Deutsche Rück
Group

Deutsche Rückversicherung Group

2021

GROUP ANNUAL REPORT

Deutsche Rückversicherung Group

ANNUAL REPORT 2021

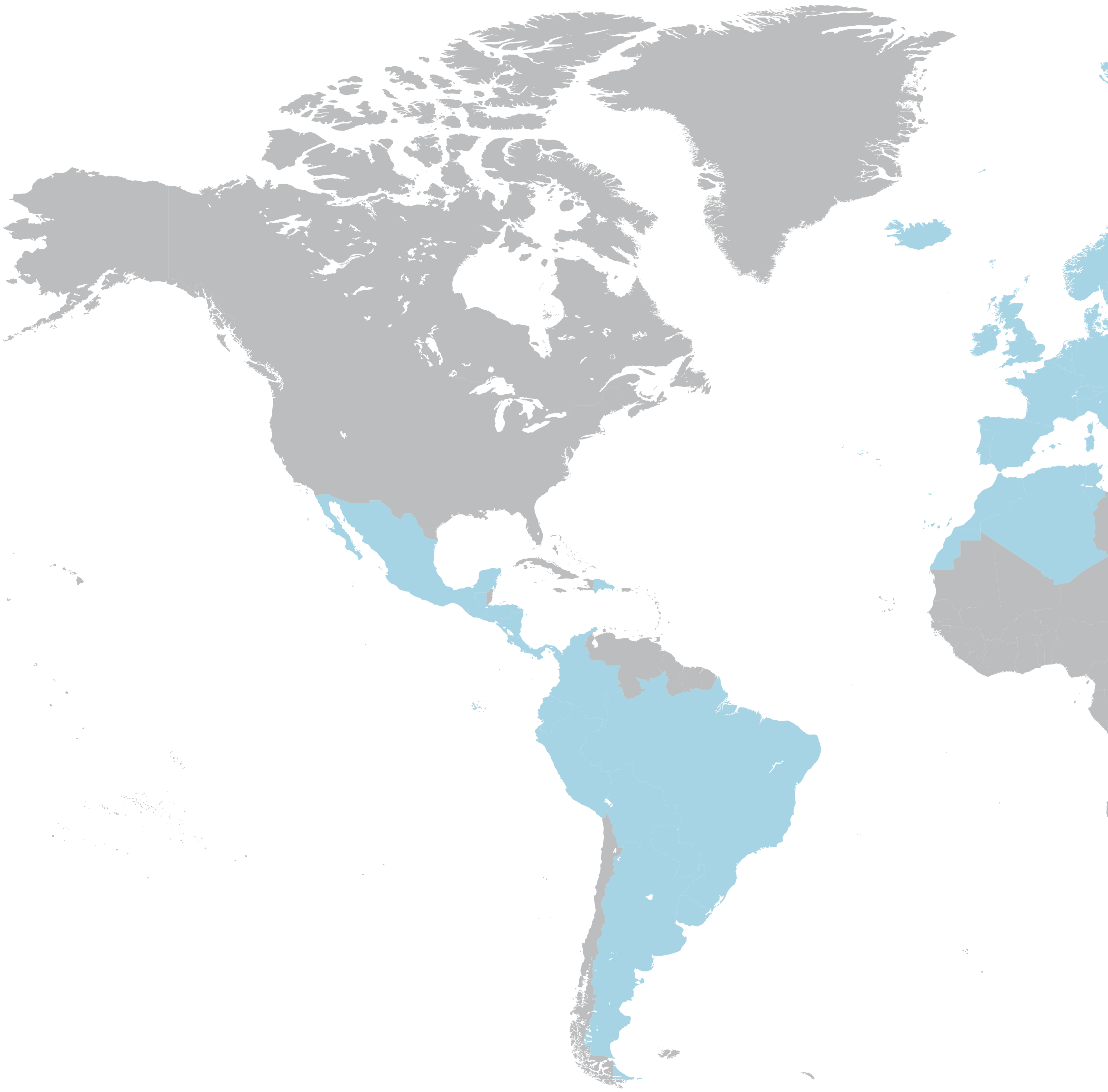
Gross premiums written
€1,392.7 m

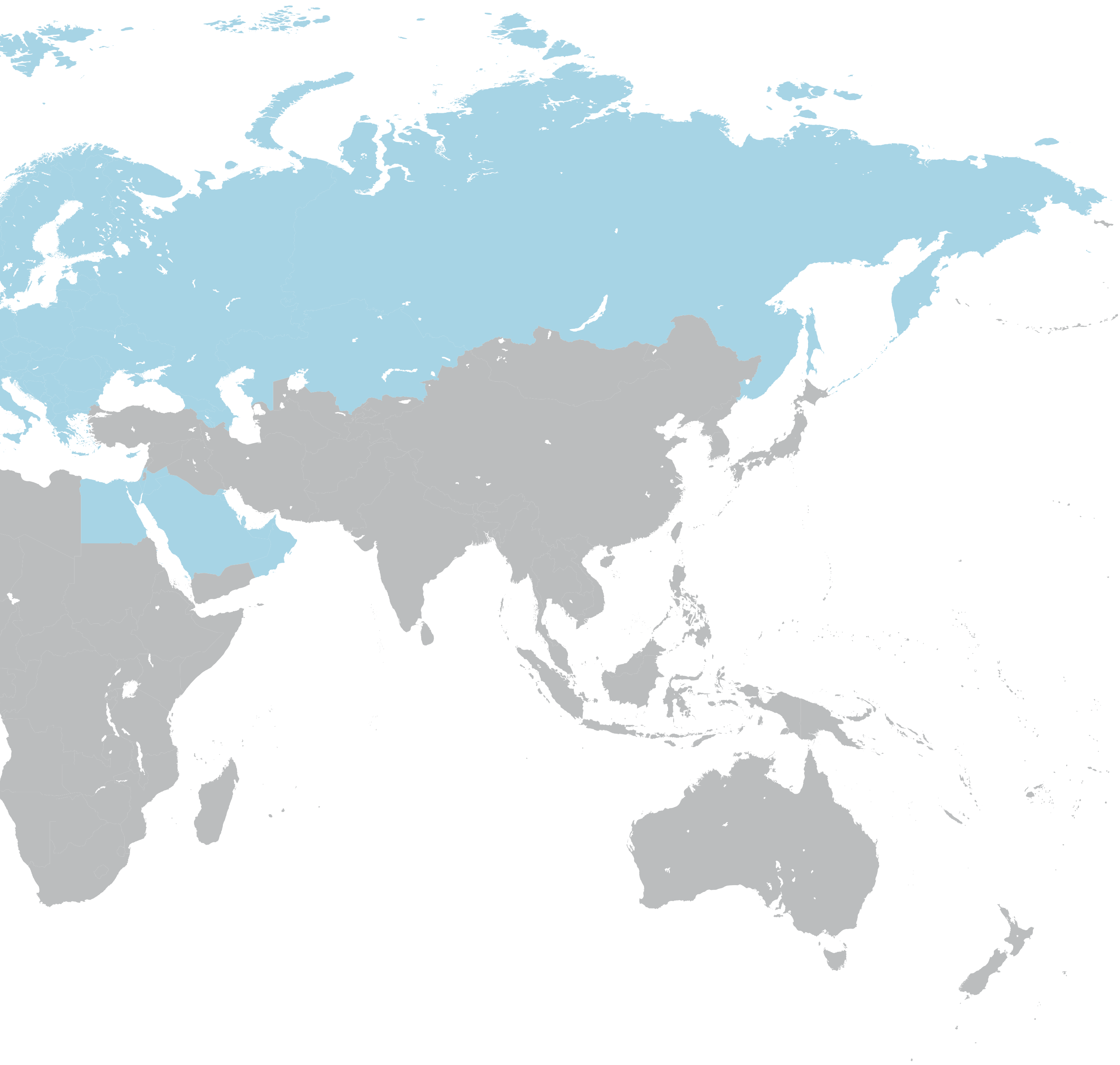
Securities
€2,315.2 m
incl. net provisions for outstanding claims and for future policy benefits

Operating result before tax
€10.8 m

STANDARD & POOR'S
Interactive Rating
very good financial performance
A+

Our markets in 2021





Key figures of the Deutsche Rück Group

FINANCIAL YEARS in €m	2021	2020	2019	2018	2017
Gross premiums written	1,392.7	1,213.3	1,107.9	1,108.4	1,201.6
Net premiums earned	920.3	780.7	736.2	728.8	705.8
Net loss ratio (as % of net premiums earned)	73.2	63.4	68.1	65.3	65.1
Expense ratio – net (as % of net premiums earned)	27.7	32.7	33.5	31.7	30.6
Combined ratio – net (as % of net premiums earned)	101.1	95.9	101.1	97.2	95.8
Underwriting result – net (after change to the equalisation reserves)	–48.0	–41.4	–21.0	–9.4	–20.0
Result of general business	58.8	51.7	46.0	87.7	44.0
Operating result before tax	10.8	10.2	25.0	78.2	24.0
(as % of net premiums earned)	1.2	1.3	3.4	10.7	3.4
Net profit for the year after tax	3.5	9.7	13.5	56.0	3.0
(as % of net premiums earned)	0.4	1.2	1.8	7.7	0.4
Investments incl. deposits retained	2,466.2	2,291.7	2,177.4	1,998.2	1,936.7
(as % of net premiums earned)	268.0	293.5	295.8	274.2	274.4
Current average interest rates as % (total excl. deposits retained as %)	2.8	2.6	2.3	2.7	3.1
Net technical provisions (excl. equalisation reserves)	1,653.0	1,560.1	1,497.0	1,448.7	1,345.1
(as % of net premiums earned)	179.6	199.8	203.3	198.8	190.6
Security (before appropriation of profit)	774.7	758.0	639.2	604.1	529.2
(as % of net premiums earned)	84.2	97.1	86.8	82.9	75.0
thereof: **Balance sheet equity** (before appropriation of profit)	310.2	306.5	300.8	280.8	225.6
(as % of net premiums earned)	33.7	39.3	40.9	38.5	32.0
Hybrid capital	121.8	121.8	61.8	61.8	61.8
(as % of net premiums earned)	13.2	15.6	8.4	8.5	8.7
Equalisation reserves	342.8	329.7	276.7	261.5	241.8
(as % of net premiums earned)	37.3	42.2	37.6	35.9	34.3

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Board of Executive Directors

Frank Schaar, Chief Executive Officer
Achim Bosch
Michael Rohde

From left: Achim Bosch, Frank Schaar (Chief Executive Officer), Michael Rohde.
Photograph from 2019.

Group Management Report

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Group Management Report

BASIS OF THE GROUP

The Deutsche Rück Group is a multi-line reinsurer concentrating on property/casualty insurance. The Group's biggest market is Germany. The Deutsche Rück Group is also expanding its position in European and selected international markets. We place an emphasis on sustainable, long-term business partnerships. The rating agency Standard & Poor's regularly awards the Deutsche Rück Group an "A+" rating, acknowledging the Group's stable long-term financial standing and systematic underwriting policy.

The Group's annual report presents the reinsurance business of the companies Deutsche Rückversicherung AG in Düsseldorf and Deutsche Rückversicherung Switzerland Ltd (DR Swiss) in Zurich, which, as the risk carriers, form the basis for business management. The consolidated balance sheet shows the two risk carriers as one economic unit.

ECONOMIC REPORT

OVERALL ECONOMIC AND SECTOR-SPECIFIC CONDITIONS

Economy and labour market

The ongoing COVID-19 pandemic and the fresh waves of infection that it brought continued to dominate social life in 2021 and once again had a massive impact on the global economy and international financial markets. Although the development of several vaccines has provided new means of protection, these have so far been widely distributed mainly only in developed countries. After protective measures were relaxed in the summer months, the emergence of the delta and omicron variants of the virus caused restrictions to be reimposed in most European countries towards the end of the year.

Despite the ongoing pandemic and increasing supply bottlenecks and shortages of materials, the German economy recovered following the slump in the previous year. Gross domestic product grew by 2.7 %, according to calculations by the Federal Office of Statistics. In the previous year it had contracted by 4.6 % as a result of the pandemic. Germany last experienced a comparable drop during the global financial and economic crisis, when gross domestic product fell by 5.7 % in 2009.

Compared with the previous crisis year of 2020, in which the German economy faced severe restrictions in some areas, economic output recovered in almost all sectors in 2021. It recorded significant year-on-year growth of 4.4 % in manufacturing, while most service sectors also experienced substantial growth. In the trade, transport and hospitality sectors, which have been hit hard by ongoing restrictions due to the pandemic, growth was slightly lower at 3.0 %. Only in the construction industry did economic output decline slightly by 0.4 % compared with 2020.

Despite this growth, economic output has still not returned to pre-crisis levels in most sectors. In manufacturing it was down 6.0 % in 2021 compared with 2019, while gross value added in other service sectors, including sport, culture and entertainment as well as the creative industries, was down as much as 9.9 % on pre-crisis levels.

Private consumer spending stabilised at the previous year's low level. Government spending thus continued to play an important role in propping up the growth of the German economy in 2021. Having already been at a high level in the previous year, it rose by a further 3.4 % in the second year of the pandemic. Gross investment in construction grew by only 0.5 % in 2021 owing to shortages of labour and materials, having previously grown strongly for five consecutive years. Foreign trade recovered from the previous year's massive decline, with exports up 9.4 %, while imports grew by 8.6 %. German foreign trade was therefore down only slightly on pre-crisis levels in 2021.

The consequences of the pandemic and measures taken to contain it continue to affect the labour market. According to the Federal Office of Statistics, the number of people in employment remained stable year on year at 44.9 million, although the COVID-19 crisis had previously put an end to the upward trend that had continued for 14 years, resulting in a drop of 0.8 % in 2020. Figures from the Federal Employment Agency show that the number of people registered as unemployed fell slightly to an average of about 2.6 million in 2021. The unemployment rate fell by 0.2 percentage points to 5.7 %.

Government budgets showed a financing deficit of €153.9 billion at the end of 2021, a further increase compared with the figure of €145.2 billion for 2020 and the second-highest deficit since German reunification.

The recovery of the global economy from the slump caused by the pandemic lost momentum in mid-2021 and has since been sluggish and uneven. Rising COVID-19 infection rates continued to curb economic activity, while supply bottlenecks hindered industrial production. However, economic effects varied. On one hand, the waves of infection are becoming less and less synchronous, while on the other hand, higher incidence rates are now being tolerated in countries with high vaccination rates, without containment measures being taken that weaken the economy. Higher rates of infection in the summer led to economic downturns, particularly in many Asian countries, while the impact in the USA and Europe was generally low.

In the euro zone, the recovery from the decline in production in the winter of 2020/2021 continued almost unabated. However, while incidence rates fell again in the USA and Asia in the autumn, they rose so strongly in Europe that restrictions were reimposed in many countries.

Central and Eastern European countries have so far dealt well with the pandemic in economic terms and have experienced a robust recovery following the slumps in 2020. Gross domestic product grew by 3.7 % in Russia and by 5.3 % in Poland in 2021. However, the smouldering conflict over Ukraine had a negative impact on Russian financial markets and put the Russian currency under pressure. This has so far been offset by high energy prices, which have shored up Russia's national budget.

After Latin America experienced one of the worst recessions in its history in 2020 owing to the pandemic, putting the economic and social achievements of the last three decades at risk, markets have now recovered significantly according to the International Monetary Fund's global economic outlook for 2021. Overall, the region recorded growth of 6.6 % last year. According to the Kiel Institute for the World Economy, Chile, Peru and Colombia all grew strongly. Production declined in Mexico, largely due to the pandemic. Meanwhile, a drop in agricultural production owing to drought, resulting in higher prices, had a major impact on the Brazilian and Argentinian economies.

The Middle East, especially the six countries on the Gulf Cooperation Council (GCC) (Bahrain, Qatar, Kuwait, Oman, Saudi Arabia and the United Arab Emirates), particularly felt the impact of global travel restrictions in 2020, the first year of the crisis, with trade and tourism declining. The downturn in the global economy also led to a substantial reduction in demand for oil. In 2021, the economies of the GCC countries achieved growth of around 3 % again. The World Bank attributes this to the renewed rise in oil prices, which has boosted the recovery of other economic sectors in oil-exporting countries, and to investment in economic diversification and the improved geopolitical situation.

Developments in the insurance market

Despite the economic impact of the ongoing COVID-19 pandemic, initial projections indicate that the German insurance industry recorded premium growth of 1.1 % to €223.4 billion across all lines (previous year: 1.6 %). While premiums in life insurance fell slightly by 1.4 %, premium growth came to 2.2 % in property and casualty insurance and 5.0 % in private health insurance.

The results in property and casualty insurance were heavily influenced by the devastating floods in Rhineland-Palatinate and North Rhine-Westphalia in July. This was the most expensive ever catastrophe of this kind in Germany, with insured losses of over €8 billion, leading to an unprecedented claims burden totalling €12.5 billion from natural hazards alone in 2021 (previous year: €2.0 billion). This resulted in a significant increase in total claims expenditure of 20.3 % to €62.3 billion.

Gross premiums increased slightly by 2.2 % to €76.6 billion in 2021. While premiums stagnated in motor insurance (+0.4 %), insurers recorded significant growth of 5.0 % in both homeowners' comprehensive insurance and property insurance for industry, trade and agriculture. Owing to high claims expenditure, the combined ratio in non-life lines rose to 102.0 % (previous year: 90.7 %) and thus returned to the red for the first time since 2013.

In life insurance, total premium income including pension schemes and pension funds (excluding provisions for premium refunds) fell slightly by 1.4 % to €101.8 billion. This trend was driven by a slight decline in life insurance business with lump-sum premiums, which fell by 4.7 % to €36.5 billion, while business with regular premiums grew slightly by 0.6 % to €65.3 billion.

Premium income of private health insurers rose by 5.0 % to €45.0 billion in 2021. Of this sum, €40.5 billion related to private health insurance (+4.7 %) and €4.5 billion to private long-term care insurance (+7.3 %). Insurance benefits paid out rose slightly by 2.0 % to €31.4 billion.

Western European insurance markets also recorded a significant loss burden from natural catastrophes in 2021. The floods in July led to substantial losses, not only in Germany but in neighbouring countries such as Belgium too. Floods also occurred in Sweden during the summer. Back in January, storm FILOMENA brought heavy snowfall to central Spain and the capital Madrid, leading to significant damage. Insurers in Western European markets systematically began excluding infectious diseases from property and business interruption insurance policies. Overall, premiums were up, particularly in business with trade and industry.

No further significant pandemic-related claims occurred in Central and Eastern European markets in 2021. Apart from Austria, where an unusually high frequency of hailstorms led to a historic claims burden last year, no major claims due to natural catastrophes were recorded in Central and Eastern Europe.

Latin American insurance markets have proved extremely robust in the pandemic, confirming that their growth dynamic is sustainable.

In the GCC countries in the Middle East, efforts at economic diversification and investment in sustainable development and renewable energies have led to reduced dependence on the oil market. Combined with the current geopolitical situation, these factors support growth in insurance and reinsurance markets in the region.

Capital market trends

The pandemic situation continued to have a critical impact on the real economy and on social life in 2021. The negative effects on the global economy were clearly apparent, but, unlike in the previous year, international financial markets were disconnected from this. While supply bottlenecks affected production, the ongoing abundant supply of liquidity from leading central banks propped up financial markets. The US Federal Reserve Bank kept its base rate at 0.25 % for the entire year and continued its bond-buying programme. The European Central Bank also maintained its course, keeping its deposit rate unchanged at –0.5 % and continuing its purchase programmes. Concerns about inflation flared up during the year, causing bond yields to rise.

Prices rose significantly on global stock markets. Following a strong upward trend in the first half of the year, Germany's DAX index recorded a sideways movement during the second half, gaining 15.8 % in net terms over the year as a whole. Other established stock market indices such as the broad-based US S&P 500 index and the Dow Jones EuroStoxx 50 performed similarly during this period. The S&P 500 was up 26.9 % year on year, ending the year close to the new all-time high of 4,766 points reached previously. The European Dow Jones EuroStoxx 50 index climbed 21.0 % to 4,298 points.

Following a sharp rise of 0.91 % to over 1.7 % in the first quarter of 2021, the yield on ten-year US treasuries fluctuated considerably as the year went on. Having fallen to around 1.2 % in the summer, it was back up at 1.51 % by the end of the year. The return on ten-year German government bonds developed similarly, but at a much lower level. Having stood at –0.57 % at the beginning of the year, it rose to around –0.18 % at the end of the year – a net increase of 39 basis points.

The euro lost ground against the US dollar in net terms, beginning the year at around USD 1.22 and falling continuously to approximately USD 1.14 by the end of the year. There was a mixed picture for commodities in 2021. The price of crude oil, which had stood at around USD 52 per barrel of Brent at the beginning of the year, rose sharply and closed the year at around USD 78 per barrel, an increase of about 51 % over the year as a whole. The gold price, in contrast, fell slightly from USD 1,899 to USD 1,829 per fine ounce, a net loss of 3.6 %.

BUSINESS PERFORMANCE AND RESULTS OF OPERATIONS

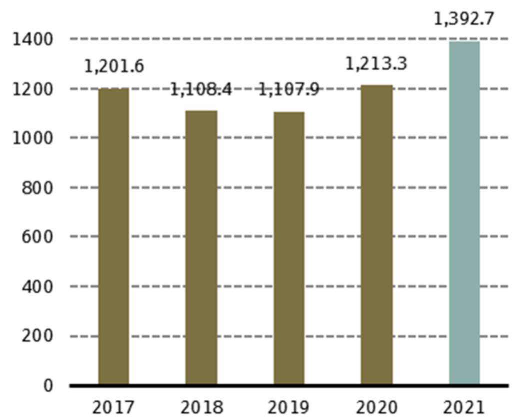
Technical business

The Group's earnings depend on premium income, the combined ratio, the technical result and investment income. These are regarded as the most important performance indicators and are explained below.

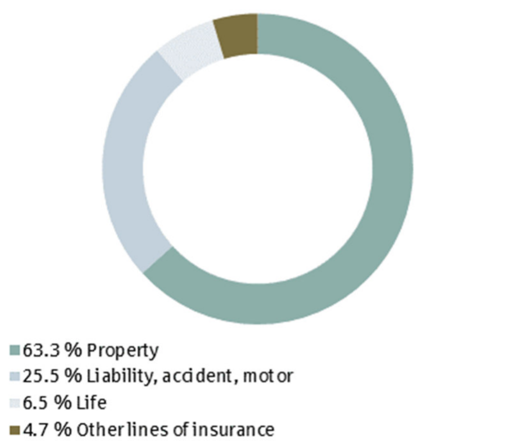
Premium income

PREMIUM INCOME BY CLASS OF BUSINESS FOR 2021	Gross premiums written		Net premiums earned	
		Difference to 2020		Difference to 2020
	in €'000	in %	in €'000	in %
Property	881,209	+ 12.3	472,438	+ 18.2
Liability, accident, motor	355,419	+ 35.8	348,474	+ 34.9
Life	89,923	+ 10.7	37,757	+ 8.0
Other lines of insurance	66,107	– 23.0	61,650	– 29.8
Total	**1,392,658**	**+ 14.8**	**920,318**	**+ 17.9**

DEVELOPMENT OF GPE 2017 – 2021
in €m



PORTFOLIO STRUCTURE 2021
Share in gross premiums in %



Gross premiums written in the Group grew significantly in the 2021 financial year, rising by €179,327K or 14.8 % from €1,213,331K in the previous year to €1,392,658K in the year under review. The strongest premium growth was recorded in the property insurance segment and specifically in fire business. Growth in liability, accident and motor insurance business was similarly high. Premium income also rose year on year in life reinsurance. By contrast, other lines of insurance, which mainly comprise the residual credit business of public insurers that is being wound up, reported a decline in premiums owing to cancellation premiums.

Premiums for our retrocessions increased by €25,708K or 5.9 % to €463,554K in the year under review.

Premiums earned for own account rose by €153,619K or 19.8 % to €929,103K. **Net premiums earned** were up €139,577K or 17.9 % at €920,318K.

In **property business**, which accounts for almost two thirds of our total gross premiums, premium income grew by €96,662K or 12.3 % from €784,547K to €881,209K. Fire business accounted for the largest share of this growth, with additional income of €58,971K. All other property insurance lines also recorded growth in premiums. As a large portion of the parent company's property portfolio is retroceded, this meant that premiums earned for own account came to €472,438K, up €72,781K (+18.2 %) on the previous year's volume.

Gross premium income in **liability, accident and motor insurance business**, the second-largest segment in our portfolio, came to €355,419K in the year under review, up €93,742K on the previous year. Motor liability insurance business accounted for growth of €72,670K. Other than the accident line, which recorded a drop in premiums, the other lines of business in this segment also reported growth. Since liability, accident and motor insurance business is predominantly retained for own account, net premiums earned were only marginally lower than gross premiums, at €348,474K.

Gross premiums in **life reinsurance** increased by 10.7 % to €89,923K, with most of this growth coming from client relationships in German market business. Net premiums earned were up €2,784K year on year at €37,757K.

Other lines of insurance were still feeling the effects of the restructuring of residual credit business in the year under review in the form of negative premiums due to cancellations. Gross premiums declined by €19,764K or 23.0 % year on year to €66,107K. Net premiums earned for own account fell by €26,194K to €61,649K.

Claims expenditure

Storm BERND and an increased number of fire claims led to a substantial rise in gross claims expenditure. Following a gross burden of €676,441K in the previous year, the loss burden in the year under review increased by €455,618K to €1,132,059K. The **gross loss ratio** rose accordingly from 54.9 % to 80.2 %. Through our retrocession scheme, which is geared towards property business, we were able to significantly reduce gross claims expenditure in the affected lines. Our retrocession instruments provided total relief of €458,712K in the year under review (previous year: €181,130K). This left a claims burden for own account of €673,347K, up €178,036K compared with the previous year's claims expenditure of €495,311K. In relation to net premiums earned, the **net loss ratio** rose by 9.8 percentage points from 63.4 % to 73.2 %.

Storm BERND and other smaller storms, coupled with a higher number of fire claims with a larger average amount per claim compared with the previous year, led to a considerably higher gross claims burden in **property business**. Compared with the previous year's figure of €446,016K, gross claims expenditure increased by €354,383K to €800,400K in the year under review. Homeowners' comprehensive insurance and the windstorm line of business were the worst affected, with an additional burden of

€197,779K. The gross loss ratio increased from 38.2 % in the previous year to 96.0 % in the year under review. Our retrocessions provided the largest amount of relief in natural hazards business in the year under review. Nevertheless, the claims burden for own account increased significantly, with the loss ratio for own account rising by 37.1 percentage points to 78.0 %.

Gross claims expenditure was also high in fire business (fire, business interruption and extended coverage) in the year under review. With a burden of €431,942K, claims expenditure was up €139,721K compared with the previous year. The gross loss ratio rose accordingly by 18.2 percentage points to 92.0 %. Once again, our retrocession instruments provided relief in this segment. The loss ratio for own account remained stable year on year at 81.9 %.

In **liability, accident and motor insurance business**, the gross claims burden grew by €93,850K from €181,176K in the previous year to €275,027K in the year under review. Motor insurance business accounted for a large share of this increase. Claims expenditure in motor liability insurance business increased owing to growth in the portfolio, while the increase in other motor insurance was due to claims resulting from storm BERND. In the liability and accident insurance lines, in which business is underwritten gross for net, the claims burden is also higher than in the previous year. The gross loss ratio rose by 9.0 percentage points from 68.9 % to 77.9 %. Since a large proportion of this business is retained for own account, this also roughly reflects the development in business for own account (net loss ratio of 76.3 %).

Net claims expenditure in **life insurance business** fell significantly in the year under review. The net loss ratio declined accordingly by 40.0 percentage points from 53.6 % to 13.6 %.

In **other lines of insurance**, which include most of the residual credit business, claims expenditure rose again year on year in both gross and net terms. In relation to gross premiums earned, the gross loss ratio increased from 21.3 % to 50.1 %. The loss ratio for own account also rose from 38.7 % to 62.7 %.

The net loss ratio for non-life business rose by 11.8 percentage points from 63.9 % to 75.7 %.

Operating expenses

Operating expenses did not increase in proportion to growth in premiums, as in many cases they depend on the development of claims. Very high overall claims expenditure resulted in a smaller increase in operating expenses, which rose from €399,413K to €406,508K in gross terms. Expenses also increased on the retrocession side, with net expenses for insurance operations rising from €253,688K to €257,506K. In relation to the higher net premiums, the net expense ratio for all classes fell from 32.7 % to 29.7 %.

Other technical expenses

As well as fire protection tax, changes in other provisions are consolidated under this item. While fire protection tax was higher in the year under review, other expenses fell. In total, other technical expenses declined by €3,506K to €23,181K in the year under review.

Technical result

Following a profit of €11,599K in the previous year, the net technical account before changes to equalisation reserves closed the year under review with a loss of €34,921K. A sum of €13,113K was allocated to equalisation reserves and similar provisions in the year under review.

The technical account before the change in equalisation reserves and similar provisions therefore closed 2021 with a loss of €48,033K (previous year: loss of €41,437K).

Non-technical business

Investment income

The Group generated investment income of €65,625K for the 2021 financial year, a year-on-year increase of 13.3 %. After deduction of interest income on technical provisions of €1,087K, €64,538K remained (previous year: €56,244K).

While dividends from participating interests were up by €4,407K, proportional profit contributions from associated companies fell in the year under review (€–4,083K).

Income from other investments grew by €7,574K to a total of €52,809K. Income from investment fund units, particularly due to higher dividend payouts from the master fund, accounted for a significant proportion of this, at €4,831K. Owing to an increase in the volume of property financing granted, current income from mortgages, land charge and annuity land charge claims grew by €2,481K. Current income from other loans increased by €1,437K.

The balance of write-backs and write-downs came to €–9,595K in the year under review, well below the previous year’s balance of €–1,013K. Write-backs came to €2,450K, similar to the previous year’s level of €2,221K. Write-downs, on the other hand, increased to €12,045K, mainly owing to a precautionary write-down on a loan secured by land charges.

The positive balance of €11,064K from gains and losses on the disposal of investments not only offset the balance of write-backs and write-downs, but also contributed to an increase in profits. While gains on disposal were high, at €11,752K, losses on disposal came to only €687K.

Overall, the Group's current average interest yield, which takes into account not only regular income but also regular expenses, amounted to 2.8 % (previous year: 2.6 %).

Other non-technical result
As expected, the balance of other income and other expenses was negative in the year under review, at €5,714K (previous year: €4,559K). The increase in other income was due to higher exchange rate gains, while the rise in other expenses was due to interest charges for subordinated liabilities.

The non-technical account closed the year under review with a profit of €58,824K (previous year: €51,685K). Due in particular to the significant rise in investment income to €65,538K (previous year: €56,243K), and after taking into account the technical result for own account of € –48,033K, the operating result before tax improved slightly by €543K to €10,791K (previous year: €10,248K).

Net profit for the year and balance sheet profit
Tax expenses came to €7,269K in the year under review, well above the previous year's figure of €520K. Differences in the amounts shown for claims provisions, pension provisions and investments in the parent company's accounts prepared for tax purposes have a significant impact on tax expenses.

The net profit for the year after tax came to €3,522K in the year under review (previous year: €9,728K), which was increased to €4,215K (previous year: €10,961K) by the external shareholders' share of €693K in the result of DR Swiss.

Taking into account the consolidated profit carry forward of €42,670K and the external shareholders' share in the result carried forward for DR Swiss (€4,800K), a total consolidated balance sheet profit of €51,685K was achieved for the year under review (previous year: €50,666K).

NET ASSETS AND FINANCIAL POSITION

Net assets are influenced by the insurance business. Investments excluding deposits retained predominate on the assets side of the balance sheet, with a share in the Group's total assets of 79.4 % as at the balance sheet date (previous year: 83.8 %). The equity and liabilities side is dominated by net technical provisions, with a share of 67.6 % (previous year: 72.9 %).

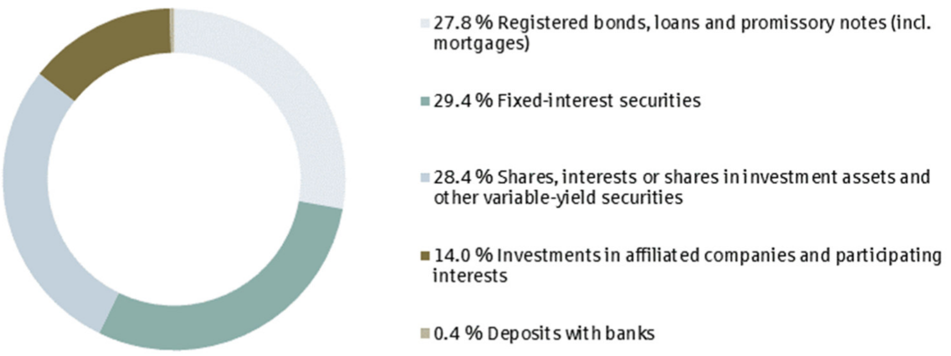
Assets

Investments excluding deposits retained increased by €172,371K to €2,344,715K in the year under review. With the exception of deposits with banks, our portfolios grew in all asset classes. At €56,336K, the asset class "shares, interests or shares in investment assets and other variable-yield securities" accounted for the largest portion of this growth, followed by the asset class "registered bonds, loans and promissory notes (including mortgages)" with growth of €46,145K, most of which came from the granting of loans secured by land charges. Payments into new and existing participating interests led to an increase of €39,891K in the asset class "shares in affiliated companies and participating interests". The asset class "fixed-interest securities" also contributed to overall growth, with a share of €33,000K.

INVESTMENT PORTFOLIO STRUCTURE	2021		2020	
	in €'000	in %	in €'000	in %
Shares in affiliated companies and participating interests	328,691	14.0	288,800	13.3
Shares, interests or shares in investment assets and other variable-yield securities	665,252	28.4	608,917	28.0
Fixed-interest securities	688,510	29.4	655,510	30.2
Registered bonds, loans and promissory notes (incl. mortgages)	651,761	27.8	605,616	27.9
Deposits with banks	10,501	0.4	13,501	0.6
Total	**2,344,715**	**100.0**	**2,172,343**	**100.0**

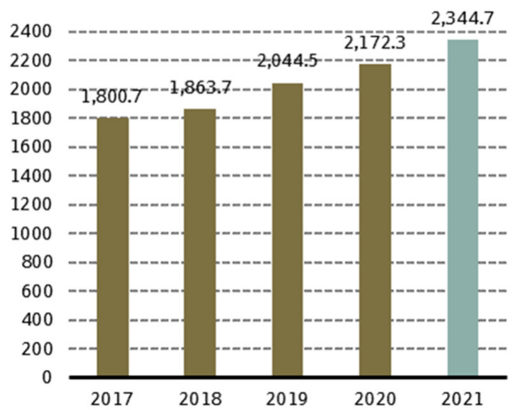
INVESTMENT STRUCTURE AS AT 31 DECEMBER 2021

in %



INVESTMENT PERFORMANCE 2017 – 2021

in €m



Receivables and other assets increased significantly in the year under review by €186,598K to €473,894K. Accounts receivable from reinsurance business accounted for most of this increase. Other receivables grew slightly by €4,022K, while cash at banks fell by €2,292K.

Liabilities and shareholders' equity

Balance sheet equity increased by a total of €3,682K in the year under review to €310,165K. Retained earnings attributable to Deutsche Rückversicherung AG were up by €900K owing to exchange rate effects. Taking into account the dividend paid to shareholders in Deutsche Rückversicherung AG and the profit for the year, the balance sheet profit increased by €1,020K to €51,686K. Minority interests increased by €1,762K to a total of €48,244K, largely owing to exchange rate effects.

Equalisation reserves and similar provisions were strengthened in the year under review with an addition of €13,113K.

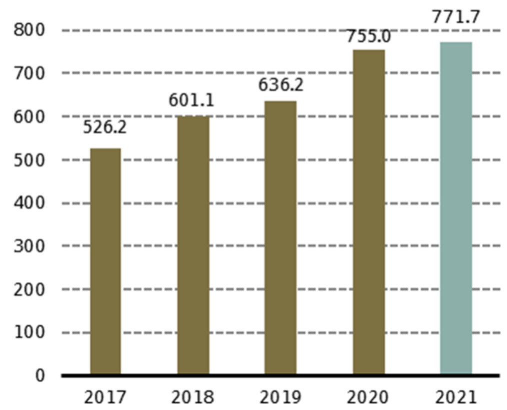
Hybrid capital (subordinated liabilities) remained unchanged at €121,750K.

Taking into account the balance sheet profit after appropriation of profit (dividend of €3,000K), our equity capital came to €771,748K in the year under review, up €16,795K compared with the previous year. In relation to the net premiums earned, this equates to a ratio of 83.9 % (previous year: 96.7 %).

The rating agency Standard & Poor's says that the Deutsche Rück Group has a strong capital base at AAA level and a sound financial standing.

DEVELOPMENT OF SECURITY 2017–2021

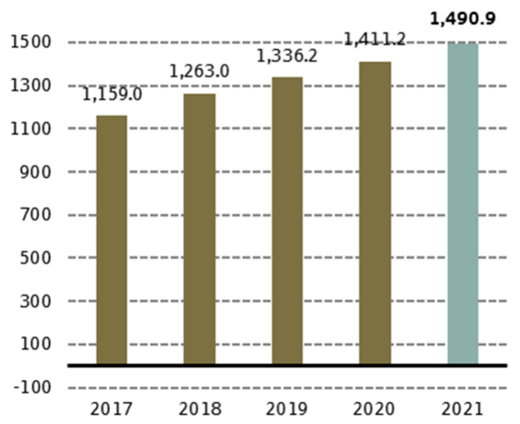
in €m



Balance sheet equity (after appropriation of profit), profit-sharing rights outstanding and equalisation reserves

Net technical provisions grew by €106,036K to €1,955,832K in the year under review. At €1,490,911K, the majority of net provisions related to claims provisions (net).

DEVELOPMENT OF CLAIMS PROVISIONS 2017 – 2021
in €m



Liabilities were up significantly year on year, at €451,653K. Accounts payable on reinsurance business, which increased from €162,136K to €404,158K, accounted for a substantial proportion of this sum. Liabilities to banks from cash collateral received in the course of collateral management fell by €4,720K, while other liabilities grew by €5,634K.

Financial and liquidity position

Our active liquidity management aims to ensure that our payment obligations are fulfilled at all times. Incoming and outgoing payment flows, mainly from reinsurance business and investments, are taken into account in financial planning. We also counter risks arising from unforeseeable liquidity requirements by ensuring that our investments have a balanced maturity structure. This ensured that we were able to meet our payment obligations at all times in the last financial year and will continue to do so in future.

For further detailed information about the liquidity situation, please refer to the comments on the cash flow statement.

Rating: A+

The rating agency Standard & Poor's once again confirmed its rating of "A+" and maintained its outlook of "stable" for the Deutsche Rück Group. Thanks to Deutsche Rück's solid, "AAA"-level capitalisation, its efficient retrocession structure and extensive loss provisions, the rating agency does not foresee any significant negative effects on the Group's results or capitalisation.

The Standard & Poor's report once again highlighted the Deutsche Rück Group's international business expansion strategy as one of the drivers behind the growth and diversification of the portfolio. With this in mind, Standard & Poor's has confirmed its "A+" rating and the company's ongoing positive business performance with a stable outlook.

Sustainable investment

Sustainability criteria play a strategically important part in the management of our investments, simply because of our long-term business model as a reinsurer. At the Deutsche Rück Group, we are also aware of our responsibility to the environment and society and therefore take sustainable investment very seriously. To that end, we have integrated relevant environmental, social and governance issues (ESG criteria) into our investment processes.

The investors' initiative PRI (Principles for Responsible Investment), which we signed up to in 2019, serves as a framework for sustainable action in the field of investment. PRI is a globally recognised financial initiative for responsible investment created as a spin-off from the UN partner organisations Global Compact and UNEPFI. The six principles of PRI form the basis of our guidelines for responsible investment.

We are continuously refining our approach to sustainable investment management on this basis. To that end, we promote sustainable initiatives as a member and supporter, cooperating with partners including other investors from different financial institutions. We seek to drive forward sustainable development in various sectors through impact investments. As well as generating a return, these investments must in particular aim to have a positive social and/or environmental impact that is measurable and must report in a transparent manner on the achievement of these objectives.

The Deutsche Rück Group aims to actively influence companies' sustainability decisions through engagement and by exercising its voting rights as part of "active ownership". As an active investor, we want to lead by example and encourage the companies we invest in to take a sustainable approach. Practising "active ownership" is therefore an important component of our commitment to sustainable investment.

OVERALL STATEMENT ON THE GROUP'S ECONOMIC POSITION

For the Deutsche Rück Group, the 2021 financial year was marked by a significant increase in net premiums earned, but also by a sharp rise in the net claims burden, due in particular to storm BERND. Taking into account a slight rise in operating expenses, we sustained a technical loss overall, which increased as a result of an addition to equalisation reserves and similar provisions. We generated higher income from our investments than in the previous year. The operating result before tax therefore showed a profit at the same level as in the previous year. After deduction of taxes on income, the net profit for the year was down on 2020.

The Group once again strengthened its assets on a lasting basis, which is reflected in its strong capital base at AAA level. The rating agency Standard & Poor's once again awarded us a rating of "A+" with a stable outlook in 2021.

RISK REPORT

RISK MANAGEMENT: STRATEGIC FRAMEWORK

The risk strategy, which is derived from the business strategy, defines the risks that are considered acceptable in the course of normal business activities and documents the level of risk tolerance stipulated by the Board of Executive Directors and reviewed annually. This is based on the company's risk-bearing resources and on fundamental strategic considerations.

RISK MANAGEMENT PROCESS: AN INTEGRAL COMPONENT OF BUSINESS OPERATIONS

Identification of risks and risk management organisation

Identification of risks is organised on a decentralised basis in the Deutsche Rück Group and is the responsibility of the individual companies. The results are centrally compiled by the Risk Management department. Risks are filtered according to the possible size of claims and probability of occurrence; those that have a major impact on the Group's net assets, financial position and results of operations are documented in the risk report.

Measurement and evaluation of risks

The core task of risk management is to analyse the overall risk situation on a regular basis from different risk perspectives. The most important element is the internal risk model underlying our risk management and optimisation. Two other risk perspectives are considered in addition to the internal risk model, so that model and parameter risks can also be minimised. These are:

- Rating
- Balance sheet result (German Commercial Code)

Multi-year projection and forecasts of key risk indicators and analyses of the development of the risk situation from different risk perspectives are regularly summarised in a risk report. As well as key risk indicators at the level of the company as a whole, material risks relating to underwriting and investment are managed through additional processes. Risk management in underwriting is based on the budget process during the renewals phase. This includes retrocession and strategic asset allocation of investments. The monthly Investment Committee meetings and their reports constitute central elements of the investment risk management process. Ad hoc reporting is in place for exceptional developments concerning major and accumulation losses in the property classes and on the capital market. In addition, the reported major losses are summarised each month in comparison with the same period of the preceding year.

Investment strategy

Investment strategy in the Group is based on the respective strategic asset allocation at the individual companies, in collaboration with the relevant company organs.

RISK REPORTING AND RISK TRANSPARENCY

Risk report and ORSA report

In the risk report, Deutsche Rück reports to the Board of Executive Directors and Supervisory Board on the overall risk situation and on exposures to potential individual risks. The reporting process is based on meetings of the Supervisory Board (three ordinary meetings in 2021). In its current edition, the report ensures the transparency of the risk situation of Deutsche Rückversicherung AG, Deutsche Rückversicherung Switzerland Ltd (DR Swiss), the Deutsche Rück Group and the Deutsche Rückversicherung regulatory group of companies on the basis of the aforementioned risk perspectives. In particular, the risk report takes account of the development of key risk indicators over time, as well as of the drivers of change and the effects of risk management measures.

The ORSA reports for Deutsche Rückversicherung AG and the Deutsche Rückversicherung regulatory group of companies were submitted to BaFin in December 2021. They document the results of the entire risk management process and assess them in the context of corporate planning for the next three years. The required content of the ORSA reports is specified by the regulatory authority, and the reports are a fundamental component of the regulatory Solvency II process.

Risk information system

The risk information system supports the integrated risk management process and promotes risk transparency as well as the risk culture in the company. The risk management organisation and results of risk workshops are documented in the risk information system. The person in charge, the risk-specific analysis and control methods and various scenarios, together with the probability of occurrence and the associated impact in gross and net terms, are documented for each identified individual risk. Risks are calculated in relation to the company's equity capital using risk matrices, to analyse their potential threat to the limits specified in the risk strategy. Risk analysis and risk control documents relating to individual corporate units are also incorporated into the system. The risk information system is available to all employees for research purposes.

RISK CONTROL FUNCTIONS AS PART OF THE RISK MANAGEMENT PROCESS

The following functions play a major part in the risk controlling process at our company:

Supervisory boards

The reinsurance companies in the Deutsche Rück Group have two supervisory boards: the Supervisory Board of Deutsche Rück and the Board of Directors of DR Swiss in accordance with the monistic management structure pursuant to the Swiss Code of Obligations. Within the framework of internal ORSA and risk reports, the Supervisory Board ensures that appropriate systems, methods and processes have been set up for implementing the risk strategy and assesses the reports on the company's risk exposure that are submitted to the Supervisory Board. The Supervisory Board is responsible both for Deutsche Rück and for the Group as a whole.

Board of Executive Directors

The Board of Executive Directors has overall responsibility for risk management, which includes the establishment of an early warning system. It defines the risk strategy in consultation with the Supervisory Board and monitors the risk profile on an ongoing basis.

Risk management function (RMF)

The RMF is responsible for risk management at Deutsche Rück. It is assigned to the Risk Management department (RM). At the level of the Deutsche Rück Group, it is responsible for developing and implementing strategies, methods, processes and reporting procedures that are necessary in order to continuously identify, measure, monitor, manage and report on potential risks or risks that have been entered into, on an individual and aggregate basis, as well as their interdependencies. It is generally responsible for monitoring the risk management system and identifies possible weaknesses, reports on these to the Board of Executive Directors and develops proposals for improvements. In particular, the RMF is responsible for all processes that are relevant to risk, such as the ORSA process and risk reporting.

Central Underwriting Management (CUM)

At the Düsseldorf site, CUM is responsible for operational management of underwriting in non-life business and thus for the ongoing development of operational recommendations for action with respect to utilisation of the risk capital, diversification and profitability. CUM develops the rating instruments, particularly NatCat assessment models, and formulates the underwriting guidelines. The results of its work are incorporated into the internal non-life risk model (RATech), which measures premium risks and catastrophe risks, and the results of its risk analyses serve as the basis for the company's main management instruments.

Underwriting Committee (UWC)

The Underwriting Committee in Düsseldorf and Zurich gives advice in defined cases on the procedure to be adopted for major business transactions when decisions are required on underwriting. The UWC is made up of managers from the Market, Underwriting and Controlling units and from the RMF.

Controlling

The Controlling department is responsible for the Group-wide management and controlling process. The management of the company as a whole in accordance with commercial law and our values is based on this process, supported by the rating process. The management parameters that are relevant to the company as a whole are monitored and analysed as part of this. The department also develops the central systems that form the basis for the necessary analyses.

Actuarial Reserve Services (actuarial function)

Actuarial Reserve Services is assigned to Controlling/Risk Management and System Management. The actuarial function is directly subordinate to the Board of Executive Directors in performing its duties and reports directly to it. Actuarial Reserve Services is responsible for the economic evaluation of the Deutsche Rück Group's claims provisions. It develops and defines appropriate analytical tools and undertakes the evaluation processes in consultation with CUM. This collaboration also serves to promote a common understanding of the data and results. The actuarial function carries out the valuation of reserves within the meaning of Solvency II.

Compliance function

As part of the Legal and Compliance department, the compliance function is responsible for monitoring Group-wide compliance with the statutory regulations governing the company's business operations. Compliance with the law forms the basis of all the Group companies' business activities.

Internal Auditing

The internal auditing function carries out regular checks in the business units, verifying the structures and processes, adherence to internal regulations and legal provisions, as well as the correct nature of the workflows. It performs its tasks autonomously and is process-independent and risk-oriented. It reports directly to management. The company makes use of external expertise in individual cases when conducting audits.

SIGNIFICANT RISKS

Risks can in principle arise in all areas, functions and processes. We structure risks in five different risk categories:

1. Non-life reinsurance risks
2. Life reinsurance risks
3. Investment and credit risks
4. Operational risks
5. Other risks

1. Non-life reinsurance risks

The **premium/claims risk** is the risk that costs or benefits due could turn out to be higher than was assumed when the premiums were calculated.

The **reserve risk** describes the risk that emerges when the provision for outstanding claims is not adequate, as losses incurred are not yet known or insufficient reserves have been set up to cover known losses. Reserves may have been calculated with insufficient allowance or no allowance at all for extraordinary events resulting in exceptionally high loss frequencies or amounts.

The **retrocession risk** refers to the risk that the retrocession scheme may be inadequate or may not be appropriately structured to cover the majority of claims in the case of an extreme event. Such an event may be an extreme individual loss, an accumulation loss made up of a large number of small claims or a combination of the two.

Natural hazard/accumulation risks, such as windstorms, floods, earthquakes or hail, pose the greatest risks to the Deutsche Rück Group. Risk exposure in this area is therefore actively managed as part of the underwriting and retrocession process. The Group companies have developed internal risk models for optimum analysis of risks.

Adequate risk management is in place for **terrorism losses**. A threat to the survival of the company as a result of extreme events is virtually ruled out, due to the high degree of diversification within the portfolio and the comparatively small risk coverage.

2. Life reinsurance risks

Biometric risks are of major importance in life insurance. We are guided not only by our own analyses and statistical evaluations, but also by the accounting principles of our cedants and the probability tables of the German Association of Actuaries (DAV). A review of the mortality and disability tables currently used may lead to the need for additional reserves in the future. In our estimation, the extent of our reserves is appropriate and adequate and contains a sufficient safety margin for the future.

The **premium/claims risk** is the risk that costs or benefits due could turn out to be higher than was assumed when the premiums were calculated. Claims payment calculations may have made insufficient allowance or no allowance at all for such extraordinary events as accumulation losses or terrorist attacks.

The term **reserve risk** refers to the risk that the reserves set up may not suffice to settle all claims.

Interest rate guarantee risks and lapse risks are merely of secondary importance to the Deutsche Rück Group as a reinsurance company. The interest rate guarantee risk does not apply, as the Group only shares in mortality and disability risks, but not in the cedants' investment risk. The lapse risk is taken into account through appropriate cancellation clauses in the quotation and in the terms of the treaty. In this way, the impact on the technical result is limited, even in the event of negative deviations from the expected development.

Tools for limiting risks

The Deutsche Rück Group applies various tools to control and limit risks in life and non-life reinsurance. The most important tools are summarised below:

Underwriting guidelines and limits

Underwriting guidelines specify exactly which responsible unit may underwrite which reinsurance treaties and up to which amounts throughout the Group. The underwriting guidelines also stipulate that the double-checking principle must be applied throughout. Limits of indemnity are also specified and monitored regularly. Moreover, ongoing profitability measurements and accumulation checks ensure that risks remain manageable.

Retrocession

This is an essential tool for limiting risks. The Deutsche Rück Group has adequate retrocession cover, with a special emphasis on covering major and accumulation losses. Based on extensive analyses and a retrocession scheme tailored to our individual needs, we ensure on one hand that there is always sufficient cover for extreme events and on the other that the costs of retrocession remain economical.

Monitoring technical provisions

Provisions for uncertain liabilities stemming from obligations assumed are regularly checked by Actuarial Reserve Services using recognised actuarial methods. The run-off is monitored on an ongoing basis.

Loss ratios and run-off results

The results of systematic control and monitoring of technical risks are documented in the table of loss ratios and run-off results. It shows the corresponding ratios for own account in non-life reinsurance business over the last ten years.

NET NON-LIFE LOSS RATIOS AND RUN-OFF RESULTS

in %	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Loss ratios as % of earned premiums	75.7	63.9	69.2	66.0	66.9	66.0	69.6	75.3	86.1	72.0
Run-off results as % of provision for outstanding claims	–0.4	0.3	–1.5	11.7	9.1	9.3	13.1	6.4	15.4	14.8

3. Investment and credit risks

The investment and retrocession of insurance transactions gives rise to the following investment and credit risks:

Market price risks: These can arise from potential losses due to unfavourable changes in market prices, particularly on the equity, real estate and interest rate markets. In economic terms, changes in interest rates affect not only the assets side but also the liabilities side of the balance sheet. Any mismatch between the maturity structures of assets and liabilities gives rise to an economic risk.

Credit and creditworthiness risks: The value of existing receivables may go down as a result of changes in the assessment of the creditworthiness of issuers or contractual partners. Besides credit risks resulting from the purchase of investments, the risk of default by retrocessionaires also plays an important part.

Liquidity risks: Untimely inflows and outflows of liquidity may make unscheduled disposals of investments necessary. Depending on how tradable the various investments are, this can lead to opportunity costs of varying magnitude due to reductions in price and/or to losses.

Currency risks: Changes in exchange rates may lead to losses due to mismatches between investments and technical obligations with respect to underwriting. Even if an investment strategy based on matching maturities is followed, risks may still exist as a result of misjudgements with regard to the level of claims provisions.

Tools for controlling and monitoring investment and credit risks

Our investment management is based on the principles of adequate profitability combined with a high level of security. Along with the necessary distribution of risk, adequate liquidity of investments must be maintained at all times. These principles are monitored by means of ongoing reporting with regular valuation of portfolios. Our portfolio managers work in accordance with investment guidelines that are regularly reviewed and adjusted to the changing environment.

Stress tests and value-at-risk analyses for assessing market risks

We measure market price risks for annuity portfolios and equities using stress tests that simulate the effects of unexpected fluctuations in the market. As well as stress tests that are prescribed by the regulator, Group companies analyse historic events and map their development on their current investment portfolio. In addition, market risks for all assets and all liabilities that are subject to market risks are assessed and managed by means of value-at-risk analyses based on an economic scenario generator.

STRESS-SCENARIO

in €'000	Change in market value
R10: Annuities +200 bp	–162.2
A35: Equities –35 %	–111.3
RA25: Equities –20 %, annuities +100 bp	–143.6
Nikkei crash: Equities –25.6 %, annuities +150 bp	–196.1
2000/01 stock market crash: Equities –42.1 %, annuities –100 bp	–41.6
2008 financial crisis: Equities –42 %, annuities +100 bp	–202.0
Russia crisis: Equities –22.5 %, annuities –60 bp	–17.8

Deutsche Rück invests in real estate through its own real estate companies or participating interests in real estate funds. Risks can arise in connection with these investments due to negative changes in value. Such changes may be due to the specific characteristics of an individual property or to a general decline in prices on the real estate market. We counter these risks with a broadly diversified investment strategy. This includes a clear focus on sustainable locations in metropolitan areas and on classic types of use such as office, commercial and residential buildings. Strategic portfolio planning and portfolio management are controlled internally by our own employees. Professional real estate partners are responsible for local implementation in individual properties.

Minimum rating for the containment of credit risks

For fixed-income investments, the company carries out a credit assessment of the issuers/issues – based on ratings from recognised rating agencies, for example – and its own additional assessment of their creditworthiness. If no external rating information is available, the company calculates its own internal rating based on suitable documents or existing hedge tools, such as available cover funds or guarantee and warranty commitments. The minimum limit for new direct investments is generally a rating of “A-” according to Standard & Poor’s. The weighted average rating for interest-bearing investments held directly, calculated with Moody’s factors (WARF), is “A”. The “lowest rating principle” is applied here, whereby the lowest of all the available credit ratings from recognised rating agencies is regularly used. At 86.2 %, the majority of all carrying amounts in direct investments (mean: 86.2 %) have a rating of “AAA to A–”, while 13.3 % (mean: 13.4 %) have been assigned ratings of “BBB+ to BBB–” and only 0.5 % (mean: 0.4 %) are in the non-investment grade range. The fact that our average rating has remained stable for years shows that we are able to keep the quality of our portfolio high despite low interest rates. Issuer risks are also widely spread. At the same time, we take into account upper limits for each issuer, which we monitor and adjust on an ongoing basis in the light of their respective equity resources.

Choice of reinsurers (retrocessionaires)
Credit risks due to retrocession stem from receivables due from reinsurers and cedants. To minimise these risks, we select and monitor reinsurers on the basis of their current ratings and other criteria.

Liquidity planning
We counter risks arising from unforeseeable liquidity requirements by ensuring a balanced maturity structure for our investments. Anticipated inflows and outflows of liquidity are reflected in ongoing investment planning.

Investment policy
Falling interest rates lead to increases in the market value of fixed-income securities, while rising interest rates lead to a decline in their market value. The high proportion of fixed-income securities in its portfolio means that the Deutsche Rück Group is in principle exposed to this risk. By adjusting the management of investment maturities to liabilities, we can hold securities until they mature and thereby avoid balance sheet losses.

4. Operational risks

Operational risks are risks in business systems or processes that are caused by human conduct or technical failure or that are due to external influences. Deutsche Rück distinguishes between the following operational risks:

- IT risks
- Legal risks
- Business interruption
- Human resources risks
- Compliance risks
- Organisational failure

5. Other risks

Strategic risks
Inadequate business policy decisions can give rise to strategic risks that may jeopardise the continuation of business operations in the long term. Fundamental business policy decisions are reached in consultation with the supervisory bodies as required by the Articles of Association. Key strategic risks and issues are identified during an annual meeting of the Board of Executive Directors including first-tier management.

Reputation risk
This term refers to the risk of impairment of the company's image in the eyes of clients, the general public, shareholders or other stakeholders.

Emerging risks

We define technological and social developments and new risks arising from them, which are characterised by a high degree of uncertainty with regard to their probability of occurrence, the expected size of claims and their potential effects, as emerging risks.

Sustainability risk

Sustainability risks concern events or conditions relating to environmental, social or governance issues whose occurrence could have actual or potential negative effects on the value of investments or liabilities. Due to the effects of climate change or other transitory risks, sustainability risks may occur in all of the risk categories listed above in particular.

Instruments for controlling other risks

To control reputation risk, all contact with the media is managed centrally through the Communications and Press Relations department, which acts in close consultation with the CEO of Deutsche Rück and the Chairman of the Board of Directors of DR Swiss. Principles for communication in standard situations and crises have been implemented in order to optimise communication processes and prepare communications in the event of a crisis. Media reports are also monitored each working day so that any reports capable of damaging the company's reputation can be identified and countermeasures can be initiated.

SUMMARY OF THE RISK SITUATION

The paragraphs above describe a closely meshed system of controls that the Deutsche Rück Group has developed to manage risks that could potentially have a major impact on the net assets, financial position and results of operations. For the purposes of an overall assessment, however, the risks associated with a business operation must always be weighed up against the opportunities it presents. Our risk management system ensures efficient and effective control of the risks to our companies and to the Group as a whole. Based on current findings, we cannot detect any risks capable of jeopardising the survival of any Group company or of the Group as a whole or of causing major or lasting impairment of the net assets, financial position and results of operations.

COVID-19

The COVID-19 pandemic is continuing, with infection rates rising and falling in waves, leading to changes in laws and regulations. Our crisis team is constantly monitoring developments and the current situation and reviewing the company’s rules. The existing code of conduct and recommendations also remain in place. These measures are intended to prevent and contain potential infections, in order to protect employees and ensure that business operations can continue.

In the context of the ongoing COVID-19 pandemic and the measures taken to combat it, there is a possibility of further volatility on the capital markets.

Russia/Ukraine conflict

Russian troops began invading Ukraine on 24 February 2022. This led to the gradual imposition of wide-ranging packages of sanctions against Russia and to counter-sanctions and further restrictions. Another consequence of the current uncertainty and sanctions is that there is volatility on the capital markets. The war in Ukraine and the resulting international tensions and uncertainty are still ongoing at the present time.

The Deutsche Rück Group provides only a small amount of reinsurance cover for the Russian and Ukrainian markets and therefore holds only minor and indirect investments in these markets via emerging market funds.

In view of ongoing uncertainty and global dependencies, there is a particular risk of further fluctuations on the capital markets and negative effects on overall economic conditions. There is also an increased risk of an indiscriminate cyber attack.

OPPORTUNITIES REPORT

The area in which the Deutsche Rück Group operates includes German-speaking markets, European markets and selected non-European markets, in which the Group is constantly expanding its position. It most recently expanded in the Middle East and Latin America. We provide reinsurance cover for many different lines of insurance. We attach particular importance to existing client relationships and to gradually expanding these connections on a sustainable basis.

This means that opportunities and risks for our business are correspondingly diverse. We provide a forecast for the development of our business based on realistic assumptions about general conditions in the section “Forecast for 2022”, which takes account of both short-term developments and long-term trends.

We have been holding intensive talks for several years with major clients, especially in industrial fire business, and believe that it will be necessary for these to continue in order to further limit loss risks. We see an opportunity here to further stabilise the quality of our portfolio in proportional reinsurance business. However, developments on financial markets and hedge transactions in conjunction with natural catastrophes remain fraught with uncertainty.

As a medium-sized reinsurer, the Deutsche Rück Group has sufficient flexibility and stability to not only react to unforeseen developments, but to seize them as an opportunity for the company. The value of our business model, which is based on long-term relations – with an approach based on continuity, ensuring that the burden balances out over time, and with terms and conditions commensurate with risk – is most clearly evident in years with an extremely high claims burden.

The impact of natural hazards was greater than ever before in the last financial year. In the long term, we expect to see an increase in weather-related natural catastrophes and the resultant claims burden. We are therefore constantly refining our risk management and adjusting our risk models. As well as needs-based insurance concepts, however, increasing weather-related risks also call for appropriate and sustainable sociopolitical measures. Technological developments with regard to the use of renewable energies and increasing digitalisation in all economic sectors entail new risks, but also, more importantly, create new opportunities for our business.

In liability, accident and motor insurance business, we are focusing our business activities mainly on motor insurance, to help diversify our portfolio. We are also concentrating on widening our expertise, to strengthen our position as a reliable and competent partner in markets outside German-speaking countries.

Our high level of security is accorded high priority for our business (see the report on our financial strength rating). Overall, we believe we will have a good chance of further strengthening our company's assets on a lasting basis in the current financial year.

FORECAST REPORT

COMPARISON OF FORECAST AND ACTUAL DEVELOPMENTS IN 2021

The moderate rise predicted in premium volume in fire insurance business (including the extended coverage and business interruption lines) turned out to be much larger than expected, at 19.6 %. In the business interruption line, which dealt with the majority of pandemic-related claims in 2020, we had anticipated a possible additional burden in the last financial year, but this did not materialise. On the contrary, claims expenditure was significantly lower than in the previous year.

We had anticipated premium growth in natural hazards business in 2021, most of which was expected to come from business with public insurers. This was not the case, however, and premium income declined slightly. By contrast, we recorded premium growth in business outside the group of public insurers. The expected technical profit, which, as explained, can be affected by large losses due to natural hazards, was not achieved, as storm BERND and other smaller natural hazard events weighed heavily on the result.

Our expectation of further premium growth for 2021 was most clearly fulfilled in liability, accident and motor insurance business, in which gross premium income rose by 35.8 % in the last financial year. Other motor insurance, which is part of this segment, was also affected by storm BERND. Withdrawals from the equalisation reserves provided some relief.

Premium income in life insurance grew by 10.7 %, while we had expected premium volume to be at the same level as in the previous year.

On the whole, our expectation of strong growth in premiums was fulfilled, with an increase of €179,327K. We recorded premium growth both in European markets and in our new markets outside Europe. Our expansion to countries in the Middle East generated premium volume that significantly surpassed our business plan in the first year. We had expected premium income to come to €11,700K in the first year, but the actual figure was €17,972K.

Our entry to the Latin American market was delayed slightly owing to regulatory formalities. However, we still managed to sign our first contracts in the year under review.

We had also expected an increase in overall claims expenditure, owing to a large number of new client relationships. Due to storm BERND, the largest loss event in the history of the Deutsche Rück Group, this assumption was exceeded significantly. While our retrocession scheme substantially reduced the impact of claims expenditure for own account, we did not manage to post a technical profit as forecast. High claims expenditure meant that we were unable to make a large addition to equalisation reserves and similar provisions as planned. However, we were satisfied with our result, with a net addition of €13,113K.

We had expected to generate lower income from investments in 2021, as overall conditions on the capital markets had not changed significantly. This assumption proved inaccurate, as investment income came to €64,538K, well above the previous year's figure of €56,244K.

FORECAST FOR 2022

General economic development

The economic environment in Germany is of particular importance to our company. According to forecasts by the Kiel Institute for the World Economy (IfW), Germany's economic recovery is set to remain sluggish. The Federal Office of Statistics reported that the economy slowed again in the fourth quarter of 2021, with gross domestic product declining by 0.7 %. As in previous waves, infection rates during the winter months particularly hampered business in contact-intensive service sectors and led to a reduction in consumer spending. If the impact of the pandemic subsides in the spring, however, the IfW predicts a strong recovery, as in the previous year. It is likely that there would then be a particularly strong upturn, as the supply bottlenecks that are currently placing a massive strain on industrial production would probably ease. The IfW therefore forecasts growth of 4 % in German GDP for 2022 and a rise of 3.3 % in 2023. The IfW expects inflation to remain high for the time being, as supply bottlenecks will initially continue to push up production costs, reducing the supply of consumer goods. This will cause consumer prices to increase by about another 3 % this year.

The IfW expects the COVID-19 pandemic and existing supply shortages to continue to dampen the global economy in 2022, but predicts that their impact will wane. Despite new waves of infection such as those caused by the omicron variant, the economic effects are likely to lessen over time, since either vaccination rates are high or a large proportion of the population has already come into contact with the virus and the impact on health is thus increasingly limited. The IfW therefore also anticipates a return to normal levels of business in those sectors that have not yet benefited from the general economic recovery, such as tourism and entertainment. Moreover, supply bottlenecks are expected to be broken down gradually as production capacity and value chains increasingly adapt. Economic researchers therefore predict growth in global production of 4.5 % for 2022, followed by a further 4 % rise next year.

The recovery in the euro zone is set to continue in the spring, following a setback over the winter. Given the momentum of the omicron variant in Europe, it was decided to reimpose restrictions, which limited opportunities for consumption, particularly for those who remained unvaccinated. This heightened uncertainty about economic development and is liable to further delay a recovery, particularly in contact-intensive service sectors. Following a slight decline in overall economic production owing to supply shortages, these are expected to be resolved gradually. The IfW expects the manufacturing sector to record strong growth in value added over the course of the year and predicts that gross domestic product in the euro zone will increase by 3.5 % in 2022 and 3.1 % in 2023.

Following a recent sharp rise in energy prices, consumer prices in the euro zone are currently almost 5 % higher than they were a year ago. The IfW expects price pressure due to energy prices to subside in 2022, while industrial goods are likely to become more expensive. Consumer price inflation could thus once again be well above the inflation target in 2022, at 2.8 %. The unemployment rate in the euro zone stood at 7.3 % in October, a similar level to before the crisis. According to the IfW, it is set to decline to its lowest level since monetary union began by 2023.

These developments and forecasts are subject to further changes in the geopolitical situation in Eastern Europe. The war in Ukraine and the associated sanctions against Russia are likely to have negative consequences for the entire European Economic Area. We have commented on this separately in the section “Events after the balance sheet date”.

As well as the war in Ukraine, a decline in purchasing power due to inflation and disruptions to supply chains owing to the pandemic continue to have a major influence in Central and Eastern Europe. This is apparent in Hungary, for example, where industrial production has suffered a particularly sharp decline as a result of supply bottlenecks in the automotive industry. Central banks in Central and Eastern European countries have already responded to increased inflationary pressure and have raised interest rates. If inflation due to energy prices eases and if wages increase again, the IfW believes there will be another upturn driven by consumer spending.

The IfW forecasts an overall economic slowdown in Latin America and anticipates that growth in GDP will slacken to 3.3 % this year and 3.1 % in 2023. In the Middle East, the economies of the GCC countries benefited from rising oil prices in 2021, which also boosted the recovery of other economic sectors, and from investment aimed at diversifying the economy and an improvement in the geopolitical situation. This trend is expected to continue.

Insurance industry

The German insurance industry recorded only slight growth of 1.1 % in gross premium income to €223.4 billion across all lines in 2021. However, German insurers expect to achieve significant premium growth of 2 % to 3 % again in the current financial year. The German Insurance Association (GDV) predicts an increase of between 1 % and 2 % in premiums in life insurance. The industry association says that the economic prospects of private households in the wake of the pandemic are critical, as is the political framework that the new government will set out for pension schemes. In contrast, property and casualty insurance business looks set to achieve solid growth of around 3 %, which could be further boosted by adjustments to the amounts insured due to inflation and by the extension of cover in property insurance.

Insurers in Western European countries are particularly concerned about climate risks, inflation risk, persistently low interest rates and rising reinsurance prices. The trend towards higher insurance premiums, especially in commercial and industrial insurance, has continued in the current financial year. Central and Eastern European markets are also expected to record ongoing robust premium growth in non-life business, as insurers are seeking to take into account inflationary trends in their pricing policies.

In Latin America, we expect demand for insurance to pick up significantly as economies recover. This will particularly affect demand for products to protect against natural catastrophes, but will also include life and health insurance. In line with the trend over the last few years, we anticipate that growth rates in the Latin American insurance industry will be considerably higher than both the level of growth in the economy as a whole and the growth rates in insurance markets in developed countries.

In the GCC countries in the Middle East, efforts at economic diversification, investment in sustainable development and renewable energies and the geopolitical situation have led to fresh economic growth, which will also boost the development of the region’s insurance and reinsurance markets.

Reinsurance industry

The global trend towards higher reinsurance premiums is continuing. The market hardened significantly in Western European countries in 2021, and this has continued in the current financial year. If the conflict over Ukraine intensifies in Eastern Europe, this could harm business activities in Russia in particular.

In the GCC countries in the Middle East, economic growth is expected to have a positive impact on the development of the region's insurance and reinsurance markets.

Deutsche Rück Group

Premium income from the German market will continue to account for the largest share of the Deutsche Rück Group's overall business in 2022. As a reinsurer with a long-term approach that focuses mainly on German-speaking countries, we are continuing to concentrate on profit-oriented underwriting.

The merger of two large public insurers has had an impact on the development of our premiums. Overall, we expect a lower premium volume from the group of public insurers than in the previous year. Although we anticipate growth from other existing client relationships, the ongoing winding-up of residual credit business will prevent overall growth.

Owing to high claims burdens in fire and natural hazards business, we expect an improvement in conditions this year with premiums that are commensurate with risk. At the time of writing this report, we expect our technical result to be shaped by a lower overall claims burden. Although our result may be affected by unexpectedly large losses due to natural hazards, our retrocession instruments will provide relief here, as the 2021 claims year has shown. Withdrawals from our equalisation reserves, to which ample funds have been allocated, may also offer some relief.

The public insurers set up an internal pool for claims due to natural catastrophes on 1 January 2022. This will in future absorb potential claims burdens from a public insurer following an extreme natural hazard event that is concentrated in one region and exceeds the existing reinsurance cover. The pool is based on joint claims settlement and has a capacity of up to €0.5 billion. The cover concept is organised via Deutsche Rück with the mutual involvement of all public insurers.

In liability, accident and motor insurance business, which is underwritten mainly with cedants outside the group of public insurers, we expect gross premium volume to remain stable in 2022. By setting up IBNR reserves, we will build up sufficient security for possible future burdens in these lines of business, which have a long claims settlement process.

We anticipate a drop in premium income in life insurance in 2022, due to the restructuring of residual credit business within the group of public insurers.

European market

We continue to selectively underwrite business that meets our requirements in terms of margins in European markets. The hardening of the markets has already had an impact in the current financial year. We expect premium income from the Austrian market and from our client relationships in Central and Eastern Europe to remain stable year on year. We anticipate strong premium growth in business with Western European clients, particularly in the UK but also in some other markets.

Middle East

Our strategy, which is geared towards the long term, provides for the geographical expansion of our business into further markets outside Europe. The aim is to develop profit-oriented business relationships with cedants that mainly insure classic property and liability business. We significantly surpassed our targets in the first year of operation. We expect to further expand our business and to achieve positive growth in premiums in the current financial year.

Latin America

We see further potential for geographical expansion in selected Latin American countries. Having begun operating in these markets last year, we now have almost all the business licences we need for individual countries, and expect to achieve our first underwriting results in this region. Our target clients are the many smaller and medium-sized insurance companies that operate locally or nationally.

Overall business

We expect gross premium volume for 2022 to be up slightly compared with the previous year's income. The main reason for this low growth is an anticipated decline in premiums due to the restructuring of residual credit business in the group of public insurers. As a large proportion of this business is retroceded, we expect premiums for own account to be up by about 7 %. Following a high claims burden in the previous financial year, we expect this to return to normal in 2022 and thus anticipate that the level of claims will be considerably lower. However, we also expect distribution costs to be higher, as these often depend on the development of claims. Losses due to natural hazards, the frequency and amount of which are difficult to calculate, may affect the gross technical result. We limit the general exposure of our property insurance portfolio through retrocession instruments geared specifically towards these burdens and by setting up adequate reserves, which ensures that our result for own account remains calculable at all times.

Owing to extraordinary effects in the 2021 financial year, we expect investment income to fall significantly in 2022.

Overall, we expect the net profit for the year to be higher than in the previous year.

No significant changes are anticipated in net assets or in the financial position. These developments and forecasts are subject to further changes in the geopolitical situation in Eastern Europe. The war in Ukraine and the associated sanctions against Russia are likely to have negative consequences for the entire European Economic Area and the global economy.

Düsseldorf, 23 March 2022

Board of Executive Directors

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Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2021

ASSETS in €	2021		2020	
A. Intangible assets				
I. Concessions, industrial property rights and similar rights and assets, as well as licences to such rights and assets, that have been acquired in return for a fee	1,428,791		1,103,982	
		1,428,791		**1,103,982**
B. Investments				
I. Investments in affiliated companies and participating interests				
1. Shares in affiliated companies	12,000		12,000	
2. Participating interests	181,072,222		137,654,932	
3. Loans to companies in which a participating interest is held	387,639		159,075	
4. Shareholdings in associated companies	147,218,736		150,973,801	
	328,690,597		288,799,808	
II. Other investments				
1. Shares, interests or shares in investment assets and other variable-yield securities	665,252,120		608,916,602	
2. Bearer bonds and other fixed-interest securities	688,509,851		655,510,030	
3. Receivables from mortgages, land charge and annuity land charge claims	350,361,775		314,828,904	
4. Other loans				
a) Registered bonds	148,934,759		129,000,000	
b) Loans and promissory notes	152,464,340		160,811,919	
c) Other loans	0		975,000	
	301,399,099		290,786,919	
5. Deposits with banks	10,501,139		13,501,086	
	2,016,023,984		1,883,543,541	
III. Deposits retained on assumed reinsurance business	121,479,707		119,351,735	
		2,466,194,288		**2,291,695,084**
C. Receivables				
I. Accounts receivable on reinsurance business	229,654,127		44,762,834	
thereof participating interests: €1,016 (2020: €1,537,704)				
II. Other receivables	42,726,777		38,704,698	
thereof participating interests: €10,145,966 (2020: €4,343,574)				
		272,380,903		**83,467,532**
D. Other assets				
I. Tangible assets and inventories	627,445		650,407	
II. Cash at banks, cheques and cash in hand	200,885,178		203,177,165	
		201,512,623		**203,827,572**
E. Deferred items				
I. Accrued interest and rent	11,800,317		12,231,673	
II. Other deferred items	598,298		361,401	
		12,398,616		**12,593,075**
Total assets		**2,953,915,220**		**2,592,687,245**

EQUITY AND LIABILITIES

in €	2021		2020	
A. Shareholders' equity				
I. Issued capital	25,000,000		25,000,000	
II. Capital reserve	23,817,613		23,817,613	
III. Retained earnings				
1. Legal reserve	7,320,286		7,320,286	
2. Other retained earnings	154,097,697		153,197,561	
	161,417,983		160,517,847	
IV. Consolidated balance sheet profit	51,685,704		50,666,002	
V. Minority interests	48,243,914		46,481,667	
		310,165,215		**306,483,130**
B. Subordinated liabilities		**121,750,000**		**121,750,000**
C. Technical provisions				
I. Unearned premiums				
1. Gross amount	91,158,861		108,998,223	
2. less: share for retroceded business	36,024,702		63,036,321	
	55,134,159		45,961,902	
II. Provision for future policy benefits				
1. Gross amount	81,039,569		73,693,567	
2. less: share for retroceded business	31,475,513		27,403,302	
	49,564,056		46,290,265	
III. Provision for outstanding claims				
1. Gross amount	1,819,963,355		1,712,254,447	
2. less: share for retroceded business	329,052,421		301,011,093	
	1,490,910,934		1,411,243,354	
IV. Provision for premium refunds				
1. Gross amount	2,142,096		2,756,652	
2. less: share for retroceded business	785,258		1,080,132	
	1,356,838		1,676,520	
V. Equalisation reserves and similar provisions	342,832,431		329,719,697	
VI. Other technical provisions				
1. Gross amount	56,762,881		55,444,240	
2. less: share for retroceded business	729,396		540,223	
	56,033,484		54,904,017	
		1,995,831,902		**1,889,795,756**
D. Other accrued liabilities				
I. Provision for employees' pensions and similar commitments	34,702,041		31,237,265	
II. Tax provisions	650,847		183,565	
III. Other provisions	6,545,451		5,758,882	
		41,898,338		**37,179,712**
E. Deposits retained on retroceded business		**32,027,065**		**27,910,776**
F. Other liabilities				
I. Accounts payable on reinsurance business	404,157,547		162,135,522	
thereof accounts due to companies in which a participating interest is held: €183,496,008 (2020: €26,150,694)				
II. Liabilities to banks	15,830,000		20,550,000	
III. Other liabilities	31,665,923		26,032,272	
thereof accounts due to companies in which a participating interest is held: €163,120 (2020: €150,723)				
thereof from taxes: €134,602 (2020: €180,607)				
		451,653,471		**208,717,795**
G. Deferred items		**589,229**		**850,077**
Total equity and liabilities		**2,953,915,220**		**2,592,687,245**

CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD FROM 1 JANUARY 2020 TO 31 DECEMBER 2020

ITEMS in €	2021		2020	
I. Technical account				
1. Premiums earned for own account				
a) Gross premiums written	1,392,657,634		1,213,330,788	
b) Retroceded premiums	463,554,179		437,846,062	
	929,103,454		**775,484,726**	
c) Change in gross unearned premiums	18,226,168		19,239,848	
d) Change in retroceded share of unearned premiums	27,011,619		13,984,104	
	–8,785,450		**5,255,744**	
		920,318,004		**780,740,470**
2. Interest on technical provisions for own account		**868,277**		**1,502,819**
3. Other underwriting income for own account		**364,262**		**521,943**
4. Claims incurred for own account				
a) Payments for insured events				
aa) Gross amount	1,033,145,361		597,271,596	
bb) Retroceded amount	430,674,287		184,061,087	
	602,471,074		**413,210,509**	
b) Change in provision for outstanding claims				
aa) Gross amount	98,913,775		79,169,508	
bb) Retroceded amount	28,038,074		–2,930,959	
	70,875,701		**82,100,467**	
		673,346,775		**495,310,976**
5. Change in other technical provisions for own account				
a) Net provisions for future policy benefits	–3,158,603		14,584,661	
b) Other net technical provisions	522,038		–9,524,489	
		–2,636,565		**5,060,172**
6. Expenses for premium refunds for own account		**–199,220**		**541,150**
7. Operating expenses for own account				
a) Gross operating expenses	406,358,302		399,413,297	
b) less: commissions and profit commissions received on retroceded business	148,852,124		145,725,656	
		257,506,178		**253,687,640**
8. Other underwriting expenses for own account		**23,180,794**		**26,686,961**
9. Subtotal		**–34,920,549**		**11,598,677**
10. Change in equalisation reserves and similar provisions		**–13,112,734**		**–53,036,034**
11. Underwriting result for own account		**–48,033,282**		**–41,437,358**

ITEMS in €	2021		2020	
Amount brought forward (Technical result for own account):		**–48,033,282**		**–41,437,358**
II. Non-technical account				
1. Investment income				
a) Dividends from participating interests	13,124,865		8,718,290	
b) Income from associated companies	3,808,443		7,891,756	
c) Income from other investments				
aa) Income from other investments	52,808,907		45,234,814	
d) Income from write-backs	2,449,957		2,220,722	
e) Realised gains on the disposal of investments	11,751,785		3,082,322	
		83,943,957		**67,147,904**
2. Investment expenses				
a) Management expenses, interest charges, and other expenses on investments	5,586,555		5,403,554	
b) Write-downs on investments	12,044,895		3,233,731	
c) Realised losses on the disposal of investments	687,355		572,842	
		18,318,806		**9,210,127**
3. Interest income on technical provisions		**1,087,021**		**1,693,891**
		64,538,131		**56,243,886**
4. Other income	3,441,339		2,899,125	
5. Other expenses	9,155,004		7,457,934	
		–5,713,665		**–4,558,808**
6. Operating result before tax		**10,791,183**		**10,247,720**
7. Taxes on income	6,916,376		497,599	
8. Other taxes	352,620		22,117	
		7,268,996		**519,716**
9. Profit for the year		**3,522,186**		**9,728,004**
10. Minority interests in profit/loss for the year		**693,197**		**1,232,719**
11. Profit/loss brought forward from previous year		**42,670,125**		**39,716,711**
12. Minority interests in the loss brought forward from previous year		**4,800,196**		**3,488,568**
13. Transfers to retained earnings				
a) to other retained earnings	0		3,500,000	
		0		**3,500,000**
14. Consolidated balance sheet profit		**51,685,704**		**50,666,002**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2021

The consolidated statement of changes in shareholders' equity has been drawn up in accordance with the provisions of German Accounting Standard No. 22 – Group Equity – (DRS 22).

Group equity increased by €3,682K in the year under review to €310,165K.

Dividends of €3,000K were offset by an increase of €3,522K from the profit for the year and positive effects from currency translation in the amount of €3,434K.

in € '000	Equity of the parent company										Non-controlling interests				Group equity
	(Corrected) issued capital	Reserves					Difference in equity due to currency translation	Profit carried forward	Consolidated net profit/loss for the year attributable to the parent company	Total	Non-controlling interests before difference in equity due to currency translation and net profit for the year	Difference in equity due to currency translation attributable to non-controlling interests	Profit/loss attributable to non-controlling interests	Total	Total
	Issued capital	Capital reserves	Retained earnings			Total									
	Ordinary shares	in accordance with Section 272 (2) No. 1–3 HGB	Legal reserve	Other retained earnings	Total										
As at 31 Dec. 2020	**25,000**	**23,818**	**7,320**	**150,297**	**157,618**	**181,436**	**2,899**	**50,666**	**0**	**260,000**	**31,676**	**14,806**	**0**	**46,482**	**306,483**
Allocation to/withdrawal from reserves					0	0				0				0	0
Dividends paid					0	0		–3,000		–3,000				0	–3,000
Currency translation					0	0	900			900		2,534		2,534	3,434
Other changes					0	0		–196		–196		–79		–79	–275
Consolidated net profit/loss for the year					0	0			4,215	4,215			–693	–693	3,522
As at 31 Dec. 2021	**25,000**	**23,818**	**7,320**	**150,297**	**157,618**	**181,436**	**3,799**	**47,470**	**4,215**	**261,919**	**31,676**	**17,261**	**–693**	**48,244**	**310,165**

CONSOLIDATED CASH FLOW STATEMENT FOR THE 2021 FINANCIAL YEAR

Group cash flow reporting is based on the provisions of German Accounting Standard No. 21 – Cash Flow Statements – (DRS 21). The Group has exercised its right to use the indirect method to calculate cash flow from operating activities. Only the direct method was used to show payment flows relating to investment and financing activities. The specific features of cash flow statements for insurance companies were taken into account.

The cash fund (cash and cash equivalents) corresponds to balance sheet item "D. II. Cash at banks, cheques and cash in hand". In the 2021 financial year, it dropped from €203,177K to €200,885K at year-end.

Following a high cash inflow of €52,674K in the previous year, there was a small cash outflow of €4,376K from operating activities in the year under review.

As well as the cash inflow from the increase in net technical provisions, the increase in deposits retained and accounts payable led to high cash inflows. These were offset by high cash outflows from the increase in deposits retained and accounts receivable. Cash outflows from other balance sheet items also increased significantly. In particular, these included investments.

The cash outflow from investment activities came to €–790K, below the previous year's figure of €–1,178K, and reflects investment in tangible and intangible assets. The cash flow from investment activities is not material to the change in cash and cash equivalents at the Group.

As in the previous year, the cash flow from financing activities comprised dividend payments by Group companies.

CONSOLIDATED CASH FLOW STATEMENT

in € '000		2021	2020
	Result for the period (profit/loss for the year incl. minority interests)	3,522	9,728
+/−	Net increase/decrease in technical provisions	78,433	113,655
−/+	Increase/decrease in deposits retained and accounts receivable	–185,212	27,778
+/−	Increase/decrease in deposits retained and accounts payable	241,539	1,437
−/+	Increase/decrease in other receivables	–5,441	–23,230
+/−	Increase/decrease in other liabilities	561	–42,187
+/−	Change in other balance sheet items not related to investment or financing activities	–154,990	–37,696
+/−	Other income/expenses without impact on cash flow and adjustments to the result for the period	18,988	45,417
−/+	Gain/loss on the disposal of investments and tangible and intangible assets	–10,436	–2,510
+/−	Income tax expense/income	6,916	498
−/+	Income tax paid	1,744	–40,216
=	**Cash flow from operating activities**	**–4,376**	**52,674**
+	Inflows from disposal of tangible assets	1	1
−	Outflows for investment in tangible assets	313	311
−	Outflows for investment in intangible assets	478	868
=	**Cash flow from investment activities**	**–790**	**–1,178**
+	Inflows from additions of equity from other shareholders	0	0
−	Dividends paid to shareholders in the parent company	3,000	3,000
−	Dividends paid to other shareholders	0	714
=	**Cash flow from financing activities**	**–3,000**	**–3,714**
	Change in cash and cash equivalents with an impact on cash flow	–8,166	47,782
+/−	Changes in cash and cash equivalents due to exchange rates and valuation	5,874	–565
+	Cash and cash equivalents at the beginning of the period	203,177	155,960
=	**Cash and cash equivalents at the end of the period**	**200,885**	**203,177**

Notes to the Consolidated Financial Statements

GENERAL INFORMATION ON CONTENT AND LAYOUT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, HGB), the German Regulation on the Accounting of Insurance Undertakings (Verordnung über die Rechnungslegung von Versicherungsunternehmen, RechVersV), the German Act on the Supervision of Insurance Undertakings (Gesetz über die Beaufsichtigung der Versicherungsunternehmen, VAG) and the German Stock Corporation Act (Aktiengesetz, AktG). The provisions of German Accounting Standards (DRS) have been observed.

Deutsche Rückversicherung AG has its head office in Düsseldorf and is registered with the district court of Düsseldorf under the number HRB 24729.

The figures in the consolidated financial statements are shown in thousands of euros (€K) for better clarity. In this presentation, commercial rounding may mean that the sum of individual figures differs from subtotals or final totals.

CONSOLIDATION

Scope of consolidation

Along with the parent company Deutsche Rückversicherung AG (Deutsche Rück), the consolidated financial statements include the following companies:

COMPANY NAME AND REGISTERED HEAD OFFICE	Share in equity in %	Shareholders' equity in €'000	Result in €'000	Financial statements as at
Subsidiaries fully consolidated				
DR Sachwerte SCS SICAV-RAIF, Senningerberg	100.00	216,725.6	33,785.1	30 Sept. 2021
Deutsche Rückversicherung Switzerland Ltd, Zurich	71.25	192,204.1	6,293.2	31 Dec. 2021
Subsidiaries not consolidated (Section 296 (2) German Commercial Code (HGB))				
DRVB GP S.à r.l., Senningerberg	100.00	9.43237	-4.20653	30 Sept. 2020

COMPANY NAME AND REGISTERED HEAD OFFICE	Share in equity in %	Shareholders' equity in €'000	Result in €'000	Financial statements as at
Associated companies consolidated at equity				
DRVB Invest Beteiligungs GmbH, Düsseldorf	50.00	20,764.0	–138.6	31 Dec. 2021
Hansapark 2 GmbH & Co. KG, Düsseldorf	50.00	19,920.1	1,901.8	31 Dec. 2021
Hansapark Verwaltungs GmbH & Co. KG, Düsseldorf	50.00	21,633.8	2,235.8	31 Dec. 2021
Immobiliengesellschaft Burstah Hamburg GmbH & Co. KG, Düsseldorf	50.00	13,432.5	397.4	31 Dec. 2021
Lintgasse 14 GmbH, Cologne	50.00	3,969.0	100.3	31 Dec. 2021
Objekt Aachen, Großkölnstraße GmbH, Düsseldorf	50.00	6,499.0	–74.8	31 Dec. 2021
Objekt Karlsruhe Kaiserstraße GmbH, Düsseldorf	50.00	14,172.4	107.2	31 Dec. 2021
Objekt Leipzig Katharinenstraße GmbH, Düsseldorf	50.00	2,355.8	387.6	31 Dec. 2021
VonWerth Grundbesitz GmbH, Cologne	50.00	512.9	–62.0	31 Dec. 2021
Ecosenergy Zweite Betriebsgesellschaft mbH & Co. KG, Nordhorn	44.44	14,577.1	600.4	31 Oct. 2021
DC Values Karl-Marx GmbH & Co. KG, Grünwald	40.00	8,185.0	250.7	31 Dec. 2020
DC Values MKH GmbH & Co. KG, Grünwald 1)	40.00	1.0	0	19 Jun. 2019
DRVB Wohnen Beteiligungs-GmbH, Düsseldorf	40.00	906.6	359.0	31 Dec. 2021
Objekt Düsseldorf An der Kaserne GmbH & Co. KG, Düsseldorf	40.00	12,107.2	312.0	31 Dec. 2021
Objekt Düsseldorf Couvenstraße GmbH & Co. KG, Düsseldorf	40.00	6,147.7	147.7	31 Dec. 2021
Objekt Leipzig Nordstraße GmbH, Düsseldorf	40.00	5,134.7	320.2	31 Dec. 2021
Objekt Warstein Max-Planck-Straße GmbH & Co. KG, Frankfurt am Main	40.00	–13.1	–7.4	31 Dec. 2020
Objekte Nürnberg GmbH & Co. KG, Düsseldorf	40.00	17,090.2	597.8	31 Dec. 2021
Objekt Minoritenstraße Köln GmbH & Co. KG, Düsseldorf	37.96	4,754.0	19.7	31 Dec. 2021
Tremonia Ostenhellweg GmbH & Co. KG, Hamburg 1)	35.00	23.8	0	1 Jul. 2021
RFR 1. THA 70 – 74 GmbH, Frankfurt am Main	31.00	24,802.2	–279.6	31 Dec. 2020
RFR 2. THA 70 – 74 GmbH, Frankfurt am Main	31.00	57,708.2	283.7	31 Dec. 2020
MAGNUM EST Digital Health GmbH, Berlin	28.83	244.3	–1,270.2	31 Dec. 2020
ASPF II Beteiligungs GmbH & Co. KG, Munich	20.00	291.5	4.9	31 Dec. 2020
MBS Beteiligungs GmbH, Frankfurt am Main 2)	16.67	32,969.1	763.0	31 Dec. 2020
Associated companies not consolidated (Section 311 (2) German Commercial Code (HGB))				
Hansapark Verwaltungs GmbH, Düsseldorf	50.00	126.6	1.4	31 Dec. 2021
OEV Equity Trust GmbH, Düsseldorf	50.00	944.6	–39.3	31 Dec. 2021
Reha Assist Deutschland GmbH, Arnsberg	26.00	73.4	–224.4	31 Dec. 2020

1) Newly founded, opening balance sheet available as at the stated balance sheet date. For valuation at equity, interim values have been used where available.
2) Associated company owing to material influence through joint venture agreement

The companies listed as “subsidiaries not consolidated” are not included in the consolidated financial statements in accordance with section 296(2) HGB. Likewise, the provisions of sections 311(1) and 312 HGB are not applied to associated companies not consolidated in accordance with section 311(2) HGB. These companies are not material to providing a true and fair view of the Group’s net assets, financial position and results of operations, either individually or collectively.

The associated companies listed below were included in the consolidated financial statements for the first time at equity in the 2021 financial year in accordance with the revaluation method:

- Tremonia Ostenhellweg GmbH & Co. KG Difference: €0K

For companies included at equity, the differences between the carrying amount and the equity of the associated companies as at the balance sheet date came to €12,206K. This included goodwill of €413K. There were no mandatory disclosures with regard to associated companies with a material influence on the Group’s net assets, financial position and results of operations in the year under review.

Consolidation principles

Except for the companies listed below, the balance sheet date of all companies included in the consolidated financial statements is 31 December.

DR Sachwerte SCS SICAV-RAIF prepares its annual financial statements as at 30 September. An interim statement as at 31 December is drawn up for the consolidated financial statements. Ecosenergy Zweite Betriebsgesellschaft mbH & Co. KG prepares its annual financial statements as at 31 October.

The annual financial statements of the included companies Deutsche Rückversicherung Switzerland Ltd (DR Swiss) and DR Sachwerte SCS have in each case been transferred to financial statements that comply with German accounting regulations in the Group. Balance sheet items and valuations at DR Swiss have been transferred in accordance with special regulations for foreign insurance companies, in line with sections 300(2) and 308(2) HGB. The financial statements of DR Swiss, which are in foreign currency, have been converted using the modified reporting date method pursuant to section 308a HGB.

For the first-time consolidation of DR Swiss and Hansapark Verwaltungs GmbH & Co. KG, which took place before 1 January 2010, capital consolidation in accordance with the book value method was maintained in line with art. 66(3) sentence 4 of the Introductory Act to the German Commercial Code (Einführungsgesetz zum Handelsgesetzbuch, EGHGB).

First-time consolidation of all other affiliated and associated companies after 31 December 2009 was based on the revaluation method. Equity has been recognised at the fair value corresponding to the fair value of the assets, liabilities, deferred items and special items to be included in the consolidated financial statements. Any differences arising from first-time consolidation have been recognised as goodwill. Depreciation takes place over an expected useful life of five years.

Associated companies are recognised in the consolidated financial statements at equity at their carrying amount, as permitted by sections 311(1) and 312(1) HGB. Participating interests and balancing items are recognised based on their valuations at the time of acquiring the shares. Any measurement methods that diverge from those used in the consolidated financial statements are not adjusted.

The shares held by other shareholders in DR Swiss are shown separately under equity capital in accordance with section 307(1) HGB. The other shareholders participate in the net profit or loss for the year and the profit or loss carry forward of DR Swiss in proportion to their stakes in the company.

All intercompany receivables and payables, income, expenses and cash flows are eliminated in full upon consolidation.

ACCOUNTING PRINCIPLES

Intangible assets
Intangible assets acquired in return for a fee are recognised at acquisition cost and amortised on a straight-line basis over their expected useful life.

Investments
Any shares in affiliated companies and associated companies that have not been included in the consolidated financial statements, as permitted by section 296(2) HGB or section 311(2) HGB, as well as the other participating interests, are valued as fixed assets in accordance with the mitigated lowest value principle pursuant to section 341b(1) HGB in conjunction with section 253(3) sentence 5 HGB. Write-downs are made for any impairments that are expected to be permanent.

Loans to companies in which a participating interest is held are recognised as fixed assets in accordance with section 341b(1) HGB, and the difference between acquisition cost and repayment amount is amortised using the effective interest rate method in accordance with section 341c(3) HGB.

Information on the recognition of shareholdings in associated companies is included in the notes on consolidation principles.

Shares, interests or shares in investment assets and other variable-yield securities and bearer bonds and other fixed-interest securities are valued in accordance with the rules on current assets pursuant to section 341b(2) HGB in conjunction with section 253(4) HGB. If these investments are intended to serve the company's business operations on an ongoing basis, they will be valued in accordance with the rules on fixed assets pursuant to section 341b(2) second half-sentence HGB in conjunction with section 253(3) sentence 5 and 6 HGB. Shares worth €9,366K, investment fund units totalling €650,886K and bearer bonds worth €683,510K are allocated to fixed assets.

Receivables from mortgages and land charge claims comprise loans that are secured through land charges, which are recognised in the balance sheet at the cost of acquisition less any repayments made in accordance with the rules on fixed assets pursuant to section 341b(1) sentence 2 HGB. Any differences between acquisition cost and repayment amount are amortised using the effective interest rate method in accordance with section 341c(3) HGB. In the event of impairment that is expected to be permanent, for example owing to default risks, these receivables are recognised at fair value in accordance with section 253(3) sentence 5 HGB.

Registered bonds are recognised in the balance sheet at par value in accordance with the rules on fixed assets as required by section 341c(1) HGB, while redemption premiums and discounts are spread over the term of the bond as deferred items on the assets and liabilities side in proportion to the capital.

Loans and promissory notes and other loans are valued as fixed assets at acquisition cost in accordance with section 341b(1) HGB. Any differences between acquisition cost and repayment amount are amortised using the effective interest rate method in accordance with section 341c(3) HGB.

Due regard is given to the requirement to reverse write-downs where the reasons for them no longer exist in accordance with section 253(5) HGB.

Deposits with banks and deposits retained on assumed reinsurance business are reported at their nominal amounts.

Receivables
Accounts receivable from reinsurance business and other receivables are carried at their nominal value less any appropriate provisions for doubtful debts or write-downs.

Other assets
Property, plant and equipment are recognised at cost and depreciated over their expected useful lives. Minor-value assets with a value of between €250 and €800 are written off in full in the year of purchase, in accordance with the limits that have applied since 1 January 2018 (between €150 and €410 until 31 December 2017). Inventories are recognised at acquisition cost or at their value as at the balance sheet date if lower.

Cash at banks and cash in hand are recognised at nominal value.

Deferred items
Accrued interest and rent, which is recognised at nominal value, relates to the year under review but was not yet due as at 31 December 2021. Accrued premiums on registered bonds are spread over the term of the bond.

Valuation units
Together with the associated underlying transactions, hedging transactions conducted by Deutsche Rück are accounted for as a valuation unit in accordance with section 254 HGB in conjunction with IDW RS HFA 35 (Comments on Accounting of the Main Technical Committee of the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer) – No. 35). According to these regulations, assets, liabilities, pending transactions or transactions forecast to be highly probable (“underlying transactions”) are pooled together with primary or derivative financial instruments (“hedging transactions”) and designated as valuation units for accounting purposes, so as to offset the opposing changes in fair value from the incidence of comparable risks.

When accounting for valuation units in accordance with the provisions of section 254 HGB, unrealised losses resulting from hedged risks in relation to components (individual transactions) of the valuation unit are not recognised if these losses can be offset by unrealised profits in the same amount arising from other components (transactions) of the valuation unit. This applies to the extent that and for the period in which opposing changes in fair value arising from the underlying and hedging transactions offset each other with respect to the hedged risk.

Accordingly, the Deutsche Rück Group calculates the changes in fair value of underlying and hedging transactions for each valuation unit as at the balance sheet date. When doing so, a distinction is made between changes in fair value for hedged risks and changes in fair value for risks that are not hedged. The changes in fair value for hedged risks (effective part) are offset using the net hedge presentation method and are not recognised in the financial statements. Any unrealised profit that arises from the ineffective part in relation to the hedged risk will not be taken into account. If any loss results from the ineffective part in relation to the hedged risk, a corresponding provision is booked. Changes in fair value that are not attributable to hedged risks are reported without being netted in accordance with the general accounting policies applied to the underlying transactions.

The formation of a hedging relationship (valuation unit) is documented. This documentation will include the purpose of the hedge, the type of risk to be hedged and objective of the hedge, and key contractual data for the underlying transaction and hedging instrument. In addition, the documentation will indicate that the hedging instrument is objectively appropriate for hedging the specified risk at the time the hedging relationship is initiated and during its existence, and that it is therefore expected to be effective (prospective effectiveness).

Both the prospective assessment of effectiveness of the hedging relationship and the retrospective determination of effectiveness of the valuation unit are performed by comparing the underlying and hedging transactions with respect to the key terms and parameters relevant to the valuation (the critical terms match method). As at the balance sheet date, the Deutsche Rück Group has solely created micro-hedges for the purposes of hedging exchange rate fluctuations, whereby the underlying and hedging transactions are in principle subject to the same risk (currency risk), and changes in fair value to this effect are fully offset in the amount of the hedged risk. These micro-hedges are created permanently or for the remaining term to maturity of the underlying transactions. The opposing changes in fair value in the underlying transactions and hedging instruments fully offset each other during the financial year and are also expected to fully offset each other in the future.

Currency risk is hedged by buying forward contracts of corresponding currencies (currency forwards). The interest effect from these currency forwards does not form part of the valuation units and in each case is reported separately on a pro rata basis over the term of the currency forward in the income statement. Since the terms of the underlying transactions and currency forwards (hedging instruments) do not match, as the currency forwards approach maturity further currency forwards are concluded on a rolling basis. If currency forwards are renewed, any resulting cash flows are disclosed as an adjustment item on the balance sheet without being taken through the income statement, or are offset with the carrying value of the underlying transaction.

Balance sheet item	Type of valuation unit	Hedged risk	Amount of hedged risks
Participating interests Carrying amount: EUR 11,972K	Micro-hedge	Risk of change in value Currency risk US dollar (USD)	USD 10,439K EUR 9,217K
Bearer bonds and other fixed-interest securities Carrying amount: EUR 10,306K	Micro-hedge	Risk of change in value Currency risk Danish krone (DKK)	DKK 77,023K EUR 10,358K

As at the balance sheet date, risks of a change in value (currency risks) with a total volume of €19,575K have been hedged using valuation units.

Deferred tax assets
Corresponding tax burdens and tax reliefs have been calculated for temporary differences between the accounts prepared for financial reporting purposes and those prepared for tax purposes. Overall, netting the two results in an excess of deferred tax assets, due predominantly to the determination of the claims provision, reinvested income from investment funds and the valuation of pension provisions. An average tax rate of 31.225 % was applied for calculating deferred taxes in the year under review. The Group has exercised its right pursuant to section 274(1) sentence 2 HGB and opted to waive recognition of deferred tax assets in the balance sheet. There were likewise no deferred taxes resulting from application of section 306 HGB to be recognised in the consolidated financial statements as at 31 December 2021.

Subordinated liabilities
Subordinated liabilities are made up entirely of subordinated registered bonds with a fixed-interest period until 31 October 2026. These are recognised at their settlement amount.

Technical provisions
The technical provisions (unearned premiums, provisions for outstanding claims, provisions for future policy benefits and other technical provisions) were generally recognised in accordance with the instructions of the cedants. Where instructions were not given, provisions were estimated on the basis of the contractual terms and business to date. Appropriate provisions were also established for claims burdens expected in the future. The retrocessionaires' shares were determined in accordance with the contractual agreements.

The equalisation reserves and similar provisions have been set up in accordance with section 341h HGB, taking into account the permissible maximum amounts in accordance with sections 29 et seq. RechVersV.

Provision for employees' pensions and similar commitments

Provisions for pensions and similar obligations have been established in accordance with actuarial principles using the projected unit credit method. Annual salary increases are taken into account at 2.75 % p.a. and pension rises at 1.9 % and 1.0 % p.a. The biometric accounting principles were obtained from the Heubeck mortality tables 2018G. Provisions were discounted at the average market interest rate of 1.87 % (average ten-year interest rate) based on an assumed remaining term of 15 years as at the balance sheet date, as permitted by exercising the option pursuant to section 253(2) sentence 2 HGB.

In accordance with section 253(6) HGB, amounts of €3,406K (previous year: €4,103K) are blocked from dividend payouts in the separate financial statements of the parent company Deutsche Rückversicherung AG; these are offset by adequate retained earnings of €150,030K.

The employee-financed pension obligations resulting from salary waivers are based on individual commitments. Capital-based pension obligations relate to a securities-based pension commitment, where the insured persons have an unlimited and irrevocable right to the maturity benefits, including the allocated profit shares. The current policy reserve of the associated congruent reinsurance coverage constitutes a plan asset as defined by section 246(2) HGB and is offset against pension obligations. As at 31 December 2021, the pension provision totals €156K before offsetting against the claim arising from reinsurance in the same amount.

Tax provisions and other provisions

Tax provisions and other provisions are valued in accordance with section 253(1) sentence 2 HGB at the amount expected to be required for settlement of the obligation, applying reasonable commercial judgement. Provisions with a remaining term of more than one year are discounted at the average market interest rate for the last seven financial years as appropriate for their term, in accordance with section 253(2) sentence 1 HGB.

The provisions for semi-retirement obligations and for long-service award expenses are calculated in accordance with actuarial principles using an interest rate of 1.35 % and an assumed annual salary increase of 2.75 %. The calculations are based on the Heubeck mortality tables 2018G.

Liabilities

Deposits retained on retroceded business and accounts payable from reinsurance business are recognised at the amounts shown in the reinsurers' statements of account. Liabilities to banks and other liabilities are shown at their settlement amounts. Liabilities to banks arise in the course of collateral management due to cash collateral received for forward purchases, which must be repaid by the time the transactions mature at the latest.

Deferred items

Deferred items on the liabilities side are measured at nominal value. Any discounts that are included are spread over the term.

Foreign currencies

With the exception of shares in affiliated companies, foreign currency asset and liability items are converted into euros using the relevant mean spot exchange rates at the balance sheet date. Income and expense items are converted into euros, the reporting currency, using the average exchange rates for the year.

NOTES TO THE CONSOLIDATED BALANCE SHEET

DEVELOPMENT OF ASSET ITEMS A. AND B.I. IN THE 2021 FINANCIAL YEAR in €'000	Carrying amount (previous year)	Changes in the exchange rate	Additions	Disposals	Write-backs	Write-downs	Carrying amount for financial year
Asset items							
A. Intangible assets							
1. Concessions, industrial property rights and similar rights and assets, as well as licences to such rights and assets, that have been acquired in return for a fee	1,104	1	478	0	0	154	1,429
Sum A.	**1,104**	**1**	**478**	**0**	**0**	**154**	**1,429**
B.I. Investments in affiliated companies and participating interests							
1. Shares in affiliated companies	12	0	0	0	0	0	12
2. Participating interests	137,655	0	63,192	20,904	1,129	0	181,072
3. Loans to companies in which a participating interest is held	159	0	229	0	0	0	388
4. Shareholdings in associated companies	150,974	0	9,366	12,371	0	750	147,219
Sum B.I.	**288,800**	**0**	**72,787**	**33,274**	**1,129**	**750**	**328,691**
Total	**289,904**	**1**	**73,265**	**33,274**	**1,129**	**905**	**330,120**

Disclosures in accordance with Section 314 No. 10 of the German Commercial Code (HGB)

FINANCIAL INSTRUMENTS CLASSED AS FINANCIAL ASSETS THAT ARE RECOGNISED AT MORE THAN THEIR FAIR VALUE in €'000	Carrying amount	Fair value	Unrealised loss
Shareholdings in associated companies	12,001	11,518	483
Participating interests	28,498	26,941	1,557
Shares, interests or shares in investment assets and other variable-yield securities	28,639	25,069	3,570
Bearer bonds and other fixed-interest securities	135,683	133,281	2,402
Receivables from mortgages, land charge and annuity land charge claims	136,083	135,328	755
Other loans	62,935	61,696	1,239
Total	**403,839**	**393,833**	**10,006**

Since the intention is to hold these financial instruments until final maturity and on the basis of market assessments for these financial instruments, the Deutsche Rück Group anticipates that this impairment will merely be of a temporary nature. As such, no write-down due to permanent impairment has been recognised.

Disclosures in accordance with Section 314 (1) No. 18 of the German Commercial Code (HGB)

As at 31 December 2021, the Group holds more than 10 % of the units in a domestic investment fund in accordance with section 314 sentence 1 No. 18 HGB. There are no restrictions on the option to return the units on any day.

in €'000	Fair value	Carrying amount	Unrealised gains	Dividend received in 2021
Mixed fund	487,620	364,043	123,577	7,173

Remaining terms of receivables

There are accounts receivable with a remaining term of more than one year totalling €3,914K. All other receivables have a remaining term of less than one year.

Deferred items

Premiums on registered bonds totalled €76K as at the balance sheet date (previous year: €95K).

Shareholders' equity

The issued capital of the parent company Deutsche Rück totals €25,000K and is made up of 488,958 no-par-value shares. The consolidated balance sheet profit of €51,691K includes a consolidated profit carry forward of €42,678K. Changes in equity are shown in the consolidated statement of changes in shareholders' equity in accordance with DRS 22.

OTHER PROVISIONS

in €'000	2021	2020
a) Provisions to cover expenses related to preparation of the annual financial statements	446	446
b) Provisions related to human resources	4,814	4,326
c) Provisions for other administration costs	1,285	987
Total	**6,545**	**5,759**

Other liabilities

There are no liabilities with a term of more than five years and no liabilities that are secured through liens or similar rights. All other liabilities have a term to maturity of less than one year.

Deferred items

Discounts on registered bonds totalled €589K as at the balance sheet date (previous year: €850K).

NOTES TO THE CONSOLIDATED INCOME STATEMENT

GROSS PREMIUMS WRITTEN

in €'000	2021	2020
Property and casualty business	1,302,735	1,132,095
Life insurance business	89,923	81,236
Total	**1,392,658**	**1,213,331**

Technical interest income for own account

Technical interest income transfers the interest income listed in section 38 RechVersV to the technical income statement and is calculated from the 2.25 % interest allocated to the annuity provision and the deposit interest on the deposit for provisions for future policy benefits.

Claims expenditure for own account

Releases to the provision for outstanding claims assumed from the previous year generated a gross profit of 4.7 % (previous year: 7.0 %) of gross earned premiums and a net profit of 0.2 % (previous year: 0.7 %) of net earned premiums.

PERSONNEL EXPENSES

in €'000		2021	2020
1.	Wages and salaries	18,269	17,216
2.	Social security contributions and employee assistance expenses	2,390	2,215
3.	Expenses for employees' pensions	4,740	3,287
Total		**25,399**	**22,717**

Write-downs in accordance with Section 253 (3) Sentence 5 and 6

Unscheduled write-downs on fixed assets owing to impairment that was expected to be permanent were carried out in the year under review in the amount of €11,200K (previous year: €66K). Write-downs were also carried out on financial assets in the amount of €94K owing to impairments that were not expected to be permanent (previous year: €235K).

Other income

Other income includes exchange rate gains amounting to €1,547K (previous year: €1,251K).

Other expenses

Interest allocated to provisions for employees' pensions, semi-retirement and long-service award expenses comes to €739K (previous year: €810K). Exchange rate losses of €619K (previous year: €19K) were recorded.

OTHER DISCLOSURES

The company employed an average of 162 staff in the 2021 financial year, of whom 97 were male and 65 female.

Members of the Supervisory Board received total remuneration of €159,456 for performing their duties at the parent company and the subsidiaries in the year under review, while the Board of Executive Directors received total remuneration of €1,140,407.

Total remuneration for former members of the Board of Executive Directors and their surviving dependants came to €567,496. Provisions recognised in this regard amount to €9,747,785.

Contingent liabilities and commitments

As a member of the German Pharmaceutical Reinsurance Association (Pharma-Rückversicherungs-Gemeinschaft), we are required to assume the benefit obligations of any other member of the pool if one of them drops out. Our obligation applies in relation to our quota share. Similar obligations exist as a result of our membership of the German Nuclear Reactor Insurance Association (Deutsche Kernreaktor-Versicherungsgemeinschaft – DKVG). The public insurers provide the public insurers' solidarity pool for risks arising from terrorist attacks with annual capacity of a total of €250,000K, which will be borne jointly if necessary. Deutsche Rück will have to assume a contingent liability of up to €25,000K from this solidarity pool if required.

Due to our membership of VöV Rückversicherung KöR, we are liable for the company's liabilities up to the level of non-paid-up share capital of €184K. We estimate that the probability of occurrence is extremely low.

There is a joint and several debt service guarantee (surety) for the payment of interest and/or capital repayment (debt service) for a loan of €3,200K taken out by an associated company. We estimate that the probability of a claim being made under this surety is low.

Other financial commitments

There are payment obligations relating to open commitments to associated companies in the amount of €402K, participating interests in the amount of €115,856K and shares or units in investment funds totalling €88,450K.

From the investment portfolio, commitments in the amount of €198,821K existed as at the balance sheet date in relation to forward purchases of promissory notes, registered securities and bearer bonds with interest rates of between 0.5 % and 3.625 % and terms to maturity of between one and 26 years. Forward purchases are measured using the cost of carry. Taking into account the market value of the underlying instruments at the balance sheet date, the total fair value of the forward purchases is €37,612K.

As at the balance sheet date, there are four optional purchase obligations (short put options) arising from two registered bonds issued by the IBRD (World Bank), each of which amounts to €5,000K, with interest rates of 2.26 % and 2.40 % respectively and terms up to 6 July 2037 and 16 February 2038 respectively. There are also five optional purchase obligations arising from a registered bond issued by NRW Bank, each of which amounts to €6,000K, with interest of 2.35 % and a term of 30 years in each case. The purchase obligations have a combined market value of €−111K, €−132K and €−215K respectively based on the shifted Libor market model.

It is only necessary to recognise provisions for anticipated losses from pending transactions if there is an impairment to the underlying instrument and this is expected to be permanent. Since the underlying instruments relating to the forward purchases and purchase obligations are measured in accordance with section 341b(1) HGB and thus according to the regulations governing fixed assets, accounting risks do not arise if a permanent impairment to the underlying instrument is deemed unlikely. Consequently, it is not necessary in this instance to create a provision for anticipated losses from pending transactions.

We plan to purchase further shares in a non-listed company up to 31 May 2024. A convertible loan (nominal value of €100K) has been granted in connection with this, which includes an embedded US purchase option for us. This is a separable derivative financial instrument that is not recognised at fair value. Owing to the structure of the option (variable strike of 80 % of pre-money valuation in the funding round), its fair value lies within a range of €0 to €20K. The option cannot give rise to any balance sheet obligations, as the fair value is not negative.

The Deutsche Rück Group has granted loans secured by land charges in the last three financial years, which have not yet been fully disbursed. The outstanding payments are linked to progress with construction of the properties serving as security. The total loan amounts still to be disbursed come to €21,914K. The interest rates are between 1.85 % and 10 %.

Further disclosures

There are no contingent liabilities, including pledges and assignments as security as well as liabilities resulting from the issue of bills of exchange and cheques, that are not clearly recognisable from the consolidated financial statements.

Total fees in the amount of €200K were paid or set aside for the Group's statutory auditor, Ernst & Young GmbH, for the 2021 financial year. Of this sum, €160K relates to the audits of the consolidated and annual financial statements and solvency overviews, €6K to other certification services and €34K to tax consultancy services.

Cover requirements in accordance with Solvency II were once again fulfilled in the year under review.

Events after the balance sheet date

At the time of reporting on the annual financial statements for 2021, Russia's invasion of Ukraine is well under way and the sanctions that have been imposed on Russia are having a major impact on the entire European Economic Area. We expect this to have only a limited adverse economic impact on the Deutsche Rück Group, as premium volume in Russia comes to only about €5 million in 2022. Our investment portfolio does not contain any direct investments in Russia. Investments in public funds could potentially lead to the requirement for write-downs, but we do not believe that this would have a significant impact on the Group's net assets, financial position and results of operations, as these investments account for only around 0.3 % of our total portfolio. However, further developments in connection with the war remain uncertain at all levels.

No other significant events have occurred that could adversely affect our company's net assets, financial position and results of operations.

Proposal for the appropriation of the profit

The parent company proposes to the Annual General Meeting that the balance sheet profit of €3,165K shown in the separate financial statements be used as follows:

PROPOSAL FOR APPROPRIATION OF THE BALANCE SHEET PROFIT

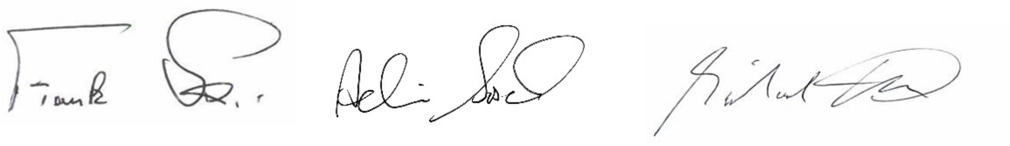
in €'000

12 % dividend on the paid-up share capital	3,000
Transfers to retained earnings	0
Carry forward to new account	165

Düsseldorf, 23 March 2022

Deutsche Rückversicherung Aktiengesellschaft

Board of Executive Directors



Schaar Bosch Rohde

Independent auditor’s report

To Deutsche Rückversicherung AG, Düsseldorf

NOTE ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND GROUP MANAGEMENT REPORT

Audit opinion

We have audited the consolidated financial statements of Deutsche Rückversicherung AG and its subsidiaries (the Group), comprising the consolidated balance sheet as at 31 December 2021, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in shareholders’ equity for the financial year from 1 January 2021 to 31 December 2021, and the notes to the consolidated financial statements, including the presentation of accounting principles. We have also audited the Group management report of Deutsche Rückversicherung AG for the financial year from 1 January 2021 to 31 December 2021.

In our opinion, based on the findings of our audit,

- the enclosed consolidated financial statements comply with the provisions of German commercial law as applicable to insurance companies in all key respects and give a true and fair view, in accordance with German generally accepted accounting standards, of the Group's net assets and financial position as at 31 December 2021 and of its results of operations for the financial year from 1 January 2021 to 31 December 2021, and
- the enclosed Group management report gives a true and fair overall view of the Group’s position. In all key respects, this Group management report is consistent with the consolidated financial statements, complies with the provisions of German law and accurately presents the opportunities and risks associated with future development.

In accordance with section 322(3) sentence 1 HGB, we declare that our audit has not led to any reservations with regard to the correctness of the consolidated financial statements and the Group management report.

Basis for our audit opinion

We have conducted our audit of the consolidated financial statements and the Group management report in accordance with section 317 HGB and Regulation (EU) No. 537/2014 on audits, taking into account generally accepted German standards for auditing financial statements as promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW). Our responsibility in accordance with these regulations and standards is described in more detail in the section “Auditor’s responsibility for auditing the consolidated financial statements and the Group management report” within our auditor’s report. We are independent of the Group companies in accordance with the provisions of European law and German commercial law as well as German rules of professional conduct, and have fulfilled the rest of our professional duties under German law in accordance with these requirements. We also declare, in accordance with article 10(2) sub-paragraph f) of Regulation (EU) No. 537/2014, that we have not provided any prohibited services not related to auditing in accordance with article 5(1) of Regulation (EU) No. 537/2014. We believe that the audit evidence we have obtained provides an adequate and appropriate basis for our audit opinion with regard to the consolidated financial statements and the Group management report.

Facts of particular importance in the audit of the consolidated financial statements
Facts of particular importance in the audit are those facts that, based on our judgement, were the most relevant in our audit of the consolidated financial statements for the financial year from 1 January 2021 to 31 December 2021. These facts have been taken into account in connection with our audit of the consolidated financial statements as a whole and in forming our audit opinion; we shall not provide a separate audit opinion on these facts.

We shall describe the facts that we consider to be of particular importance in our audit below.

Assessment of partial provisions for known and unknown claims included in gross provisions for outstanding claims
Reasons for classification as facts that are of particular importance in the audit
Gross provisions for outstanding claims essentially comprise partial provisions for known and unknown claims, which are valued in accordance with the provisions of section 341g HGB.

Gross partial provisions for known claims are in principle valued on the basis of the cedants' instructions. If no instructions are available from cedants at the time of preparing the consolidated financial statements, the amount of provisions will be estimated for each contract. These estimates are then replaced with the reported figures upon receipt of the actual statements of account in the following year. The difference between the estimate and the actual statement of account results in an adjustment effect (true-up), which is recognised in income in the following year.

The Group's legal representatives estimate the gross partial provision for unknown claims based on past experience using actuarial methods.

This is a fact that is of particular importance in the audit, as the calculation of partial provisions for known and unknown claims included in gross provisions for outstanding claims is based to a large extent on estimates and assumptions and there is therefore a risk that the calculated figures may be inadequate, both overall and in the individual lines of insurance, and may not comply with the special principle of prudence in accordance with section 341g HGB. Furthermore, partial provisions for known and unknown claims included in gross provisions for outstanding claims account for a large proportion of total assets.

Our approach in the audit

As part of our audit of the financial statements, we examined the process used to record the cedants' statements of account and the procedures, methods and control mechanisms that are applied there. By tracing the processing of individual cedants' statements of account, we investigated the reinsurance settlement process as far as its presentation in the annual financial statements and tested the main controls for effectiveness. These controls relate to both the completeness of reinsurance settlements and the correct valuation of partial provisions for known claims. In addition, we traced the estimates for the year under review and the true-up for the previous year in each case, both overall and at the level of individual lines of business and individual cedants. In the event of significant deviations, we carried out interviews with the persons entrusted with the matter and conducted audits of the individual cases in order to analyse the main factors driving the deviations in estimates.

The purpose of our audit of the calculation of gross provisions for unknown IBNR claims was to assess the underlying procedures and methods to determine whether they are appropriate for ensuring that the amount of provisions is calculated correctly. By carrying out our own actuarial analyses and calculations, we traced whether the parameters on which estimates of IBNR reserves were based had been derived in a way that was comprehensible and whether adequate provisions had been recognised.

To assess whether adequate gross provisions have been calculated for known and unknown claims, we also calculated our own claims projections based on mathematical/statistical methods for the four largest lines/types of insurance. We compared the best estimate we had calculated with the partial provisions recognised for known and unknown claims and on this basis judged that the partial provisions included in gross provisions were adequate overall.

We also assessed whether, based on current knowledge, the partial provisions for known and unknown claims included in gross provisions for outstanding claims in previous years were adequate overall to cover the claims that actually occurred and thus to obtain indications that past estimates were adequate (target/actual comparison).

In the course of our audit we made use of our own specialists with actuarial expertise.

Our audit procedures did not give rise to any reservations with regard to the valuation of the partial provisions for known and unknown claims included in gross provisions.

Reference to associated disclosures
Information about the valuation of partial provisions for known and unknown claims included in gross provisions for outstanding claims is provided in the “Accounting principles” section of the notes.

Other information
The Supervisory Board is responsible for the Report of the Supervisory Board. The legal representatives are otherwise responsible for other information. Other information includes the following components of the annual report in particular, of which we obtained a copy prior to issuing this auditor’s report:

- the Report of the Supervisory Board and
- the key figures shown before the contents of the annual report, as well as the information on markets

but not the consolidated financial statements, not the disclosures in the management report included in the audit of the contents and not our associated auditor’s report.

Our audit opinion on the consolidated financial statements and the Group management report does not extend to other information, and we are therefore not providing an audit opinion or any other form of audit conclusion on this information.

As part of our audit, we have a responsibility to read the other information and to determine whether the other information

- reveals significant discrepancies in relation to the consolidated financial statements, the Group management report or the findings of our audit or
- appears to be presented in any other way that is significantly incorrect.

If we conclude on the basis of the work we have carried out that this other information is presented in a way that is significantly incorrect, we have a duty to report this fact. We have nothing to report in this regard.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the Group management report
The legal representatives are responsible for preparing the consolidated financial statements, which must comply in all key respects with the provisions of German commercial law that apply to insurance companies, and are responsible for ensuring that the consolidated financial statements give a true and fair view of the Group’s net assets, financial position and results of operations in accordance with German generally accepted accounting standards. Furthermore, the legal representatives are responsible for the internal checks that they have deemed necessary, in accordance with German generally accepted accounting standards, to ensure that it is possible to prepare consolidated financial statements that are free from any material misstatements, either intentional or unintentional.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue its activities. Moreover, they have a responsibility to disclose any facts in connection with the continuation of the company's activities where relevant. They also have a responsibility to draw up the accounts on the basis of the going concern principle, unless actual or legal conditions prevent this.

In addition, the legal representatives are responsible for preparing the Group management report, which must give a true and fair overall view of the Group's situation and in all key respects must be consistent with the consolidated financial statements, comply with German legal regulations and accurately present the opportunities and risks associated with future development. The legal representatives are also responsible for the precautions and measures (systems) that they have deemed necessary in order to enable a Group management report to be prepared in accordance with the applicable German legal regulations and to be able to provide adequate and suitable evidence for the statements made in the Group management report.

The Supervisory Board is responsible for overseeing the Group's accounting process for the preparation of the consolidated financial statements and the Group management report.

Auditor's responsibility for auditing the consolidated financial statements and the Group management report

Our aim is to obtain sufficient certainty as to whether the consolidated financial statements as a whole are free from material misstatements, either intentional or unintentional, and whether the Group management report as a whole gives a true and fair view of the Group's situation and in all key respects is consistent with the consolidated financial statements and the findings of our audit, complies with German legal regulations and accurately presents the opportunities and risks associated with future development, and to issue an auditor's report containing our audit opinion on the consolidated financial statements and the Group management report.

Sufficient certainty means a high degree of certainty, but does not guarantee that an audit conducted in accordance with section 317 HGB and Regulation (EU) No. 537/2014 on audits, taking into account generally accepted German standards for auditing financial statements as promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW), will always reveal any material misstatement. Misstatements can result from irregularities or inaccuracies and are regarded as material if they could reasonably be expected to influence, either individually or collectively, economic decisions made on the basis of these consolidated financial statements and this Group management report by the recipients.

We exercise discretion during the audit and maintain a basic critical stance. We also

- identify and assess the risks of material misstatements, either intentional or unintentional, in the consolidated financial statements and the Group management report, plan and implement audit procedures in response to these risks and obtain adequate and appropriate audit evidence to serve as the basis for our audit opinion. The risk that material misstatements may not be discovered is higher in the case of irregularities than in the case of inaccuracies, as irregularities may include collusion for fraudulent purposes, forgery, intentional omissions, misleading representations and the invalidation of internal checks;

- gain an understanding of the internal control system that is relevant to the audit of the consolidated financial statements and the precautions and measures that are relevant to the audit of the Group management report, in order to plan audit procedures that are appropriate under the given circumstances, but not with the aim of issuing an audit opinion on the effectiveness of these systems;
- assess the appropriateness of the accounting methods applied by the legal representatives and the validity of the estimates presented by the legal representatives and associated disclosures;
- draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and, on the basis of the audit evidence obtained, about whether there is any significant uncertainty in connection with events or circumstances that could raise significant doubts about the Group’s ability to continue its activities. If we conclude that there is significant uncertainty, we have an obligation to draw attention in our auditor’s report to the associated disclosures in the consolidated financial statements and the Group management report or, if these disclosures are inadequate, to amend our respective audit opinion. We draw our conclusions on the basis of the audit evidence we have obtained up to the date of our auditor’s report. However, future events or circumstances may mean that the Group is no longer able to continue its activities;
- assess the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and assess whether the consolidated financial statements present the underlying business transactions and events in such a way that the consolidated financial statements give a true and fair view of the Group’s net assets, financial position and results of operations in accordance with German generally accepted accounting standards;
- obtain adequate and appropriate audit evidence for the companies’ accounting information or for business activities within the Group, in order to submit audit opinions on the consolidated financial statements and the Group management report. We are responsible for issuing instructions regarding the audit of the consolidated financial statements and for conducting and supervising the audit. We are solely responsible for our audit opinion;
- assess whether the Group management report is consistent with the consolidated financial statements and whether it complies with the law, and assess the view it presents of the Group’s situation;
- conduct audit procedures with respect to the forward-looking statements presented by the legal representatives in the Group management report. On the basis of adequate and appropriate audit evidence, we trace in particular the key assumptions underlying the forward-looking statements made by the legal representatives and assess whether the forward-looking statements have been appropriately derived from these assumptions. We do not provide a separate audit opinion on the forward-looking statements or the underlying assumptions. There is a substantial and unavoidable risk that future events could deviate significantly from the forward-looking statements.

We discuss the planned scope and schedule of the audit with the parties responsible for supervision, as well as the key findings of the audit, including any deficiencies in the internal control system that we discover during our audit.

We submit a declaration to the parties responsible for supervision stating that we have complied with the relevant requirements with regard to independence, and discuss with them all relationships and other circumstances that can reasonably be expected to have an impact on our independence and the precautions we have taken in this regard.

Of the facts we have discussed with the parties responsible for supervision, we determine those that were the most significant in the audit of the consolidated financial statements for the current reporting period and that therefore constitute particularly important audit facts. We describe these facts in our auditor's report, unless laws or other legal regulations prevent these facts from being publicly disclosed.

Other statutory and legal requirements

Other disclosures in accordance with Article 10 of Regulation (EU) No. 537/2014 on audits

We were elected as the auditor for the consolidated financial statements at the Supervisory Board meeting on 12 April 2021. The Supervisory Board instructed us on 14 May 2021 to perform an audit. We have acted as the auditor of the consolidated financial statements of Deutsche Rückversicherung AG every year since 2019.

We declare that the audit opinions contained in this auditor's report are consistent with the additional report to the Audit Committee in accordance with article 11 of Regulation (EU) No. 537/2014 on audits (audit report).

Responsible auditor

The auditor responsible for the audit is Dr Markus Horstkötter.

Cologne, 20 April 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Dr Horstkötter	Offizier
Wirtschaftsprüfer (Certified public accountant)	Wirtschaftsprüfer (Certified public accountant)

Report of the Supervisory Board

Obligations, committees and appointments
The Supervisory Board monitored and advised the Board of Executive Directors in its management of the company, exercising the responsibilities incumbent upon it in accordance with statutory regulations, the Articles of Association and the rules of procedure.

The existing members were reappointed in the regular re-election of the Supervisory Board, while in the elections of employee representatives, Katharina Staffe and Thomas Millhoff were re-elected and Jörg Wiesner was elected as a new representative.

Collaboration with the Board of Executive Directors
The Board of Executive Directors informed the Supervisory Board regularly and comprehensively of the Group’s position and development. A total of four meetings were held in the 2021 financial year. These meetings were held as teleconferences or video conferences, owing to the coronavirus crisis.

At these meetings, the Supervisory Board received and discussed verbal and written reports from the Board of Executive Directors. The Supervisory Board was also kept abreast of business developments and the Group's position in written quarterly reports from the Board of Executive Directors in accordance with section 90 AktG. Business developments at the main subsidiaries were also considered.

In addition, the Chief Executive Officer informed the Chairman of the Supervisory Board of all major developments, forthcoming decisions and the companies’ risk position outside these meetings.

Detailed explanations of the companies’ economic position and development were provided at meetings of the Supervisory Board. Regular reports focused above all on the companies’ corporate planning and anticipated results, their risk situation and risk management, as well as their financial situation. Furthermore, the Supervisory Board received updates on the internationalisation strategy that was adopted in the 2019 financial year, with a special focus on the company’s business performance in the new markets of the Middle East and Latin America.

Adoption of the consolidated financial statements

The Supervisory Board elected the auditor for the 2021 audit. The actual audit order was placed by the Chairman of the Supervisory Board. The consolidated financial statements and Group management report for the 2021 financial year were audited by Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Cologne, and did not give rise to any objections; an unqualified auditor's opinion was thus issued. The auditors attended the balance sheet meeting held by the Supervisory Board and reported on the key results of their audit.

Following the definitive result of the checks conducted by the Supervisory Board, and after discussing both the consolidated financial statements and the Group management report, the Supervisory Board has no further comments to make on the auditor's report.

The Supervisory Board concurs with the auditor's findings and approves the consolidated financial statements prepared by the Board of Executive Directors.

On behalf of all members of the Supervisory Board, I would like to thank the Board of Executive Directors and all employees of the Deutsche Rück Group for their close collaboration with the supervisory bodies and their great dedication in promoting the companies' successful further development.

Düsseldorf, 27 April 2022

Dr Frank Walthes
Chairman

COMPANY DETAILS

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