leben Lebensversicherung AG
- PB Lebensversicherung AG
- PB Pensionsfonds AG
- HDI Pensionsmanagement AG
- TARGO Lebensversicherung AG

Geschäftsbereich Privat- und Firmenversicherung International
Retail International Division

- HDI International AG
- HDI Seguros S.A. (Argentina)
- HDI Seguros S.A. (Brazil)
- HDI Seguros S.A. (Chile)
- HDI Seguros S.A. (Colombia)
- HDI Seguros de Vida S.A. (Colombia)
- HDI Seguros S.A. de C.V. (Mexico)
- HDI Seguros S.A. (Uruguay)
- TUiR WARTA S.A. (Poland)
- TU na Życie WARTA S.A. (Poland)
- TU na Życie Europa S.A. (Poland)
- TU Europa S.A. (Poland)
- OOO Strakhovaya Kompaniya „CiV Life" (Russia)
- HDI Assicurazioni S.p.A. (Italy)
- Magyar Posta Biztosító Zrt. (Hungary)
- Magyar Posta Életbiztosító Zrt. (Hungary)
- HDI Sigorta A.Ş. (Turkey)

Geschäftsbereich Rückversicherung
Reinsurance Division

Schaden-Rückversicherung *Property/Casualty Reinsurance* | Personen-Rückversicherung *Life/Health Reinsurance*

- Hannover Rück SE
- E+S Rückversicherung AG
- Hannover ReTakaful B.S.C. (c) (Bahrain)
- Hannover Re (Bermuda) Ltd.
- Hannover Africa Limited
- Hannover Life Re of Australasia Ltd
- Hannover Life Reassurance Bermuda Ltd.
- Hannover Re (Ireland) DAC
- Hannover Re South Africa Limited
- Hannover Life Reassurance Company of America

Konzernfunktionen
Corporate Operations

- Ampega Asset Management GmbH
- Ampega Investment GmbH
- HDI Service AG
- HDI Systeme AG
- Talanx Reinsurance Broker GmbH

Nur die wesentlichen Beteiligungen
Main participations only

Stand / As at: 31.12.2021

400-GB239

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