Alleghany Corporation Scorecard

($ in millions, except per share data)

	Common Stockholders' Equity	Book Value Per Share [1]	Book Value % Change	Market Price Per Share	Market Price % Change	Market Price to Ending Book Value	Market Information: S&P 500 Total Return	Market Information: 10-year Treasury Yield End of Year
2000	$ 1,191	$ 135.49	15.3%	$ 165.28	13.0%	1.22	-9.1%	5.11%
2001	1,426	162.36	19.8%	157.88	-4.5%	0.97	-11.9%	5.05%
2002	1,413	162.75	0.2%	148.52	-5.9%	0.91	-22.1%	3.82%
2003	1,600	182.18	11.9%	189.90	27.9%	1.04	28.7%	4.25%
2004	1,800	204.08	12.0%	248.33	30.8%	1.22	10.9%	4.22%
2005	1,894	212.80	4.3%	252.18	1.6%	1.19	4.9%	4.39%
2006	2,146	244.25	14.8%	329.32	30.6%	1.35	15.8%	4.70%
2007	2,485	281.36	15.2%	371.39	12.8%	1.32	5.5%	4.02%
2008	2,347	267.37	-5.0%	265.74	-28.4%	0.99	-37.0%	2.21%
2009	2,718	294.79	10.3%	265.28	-0.2%	0.90	26.4%	3.84%
2010	2,909	325.31	10.4%	300.36	13.2%	0.92	15.1%	3.29%
2011	2,926	342.12	5.2%	285.29	-5.0%	0.83	2.1%	1.88%
2012	6,404	379.13	10.8%	335.42	17.6%	0.88	16.0%	1.76%
2013	6,924	412.96	8.9%	399.96	19.2%	0.97	32.4%	3.03%
2014	7,473	465.51	12.7%	463.50	15.9%	1.00	13.7%	2.17%
2015	7,555	486.02	4.4%	477.93	3.1%	0.98	1.4%	2.27%
2016	7,940	515.24	6.0%	608.12	27.2%	1.18	12.0%	2.44%
2017	8,514	553.20	7.4%	596.09	-2.0%	1.08	21.8%	2.41%
2018	7,693	527.75	-4.6%[2]	623.32	4.6%	1.18	-4.4%	2.69%
2019	8,777	611.00	15.8%	799.57	28.3%	1.31	31.5%	1.92%
2020	8,756	623.57	2.1%[3]	603.69	-24.5%	0.97	18.4%	0.92%
2021	9,187	675.58	8.3%	667.59	10.6%	0.99	28.7%	1.51%

CAGR - Including Special Dividends			
5-years	6.5%	2.6%	18.5%
10-years	7.5%	9.3%	16.5%
15-years	7.3%	5.1%	10.7%

(1) Adjusted for stock dividends.

(2) (2.8%) when adjusted for the impact of a $10.00 per share special dividend payment on March 15, 2018.

(3) 4.5% when adjusted for the impact of a $15.00 per share special dividend payment on March 16, 2020.

To the Stockholders of Alleghany Corporation:

Alleghany had a good year in 2021 despite a challenging operating environment.

- Alleghany stockholders' equity increased by $724 million before $291 million of share repurchases. Net of share repurchases, stockholders' equity increased to just shy of $9.2 billion. On a per share basis, book value grew by 8.3% to $676 during 2021.

  Book value per share growth, which is the most comprehensive, but not the only, measure of our financial performance, was hindered by two headwinds and benefited from one tailwind. The two headwinds were: $737 million of pre-tax catastrophe losses ($42 per share or 6.6 percentage points of beginning book value after taxes); and $320 million of pre-tax net unrealized and realized losses on our fixed income portfolio due to rising interest rates ($18 per share or 2.9 percentage points after taxes). Our fixed income portfolio supports both our loss reserve liabilities and a majority of our underwriting capital.

  As for the tailwind, book value grew by $507 million due to net realized and unrealized pre-tax gains on common equities ($29 per share or 4.6 percentage points after taxes) as U.S. equity markets produced attractive returns for the year.

- Reported net earnings for the year were over $1.0 billion ($75 per share) for the first time in Alleghany's history. Although this milestone is noteworthy, we view net earnings as less meaningful these days because it includes the change in the value of our common equities and certain realized investment gains and losses, which can vary widely from year to year. Any single year's investment gains and losses are not particularly significant.

- Adjusted earnings**,** which we see as relevant because they exclude investment gains and losses, as well as the amortization of intangible assets arising from acquisition accounting, were $619 million ($45 per share). This amount reflects significantly improved underwriting results, a substantial increase in Alleghany Capital's earnings and higher net investment income.

- Consistent with our capital allocation philosophy, we repurchased approximately 3.2% of our outstanding shares for $291 million at an average price of $651, which equals 0.96x December 31, 2021 book value per share. While only time will tell, the likelihood is these repurchases should work out well financially for Alleghany's stockholders.

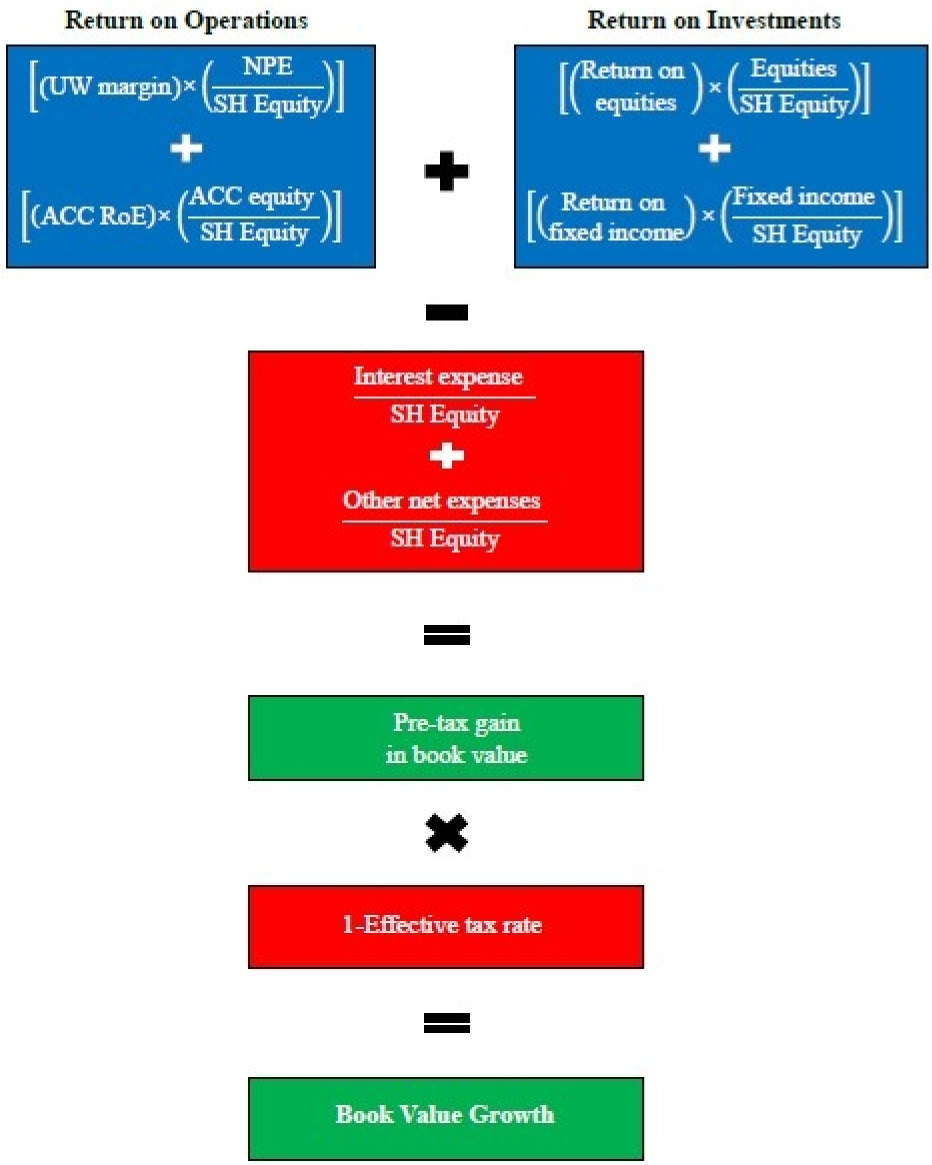
The table below disaggregates the key components of our 8.3% growth in book value before capital transactions during the year. All amounts are after taxes and noncontrolling interests.

Components of Alleghany 2021 Growth in Book Value

	Alleghany 2021 Growth in Book Value	
	$ millions	%
Net underwriting gain, before catastrophe losses	$ 702	8.0%
Net current year catastrophe losses[1]	(548)	(6.2%)
Net underwriting gain, after catastrophe losses	154	1.8%
Alleghany Capital	146	1.7%
Common equities:		
Dividend income	64	0.7%
Net realized and unrealized gains	400	4.6%
	464	5.3%
Fixed income:		
Interest income	306	3.5%
Net realized and unrealized gains	(254)	(2.9%)
	52	0.6%
Other invested assets	71	0.8%
Investments subtotal	587	6.7%
Subtotal	**887**	**10.2%**
Interest expense[2]	(68)	(0.8%)
Other net expenses[3]	(95)	(1.1%)
Total growth in book value before capital transactions	**$ 724**	**8.3%**

(1) Net current year catastrophe losses are net of reinstatement premiums.
(2) Excludes Alleghany Capital's interest expenses, which are included in Alleghany Capital's returns above.
(3) Other, net includes corporate administration expenses, re/insurance subsidiary long-term incentive compensation expenses, Alleghany Properties, AIHL Re, and miscellaneous other income and expenses.

Similar to the table above, below is one topside approach we use when thinking about the possible range of Alleghany's long-term book value growth:



UW margin = Underwriting margin
NPE = Net premiums earned
SH Equity = Stockholders' equity attributable to Alleghany stockholders
ACC RoE = Alleghany Capital Corporation's RoE before taxes and after noncontrolling interest
Equities = Common equities and other invested assets
Fixed income = Debt securities, short-term investments, commercial mortgage loans and cash

I leave it to readers to fill in the amounts or ranges they believe are reasonable. Important information to help determine estimates for each of these variables is included in this Annual Report and Alleghany's SEC filings, earnings releases, quarterly financial supplements and annual historical business information supplement, which provides a chronology of Alleghany's results. All of these documents are available on Alleghany's website.

However, we offer the following, hopefully helpful, information for some of the important variables.

As an approximate percentage of year-end stockholders' equity:

- Net premiums earned of $7.1 billion in 2021 were 77%;
- Alleghany Capital's equity of $1.3 billion at year-end was 15%;
- Debt securities, short-term investments, commercial mortgage loans and cash of $18.6 billion were 203%;
- Common equities of $3.7 billion were 40%;
- Other invested assets of $558 million were 6%;
- Interest expense[(i)] of $86 million was 0.9%; and,
- Other net expenses of $120 million were 1.3%.

Lastly, the book yield on Alleghany's fixed income portfolio was 2.2% at year-end, Alleghany Capital's return on equity before taxes and after noncontrolling interest in 2021 was approximately 16%, and Alleghany's effective tax rate in 2021 was 20%.

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Underwriting Results

We achieved our best underwriting result since 2016, with a consolidated underwriting profit of $195 million and a combined ratio of 97.2%. This underwriting profit was after incurring $737 million of current year catastrophe losses, which added 10.4 points to our combined ratio. Underlying underwriting results continue to improve as consecutive years of rate increases are now resulting in strong attritional profitability ($932 million of underwriting profits and an 86.8% combined ratio before catastrophe losses). Although we are encouraged by 2021's underwriting performance, we aim to do better.

The catastrophe losses were mostly from Winter Storm Uri and the related Texas freeze and power outage in February, the powerful convective storms and resulting floods in continental Europe this summer, and Hurricane Ida, the second most damaging and intense hurricane to make landfall in Louisiana, behind only Hurricane Katrina in 2005. Global insured catastrophe losses in 2021 were approximately $120 billion. Our share of these losses, which were disproportionately concentrated in the United States, was a little over 0.6%.

Consolidated net premiums written grew by 13% overall in 2021 to $7.1 billion, reflecting 11%, 20% and 9% growth at each of TransRe, RSUI and CapSpecialty, respectively. Excluding a large quota share treaty TransRe elected not to renew at year-end, both TransRe's and consolidated premiums would have grown by approximately 17%.

(i) Excludes interest expense at Alleghany Capital's subsidiaries, which is included as part of Alleghany Capital's results.

Net premiums earned, which were not affected by the non-renewal of the large quota share treaty, grew by $1.1 billion in 2021. Overall, the strong premium growth was driven by significant rate increases, additional business opportunities and strong submission flows at all three of our re/insurance subsidiaries, as well as new products at CapSpecialty. While rate increases in certain lines and classes of business are starting to moderate to some degree and we are seeing new competitors in select areas, we believe we are still achieving rate increases in excess of loss cost trends.

TransRe

TransRe is a highly diversified global reinsurer with leading positions in casualty, professional and specialty lines of reinsurance, particularly in the United States and London. It is Alleghany's largest subsidiary with $5.4 billion of equity (just under 50% of Alleghany's total stockholders' equity and parent-level debt), $15.2 billion of cash and investments and $9.7 billion of net loss reserves, as well as $5.4 billion of net premiums written in 2021.

In 2021, TransRe produced a modest underwriting profit of $29 million and a 99.4% combined ratio after incurring $545 million of net catastrophe losses, which added 10.0 points to the combined ratio. This was TransRe's first annual underwriting profit since 2016 due to the unusual frequency of modest-sized catastrophe events, often involving secondary perils such as wildfires, floods, and winter and convective storms, that began in 2017 and has now persisted for five years. During 2021, TransRe generated $320 million of pre-tax adjusted earnings.

As noted above, TransRe's net premiums written grew by 11% during 2021, and excluding the large non-renewed quota share treaty, TransRe's net premiums grew by 17%. This growth mostly reflects improved original rates and significant increases in casualty, professional and agricultural lines of business. Given TransRe's franchise, underwriting expertise, strong balance sheet, ability and willingness to pay claims, and long-standing client and intermediary relationships, TransRe's casualty and professional liability business is of the highest quality, assumed from some of the world's best and most sophisticated underwriters and specialists. TransRe's growth is the product of careful analysis and many years of experience. It is not a "land grab" of undifferentiated casualty business from third-tier or newly formed managing general agencies, with little or no alignment with their fronting companies and reinsurers, in order to "participate in an improving casualty market."

After 26 years at TransRe, the last ten years as CEO, Mike Sapnar decided to exchange his well-worn underwriting jersey for a new investment one. Mike joined Stone Ridge Holdings Group, which provides a variety of alternative investment management and related services to its clients, including Alleghany and other insurance organizations. Alleghany has a multifaceted relationship with Stone Ridge, including a modest ownership stake. As such, we will continue to enjoy the privilege of working with Mike while also wishing him the best in the next chapter of his career.

Mike started as a front-line underwriter at TransRe in 1995 and rose to become CEO. He successfully led TransRe through a number of significant challenges, including the multi-year AIG saga, a contested acquisition in 2011, heightened catastrophe activity in recent years and, lastly, the first year of the pandemic. Mike always led from the front with both his heart and mind, and, as such, earned the respect of his colleagues, ceding company clients and reinsurance intermediaries. He also firmly imprinted his DNA on TransRe's culture and positioned the company and his colleagues for continued success.

These colleagues include Ken Brandt, TransRe's accomplished Co-President of Global Underwriting, who was ready to take the reins as we implemented a smooth CEO transition. Ken has been a member of TransRe's senior leadership team since 2006, understands TransRe's distinctive culture and has played a critical role in establishing and executing TransRe's key strategic initiatives over the past 15 years. Ken, who is a very capable leader and manager, brings extensive industry knowledge, global experience and deep underwriting expertise to his new role as CEO.

During the year, Ken, ably assisted by Paul Bonny, TransRe's Executive Vice Chairman, reorganized TransRe's underwriting operations to place more emphasis on global profitability by line while, maintaining TransRe's historically strong regional client focus. TransRe also developed a significantly revamped property catastrophe strategy in light of the consistent losses and poor returns on this line over the last five years. Put simply, unless expected returns from catastrophe business improve substantially, which we do not expect, TransRe will reduce the amount of capital it deploys to support this risk.

During the January 1 renewal season this year, TransRe executed its plan to reduce its catastrophe exposures, while at the same time continuing to grow its casualty and professional lines business. At January 1, TransRe reduced its property writings by over 25% and replaced the entire amount with growth in other lines. It is a testament to TransRe's franchise and underwriters that it was able to both shrink its cat capacity and grow its casualty and professional books at the same time, with the same clients, through the same brokers. This strategy will continue to unfold as 2022 progresses.

TransRe's fourth quarter underwriting result ($132 million of underwriting profit and a 90.8% combined ratio), and its successful January 1 renewal season are encouraging early indicators for 2022 and beyond.

This letter marks ten years since Alleghany acquired TransRe in March 2012 for $3.5 billion. Since then, TransRe has provided Alleghany with almost $2.1 billion of net dividends, increased its stockholder's equity by $1.4 billion and retired $667 million of debt. These dividends, along with the substantial dividends from RSUI described below, have enabled Alleghany to repurchase $1.8 billion of shares, pay $369 million of special dividends and build Alleghany Capital over the last decade. Despite $2.5 billion of catastrophe and pandemic-related losses during the past five years, TransRe, remains a dependable, though episodically volatile, compounding machine. Accordingly, almost a decade after the acquisition closed, it seems fair to conclude TransRe has worked out well for Alleghany's stockholders.

RSUI

RSUI is a premier specialty commercial insurance underwriter focused on severity-exposed risks across property, management and professional liability and casualty lines, all distributed *exclusively* through wholesale brokers. RSUI finished 2021 with about $4.6 billion of cash and investments, $2.0 billion of net loss reserves and over $1.9 billion of equity (almost 18% of Alleghany's total stockholders' equity and parent-level debt).

In short, RSUI had a terrific year in 2021, generating a record $2.0+ billion of gross premiums written, reflecting growth of over $350 million and 20%. The growth was due to strong double-digit rate increases and new business opportunities across all major product lines. RSUI generated $164 million in underwriting profits and an 86.7% combined ratio, even after absorbing $190 million of catastrophe losses (15.4 combined ratio points). Overall, RSUI produced $251 million of pre-tax adjusted earnings.

In a well-planned and well-executed leadership transition, Dave Leonard stepped down from RSUI's CEO post at year-end to assume the Executive Chairman role and will retire on March 31, 2022. On January 1, 2022, Phillip McCrorie became CEO, Andrew Whittington became President and Chief Underwriting Officer, and Lee Sjostrom, Executive Vice President, added the Chief Operating Officer responsibilities to his Chief Financial Officer duties. Phillip, Andrew and Lee have all been with RSUI for at least 17 years so this is a natural progression. We are pleased we will continue to benefit from Dave's counsel, wisdom and experience, as he will continue to serve on RSUI's Board as a non-executive director.

Dave started at RSUI in 1999, before Alleghany acquired the company and its renewal rights in 2003, and served as CEO for ten years from 2012 to 2021. During Dave's decade as CEO, RSUI underwrote $13.2 billion of gross premiums, produced underwriting profits of $930 million, after incurring $1.3 billion of catastrophe losses, on $8.3 billion of net premiums earned, which generated a cumulative combined ratio of 88.9%. Interestingly, while RSUI is often known as a leading property underwriter, over 50% of these underwriting profits were from casualty lines of business. From 2012 to 2021, RSUI paid over $1.2 billion of dividends to Alleghany and grew its book value by over $525 million. While Dave's dream may be induction into the World Golf Hall of Fame, his more likely fate is the Insurance Hall of Fame (yes, there is one).

We appreciate all of Dave's dedicated efforts, contributions and results over the years and wish him and his wife, Pam, a long, enjoyable and healthy retirement.

Phillip, Andrew and Lee have inherited the responsibility of perpetuating RSUI's franchise and strong underwriting culture. I am confident they will do so and RSUI will continue to go from strength to strength.

CapSpecialty

Jack Sennott became CapSpecialty's CEO in 2019 after a six-year tour of duty as Alleghany's Chief Financial Officer. Over the last three years, Jack led CapSpecialty's transformation from essentially a regional Midwest property and casualty insurer into the specialty casualty and surety insurance company it is today. This "gut renovation," including a comprehensive IT overhaul, is a significant accomplishment that puts CapSpecialty on the path towards becoming a franchise company focused on excess and surplus lines (E&S) casualty business for small and medium-sized businesses. Thanks to Jack and his hardworking colleagues, CapSpecialty is positioned well for a successful future.

As it completes its transformation, CapSpecialty now has meaningful books of specialty and excess casualty business (33% of its gross premiums in 2021), professional lines (23%), healthcare (21%) and commercial surety (13%). During 2021, CapSpecialty made the difficult decision not to renew the remainder of its traditional property and casualty binding business, which had decreased to $51 million of annual gross premiums. Going forward: 100% of CapSpecialty's business will be in E&S classes; it will not have any property business; and, approximately 80% of its business will be written on a non-admitted basis.

Jack and his senior underwriting leaders, Adam Sills - who is responsible for managing all specialty lines - and Tim Steele - who leads CapSpecialty's surety business (its long-standing crown jewel), delivered an underwriting profit of $2 million, a combined ratio of 99.4%, over two points better than last year, and pre-tax adjusted earnings of $23 million. Just as importantly, CapSpecialty finished the year with a disciplined balance sheet, including about $1.1 billion of investments, $567 million of net loss reserves and over $375 million of tangible equity.

CapSpecialty's gross premiums written increased by 15.5% to $475 million during 2021, as rate increases and new products drove growth despite accelerated reductions in Binding Authority business. Rate improvement on the renewal book remains strong with the majority of lines continuing to see double digit increases, producing an overall renewal rate increase, excluding Surety, of almost 14% in 2021, which exceeds the 10% achieved in 2020. As these rate increases are earned, CapSpecialty's underwriting profits, combined ratio and returns should continue to improve.

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Alleghany Capital

Alleghany Capital, led by David Van Geyzel and Udi Toledano, now owns and supports a portfolio of eight non-financial businesses that together provide diversified exposure to key economic sectors, including consumer products and services, industrial, manufacturing, and infrastructure, as well as the biopharmaceutical, semiconductor and data center industries. Alleghany Capital's growth is starting to have a meaningful impact on Alleghany's earnings and returns.

Alleghany Capital's adjusted earnings before income taxes (100% basis) (Adjusted EBT)[ii] increased to $332 million in 2021, which was more than double the $154 million of Adjusted EBT reported in 2020 and ten times Adjusted EBT in 2016. The year-over-year increase of $178 million was driven by Alleghany Capital's three largest businesses: Jazwares, W&W, and IPS. Alleghany's share of adjusted earnings after taxes and noncontrolling interests in 2021 was $150 million, which generated a 12.3% return on Alleghany Capital's average equity of $1.2 billion.

The table below shows the progression of **(a)** Alleghany Capital's Adjusted EBT, **(b)** Alleghany Capital's share of adjusted earnings after taxes and noncontrolling interest, **(c)** Alleghany Capital's equity, and **(d)** Alleghany Capital's returns on equity over the past six years:

Alleghany Capital

($ in millions)	**Adjusted Earnings Before Income Taxes**	**Alleghany's Share of Adjusted Earnings[1]**	**Equity**	**Alleghany Capital's Return on Equity[2]**
2016	$ 33	$ 16	$ 423	4.6%
2017	50	19	687	3.5%
2018	83	47	862	6.0%
2019	143	73	901	8.3%
2020	154	89	1,109	8.8%
2021	332	150	1,338	12.3%

(1) After-taxes and noncontrolling interests
(2) Return on equity equals Alleghany's share of adjusted earnings / Alleghany Capital's average equity

In short, Alleghany Capital is performing well and key leading indicators at its subsidiaries point to continued earnings growth and double-digit returns in 2022.

(ii) Earnings before income taxes was $292 million in 2021; Adjusted EBT excludes the amortization of intangible assets arising from acquisition accounting and net realized capital gains; and is before noncontrolling interests. A reconciliation of Adjusted EBT to earnings before income taxes is presented on page 88 of the 10-K.

Additional information on Alleghany Capital's eight businesses is below.

- ***Jazwares***, led by Judd and Laura Zebersky, is a global leader in consumer products, including toys, plush, action figures, collectibles, and musical instruments, along with a recent expansion into the costumes and pets category. Its portfolio includes a variety of licensed and wholly owned brands. Jazwares, which had over $1.0 billion of revenue in 2021, is now the seventh largest toy company in the U.S.

  Despite serious shipping backlogs, Jazwares had a superb year, with both revenues and earnings more than doubling. These results were driven by the Squishmallows brand, which just won The Toy Foundation's prestigious 2022 Toy of the Year award, and licenses for CoComelon, Pokémon, and Roblox, to name a few, as well as top-tier execution by the company's operations, warehousing and supply chain groups.

  Jazwares enjoys strong momentum entering 2022 and is looking to continue to move up the ranks of the toy industry.

- ***W&W|AFCO Steel*** (W&W), led by Rick Cooper, fabricates steel for large construction projects, including commercial, industrial, public structures, bridges and overpasses. The company also erects steel for certain large or unique projects.

  W&W's net revenue increased by 31% to over $1.0 billion in 2021 and earnings grew substantially as the company executed well on delivering its profitable backlog. Earnings were driven by various projects in the entertainment, electric vehicle, semiconductor and bridge sectors, particularly the MSG Sphere in Las Vegas and facilities for Taiwan Semiconductor Manufacturing Company and Tesla.

  W&W's pipeline of work continues to expand, particularly with the on-shoring of semiconductor manufacturing accelerating in the U.S. The company is also well positioned to benefit from increased bridge and overpass spending from the recently passed Infrastructure Bill.

- ***IPS-Integrated Project Services*** (IPS), led by Dave Goswami, provides biopharmaceutical and other clients with engineering, procurement, construction management, and validation services (EPCMV services) for technically complex facilities. IPS had an exceptional 2021, working efficiently through a significant backlog of global projects for its large clients.

  In October, IPS completed the transformational acquisition of Linesight, a Dublin, Ireland-based global consultancy firm led by Paul Boylan. Linesight provides cost and project management and related services for clients in the data center, technology and life sciences sectors, as well as other industries.

  IPS, including Linesight, enters 2022 with a record backlog and significant organic growth opportunities in each of its segments. As such, IPS has a good chance to join Jazwares and W&W in the $1.0+ billion revenue club in 2022.

- In terms of the balance of Alleghany Capital's businesses, ***Wilbert Funeral Services*** (Wilbert), a provider of products and services for the funeral and cemetery industries and pre-cast concrete markets, continued to grow due to a second year of elevated mortality in 2021. ***Concord Hospitality***, a manager and developer of hotel properties, and ***Precision Cutting Technologies***, a precision machine tool and consumable cutting tool company, were both adversely impacted by the pandemic given their exposure to the hospitality and aerospace industries, respectively. Both demonstrated the start of strong rebounds in 2021 and leading indicators are favorable for 2022. ***Kentucky Trailer*** and ***Piedmont Manufacturing*** were also impacted negatively in 2021 by the pandemic, labor and supply chain issues, but both enter 2022 with strong backlogs.

- In addition to IPS's acquisition of Linesight, Alleghany Capital and its subsidiaries made two other acquisitions during the year. In May, Alleghany Capital acquired Piedmont Manufacturing, a provider of injection molded and thermoformed parts and multi-component assemblies for original equipment manufacturer customers in a range of end-markets, as its eighth platform company. At year-end, Wilbert acquired Memorial Monuments, which provides monuments and related funeral services to retail, funeral home and cemetery customers.

We look forward to Alleghany Capital's continued growth in 2022.

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Investments

At year-end, Alleghany had $22.8 billion of cash and investments, which was just about 2.5 times our stockholders' equity. The portfolio included $16.5 billion of fixed income securities and loans (72% of the investment portfolio), common equities of $3.7 billion (16%), other invested assets of $558 million (3%) and cash and short-term securities of $2.1 billion (9%). John Shannon, Alleghany's Chief Investment Officer since January 2020, is responsible for overseeing all of these investments. We estimate stockholders provided $7.5 billion of these investment funds, the holders of Alleghany's and TransRe's Senior Notes provided $2.4 billion, and the remaining $12.9 billion is "float" from TransRe's, RSUI's and CapSpecialty's underwriting operations.

During 2021, cash and investments grew by $1.9 billion or 8.9%, including $488 million of net proceeds from the 30-year Senior Notes we issued on August 13, strong operating cash flows from our insurance and reinsurance companies, and investment income and net gains generated by the portfolio, partially offset by $291 million of share repurchases.

Our common equity portfolio, which we manage internally, returned 18.8% during 2021 (S&P 500: 28.7%). In recent years, we have thought of the common equity portfolio as having two distinct segments – "core equities" and "special situations."

Ben Levy and team manage our core portfolio of common equities, which focus on high-quality companies with strong competitive advantages that enable them to reinvest their incremental capital at attractive returns on equity and, thus, grow their earnings over time. We seek to buy these generally highly desirable companies at reasonable prices relative to their long-term prospects and hope to be able to own them for a long time. Core equities, which comprised approximately 70% of our total common equity portfolio at year-end, returned 26.0% during the year. Although our core equity performance modestly lagged the S&P 500 in 2021 and 2020, over the last five years, this portfolio has outperformed the S&P 500 by over 250 basis points annualized.

The other segment of the equity portfolio is "special situations," which returned 6.9% last year. During 2021, the special situations portfolio mostly included precious metals positions that served as a macroeconomic hedge in a turbulent world and high-quality dividend growth stocks as a substitute for low-yielding fixed income securities. Consequently, the special situations portfolio's results are not directly comparable to most market benchmarks. During 2022, we plan to re-evaluate the efficacy of having a separate special situations portfolio.

Higher market yields during 2021 caused significant unrealized mark-to-market losses in the fixed income portfolio. Consequently, the fixed income portfolio produced a total return of only 0.2% during 2021. This return included after-tax interest income of $306 million and net losses, mostly unrealized, of $254 million after taxes due to rising interest rates. Although higher yields inflict unrealized loss on the fixed income portfolio in the short-term, if they persist, it will eventually reduce the downward pressure on book yields and enable us to increase returns when we re/invest the cash flows from the portfolio and our underwriting operations at today's increased rates.

Net realized and unrealized investment gains in 2021 increased book value after taxes by $146 million (or just over $10 per share), with a $400 million gain after taxes from equities and a $254 million loss after taxes from bonds. Most of the net gains during the year remain unrealized.

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Alleghany Properties

David Bugatto made excellent progress during the year on sales of our remaining Sacramento properties – believe it or not, these properties are the last remnants from Alleghany's sale of Sacramento Savings & Loan in 1994.

In 2021, Alleghany Properties generated $21 million of sales revenue and $7.5 million of after-tax earnings. Alleghany Properties has solid momentum going into 2022 with approximately $45 million of sales contracts executed on 73 acres of property, with less than 5 acres remaining uncommitted.

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Capital Management

Share repurchases

During 2021, we repurchased 446,596 shares for $291 million. At year-end, we had 13,598,535 shares outstanding, which is a decrease of 3.2% from December 31, 2020.

Shares outstanding are down 19.7% from their high point of 16,928,664 on March 31, 2012 following the TransRe acquisition, and we have now repurchased a net 39.8% of the 8,360,959 shares Alleghany issued as part of the consideration to acquire TransRe.

Why such precise figures? At Alleghany, we watch our share count carefully. As Benjamin Franklin wrote, "Beware of little expenses, a small leak will sink a great ship."

Share repurchases, when executed at sensible prices and accompanied by patience, are one of the best examples of how disciplined and rational capital allocation decisions, even if small at the time, can accumulate to a superb result via the magic of compounding.

Debt issuance

On August 13, we opportunistically issued $500 million of 3.25% Senior Notes due 2051 at an all-in yield of 3.32%. We expect to use most of the $488 million of net proceeds from this issuance to repay the $400 million of 4.95% Senior Notes that mature on June 27, 2022. The next parent debt maturity following the June 2022 repayment is in May 2030.

Pro forma for the repayment of the June 2022 notes and excluding the $781 million of non-recourse debt outstanding at Alleghany Capital's subsidiaries, Alleghany's debt/capital ratio ended the year at approximately 15.4%.

Although Alleghany has meaningful additional debt capacity should a significant need or opportunity arise, we maintain a conservative and liquid capital structure and are cautious about adding financial leverage to the already significant leverage we have in the form of almost $12.3 billion of uncertain net loss reserve liabilities.

As we've already seen a few times so far this century, there is little long-term benefit and much risk to stockholders when an otherwise high-quality company is operated or financed on the redline. A reasonable margin of safety is a friend of the long-term investor.

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Diversity and Inclusion

Led by Kelly Jones, our new Vice President – People and Inclusion, we held our first group-wide diversity and inclusion leadership event in December, which included senior leaders from each of Alleghany's operations. We believe fostering a welcoming, inclusive and respectful culture enables everyone to perform at their best and realize their full potential. As such, diversity and inclusion helps us create a high performing, meritorious and resilient culture that enables us to accomplish our business and financial goals.

Inaugural Environmental, Social and Governance Report

In late March, we published our inaugural Environmental, Social and Governance report, which is available on Alleghany's website. The report focused on four core pillars -- Supporting Climate Resilience, Investing Sustainably, Developing Human Capital and Governing Our Business for the Long-Term. We plan to update our ESG report in 2022.

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Alleghany Corporation

Board of Directors

We had two significant changes during this past year. First, a warm welcome to Chris Cheesman. In September 2021, Chris joined the Alleghany Board of Directors. With over 30 years of experience in the investment management industry and valuable expertise in areas including investments, audit, and risk management, she is an excellent addition to our Board.

Second, Karen Brenner, a director of Alleghany since 2009, is not continuing as a director after her current term ends in April 2022. We are thankful to Karen for her dedicated and loyal service to Alleghany. Karen's expertise on corporate matters and her contributions on strategy, particularly with respect to ESG, were invaluable. We wish Karen the best in her future endeavors.

Management

Although Alleghany's businesses employ over 13,000 people, the Parent is managed by a corporate staff of only 19 people. At the end of the year, two members of this small staff retired.

First, Weston Hicks retired after 19 years with Alleghany, 17 of them as President and Chief Executive Officer. Although it is impossible to summarize all of Weston's substantial contributions to Alleghany during his tenure, Jeff Kirby's tribute on page 19 eloquently expresses the feelings of the entire Alleghany family.

Second, our longest-tenured member, Peter Sismondo, retired after 34 years as our controller and treasurer. We are grateful to Peter for his commitment and unsung contributions to Alleghany over the years, especially the many behind-the-scene jobs that made Alleghany run day to day.

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Closing Thoughts

> *Nothing in this world can take the place of persistence. Talent will not; nothing is more common than unsuccessful men with talent. Genius will not; unrewarded genius is almost a proverb. Education will not; the world is full of educated derelicts. Persistence and determination alone are omnipotent.*
>
> -- Calvin Coolidge, 30th President of the United States

We have all been living with the pandemic for two years. Our teams at Alleghany and our businesses have persevered, demonstrating resilience, adaptability and focus while dealing with issues ranging from remote work to supply chain disruptions, serious shipping delays, labor shortages and growing inflation. The pandemic and its consequences have touched every part of our business and deeply affected our employees and their families. I commend everyone in the Alleghany family for their persistence and determination, and thank them for their contributions to our success.

As we start 2022, the tone in financial markets is markedly different from last year. The tailwinds of the risk-on environment that prevailed in 2021 (e.g., fiscal stimulus, ample liquidity, negative real interest rates, record corporate earnings) are now threatened by inflation and tightening financial conditions. The uncertainty related to transitioning to a post-pandemic economy has created equity and interest rate volatility, which may endure for some time. With a wide range of potential outcomes and likely large swings in asset values along the way, we believe it makes sense to maintain a balanced investment portfolio that positions us for opportunities that may emerge and provides both an opportunity to achieve reasonable upside returns and a margin of safety against significant downside scenarios. Although our investments are exposed to fluctuations in market prices, the construction of our portfolio affords us patience and the ability to persevere through bouts of volatility.

Our businesses are attractively positioned within their respective markets, and their leadership teams continue to strengthen them. In re/insurance, RSUI remains an exceptional performer with an abundance of opportunity, TransRe's underlying profitability will become further evident as it reduces its catastrophe risks, and CapSpecialty is starting to demonstrate its potential as it reinvigorates its operations and trains its focus on the E&S market. Alleghany Capital's companies provide attractive exposure to multiple markets in a post-COVID economic recovery, and as noted, its key businesses are reaching scale and producing strong double-digit returns.

We strive to execute crisply in our operations and be disciplined in our underwriting, loss reserving and risk management practices, and rational in our investment and capital allocation decisions. *Whatever opportunities, challenges or risks unfold, we are committed to being good stewards of our stockholders' hard-earned savings.*

2021 was an eventful year for Alleghany. We are proud of our achievements and pleased with how we handled our challenges. We intend to build on our momentum in 2022.

February 23, 2022

Joseph P. Brandon
President and Chief Executive Officer

Comment on Non-GAAP Financial Measures

Our analysis of our financial condition and results of operations is based on our consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the U.S., or "GAAP." Our results of operations have been presented in the way that we believe will be the most meaningful and useful to investors, analysts, rating agencies and others who use financial information in evaluating our performance.

This presentation includes the use of adjusted earnings and underwriting profit, which are "non-GAAP financial measures" as defined under regulations promulgated by the Securities and Exchange Commission. The presentation of these financial measures is not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP. Also note that these measures may be different from non-GAAP financial measures used by other companies, limiting their usefulness for comparison purposes. A discussion of our calculation and use of these financial measures is provided below.

Adjusted earnings. This presentation includes the use of adjusted earnings and related measures, which we believe are useful to help explain changes in stockholders' equity attributable to Alleghany. A reconciliation of adjusted earnings and related measures to net earnings attributable to Alleghany stockholders is presented below.

	Year Ended December 31, 2021	Year Ended December 31, 2020
	(in millions)	
Net earnings attributable to Alleghany stockholders	$ 1,034.9	$ 101.8
Adjustments to net earnings attributable to Alleghany stockholders:		
Change in the fair value of equity securities	506.8	(110.5)
Net realized capital gains	67.4	3.1
Change in allowance for credit losses on available for sale securities	2.1	(8.0)
Amortization of intangible assets	(49.9)	(44.2)
Income tax effect of adjustments	(110.5)	33.5
	415.9	(126.1)
Adjusted earnings	$ 619.0	$ 227.9

Underwriting profit. This presentation includes the use of underwriting profit, which is a non-GAAP financial measure for our reinsurance and insurance segments. Underwriting profit represents net premiums earned less net loss and loss adjustment expenses and commissions, brokerage and other underwriting expenses, all as determined in accordance with GAAP, and does not include: change in the fair value of equity securities; net investment income; net realized capital gains; change in allowance for credit losses on available for sale securities; noninsurance revenue; other operating expenses; corporate administration; amortization of intangible assets; and interest expense. We use underwriting profit as a supplement to earnings before income taxes, the most comparable GAAP financial measure, to evaluate the performance of our reinsurance and insurance segments and believe that underwriting profit provides useful additional information to investors because it highlights net earnings attributable to our reinsurance and insurance segments' underwriting performance. Earnings before income taxes may show a profit despite an underlying underwriting loss, and when underwriting losses persist over extended periods, a reinsurance or an insurance company's ability to continue as an ongoing concern may be at risk. A reconciliation of underwriting profit to earnings before income taxes is presented within Note 13 to Notes to Consolidated Financial Statements set forth in Part II, Item 8, "Financial Statements and Supplementary Data" of our Report on Form 10-K for the year ended December 31, 2021.

Letter from the Chairman

On December 31, 2021, Weston M. Hicks retired as Chief Executive Officer of Alleghany after almost 19 years of service, including 17 years as President and Chief Executive Officer. In his time as President and CEO, Weston transformed Alleghany in profoundly positive ways including the growth of its re/insurance operations through the acquisitions of RSUI and TransRe and the buildout of Alleghany Capital and its portfolio of eight consumer, service, and industrial businesses.

During Weston's tenure as CEO, Alleghany's stockholders' equity grew from approximately $1.8 billion to $9.2 billion at year-end 2021, after returning approximately $2.6 billion to stockholders through share repurchases and dividends. More important than any business or financial success, however, Weston brought an unwavering approach to conducting business ethically and doing the right thing for Alleghany stockholders, employees, clients and communities in which Alleghany and its businesses operate. Alleghany has been extremely fortunate to have a President and Chief Executive Officer of his caliber.

Jefferson W. Kirby
Chairman