OUTPERFORM
TRANSFORM
REBALANCE

ANNUAL REPORT 2018

ALLIANZ GROUP

Allianz

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Disclaimer regarding roundings
The Consolidated Financial Statements are presented in millions of Euros (€ mn) unless otherwise stated. Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

TO OUR INVESTORS

A

OLIVER BÄTE
Chairman of the
Board of Management

Dear Investors –

With the end of 2018 we concluded the first phase of our Renewal Agenda. We are happy and proud to present the results of our efforts. When embarking on the Renewal Agenda in 2015, we had set ourselves ambitious targets building on our strong heritage. We were determined to improve both the performance and the organizational health of Allianz. And we have made significant progress on both dimensions.

Our current financial performance is strong: In 2018, we achieved the highest operating profit in the history of Allianz: € 11.5 bn, a 3.7 % increase compared to 2017. Furthermore, we generated record revenues of € 130.6 bn. Our net income attributable to shareholders grew by 9.7 % and reached € 7.5 bn. This allows us to propose the highest dividend of our history: € 9.00 per share. We also withstood the beginning turmoil in the capital markets, once again recording a strong Solvency II capitalization ratio of 229 % as of 31 December 2018. Last but not least, we outperformed our 3-year targets for both earnings per share and return on equity: The former grew 6.2 % per annum, the latter reached 13.2 % in 2018.

These achievements are results of a healthy organization. Customers are more satisfied with us than they used to be, as indicated by their greater willingness to recommend Allianz to family and friends – which, in turn, is reflected in the so-called Net Promoter Score. When we started the Renewal Agenda, less than half of our businesses reported Net Promoter Scores above market average, by 2018 it was 74 % of them. Our people and leaders are on board for the cultural change we seek, as indicated by the rise in our Inclusive Meritocracy Index from 68 to 71. We trust that you, our investors, are as satisfied with this development as we are.

Taking a closer look back at the past business year, there are a series of achievements we are particularly proud of. Let me name a few:

- For the first time in years, we've managed to significantly reduce the expense ratio in our Property-Casualty business segment. We intend to eliminate whatever doesn't add value for our customers.
- We continue the exceptional growth in our life insurance's value of new business. Customers all around the globe trust Allianz to secure their future wealth. In particular our entities in Germany, the USA, and Asia contribute to this growth.
- We have received approval for the preparatory establishment of the first-ever insurance holding company in China that is 100 percent owned by a foreign insurer.
- We have invested in preparing our employees for the transformation. 40,000 employees have registered for LinkedIn Learning to develop the new skills and knowledge required for the digital world.
- We have taken another big step towards a sustainable future: Allianz has set itself long-term climate goals which are linked to the two-degree target of the Paris Climate Agreement. By 2040 we will have phased out coal-based business in our proprietary investments and insurance activities. Our achievements have been very positively acknowledged. Allianz has gained leading positions and high scores in key sustainability ratings.

All these successes are the result of a team effort. I am grateful to all our employees and partners – it is they who have brought our Renewal Agenda to life. Every day they work to provide the best possible service to our customers: They offer expert advice. They give comfort in the uncomfortable situation around an accident. They carefully and expertly invest the money our customers entrust us with. They bring their hearts and minds to work.

Gratified by our customers' trust, economically successful, and financially solid, we are now ready to take the next steps. As we implement our Renewal Agenda 2.0, we will move up a gear. The next chapter of our strategy will be launched with the motto "Simplicity wins". Simplicity is key, as it enhances customer and employee satisfaction and increases our productivity and flexibility. Our goal is for Allianz to become a simple, digital, and scalable organization that is fully customer-centric.

- Simple – We are going to reduce the complexity of our products and processes. This will make our offerings more intuitive, and it will free up more time to serve our customers. Furthermore, it will increase customer loyalty and fuel growth also in highly competitive markets.
- Digital – We are going to digitalize products and processes and use data analytics to improve product design as well as pricing and claims, and win new customers.
- Scalable – We are going to harmonize products and processes across our businesses. By using knowledge, best practice, and technology assets at scale, we continuously aim to become faster and more productive.

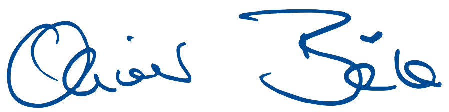
We have already prepared for this next phase in 2018 and have established the new position of Chief Business Transformation Officer. We also developed the Allianz Customer Model as our common standard to achieve simplicity and digitization. In addition, we are redesigning our direct-to-consumer processes and building a highly efficient and scalable platform from scratch which will give us higher flexibility and speed to react to changing customer demands.

Motivated by these successes, we feel confident in committing to ambitious targets for the upcoming years. Our three-year-plan is to increase our earnings per share by a minimum of 5 % on average per annum and to achieve a return on equity of 13 % or higher. At the same time, we will not compromise on our balance sheet strength and keep the target Solvency II capitalization ratio above 180 %. The basis for those financials is customer satisfaction and employee commitment. We aim to achieve an above-market Net Promoter Score for 75 % or more of our businesses and to grow the number of markets where we are loyalty leader. We want to further improve our global Inclusive Meritocracy Index to 73 % or higher. We know we still have some homework to do, if we want to mobilize our employees even more and effectively prepare them for the transformation ahead.

Even if the current volatility in the capital markets and political instability were to continue in 2019, our diversification, our disciplined capital management, and the expertise and dedication of our people provide a robust base for both resilience and profitable growth. We will remain a solid and trusted partner at our customers' side and a strong value creator for our investors.

Thank you for your continuous support – and we look forward to the joint path ahead.

Sincerely yours,



SUPERVISORY BOARD REPORT

Ladies and Gentlemen,

During the financial year 2018, the Supervisory Board fulfilled all its duties and obligations as laid out in the company statutes and applicable law. It monitored the activities of the company's Board of Management and advised it on business management issues.

OVERVIEW

In the financial year 2018, the Supervisory Board held six meetings and adopted two written resolutions. The regular meetings took place in February, March, May, August, October, and December.

In all of the Supervisory Board's 2018 meetings, the Board of Management reported on Group revenues and results as well as developments in individual business segments. The Board of Management informed the Supervisory Board on the course of business as well as on the development of Allianz SE and the Allianz Group, including deviations in actual business developments from the planning. In this context, the adequacy of capitalization, the solvency ratio, and the respective stress scenarios were discussed. The annual Allianz SE and the Group's consolidated financial statements including the respective auditor's reports, the half-yearly as well as the quarterly reports were reviewed in detail by the Supervisory Board and the Audit Committee.

Further key reporting topics were strategic issues, such as the status of implementation of the Renewal Agenda and the following strategic course for 2019-2021, as laid down in the Renewal Agenda 2.0. In addition, the Supervisory Board thoroughly reviewed the Board of Management's planning for the financial year 2019 as well as for the three-year period from 2019 to 2021. Cyber risk security was another regular topic of discussion. In addition, the Supervisory Board thoroughly dealt with the new remuneration system for the Board of Management introduced in 2019, personnel matters related to the Board of Management as well as with the findings of the review of the efficiency of the Supervisory Board, which was carried out with the support of an external advisor.

The Supervisory Board received regular, timely, and comprehensive reports from the Board of Management. The Board of Management's verbal reports at the meetings were accompanied by written documents, which were sent to each member of the Supervisory Board in time for the relevant meeting. The Board of Management also informed the Supervisory Board in writing of important events that occurred between meetings. The chairmen of the Supervisory and Management Boards also had regular discussions about major developments and decisions. The Chairman of the Supervisory Board also had individual discussions with each member of the Board of Management about their respective half-year as well as full-year performance.

Details on each member's participation in meetings of the Supervisory Board and its committees can be found in the Corporate Governance Report, starting on **page 12.** Members of the Supervisory Board who were unable to attend meetings of the Supervisory Board or its committees were excused and, as a rule, cast their votes in writing.

ISSUES DISCUSSED IN THE SUPERVISORY BOARD PLENARY SESSIONS

In the meeting of 15 February 2018, the Supervisory Board comprehensively dealt with the preliminary financial figures for the financial year 2017 as well as the Board of Management's dividend proposal. The appointed audit firm, KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG), Munich, reported in detail on the preliminary results of their audit. In the further course of the meeting, the Supervisory Board also discussed the target achievement of each individual member of the Board of Management and, on this basis, set their variable remuneration for the financial year 2017. As part of this performance assessment, the fitness and propriety of the members of the Board of Management were also confirmed. In addition, various other issues were dealt with, such as the impact of storm Friederike in Germany, internal reinsurance provided by Allianz Re, ongoing M&A activities, the status of the Euler-Hermes transaction, and the status of preparations for Brexit. The Supervisory Board further reviewed the adequacy of Supervisory Board remuneration and possible needs for adjustment.

In the meeting of 8 March 2018, the Supervisory Board discussed the audited annual Allianz SE and consolidated financial statements including market value balance sheets, as well as the Board of Management's recommendation for the appropriation of earnings for the financial year 2017. The auditors confirmed that there were no discrepancies compared to their February report, and issued an unqualified auditor's report for the individual and consolidated financial statements. The Supervisory Board also reviewed and approved the separate non-financial report for both Allianz SE and the Group, taking into account the report of the external auditor. Further presentations concerned the Board of Management's report on risk development in 2017, the annual compliance report, and the annual report of the Head of Group Audit. Next, the Supervisory Board reviewed the agenda and proposals for resolution for Allianz SE's 2018 Annual General Meeting (AGM). At the recommendation of the Audit Committee, the Supervisory Board appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) as auditor for the 2018 individual and consolidated financial statements, the auditor's review of the 2018 half-yearly financial report, and the assurance engagement of the combined separate non-financial report. In addition, the Supervisory Board received reports on the implementation status of the Renewal Agenda as well as on current developments in the individual business segments. The Supervisory Board comprehensively dealt with the appointment of Mr. Iván de la Sota to the Board of Management with responsibility for the newly created Transformation and Innovation division as of 1 April 2018.

On 9 May 2018, just before the AGM, the Board of Management briefed the Supervisory Board on business performance in the first quarter of 2018 as well as on the current situation of both the Allianz Group and Allianz SE, in particular with regard to share price development, capitalization, and capital management. In addition, the latest developments in China and the resulting opportunities for Allianz were discussed.

Mr. Jean-Jacques Cette's term as employee representative on the Supervisory Board ended on 31 July 2018. Mr. Jean-Claude Le Goaër replaced Mr. Cette as elected employee representative on the Supervisory Board with effect from 1 August 2018. In June 2018 Mr. Le Goaër was elected to the Audit Committee in a written procedure with effect from 1 August 2018.

In a conference call on 29 June 2018, the Supervisory Board discussed the Board of Management's considerations for a potential further share buy-back program.

At the meeting of 2 August 2018, the Board of Management reported in detail on half-yearly results as well as on the current developments of Allianz in China, including the regulatory approval of Allianz's property & casualty insurance joint venture with JD.com and current plans for an initial approval of a foreign holding company in China. Next, the Board of Management gave the first part of its presentation on the future strategy of Allianz. After taking stock of the results of the Renewal Agenda that had been launched in 2015, the presentation addressed relevant external trends and the ongoing changes in the significance of geographical regions and markets, along with the challenges that might result for Allianz. In addition, the Board of Management provided its regular status report on cyber risk security. Furthermore, the Supervisory Board very thoroughly reviewed the ongoing considerations on a possible adjustment of the Board of Management's remuneration as well as the time plan for a proposal on a new remuneration system. Last but not least, due to Mr. Cette and Mr. Zimmermann leaving the Supervisory Board (effective 31 August 2018), a new composition for the Supervisory Board's committees was required. Effective 1 September 2018, the Supervisory Board decided on the new composition of the committees and elected Mrs. Burkhardt-Berg as deputy chairwoman of the Supervisory Board.

At the meeting of 12 October 2018, the presentation on the future strategy of the Allianz Group and Allianz SE (solo) was continued. After outlining on future key value drivers and Allianz's intended position in the digital arena, the presentation addressed possible approaches to implementing these strategic goals in the context of the Renewal Agenda 2.0. As part of its report on business developments, the Board of Management also addressed the consequences of the collapse of a bridge in Genoa, Italy, the conclusion of an exclusive long-term partnership agreement with the International Olympic Committee (IOC) as well as the current investigation into the financial sector carried out by the Royal Commission in Australia. Next, the Supervisory Board adopted the finalized proposal for a new remuneration system for the Board of Management. For more details, please refer to the Remuneration Report starting on **page 23.** The Supervisory Board resolved a 5-year extension of Mr. Oliver Bäte's term as CEO of Allianz SE. Following the meeting, the Supervisory Board approved in a written procedure the conclusion of a new Board of Management contract with Mr. Bäte in November 2018.

At the meeting on 12 December 2018, the Board of Management reported on the third-quarter financial results, the further course of the business, and the Allianz Group's general situation. The Supervisory Board also reviewed the planning for both the financial year 2019 and the three-year period from 2019 to 2021, as well as specifically for IT-related investments. Next, the Board of Management gave a status report on cyber risk security. The Supervisory Board then dealt with the declaration of conformity with the German Corporate Governance Code, set targets for the 2019 variable remuneration of the members of the Board of Management, and discussed the succession planning for the Board of Management. Last but not least, the Supervisory Board dealt with the findings of a review on the Supervisory Board's efficiency, which was carried out with external advisor support.

DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

On 12 December 2018, the Board of Management and the Supervisory Board issued the Declaration of Conformity in accordance with §161 of the German Stock Corporation Act ("Aktiengesetz"). The declaration was posted on the company website, where it is available to shareholders at all times. Allianz SE fully complies and will continue to fully comply with the recommendations of the German Corporate Governance Code in its version of 7 February 2017.

Further explanations on corporate governance in the Allianz Group can be found in the Corporate Governance Report starting on **page 12,** as well as in the Statement on Corporate Management pursuant to §315d and §289f of the HGB, which starts on **page 17.** More details on corporate governance are provided on the Allianz website, specifically: **www.allianz.com/corporate-governance.**

COMMITTEE ACTIVITIES

The Supervisory Board has formed various committees in order to perform its duties efficiently. The committees prepare the consultations in plenary sessions as well as the adoption of resolutions; they can also adopt their own resolutions.

In 2018, the Standing Committee held five meetings. It primarily dealt with issues of corporate governance, the preparations for the AGM, the employee stock purchase program, the Supervisory Board's self-assessment as required under the regulatory regime, and the review of the Supervisory Board's efficiency conducted by an external advisor. In addition, the Standing Committee dealt with the appropriateness of the remuneration of the Supervisory Board and the need for adjustment.

The Personnel Committee held six meetings in 2018 and adopted two written resolutions. The committee worked on the creation and set-up of, and proposed appointment to, a tenth Board of Management division. Other key topics included the preparatory review and revision of the Board of Management's remuneration system, target achievement of the Board of Management members in the financial year 2017, and defining the targets for the 2019 variable remuneration. The committee also looked at various mandate matters of individual board members and at the succession planning for the Board of Management.

The Audit Committee held five regular meetings in 2018 and adopted one written resolution. In the presence of the auditors, the committee discussed both Allianz SE's annual financial statements and the Allianz Group's consolidated financial statements, as well as the management and auditor's reports and the half-yearly financial report. These reviews revealed no reasons for objection. The Audit Committee further received the Board of Management's reports on quarterly results. It prepared the engagement of the external advisor and defined key audit areas for the 2018 financial year. The committee also discussed the assignments of non-audit services to the auditors and approved an updated appropriate positive list of pre-authorized audit and non-audit services. In addition, it dealt extensively with the compliance system, the internal audit system, and the financial reporting process as well as the respective internal controls. The committee received regular reports on legal and compliance issues and on the work of the Internal Audit department, as well as the annual report of the head of the actuarial department (Group Actuarial, Planning & Controlling). Furthermore, the committee dealt with the Internal Audit function's audit plan for 2019. Last but not least, it thoroughly addressed the findings of a BaFin review and the review of the implementation of Solvency II governance requirements in the Allianz Group. The written resolution mentioned above approved the auditor's engagement to perform non-audit services at Group companies abroad.

The Risk Committee held two meetings in 2018. In both meetings, the committee discussed the current risk situation of the Allianz Group and Allianz SE with the Board of Management. The risk report and other risk-related statements in the annual Allianz SE and consolidated financial statements as well as management and group management reports were reviewed with the auditor and the Audit Committee was informed of the result. The appropriateness of the early risk recognition system at Allianz and the result of further, voluntary risk assessments by the auditor were also discussed. The committee took a detailed look at the risk strategy and capital management, as well as the effectiveness of the risk management system for the Allianz Group and Allianz SE. Other matters considered included the risk strategy pursued by both Allianz SE and the Allianz Group, the report on Allianz's own risk and solvency assessment (ORSA), and the planned changes to the internal Solvency II model. Moreover, the Risk Committee dealt with the company's exposure to cyber risks, the specific risks of the cyber insurance industry, and political risks.

The Technology Committee held two meetings in the 2018 financial year, in which it extensively discussed IT transformation and the IT harmonization across the Allianz Group. Both meetings also dealt with recent technological developments, such as block chain and open-platform solutions, and the resulting opportunities for Allianz. Another key topic in both meetings was IT security.

The Nomination Committee had no reason to convene a meeting in the financial year 2018.

The Supervisory Board was informed regularly and comprehensively of the committees' work.

CHAIR AND COMMITTEES OF THE SUPERVISORY BOARD – AS OF 31 DECEMBER 2018

Chairman: Michael Diekmann

Vice Chairwoman/Chairman: Gabriele Burkhardt-Berg, Jim Hagemann Snabe

Standing Committee: Michael Diekmann (Chairman), Jean-Claude Le Goaër, Herbert Hainer, Jürgen Lawrenz, Jim Hagemann Snabe

Personnel Committee: Michael Diekmann (Chairman), Gabriele Burkhardt-Berg, Herbert Hainer

Audit Committee: Dr. Friedrich Eichiner (Chairman), Sophie Boissard, Michael Diekmann, Jean-Claude Le Goaër, Martina Grundler

Risk Committee: Michael Diekmann (Chairman), Christine Bosse, Dr. Friedrich Eichiner, Godfrey Hayward, Frank Kirsch

Technology Committee: Jim Hagemann Snabe (Chairman), Gabriele Burkhardt-Berg, Michael Diekmann, Dr. Friedrich Eichiner, Jürgen Lawrenz

Nomination Committee: Michael Diekmann (Chairman), Christine Bosse, Jim Hagemann Snabe

AUDIT OF ANNUAL ACCOUNTS AND CONSOLIDATED FINANCIAL STATEMENTS

In compliance with the special legal provisions applying to insurance companies, the statutory auditor and the auditor for the review of the half-yearly financial report are appointed by the Supervisory Board of Allianz SE, not by the AGM. The Supervisory Board appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) as statutory auditor for the annual Allianz SE and consolidated financial statements, as well as for the review of the half-yearly financial report of the financial year 2018. PwC audited the financial statements of Allianz SE and the Allianz Group as well as the respective management reports. They issued an auditor's report without any reservations. The consolidated financial statements were prepared on the basis of the International Financial Reporting Standards (IFRS), as adopted in the European Union. PwC performed a review of the half-yearly financial report. In addition, PwC was also mandated to perform an audit of the market value balance sheet according to Solvency II as of 31 December 2018, for Allianz SE and the Allianz Group.

All Supervisory Board members received the documentation relating to the annual financial statements and the auditor's reports from PwC on schedule. The preliminary financial statements and PwC's preliminary audit results were discussed in the Audit Committee on 13 February 2019 as well as in the Supervisory Board's plenary session on 14 February 2019. The finalized financial statements and PwC's audit reports (dated 25 February 2019) were reviewed by the Audit Committee on 6 March 2019, and in the Supervisory Board plenary session on 7 March 2019. The auditors participated in the discussions and presented key results from their audit. Particular emphasis was placed on the key audit matters described in the auditor's report and on the audit procedures performed. No material weaknesses in the internal financial reporting control process were discovered. There were no circumstances that might give cause for concern about the auditor's independence. In addition, the market value balance sheets dated 31 December 2018 for both Allianz SE and the

Allianz Group as of 31 December 2018, as well as the respective PwC reports were addressed by the Audit Committee and the Supervisory Board.

On the basis of its own reviews of the annual Allianz SE and consolidated financial statements, the management and group management reports, and the recommendation for the appropriation of earnings, the Supervisory Board has raised no objections and instead agreed with the results of the PwC audit. It has also approved the Allianz SE and consolidated financial statements prepared by the Board of Management. The financial statements have thus been formally adopted. The Supervisory Board agrees with the Board of Management's proposal on the appropriation of earnings.

The Supervisory Board would like to thank all Allianz Group employees for their great personal commitment over the past year.

ASSURANCE ENGAGEMENT OF THE COMBINED SEPARATE NON-FINANCIAL REPORT

In the financial year 2018, the company was required to issue a separate non-financial report. This report was combined for Allianz SE and the Allianz Group. The Supervisory Board commissioned PwC to perform an assurance engagement of this report. All Supervisory Board members received the combined separate non-financial report and the independent practitioner's assurance report from PwC in due time. The report and PwC's assurance report were discussed in the plenary session of the Supervisory Board on 7 March 2019. The auditors from PwC participated in these discussions and presented the results of their assurance engagement. Based on its own review of the combined separate non-financial report, the Supervisory Board did not raise any objections and approved by acknowledgement the results of the PwC assurance engagement.

MEMBERS OF THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

Mr. Jean-Jacques Cette's membership in the Supervisory Board ended on 31 July 2018. Mr. Jean-Claude Le Goaër replaced Mr. Cette in his function as elected employee representative with effect from 1 August 2018. Mr. Rolf Zimmermann, vice chairman of the Supervisory Board and employee representative, left the Supervisory Board on 31 August 2018. The employee representative Mr. Frank Kirsch was appointed as successor, effective 1 September 2018. The Supervisory Board expressed its sincere thanks to all leaving members for their many years of active service to Allianz, as well as their dedicated contributions to the Supervisory Board.

The 2018 financial year also saw personnel changes within Allianz SE's Board of Management. Effective 1 January 2018, Mr. Niran Peiris and Mr. Giulio Terzariol were appointed to the Board of Management as successors to Dr. Dieter Wemmer and Dr. Werner Zedelius; their respective membership in the Board of Management ended as of 31 December 2017. For the new and additionally created Board of Management division Business Transformation and Innovation, Mr. Iván de la Sota has been appointed to the Board of Management effective 1 April 2018.

Munich, 7 March 2019

For the Supervisory Board:

Michael Diekmann
Chairman

MANDATES OF THE MEMBERS OF THE SUPERVISORY BOARD

MICHAEL DIEKMANN
Chairman
Member of various Supervisory Boards
Membership in other statutory supervisory boards and SE administrative boards in Germany
BASF SE
Fresenius Management SE
Fresenius SE & Co. KGaA
Siemens AG

JIM HAGEMANN SNABE
Vice Chairman
Member of various Supervisory Boards
Membership in other statutory supervisory boards and SE administrative boards in Germany
Siemens AG (Chairman since 31 January 2018)
Membership in comparable[1] supervisory bodies
A.P. Møller-Mærsk A/S (Chairman)

ROLF ZIMMERMANN
until 31 August 2018
Vice Chairman
Chairman of the (European) SE Works Council of Allianz SE

GABRIELE BURKHARDT-BERG
Vice Chairwoman since 1 September 2018
Chairwoman of the Group Works Council of Allianz SE
Membership in other statutory supervisory boards and SE administrative boards in Germany
Allianz Deutschland AG
until 2 March 2018

SOPHIE BOISSARD
Chairwoman of the Board of Management of Korian S.A.
Membership in other statutory supervisory boards and SE administrative boards in Germany
Curanum AG (Korian Group company, Chairwoman)
Membership in comparable[1] supervisory bodies
Segesta SpA (Korian Group company, Chairwoman)
Senior Living Group NV (Korian Group company)

CHRISTINE BOSSE
Member of various Supervisory Boards
Membership in comparable[1] supervisory bodies
P/F BankNordik (Chairwoman)
TDC A/S
until 14 May 2018

JEAN-JACQUES CETTE
until 31 July 2018
Chairman of the Group Works Council of Allianz France S.A.
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz France S.A.

DR. FRIEDRICH EICHINER
Member of various Supervisory Boards
Membership in other statutory supervisory boards and SE administrative boards in Germany
Festo AG
Membership in comparable[1] supervisory bodies
Festo Management AG

JEAN-CLAUDE LE GOAËR
since 1 August 2018
Employee of Allianz Informatique G.I.E.
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz France S.A.

MARTINA GRUNDLER
National Representative Insurances, ver.di Berlin

HERBERT HAINER
Member of various Supervisory Boards
Membership in other statutory supervisory boards and SE administrative boards in Germany
Deutsche Lufthansa AG
FC Bayern München AG
Membership in comparable[1] supervisory bodies
Accenture Plc
Sportradar AG (Chairman)
until 3 October 2018

GODFREY ROBERT HAYWARD
Employee of Allianz Insurance plc

FRANK KIRSCH
since 1 September 2018
Employee of Allianz Beratungs- und Vertriebs-AG
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in Group bodies
Allianz Deutschland AG

JÜRGEN LAWRENZ
Employee of Allianz Technology SE
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in Group bodies
Allianz Technology SE

1_Generally, we regard memberships in other supervisory bodies as "comparable" if the company is listed on a stock exchange or has more than 500 employees.

MANDATES OF THE MEMBERS OF THE BOARD OF MANAGEMENT

OLIVER BÄTE
Chairman of the Board of Management
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in Group bodies
Allianz Deutschland AG

SERGIO BALBINOT
Insurance Western & Southern Europe, Asia Pacific
Membership in comparable[1] supervisory bodies
UniCredit S.p.A.
Bajaj Allianz General Insurance Co. Ltd.
Bajaj Allianz Life Insurance Co. Ltd.
Membership in Group bodies
Allianz France S.A.
Allianz Sigorta A.S.
Allianz Yasam ve Emeklilik A.S.

JACQUELINE HUNT
Asset Management, US Life Insurance
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz Life Insurance Company of North America (Chairwoman)

DR. HELGA JUNG
Legal, Compliance, Mergers & Acquisitions
Human Resources
since 1 April 2018
Insurance Iberia & Latin America
until 31 March 2018
Membership in other statutory supervisory boards and SE administrative boards in Germany
Deutsche Telekom AG
Membership in Group bodies
Allianz Beratungs- und Vertriebs-AG
since 13 March 2018
Allianz Deutschland AG
Allianz Global Corporate & Specialty SE
Allianz Private Krankenversicherungs-AG
since 12 March 2018
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz Compañía de Seguros y Reaseguros S.A.
Companhia de Seguros Allianz Portugal S.A.

DR. CHRISTOF MASCHER
Operations,
Allianz Partners
until 31 March 2018
Membership in other statutory supervisory boards and SE administrative boards in Germany
Volkswagen Autoversicherung AG
Membership in Group bodies
Allianz Technology SE (Chairman)
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz Partners S.A.S.

NIRAN PEIRIS
Global Insurance Lines & Anglo Markets, Reinsurance, Middle East, Africa
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in Group bodies
Allianz Global Corporate & Specialty SE (Chairman)
since 9 April 2018
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz Australia Ltd.
Allianz p.l.c.

IVÁN DE LA SOTA
since 1 April 2018
Business Transformation, Insurance Iberia & Latin America, Allianz Partners
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz Compañía de Seguros y Reaseguros S.A., Spain
Allianz Partners S.A.S.
since 16 May 2018
(Chairman since 19 October 2018)
Allianz Seguros S.A., Brazil
Allianz Seguros S.A., Colombia
until 1 November 2018
Companhia de Seguros Allianz Portugal S.A.

GIULIO TERZARIOL
Finance, Controlling, Risk

DR. GÜNTHER THALLINGER
Investment Management
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in Group bodies
Allianz Investment Management SE (Chairman)
Allianz Lebensversicherungs-AG
Allianz Private Krankenversicherungs-AG
since 12 March 2018
Allianz Versicherungs-AG
since 12 March 2018
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz S.p.A
until 21 November 2018

DR. AXEL THEIS
Insurance German Speaking Countries and Central & Eastern Europe
Membership in other statutory supervisory boards and SE administrative boards in Germany
Gemeinnützige ProCurand GmbH (Chairman)
Membership in Group bodies
Allianz Deutschland AG (Chairman)
Allianz Investment Management SE
Allianz Global Corporate & Specialty SE (Chairman)
until 8 April 2018
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz Elementar Lebensversicherungs-AG (Chairman)
Allianz Elementar Versicherungs-AG (Chairman)
Allianz Investmentbank AG
Allianz Suisse Lebensversicherungs-Gesellschaft AG
Allianz Suisse Versicherungs-Gesellschaft AG
Euler Hermes Group S.A. (Chairman)
until 4 May 2018

1_Generally, we regard memberships in other supervisory bodies as "comparable" if the company is listed on a stock exchange or has more than 500 employees.

CORPORATE GOVERNANCE

B

CORPORATE GOVERNANCE REPORT

Good corporate governance is essential for sustainable business performance. The Board of Management and the Supervisory Board of Allianz SE thus attach great importance to complying with the recommendations of the German Corporate Governance Code (hereinafter referred to as the "Code"). The Declaration of Conformity with the recommendations of the Code, issued by the Board of Management and the Supervisory Board on 12 December 2018, and the company's position regarding the Code's suggestions can be found in the Statement on Corporate Management pursuant to §315d and §289f of the HGB starting on page 17.

Corporate Constitution of the European Company (SE)

As a European Company, Allianz SE is subject to special European SE regulations and the German SE Implementation Act ("SE-Ausführungsgesetz") in addition to the German SE Employee Involvement Act ("SE-Beteiligungsgesetz"). However, the main features of a German stock corporation – in particular the two-tier board system (Board of Management and Supervisory Board) and the principle of equal employee representation on the Supervisory Board – have been maintained by Allianz SE.

Function of the Board of Management

The Board of Management of Allianz SE comprises ten members. It is responsible for setting business objectives and the strategic direction, for coordinating and supervising the operating entities, and for implementing and overseeing an efficient risk management system. The Board of Management also prepares the annual financial statements of Allianz SE, the Allianz Group's consolidated financial statements, the market value balance sheet, and the interim report.

The members of the Board of Management are jointly responsible for management and for complying with legal requirements. Notwithstanding this overall responsibility, the individual members head the departments they have been assigned independently. There are divisional responsibilities for business segments as well as functional responsibilities. The latter include the Finance, Risk Management and Controlling Functions, Investments, Operations – including IT –, Human Resources, Legal, Compliance, Internal Audit, and Mergers & Acquisitions. Business division responsibilities focus on geographical regions or Global Lines such as Asset Management. Rules of procedure specify in more detail the structure and departmental responsibilities of the Board of Management.

Board of Management meetings are led by the Chairman. Each member of the Board may request a meeting, providing notification of the proposed subject. The Board makes decisions by a simple majority of participating members. In the event of a tie, the Chairman casts the deciding vote. The Chairman can also veto decisions, but he cannot impose any decisions against the majority vote.

BOARD OF MANAGEMENT AND GROUP COMMITTEES

In the financial year 2018, the following Board of Management committees were in place:

Board Committees

Board committees	Responsibilities
GROUP FINANCE AND RISK COMMITTEE Giulio Terzariol (Chairman), Niran Peiris, Dr. Günther Thallinger, Dr. Axel Theis.	Preparation of the capital and liquidity planning for the Group and Allianz SE, implementing and overseeing the principles of group-wide capital and liquidity planning, as well as investment strategy and preparing risk strategy. This includes, in particular, significant individual investments and guidelines for currency management, Group financing and internal Group capital management, as well as establishing and overseeing a group-wide risk management and monitoring system including dynamic stress tests.
GROUP IT COMMITTEE Dr. Christof Mascher (Chairman), Niran Peiris, Giulio Terzariol, Dr. Günther Thallinger, Dr. Axel Theis.	Developing, proposing, implementing and monitoring a group-wide IT strategy, approving external IT contracts and business-related IT contracts with strategic and group relevance.
GROUP MERGERS AND ACQUISITIONS COMMITTEE Dr. Helga Jung (Chairwoman), Oliver Bäte, Jacqueline Hunt, Giulio Terzariol.	Managing and overseeing Group M&A-transactions, including approval of individual transactions within certain thresholds.

As of 31 December 2018

In addition to Board committees, there are also Group committees. They are responsible for preparing decisions for the Board of Management of Allianz SE, submitting proposals for resolutions, and ensuring a smooth flow of information within the Group.

In the financial year 2018, the following Group committees were in place:

Group committees

Group committees	Responsibilities
GROUP COMPENSATION COMMITTEE Board members of Allianz SE and executives below Allianz SE Board level.	Designing, monitoring, and improving group-wide compensation systems in line with regulatory requirements and submitting an annual report on the monitoring results, along with proposals for improvement.
GROUP INVESTMENT COMMITTEE Board members of Allianz SE and Allianz Group executives.	Implementing the Group investment strategy, including monitoring group-wide investment activities as well as approving investment-related frameworks and guidelines and individual investments within certain thresholds.

As of 31 December 2018

The Allianz Group runs its operating entities and business segments via an integrated management and control process. First, the Holding and the operating entities define the business strategies and goals. On this basis, joint plans are then prepared for the Supervisory Board's consideration when setting targets for the performance-based remuneration of the members of the Board of Management. For details, see the Remuneration Report starting on page 23.

The Board of Management reports regularly and comprehensively to the Supervisory Board on business development, the company's financial position and earnings, planning and achievement of objectives, business strategy, and risk exposure. Details on the Board of Management's reporting to the Supervisory Board are laid down in the information rules issued by the Supervisory Board.

Important decisions of the Board of Management require approval by the Supervisory Board. These requirements are stipulated by law, by the Statutes, or in individual cases by decisions of the Annual General Meeting (AGM). Supervisory Board approval is required, for example, for certain capital transactions, intercompany agreements, and the launch of new business segments or the closure of existing ones. Approval is also required for acquisitions of companies and holdings in companies, as well as for divestments of Group companies that exceed certain threshold levels. The Agreement concerning the Participation of Employees in Allianz SE, in the version dated 3 July 2014 (hereinafter "SE Agreement"), requires the approval of the Supervisory Board for the appointment of the member of the Board of Management responsible for employment and social welfare.

Principles and function of the Supervisory Board

The German Co-Determination Act ("Mitbestimmungsgesetz") does not apply to Allianz SE because it has the legal form of a European Company (SE). Instead, the size and composition of the Supervisory Board is determined by general European SE regulations. These regulations are implemented in the Statutes and via the SE Agreement.

The Supervisory Board comprises twelve members, including six shareholder representatives appointed by the AGM. The six employee representatives are appointed by the SE works council. The specific procedure for their appointment is laid down in the SE Agreement. This agreement stipulates that the six employee representatives must be allocated in proportion to the number of Allianz employees in the different countries. The Supervisory Board currently in office comprises four employee representatives from Germany and one each from France and the United Kingdom. According to § 17 (2) of the German SE Implementation Act ("SE-Ausführungsgesetz"), the Supervisory Board of Allianz SE shall be composed of at least 30 % women and at least 30 % men.

The Supervisory Board oversees and advises the Board of Management on managing the business. It is also responsible for appointing the members of the Board of Management, determining their overall remuneration, succession planning for the Board of Management, and reviewing Allianz SE's and the Allianz Group's annual financial statements. The Supervisory Board's activities in the 2018 financial year are described in the Supervisory Board Report starting on page 4.

The Supervisory Board takes all decisions based on a simple majority. The special requirements for appointing members to the Board of Management, as stipulated in the German Co-Determination Act, and the requirement to have a Conciliation Committee do not apply to an SE. In the event of a tie, the casting vote lies with the Chairman of the Supervisory Board, who at Allianz SE must be a shareholder representative. If the Chairman is not present in the event of a tie, the casting vote lies with the vice chairperson from the shareholder side. A second vice chairperson is elected at the employee representatives' proposal.

The Supervisory Board regularly reviews the efficiency of its activities. The Supervisory Board discusses recommendations for improvements and adopts appropriate measures on the basis of recommendations from the Standing Committee. The self-assessment also includes an evaluation of the fitness and propriety of the individual members.

SUPERVISORY BOARD COMMITTEES

Part of the Supervisory Board's work is carried out by its committees. The Supervisory Board receives regular reports on the activities of its committees. The composition of committees and the tasks assigned to them are regulated by the Supervisory Board's Rules of Procedure.

Supervisory Board committees

Supervisory Board committees	Responsibilities
STANDING COMMITTEE 5 members – Chairman: Chairman of the Supervisory Board (Michael Diekmann) – Two further shareholder representatives (Herbert Hainer, Jim Hagemann Snabe) – Two employee representatives (Jürgen Lawrenz, Jean-Claude Le Goaër)	– Approval of certain transactions which require the approval of the Supervisory Board, e.g. capital measures, acquisitions, and disposals of participations – Preparation of the Declaration of Conformity pursuant to § 161 "Aktiengesetz" (German Stock Corporation Act) and checks on corporate governance – Preparation of the efficiency review of the Supervisory Board
AUDIT COMMITTEE 5 members – Chairman: appointed by the Supervisory Board (Dr. Friedrich Eichiner) – Three shareholder representatives (in addition to Dr. Friedrich Eichiner: Sophie Boissard, Michael Diekmann) – Two employee representatives (Jean-Claude Le Goaër, Martina Grundler)	– Initial review of the annual Allianz SE and consolidated financial statements, management reports (incl. Risk Report) and the dividend proposal, review of half-yearly reports or, where applicable, quarterly financial reports or statements – Monitoring of the financial reporting process, the effectiveness of the internal control and audit system and legal and compliance issues – Monitoring of the audit procedures, including the independence of the auditor and the services additionally rendered, awarding of the audit contract and determining the focal points of the audit
RISK COMMITTEE 5 members – Chairman: appointed by the Supervisory Board (Michael Diekmann) – Three shareholder representatives (in addition to Michael Diekmann: Christine Bosse, Dr. Friedrich Eichiner) – Two employee representatives (Godfrey Hayward, Frank Kirsch)	– Monitoring of the general risk situation and special risk developments in the Allianz Group – Monitoring of the effectiveness of the risk management system – Initial review of the Risk Report and other risk-related statements in the annual financial statements and management reports of Allianz SE and the Allianz Group, informing the Audit Committee of the results of such reviews
PERSONNEL COMMITTEE 3 members – Chairman: Chairman of the Supervisory Board (Michael Diekmann) – One further shareholder representative (Herbert Hainer) – One employee representative (Gabriele Burkhardt-Berg)	– Preparation of the appointment of Board of Management members – Preparation of plenary session resolutions on the compensation system and the overall compensation of Board of Management members – Conclusion, amendment, and termination of service contracts of Board of Management members unless reserved for the plenary session – Long-term succession planning for the Board of Management – Approval of the assumption of other mandates by Board of Management members
NOMINATION COMMITTEE 3 members – Chairman: Chairman of the Supervisory Board (Michael Diekmann) – Two further shareholder representatives (Christine Bosse, Jim Hagemann Snabe)	– Setting of concrete objectives for the composition of the Supervisory Board – Establishment of selection criteria for shareholder representatives on the Supervisory Board in compliance with the Code's recommendations on the composition of the Supervisory Board – Selection of suitable candidates for election to the Supervisory Board as shareholder representatives
TECHNOLOGY COMMITTEE 5 members – Chairman: appointed by the Supervisory Board (Jim Hagemann Snabe) – Three shareholder representatives (in addition to Jim Hagemann Snabe: Michael Diekmann, Dr. Friedrich Eichiner) – Two employee representatives (Gabriele Burkhardt-Berg, Jürgen Lawrenz)	– Regular exchange regarding technological developments – In-depth monitoring of the Board of Management's technology and innovation strategy – Support of the Supervisory Board in monitoring the implementation of the Board of Management's technology and innovation strategy

As of 31 December 2018

PUBLICATION OF DETAILS OF MEMBERS' PARTICIPATION IN MEETINGS

The Supervisory Board considers it good corporate governance to publish the details of individual members' participation in plenary sessions and committee meetings:

Publication of details of members' participation in meetings

	Presence	%
PLENARY SESSIONS OF THE SUPERVISORY BOARD		
Michael Diekmann (Chairman)	6/6	100
Gabriele Burkhardt-Berg (Vice Chairwoman as of 1 September 2018)	6/6	100
Jim Hagemann Snabe (Vice Chairman)	6/6	100
Sophie Boissard	6/6	100
Christine Bosse	6/6	100
Jean-Jacques Cette (Member until 31 July 2018)	3/3	100
Dr. Friedrich Eichiner	6/6	100
Jean-Claude Le Goaër (Member as of 1 August 2018)	3/3	100
Martina Grundler	6/6	100
Herbert Hainer	6/6	100
Godfrey Hayward	6/6	100
Frank Kirsch (Member as of 1 September 2018)	2/2	100
Jürgen Lawrenz	6/6	100
Rolf Zimmermann (Vice Chairman and Member until 31 August 2018)	4/4	100
STANDING COMMITTEE		
Michael Diekmann (Chairman)	5/5	100
Jean-Claude Le Goaër (Member as of 1 September 2018)	2/2	100
Gabriele Burkhardt-Berg (Member until 31 August 2018)	3/3	100
Herbert Hainer	5/5	100
Jürgen Lawrenz	5/5	100
Jim Hagemann Snabe	5/5	100
PERSONNEL COMMITTEE		
Michael Diekmann (Chairman)	6/6	100
Gabriele Burkhardt-Berg (Member as of 1 September 2018)	3/3	100
Herbert Hainer	6/6	100
Rolf Zimmermann (Member until 31 August 2018)	3/3	100
AUDIT COMMITTEE		
Dr. Friedrich Eichiner (Chairman)	5/5	100
Sophie Boissard	5/5	100
Jean-Jacques Cette (Member until 31 July 2018)	2/3	67
Michael Diekmann	5/5	100
Jean-Claude Le Goaër (Member from 1 August 2018)	2/2	100
Martina Grundler	5/5	100
RISK COMMITTEE		
Michael Diekmann (Chairman)	2/2	100
Christine Bosse	2/2	100
Dr. Friedrich Eichiner	2/2	100
Godfrey Hayward	2/2	100
Frank Kirsch (Member as of 1 September 2018)	1/1	100
Jürgen Lawrenz (Member until 31 August 2018)	1/1	100
TECHNOLOGY COMMITTEE		
Jim Hagemann Snabe (Chairman)	2/2	100
Gabriele Burkhardt-Berg	2/2	100
Michael Diekmann	2/2	100
Dr. Friedrich Eichiner	2/2	100
Jürgen Lawrenz (Member as of 1 September 2018)	1/1	100
Rolf Zimmermann (Member until 31 August 2018)	1/1	100

The Nomination Committee did not convene any meetings in the 2018 financial year.

OBJECTIVES OF THE SUPERVISORY BOARD REGARDING ITS COMPOSITION

The objectives for the composition of the Supervisory Board in the version of August 2017, as specified to implement a recommendation by the Code, are set out below. In addition to the skills profile for the overall Supervisory Board, also to be established due to a new recommendation of the Code, the diversity concept in accordance with the legislation regarding the implementation of the E.U. guideline as regards the disclosure of non-financial and diversity information (CSR Directive) is also included:

Objectives of Allianz SE's Supervisory Board regarding its composition

"The aim of Allianz SE's Supervisory Board is to have members who are equipped with the necessary skills and competence to properly supervise and advise Allianz SE's management. Supervisory Board candidates should possess the professional expertise and experience, integrity, motivation and commitment, independence and personality required to successfully carry out the responsibilities of a Supervisory Board member in a financial services institution with international operations.

These objectives take into account the regulatory requirements for the composition of the Supervisory Board as well as the relevant recommendations of the German Corporate Governance Code ("GCGC"). In addition to the requirements for each individual member, a profile of skills and expertise ("Kompetenzprofil") as well as a diversity concept are provided for the entire Supervisory Board.

Employee representation within Allianz SE according to the Agreement concerning the Participation of Employees in Allianz SE contributes to the diversity of work experience and cultural background. Pursuant to the provisions of the German SE Participation Act (SEBG), the number of women and men appointed as German employee representatives should be proportional to the number of women and men working in the German companies. However, the Supervisory Board does not have the right to select the employee representatives.

The following requirements and objectives apply to the composition of Allianz SE's Supervisory Board:

I. Requirements relating to the individual members of the Supervisory Board

1. Propriety

The members of the Supervisory Board must be proper as defined by the regulatory provisions. A person is assumed to be proper as long as no facts are to be known which may cause impropriety. Therefore, no personal circumstances shall exist which – according to general experience – lead to the assumption that the diligent and orderly exercise of the mandate may be affected (in particular administrative offenses or violation of criminal law, esp. in connection with commercial activity).

2. Fitness

The members of the Supervisory Board must have the expertise and experience necessary for a diligent and autonomous exercise of the Allianz SE Supervisory Board mandate, in particular for exercising control of and giving advice to the Board of Management as well as for the active support of the development of the company. This comprises in particular:

- adequate expertise in all business areas;
- adequate expertise in the insurance and finance sector or comparable relevant experience and expertise in other sectors;
- adequate expertise in the regulatory provisions material for Allianz SE (supervisory law, including Solvency II regulation, corporate and capital markets law, corporate governance);
- ability to assess the business risks;
- knowledge of accounting and risk management basics.

3. Independence

The GCGC defines a person as independent who, in particular, does not have any business or personal relations with Allianz SE or its executive bodies, a controlling shareholder, or an enterprise associated with the latter, which may cause a substantial and not merely temporary conflict of interest.

To further specify the definition of independence, the Supervisory Board of Allianz SE states the following:

- Former members of the Allianz SE Board of Management shall not be deemed independent during the mandatory corporate law cooling-off period.
- Members of the Supervisory Board of Allianz SE in office for more than 15 years shall not be deemed independent.
- Regarding employee representatives, the mere fact of employee representation and the existence of a working relationship with the company shall not in itself affect the independence of the employee representatives.

Applying such definition, at least eight members of the Supervisory Board shall be independent. In case shareholder representatives and employee representatives are viewed separately, at least four of each should be independent.

It has to be considered that the possible emergence of conflicts of interests in individual cases cannot generally be excluded. Potential conflicts of interest must be disclosed to the Chairman of the Supervisory Board and will be resolved by appropriate measures.

4. Time of availability

Each member of the Supervisory Board must ensure that they have sufficient time to dedicate to the proper fulfilment of the mandate of this Supervisory Board position.

In addition to the mandatory mandate limitations and the GCGC recommendation for active Management Board members of listed companies (max. three mandates), the common capital markets requirements shall be considered.

With respect to the Allianz SE mandate, the members shall ensure that

- they can attend at least four, usually six ordinary Supervisory Board meetings per year, each of which requires adequate preparation;
- they have sufficient time for the audit of the annual and consolidated financial statements;
- they can attend the General Meeting;
- depending on possible membership in one or more of the current six Supervisory Board special committees, this involves extra time planning to participate in these Committee meetings and do the necessary preparation for these meetings; this applies in particular for the Audit and risk Committees;
- they can attend extraordinary meetings of the Supervisory Board or of a special committee to deal with special matters as and when required.

5. Retirement age

The members of the Supervisory Board shall, as a rule, not be older than 70 years of age.

6. Term of membership

The continuous period of membership for any member of the Supervisory Board should, as a rule, not exceed 15 years.

7. Former Allianz SE Management Board members

Former Allianz SE Management Board members are subject to the mandatory corporate law cooling-off period of two years.

According to regulatory provisions, no more than two former Allianz SE Management Board members shall be members of the Supervisory Board.

II. Requirements for the entire Supervisory Board

1. Profile of skills and expertise for the entire Supervisory Board

In addition to the expertise-related requirements for the individual members, the following shall apply with respect to the expertise and experience of the entire Supervisory Board:

- familiarity of members in their entirety with the insurance and financial services sector;
- adequate expertise of the entire board with respect to investment management, insurance actuarial practice, and accounting;
- at least one member with considerable experience in the fields of insurance and financial services;
- at least one member with comprehensive expertise in the fields of accounting or auditing;
- specialist expertise or experience in other economic sectors;
- managerial or operational experience.

2. Diversity concept

To promote an integrative cooperation among the Supervisory Board members, the Supervisory Board aims at an adequate diversity with respect to gender, internationality, different occupational backgrounds, professional expertise, and experience:

- The Supervisory Board shall be composed of at least 30 % women and at least 30 % men. The representation of women is generally considered to be the joint responsibility of the shareholder and employee representatives.
- At least four of the members must, on the basis of their origin or function, represent regions or cultural areas in which Allianz SE conducts significant business.
  For Allianz SE as a Societas Europaea, the agreement concerning the participation of employees in Allianz SE provides the following: Allianz employees from different EU member states be considered in the allocation of employee representatives' Supervisory Board seats.
- In order to provide the Board with the most diverse sources of experience and specialist knowledge possible, the members of the Supervisory Board shall complement each other with respect to their background, professional experience, and specialist knowledge."

The composition of the Supervisory Board of Allianz SE reflects these objectives. According to the assessment by the Supervisory Board, all shareholder representatives, i.e. Ms. Boissard, Ms. Bosse as well as Mr. Diekmann, Dr. Eichiner, Mr. Hainer and Mr. Snabe, are independent within the meaning of the objectives (see No. I.3). With four female and eight male Supervisory Board members, the current legislation for equal participation of women and men in leadership positions (statutory gender quota of 30%) is being met. In addition, the Supervisory Board has five members with international backgrounds. The skills profile is also met by all current members of the Supervisory Board. The current composition of the Supervisory Board and its committees is described on **page 7.**

Directors' dealings

Members of the Board of Management and the Supervisory Board are obliged by the E.U. Market Abuse Directive to disclose to both Allianz SE and the German Federal Financial Supervisory Authority any transactions involving shares or debt securities of Allianz SE or financial derivatives or other instruments based on them, as soon as the value of the securities acquired or divested by the member amounts to five thousand Euros or more within a calendar year. These disclosures are published on our website at **www.allianz.com/directorsdealings.**

Annual General Meeting

Shareholders exercise their rights at the Annual General Meeting. When adopting resolutions, each share carries one vote. Shareholders can follow the AGM's proceedings on the internet and be represented by proxies. These proxies exercise voting rights exclusively on the basis of instructions given by the shareholder. Shareholders are also able to cast their votes via the internet in the form of online voting. Allianz SE regularly promotes the use of internet services.

The AGM elects the shareholder representatives of the Supervisory Board and approves the actions taken by the Board of Management and the Supervisory Board. It decides on the use of profits, capital transactions, the approval of intercompany agreements, the remuneration of the Supervisory Board, and changes to the company's Statutes. In accordance with European regulations and the Statutes, changes to the Statutes require a two-thirds majority of votes cast in case less than half of the share capital is represented in the AGM. Each year, an ordinary AGM takes place at which the Board of Management and the Supervisory Board give an account of the preceding financial year. For special decisions, the German Stock Corporation Act provides for the convening of an extraordinary AGM.

Accounting and auditing

The Allianz Group prepares its accounts according to §315e of the German Commercial Code ("Handelsgesetzbuch – HGB") on the basis of the International Financial Reporting Standards (IFRS) adopted by the European Union. The annual financial statements of Allianz SE are prepared in accordance with German law, in particular the HGB.

In compliance with special legal provisions that apply to insurance companies, the auditor of the annual financial statements and of the half-yearly financial report is appointed by the Supervisory Board, not by the AGM. The audit of the financial statements covers the individual financial statements of Allianz SE and also the consolidated financial statements of the Allianz Group.

To ensure maximum transparency, we inform our shareholders, financial analysts, the media, and the general public about the company's situation on a regular basis and in a timely manner. The annual financial statements of Allianz SE, the Allianz Group's consolidated financial statements, and the respective management reports are published within 90 days of the end of each financial year. Additional information is provided in the Allianz Group's half-yearly financial reports and quarterly statements. Information is also made available at the AGM, at press and analysts' conferences, and on the Allianz Group's website. Our website also provides a financial calendar listing the dates of major publications and events, such as annual reports, half-yearly financial reports and quarterly statements, AGMs, and analyst conference calls as well as financial press conferences.

You can find the 2019 financial calendar on our website at **www.allianz.com/financialcalendar.**

Regulatory requirements

The regulatory requirements for corporate governance applicable for insurance companies, insurance groups, and financial conglomerates are also important. Specifically, they include the establishment and further design of significant control functions (risk management, actuarial function, compliance, and internal audit) as well as general principles for a sound business organization. The regulatory requirements are applicable throughout the Group in principle and have been implemented using written guidelines issued by the Board of Management of Allianz SE. Since the 2016 financial year, a market value balance sheet has to be prepared at solo and group level, which has to be examined and reported on separately by the auditors. Details on the implementation of the regulatory requirements for corporate governance by Allianz SE and by the Allianz Group can be found in the Solvency and Financial Condition Report of Allianz SE and of the Allianz Group, which are published on our website at **www.allianz.com/sfcr.**

STATEMENT ON CORPORATE MANAGEMENT PURSUANT TO § 315d AND § 289f OF THE HGB

The Statement on Corporate Management pursuant to § 315d and § 289f of the German Commercial Code ("Handelsgesetzbuch – HGB") forms part of the Group Management Report. However, according to § 317 (2) sentence 6 of the HGB, this Statement is not included within the scope of the audit.

Declaration of Conformity with the German Corporate Governance Code

On 12 December 2018, the Board of Management and the Supervisory Board issued the following Declaration of Conformity of Allianz SE with the German Corporate Governance Code (hereinafter the "Code"):

Declaration of Conformity in accordance with § 161 of the German Stock Corporation Act

"Declaration of Conformity by the Management Board and the Supervisory Board of Allianz SE with the recommendations of the German Corporate Governance Code Commission in accordance with § 161 of the German Stock Corporation Act (AktG)

Since the last Declaration of Conformity as of December 14, 2017, Allianz SE has complied with all recommendations of the German Corporate Governance Code in the version of February 7, 2017 and will comply with them in the future.

Munich, December 12, 2018
Allianz SE

For the Management Board:
Signed Oliver Bäte   Signed Dr. Helga Jung

For the Supervisory Board:
Signed Michael Diekmann"

In addition, Allianz SE follows all the suggestions of the Code in its 7 February 2017 version.

The Declaration of Conformity and further information on corporate governance at Allianz can be found on our website at **www.allianz.com/corporate-governance.**

Corporate governance practices

INTERNAL CONTROL SYSTEMS

The Allianz Group has an effective internal risk and control system for verifying and monitoring its operating activities and business processes, in particular financial reporting, as well as compliance with regulatory requirements. The requirements placed on the internal control systems are essential not only for the resilience and franchise value of the company, but also to maintain the confidence of the capital market, our customers, and the public. A comprehensive risk and control management system regularly also assesses the effectiveness and appropriateness of the internal control system as part of the System of Governance. For further information on our risk organization and risk principles, please refer to **page 74.** For further information on our Controls over Financial Reporting, please refer to **page 89.**

In addition, the quality of our internal control system is assessed by the Allianz Group's Internal Audit function. This function conducts independent, objective assurance and consulting activities, analyzing the structure and efficiency of the internal control systems as a whole. In addition, it also examines the potential for additional value and improvement of our organization's operations. Fully compliant with all international auditing principles and standards, Internal Audit contributes to the evaluation and improvement of the effectiveness of the risk management, control, and governance processes. Therefore, internal audit activities are geared towards helping the company to mitigate risks, and further assist in strengthening its governance processes and structures.

COMPLIANCE MANAGEMENT SYSTEM

Integrity is at the core of our compliance program and the basis to safeguard Allianz's reputation as a trusted financial services provider. The Compliance function promotes, in partnership with management and business, a culture of integrity and compliance by:

- advising on business conduct that is lawful, ethical, and in the interest of our customers, shareholders, business partners, and colleagues;
- preventing and detecting violations of laws and regulations through identifying and managing compliance risks;
- advocating Allianz's compliance positions with regulators.

Compliance with all applicable laws, rules, and regulations in all countries in which the Allianz Group operates, as well as with internal policies and guidelines, is key. The global compliance program coordinated by Allianz SE's Group Compliance function supports our employees, managers and executive board members to act responsibly and with integrity in all situations. We participate in the United Nations Global Compact, the world's largest and most important initiative for responsible corporate leadership, and respect the Guidelines of the Organization for Economic Cooperation and Development (OECD Guidelines) for Multinational Enterprises in that we integrate sustainability and corporate responsibility into our business. By accepting and complying with European and international standards and applicable laws related to relevant compliance risk areas, Allianz aims to avoid the risks that arise from non-compliance. To enhance our understanding of compliance issues and share best practices, we work with organizations such as the German Institute for Compliance (DICO), the Global Insurance Chief Compliance Officers Forum (CCO Forum), and the S20 – The Sponsors' Voice.

Moreover, Allianz SE's central Group Compliance function is responsible – in close cooperation with local compliance functions – for ensuring the effective implementation and monitoring of the compliance program within the Allianz Group, as well as for investigating potential compliance infringements. As a key governance function, the Compliance function further conducts the advisory, risk identification and assessment, monitoring, and early-warning tasks required under the Solvency II regime.

CODE OF CONDUCT

Our Code of Conduct for Business Ethics and Compliance and the internal Compliance policies and guidelines derived from it provide all employees, managers, and executive board members with clear and practical guidance, enabling them to act in line with the values of the Allianz Group. The standards of conduct established by the Code of Conduct are binding for all employees worldwide and build the basis for our compliance programs. The Code of Conduct is available on our website at **www.allianz.com/corporate-governance.**

COMPLIANCE PROGRAMS

Allianz SE's central Group Compliance function has set up internal guidelines for the following identified compliance risk areas: anti-bribery and anti-corruption, anti-money laundering and anti-terrorism financing, economic sanctions compliance, capital markets compliance, sales compliance/customer protection, antitrust compliance, internal fraud, data privacy, and US Foreign Account Tax Compliance Act (FATCA). For further information on these compliance risk areas, please refer to the Combined Separate Non-Financial Report on **page 48** and the Sustainability Report on our website at **www.allianz.com/sustainability.**

WHISTLEBLOWING

A major component of the Allianz Group's compliance program is a whistleblower system that allows employees and third parties to alert the relevant compliance department confidentially about irregularities. No employee voicing concerns about irregularities in good faith needs to fear retribution, even if the concerns later turn out to be unfounded. Third parties can contact the compliance department via an electronic mailbox on our website at: **www.allianz.com/complaint-system.**

COMPLIANCE TRAINING

In order to transmit the principles of the Code of Conduct and the internal compliance programs based on these principles, Allianz has implemented interactive training programs around the world. These provide practical guidelines that enable employees to make their own decisions based on the values of the Allianz Group. Training programs comprise in-person and e-learning trainings and are delivered in several languages.

An anti-corruption training is compulsory for all Allianz employees worldwide. Moreover, in 2018 we deployed a mandatory data privacy and protection training to all Allianz companies worldwide. This training includes the topic of binding corporate rules, which are an E.U.-developed standard in data privacy and protection for international personal data transfers within corporate groups outside the European Economic Area. Further trainings exist for all relevant compliance risk areas.

DESCRIPTION OF THE FUNCTIONS OF THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD AND OF THE COMPOSITION AND FUNCTIONS OF THEIR COMMITTEES

A description of the composition of the Supervisory Board and its committees can be found on **page 7 and 9** of the Annual Report. A description of the composition of the Board of Management can be found on **page 10,** while the composition of the Committees of the Board of Management is described in the Corporate Governance Report starting on **page 12.** This information is also available on our website at **www.allianz.com/corporate-governance.**

A general description of the functions of the Board of Management, the Supervisory Board, and their committees can be found in the Corporate Governance Report starting on **page 12,** and on our website at **www.allianz.com/corporate-governance.**

Information in accordance with the German Act on Equal Participation of Women and Men in Executive Positions in the Private and the Public Sector

This section outlines the targets set for Allianz SE and the other companies of the Allianz Group in Germany that are subject to co-determination (the "subsidiaries concerned") for the Supervisory Board, the Board of Management, and the two management levels below the Board of Management.

Article 17 (2) of the German SE Implementation Act stipulates that as of 1 January 2016, the share of women and men among the members of the Supervisory Board of Allianz SE must each total up to 30% at least. The Supervisory Board currently in office fulfils this requirement as it includes four women (33 %) and eight men (67 %).

In August 2017, and based on a Management Board comprising nine members, the Supervisory Board resolved on a target for the percentage of women on Allianz SE's Board of Management at 22% up until 31 December 2018 and 30% up until 31 December 2021. As the Board of Management has been extended by the appointment of Mr. de la Sota in April 2018 as an additional member, the percentage of women on Allianz SE's Board of Management amounted to 20% as of 31 December 2018. As regards the proportion of women on the first and second management levels below the Board of Management, the Board of Management of Allianz SE has set a target of 20% and 25%, respectively, to be met by 31 December 2018. As of 31 December 2018, this target was met for the second management level with a percentage of women of 28 %, but could not be met on the first level with a percentage of 15 %. The first management level below the Board of Management comprises a very small comparative group of executives. No suitable female candidates could be identified for the very few positions that became vacant in the period considered.

In the longer term, Allianz aims to place women in at least 30% of the positions at these two management levels throughout the Group.

With regard to the Supervisory Boards of the subsidiaries concerned, the target quotas for eight out of nine subsidiaries concerned were set at 30% and the target quota for the remaining subsidiary concerned was set at 33% until 31 December 2018. All subsidiaries concerned reached this target. The target quotas for the respective Board of Management of the subsidiaries concerned were between 11% and 25% (19% on average) and were met by only six of the nine companies. For the two management levels below the Board of Management, the respective Boards of Management of the subsidiaries concerned had set target quotas between 17% and 33% (23% on average) for the first management level and target quotas between 18% and 33% (24% on average) for the second management level below the Board of Management. As of 31 December 2018, the targets were met by four of the nine subsidiaries concerned at the first management level, while five of the nine companies met the targets set for the second management level. Despite increased efforts to promote women in the Allianz Group and also at the individual subsidiaries, it was not possible to achieve the targets in these cases, as it was not always possible to identify suitable female candidates for all vacant positions.

Diversity concepts for the Board of Management and Supervisory Board

In accordance with the legislation to implement the European CSR Directive, the diversity concepts for the Board of Management and the Supervisory Board, their objectives, implementation, and results achieved are to be reported for the 2018 financial year.

The Supervisory Board stipulated the following diversity concept for the Board of Management of Allianz SE in August 2017:

"For the composition of the Management Board, the Supervisory Board aims for an adequate "Diversity of Minds". This comprises broad diversity with regard to gender, internationality, as well as educational and professional background.
The Supervisory Board assesses the achievement of such target, inter alia, on the basis of the following specific indicators:

- adequate proportion of women on the Management Board: at least 30% until 31 December 2021;
- adequate share of members with an international background (e.g. based on origin or extensive professional experience abroad), ideally with a connection to the regions in which Allianz Group is operating;
- adequate diversity with regard to educational and professional background, taking into account the limitations for the Supervisory Board by regulatory requirements (fitness)."

This diversity concept is implemented in the appointment procedure for members of the Board of Management by the Supervisory Board. It is ensured that lists of successors will comprise an appropriate percentage of female candidates as well as candidates with international experience. The Personnel Committee takes this into consideration especially in succession planning. The share of women on the Management Board is currently 20%. Six members of the Management Board have international backgrounds. There is an adequate degree of variety as regards educational and professional background.

The diversity concept for the Supervisory Board was approved by the Supervisory Board in August 2017 and included in the objectives for the composition of the Supervisory Board (see No. II.2 of the objectives for the composition of the Supervisory Board on **page 15).** The Supervisory Board pursues these objectives, and thus also the diversity concept, nominating the candidates for the shareholder representatives. As the employee representatives are appointed according to different national provisions, there is only limited potential influence to the selection of employee representatives. The Supervisory Board is currently composed in accordance with the diversity concept. For details please see the Corporate Governance Report on **page 12.**

TAKEOVER-RELATED STATEMENTS AND EXPLANATIONS

The following information is provided pursuant to § 289a (1) and § 315a (1) of the German Commercial Code ("Handelsgesetzbuch – HGB") and § 176 (1) of the German Stock Company Act ("Aktien gesetz – AktG").

COMPOSITION OF SHARE CAPITAL

As of 31 December 2018, the share capital of Allianz SE was € 1,169,920,000. It was divided into 424,459,661 registered and fully paid-up shares with no-par value. All shares carry the same rights and obligations. Each no-par value share carries one vote.

RESTRICTIONS ON VOTING RIGHTS AND SHARE TRANSFERS; EXERCISE OF VOTING RIGHTS IN CASE OF EMPLOYEE EQUITY PARTICIPATIONS

Shares may only be transferred with the consent of the company. An approval duly applied for may only be withheld if this is deemed necessary in the company's interest on exceptional grounds. The applicant will be informed of the reasons.

Shares acquired by employees of the Allianz Group as part of the employee stock purchase plan are subject to a lock-up period which used to be one year in general and was extended to three years in general under the plan for the fiscal year 2018. This serves the employee stock purchase plan's aims of tying employees to the company and letting them benefit from the performance of the share price. During the lock-up period, employees can exercise their voting rights or have them exercised.

INTERESTS IN THE SHARE CAPITAL EXCEEDING 10 % OF THE VOTING RIGHTS

We are not aware of any direct or indirect interests in the share capital of Allianz SE that exceed 10 % of the voting rights.

SHARES WITH SPECIAL RIGHTS CONFERRING POWERS OF CONTROL

There are no shares with special rights conferring powers of control.

LEGAL AND STATUTORY PROVISIONS APPLICABLE TO THE APPOINTMENT AND REMOVAL OF MEMBERS OF THE BOARD OF MANAGEMENT AND TO AMENDMENTS OF THE STATUTES

The Supervisory Board appoints the members of Allianz SE's Board of Management for a maximum term of five years (Articles 9 (1), 39 (2) and 46 of the SE Regulation, §§ 84, 85 AktG and § 5 (3) of the Statutes). Reappointments, for a maximum of five years each, are permitted. A simple majority of the votes cast in the Supervisory Board is required to appoint members of the Board of Management. In the case of a tie vote, the Chairperson of the Supervisory Board, who pursuant to Article 42 of the SE Regulation must be a shareholder representative, shall have the casting vote (§ 8 (3) of the Statutes). If the Chairperson does not participate in the vote the Vice Chairperson shall have the casting vote, provided he or she is a shareholder representative. A Vice Chairperson who is an employee representative has no casting vote (§ 8 (3) of the Statutes). If one of the required members of the Board of Management is missing, the courts must appoint such member in urgent cases upon the application of an interested party (§ 85 AktG). The Supervisory Board may dismiss members of the Board of Management if there is an important reason (§ 84 (3) AktG).

According to § 5 (1) of the Statutes, the Board of Management shall consist of at least two persons. The Supervisory Board determines the number of any additional members. The Supervisory Board has appointed a Chairman of the Board of Management pursuant to § 84 (2) AktG.

German insurance supervisory law requires that members of the Board of Management have the reliability and professional competence needed to manage an insurance company. A person cannot become a member of the Board of Management if he or she is already a manager of two other insurance undertakings, pension funds, insurance holding companies, or insurance special-purpose vehicles. However, the supervisory authority may permit more than two such mandates if they are held within the same group (§ 24 (3) of the German Insurance Supervision Act ("Versicherungsaufsichtsgesetz – VAG")). The Federal Financial Services Supervisory Authority ("Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin") must be notified of the intention of appointing a Board of Management member pursuant to § 47 No. 1 VAG.

Amendments to the Statutes must be adopted by the General Meeting. § 13 (4) of the Statutes of Allianz SE stipulates that, unless this conflicts with mandatory law, changes to the Statutes require a two-thirds majority of the votes cast, or, if at least one half of the share capital is represented, a simple majority of the votes cast. The Statutes thereby make use of the option set out in § 51 of the SE Implementation Act ("SE-Ausführungsgesetz – SEAG"), which is based upon Article 59 (1) and (2) of the SE Regulation. A larger majority is required, inter alia, for a change in the corporate object or the relocation of the registered office to another E.U. member state (§ 51 SEAG). The Supervisory Board may alter the wording of the Statutes (§ 179 (1) AktG and § 10 of the Statutes).

AUTHORIZATION OF THE BOARD OF MANAGEMENT TO ISSUE AND REPURCHASE SHARES

The Board of Management is authorized to issue shares as well as to acquire and use treasury shares as follows:

It may increase the company's share capital on or before 8 May 2023, with the approval of the Supervisory Board, by issuing new registered no-par value shares against contributions in cash and/or in kind, on one or more occasions:

- Up to a total of € 334,960,000 (Authorized Capital 2018/I): In case of a capital increase against cash contribution, the Board of Management may exclude the shareholders' subscription rights for these shares with the consent of the Supervisory Board (i) for fractional amounts, (ii) in order to safeguard the rights pertaining to holders of convertible bonds or bonds with warrants, including mandatory convertible bonds, and (iii) in the event of a capital increase of up to 10 %, if the issue price of the new shares is not

significantly below the stock market price. The Board of Management may furthermore exclude the shareholders' subscription rights with the consent of the Supervisory Board in the event of a capital increase against contributions in kind.
- Up to a total of € 15,000,000 (Authorized Capital 2018/II): The shareholders' subscription rights are excluded. New shares may only be issued to employees of Allianz SE and its Group companies.

The company's share capital is conditionally increased by up to € 250,000,000 (Conditional Capital 2010/2018). This conditional capital increase will only be carried out to the extent that the holders of convertible bonds, bonds with warrants, convertible participation rights, participation rights, and subordinated financial instruments issued against cash by Allianz SE or its subsidiaries, based on the authorizations granted by the General Meeting on 5 May 2010 or 9 May 2018, exercise their conversion or option rights, or that conversion obligations from such bonds are fulfilled, and to such extent that treasury shares or shares from authorized capital are not used for such purpose.

The Board of Management may buy back and use Allianz shares for other purposes until 8 May 2023 as per authorization of the General Meeting of 9 May 2018 (§71 (1) No. 8 AktG). Together with other treasury shares that are held by Allianz SE, or which are attributable to it under §§71a et seq. AktG, such shares may not exceed 10% of the share capital at any time. The shares acquired pursuant to this authorization may be used, under exclusion of the shareholders' subscription rights, for any legally admissible purposes, in particular those specified in the authorization. Furthermore, the acquisition of treasury shares under this authorization may also be carried out using derivatives such as put options, call options, forward purchases, or a combination thereof, provided such derivatives do not relate to more than 5% of the share capital.

Domestic or foreign banks that are majority-owned by Allianz SE may buy and sell Allianz shares for trading purposes (§71 (1) No. 7 and (2) AktG) under an authorization of the General Meeting valid until 8 May 2023. The total number of shares acquired thereunder, together with treasury shares held by Allianz SE or attributable to it under §§71a et seq. AktG, shall at no time exceed 10% of the share capital of Allianz SE.

ESSENTIAL AGREEMENTS OF ALLIANZ SE WITH CHANGE-OF-CONTROL CLAUSES AND COMPENSATION AGREEMENTS PROVIDING FOR TAKEOVER SCENARIOS

The following essential agreements of the company are subject to a change-of-control condition following a takeover bid:

- Our reinsurance contracts, in principle, include a clause under which both parties to the contract have an extraordinary termination right, if and when the counterparty merges or its ownership or control situation changes materially. Agreements with brokers regarding services connected with the purchase of reinsurance cover also provide for termination rights in case of a change of control. Such clauses are standard market practice.
- Allianz SE is also party to various bancassurance distribution agreements for insurance products in various regions. These distribution agreements normally include a clause under which the parties have an extraordinary termination right in the event of a change of control of the other party's ultimate holding company.
- Shareholder agreements and joint ventures to which Allianz SE is a party often contain change-of-control clauses that provide, as the case may be, for the termination of the agreement, or for put or call rights that one party can exercise with regard to the joint venture or the target company, if there is a change of control of the other party.
- The framework agreements between Allianz SE and the subsidiaries of various car manufacturers relating to the distribution of car insurance by the respective car manufacturers each include a clause under which each party has an extraordinary termination right in case there is a change of control of the other party.
- Bilateral credit agreements in some cases provide for termination rights if there is a change of control, mostly defined as the acquisition of at least 30% of the voting rights within the meaning of §29 (2) of the German Takeover Act ("Wertpapiererwerbs- und Übernahmegesetz – WpÜG"). If such termination rights are exercised, the respective credit lines have to be replaced by new credit lines under conditions then applicable.

The company has entered into the following compensation agreements with members of the Board of Management and certain employees, providing for the event of a takeover bid:

A change-of-control clause in the service contracts of the members of Allianz SE's Board of Management provides that, if within twelve months after the acquisition of more than 50 % of the company's share capital by one shareholder or several shareholders acting in concert (change of control) the appointment as a member of the Board of Management is revoked unilaterally by the Supervisory Board, or if the mandate is ended by mutual agreement, or if the Management board member resigns because his or her responsibilities as a board member are significantly reduced through no fault of the board member, he or she shall receive his or her contractual remuneration for the remaining term of the service contract, but for the purpose hereof limited to two years, in the form of a one-off payment. The one-off payment is based on the fixed remuneration plus the variable remuneration, with this basis being limited, however, to the amount paid for the last fiscal year. This applies accordingly if, within twelve months of a change of control, a mandate in the Board of Management comes to an end and is not extended: The one-off payment will then be granted for the period between the end of the mandate and the end of the two-year period following the change of control. For further details, please refer to the Remuneration Report starting on **page 23.**

Under the Allianz Sustained Performance Plan (ASPP), Restricted Stock Units (RSUs) – i.e. virtual Allianz shares – are granted to senior management of the Allianz Group worldwide as a stock-based remuneration component. The conditions for these RSU contain change-of-control clauses, which apply when a majority of the voting share capital in Allianz SE is directly or indirectly acquired by one or more third parties who do not belong to the Allianz Group, and which provide for an exception from the usual vesting and exercise periods. In line with the relevant general conditions, the company will release the RSUs to plan participants on the day of the change of control, without observing any vesting period that would otherwise apply. The cash amount payable per RSU must equal the average market value of the Allianz share and be equal to or above the price offered per Allianz share in a preceding tender offer. By providing for the non-application of the vesting period in the event of a change of control, the terms take into account the fact that the conditions influencing the share price are substantially different when there is a change of control.

REMUNERATION REPORT

This remuneration report covers the remuneration arrangements for the Board of Management and the Supervisory Board of Allianz SE.

The report has been prepared in accordance with the requirements of the German Commercial Code, the German Accounting Standard 17, and the International Financial Reporting Standards (IFRS). It also takes into account the relevant regulatory provisions and the recommendations contained in the German Corporate Governance Code.

The complete information on Allianz SE Board of Management remuneration as given below and additional information is provided on our remuneration website at **www.allianz.com/remuneration.**

Allianz SE Board of Management remuneration

GOVERNANCE SYSTEM

The remuneration of the Board of Management is decided upon by the entire Supervisory Board, based on proposals prepared by the Personnel Committee. If required, outside advice is sought from independent external consultants. The Personnel Committee and the Supervisory Board consult with the Chairman of the Board of Management, as appropriate, in assessing the performance and remuneration of Board of Management members. However, the Chairman of the Board of Management is not present when his own remuneration is discussed.

Regarding the activities and decisions taken by the Personnel Committee and the Supervisory Board, please refer to the Supervisory Board Report starting on **page 4.**

REMUNERATION PRINCIPLES

Key principles underlying the Board of Management remuneration are as follows:

- Alignment of pay and performance: The performance-based, variable component shall form a significant portion of the overall remuneration.
- Variable remuneration focused on sustainability and aligned with shareholder interests: A major part of the variable remuneration shall reflect longer-term performance with an adequate deferred payout. Furthermore, a substantial portion is linked to the performance of the share price.
- Support of the Group's strategy: The design of the performance targets must reflect the Allianz Group's business strategy.

In light of the above, the Supervisory Board determines the structure, weighting, and level of each remuneration component. In addition, the Supervisory Board regularly deals with the appropriateness of the Board of Management's remuneration. For this purpose, we include, amongst others, remuneration survey data of DAX 30 companies and international competitors from external consultants. Compensation levels are oriented towards the third quartile of that peer group, given Allianz's relative size, complexity, and sustained performance within that group. Furthermore, when reviewing the adequateness and appropriateness of the Board of Management's remuneration, the Supervisory Board takes into account the development of the Board's remuneration in relation to other remuneration levels within the Allianz Group.

REMUNERATION STRUCTURE, COMPONENTS AND TARGET SETTING PROCESS

There are four remuneration components in total, which all have the same weighting: the base salary and three variable components – the annual bonus, the annualized mid-term bonus, and the equity-related remuneration. The target level of each variable component does not exceed the base salary, so the total target variable compensation is three times the base salary.

BASE SALARY

The base salary is not performance-based. It is paid in twelve monthly installments.

VARIABLE REMUNERATION

The variable remuneration (annual bonus, mid-term bonus, and equity-related compensation) is designed to reward performance. A shortfall of targets may result in the variable compensation dropping to zero. Two thirds of the variable compensation are a deferred payout after three or four years.

The payout of variable remuneration is subject to a limit and capped at 150% of the respective target levels for the annual bonus and the mid-term bonus, as well as at a 200% increase in value of the grant price for the equity-related remuneration.

Variable remuneration components may not be paid, or payment may be restricted, in the case of a breach of the Allianz Code of Conduct or regulatory Solvency II policies or standards, including risk limits. Additionally, a reduction or cancellation of variable remuneration may occur if the supervisory authority (BaFin) requires this in accordance with its statutory powers.

Annual bonus

The annual bonus depends on performance in the respective financial year, and is paid out in the following financial year. The target level of the annual bonus corresponds to the base salary. Performance targets comprise Group and individual targets. Group targets include – equally weighted – operating profit and net income. Individual performance is assessed against qualitative as well as responsibility-related quantitative targets.

For Board of Management members with business division responsibilities, individual quantitative targets comprise operating profit, net income, Property-Casualty revenues, and Life new-business value. For Board of Management members with a functional focus, division-specific quantitative targets are determined based on their key responsibilities.

As part of the assessment of the individual qualitative target achievement, the personal contribution to the Renewal Agenda is reviewed alongside behavioral aspects. The latter is framed in a common standard ("People Letter") designed to drive necessary change across the Allianz Group, and comprises customer orientation, collaborative leadership, entrepreneurship, and trust (e.g. with regard to sustainability, corporate social responsibility, and diversity as well as integrity).

A multi-rater process supports the assessment of the individual qualitative behavioral targets: For each member of the Board of Management, feedback is collected from his or her fellow Board members and his or her direct reports as well as the Chief Executive Officers of the most important operating entities he or she is in charge of. Furthermore, they perform a self-assessment.

Based on the 2018 target achievement for the Group as a whole and for the respective business division(s) and/or corporate function(s) as well as the qualitative performance achieved, total annual bonus awards range from 109% to 124% of the target bonus, while the average bonus award amounts to 118% of the target.

Mid-term bonus (MTB)

The mid-term bonus is a variable compensation component with a deferred payout following a three-year cycle. Sustainable and value-adding performance is assessed against a predefined criteria catalog. The current MTB cycle runs from 2016 until 2018 and is based on the following measurable sustainability criteria:

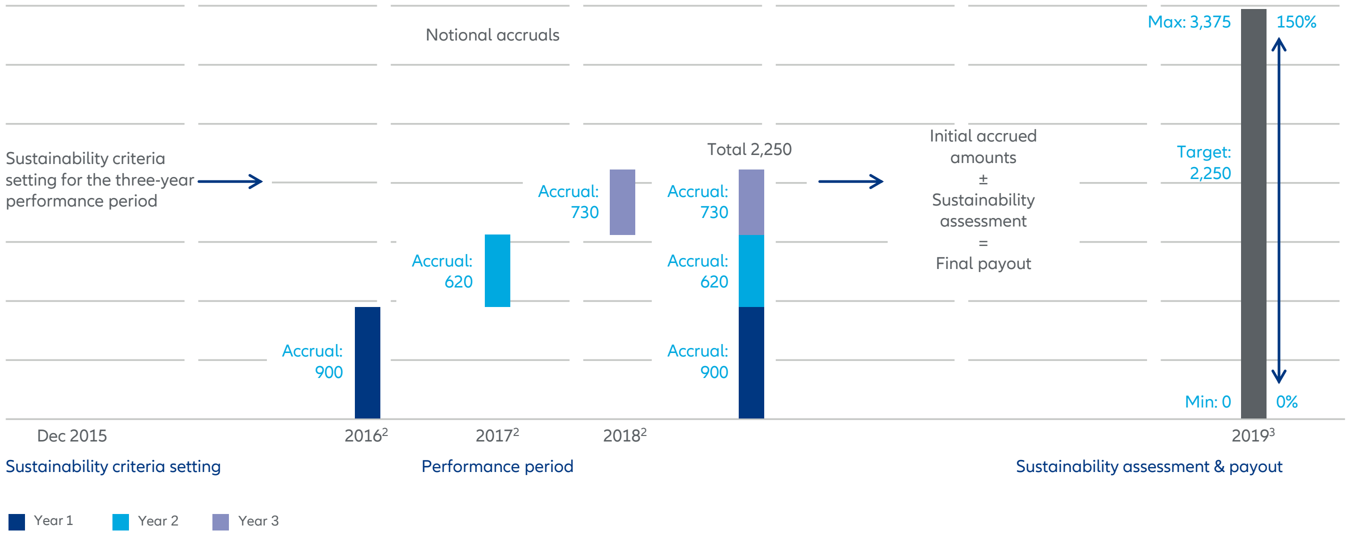
"Performance"
- Sustainable improvement/stabilization of return on equity[1],
- Compliance with economic capitalization guidance (capitalization level and volatility limit).

"Health" (in line with the Renewal Agenda)
- True Customer Centricity,
- Digital by Default,
- Technical Excellence,
- Growth Engines,
- Inclusive Meritocracy (including gender diversity and women in leadership).

For the MTB, an amount is typically accrued that is identical to the annual bonus. However, the accrual as such may be subject to adjustments, for example, if it is foreseeable that the mid-term sustainability criteria are not met or exceeded. The annual accrual is capped at 150% of the respective target level.

The Supervisory Board has assessed the sustainability of the target performance of the members of the Management Board during the MTB cycle 2016 – 2018 (sustainability assessment). As a result of this assessment, the final MTB target achievement has been collectively increased by 10 percentage points for each member of the current Management Board. By this adjustment, the Supervisory Board recognizes the sustainable management team performance reflected, amongst others, in a sustainable solvency ratio development and improved sensitivities to risk scenarios.

ILLUSTRATION OF THE PROCESS AND THE UNDERLYING TIMELINE OF THE MTB CYCLE, FROM TARGET SETTING TO FINAL PERFORMANCE ASSESSMENT[1]
€ thou



1_Example based on target values of a regular member of the Board of Management with an annual target of € 750 thou. The accrual is only a notional indication.
2_Actual accrual for the MTB usually equals the annual bonus payout of the respective financial year. Since the performance assessment and the final payout occur after completion of the performance cycle this value is only a notional indication.
3_Final payout is subject to the sustainability assessment of the Supervisory Board and may vary between 0% – 150% of the cumulative target values independent of the notional accruals.

1_Represents net income attributable to shareholder divided by the average shareholders' equity excluding unrealized gains/losses on bonds (net of shadow accounting – see note 2 to the Consolidated Financial Statements) at the beginning and the end of the period.

Equity-related remuneration

Equity-related remuneration is a virtual share award referred to as "Restricted Stock Units" (RSUs) with a deferred payout after four years. The grant value of the RSUs allocated equals the annual bonus of the previous year, i.e. the grant value is also capped at 150% of the respective target level. The number of RSUs allocated is derived by dividing the grant value by the fair value of an RSU at the time of grant.

The fair value is calculated based on the ten-trading-day average Xetra closing price of the Allianz stock for the ten days following the annual financial press conference. As RSUs are virtual stock without dividend payments during the vesting period, the average Xetra closing price is reduced[1] by the net present value of the expected future dividend payments during the vesting period. The expected dividend stream is discounted with the swap rates as of the valuation day. Following the end of the four-year vesting period, the company makes a cash payment based on the number of RSUs granted, as well as on the ten-day average Xetra closing price of the Allianz stock following the annual financial press conference in the year of expiry of the respective RSU plan. To avoid extreme payouts, the RSU payout level is capped at 200% of the grant price.[2] Outstanding RSU holdings are forfeited, should a Board member leave at his/her own request or be terminated for cause.

PENSIONS AND SIMILAR BENEFITS

To provide competitive and cost-effective retirement and disability benefits, company contributions to the current pension plan "My Allianz Pension" are invested in a fund with a guarantee for the contributions paid, but no further interest guarantee. Upon retirement, the accumulated capital is paid out as a lump sum or, alternatively, can be converted into a lifetime annuity. Each year the Supervisory Board decides whether and to what extent a budget is provided, also taking into account the target pension level. This budget includes a risk premium paid to cover death and disability. The earliest age a pension can be drawn is 62, except for cases of occupational or general disability for medical reasons. In these cases, it may become payable earlier and an increase by projection may apply. In the case of death, a lump sum – again convertible into an annuity – will be paid to dependents. Should Board membership cease before retirement age for other reasons, the accrued pension rights are maintained if vesting requirements are met.

For rights accrued before 2015, the guaranteed minimum interest rate remains at 2.75% and the retirement age is still 60.

From 1 January 2005 until 31 December 2014, most Board of Management members participated in a contribution-based system which was frozen as of 31 December 2014, now only covering disability and death. Before 2005, a defined-benefit plan provided fixed benefits not linked to base salary increases. Benefits generated under this plan were frozen at the end of 2004. Additionally, most Board members participated in Allianz Versorgungskasse VVaG (AVK), a contribution-based pension plan, and in Allianz Pensionsverein e.V. (APV); both these plans were closed for new entries on 1 January 2015.

PERQUISITES

Perquisites mainly consist of contributions to accident and liability insurances and the provision of a company car. Perquisites are not linked to performance. Each member of the Board of Management is responsible for paying the income tax due on these perquisites. The Supervisory Board regularly reviews the level of perquisites.

1_In addition, the fair value of the RSUs is subject to a small reduction of a few Euro cents due to the 200 % cap on the RSU payout. This reduction is calculated based on a standard option pricing formula.

2_The relevant share price used to determine the final number of RSUs granted and the 200 % cap is available only after sign-off by the external auditors.

REMUNERATION FOR 2018

The following remuneration disclosure, which is based on and compliant with the German Corporate Governance Code, shows the individual board members' remuneration for 2017 and 2018 including fixed and variable remuneration and pension service cost. The "Grant" column below shows the remuneration at target, minimum, and maximum levels. The "Payout" column discloses the 2017 and 2018 payments. The base salary, annual bonus, and perquisites are linked to the reported performance years, 2017 and 2018, whereas the Group Equity Incentive (GEI) and Allianz Equity Incentive (AEI) payouts result from grants related to the performance years 2010, 2013 and 2014. To enhance transparency of the remuneration related to the performance year 2017 and 2018, the additional column "Actual grant" includes the 2017 and 2018 fixed compensation, the annual bonus paid for 2017 and 2018, the MTB 2016 – 2018 tranche accrued for the performance year 2017 and 2018 and the fair value of the RSU grant value for the performance year 2017 and 2018. The 2018 payout is significantly higher than in 2017, due to the fact that the payout of the MTB 2016 – 2018 is disclosed. This comprises payments for three performance years in total.

All variable components are granted in accordance with the rules and conditions of the "Allianz Sustained Performance Plan" (ASPP). Depending on individual and company performance, the amounts actually paid can vary between 0% and 150% of the respective target levels. If performance is rated at 0% no variable component will be granted. Consequently, the minimum total direct compensation for a regular member of the Board of Management will equal the base salary of € 750 thou (excluding perquisites and pension contributions), while the maximum total direct compensation (excluding perquisites and pension contributions) is € 4,125 thou: a € 750 thou base salary plus € 3,375 thou (i.e., 150% of the sum of all three variable compensation components at target level). The Chairman of the Board's maximum total direct compensation (excluding perquisites and pension contributions) is € 7,219 thou: a € 1,313 thou base salary plus € 5,906 thou (150% of the sum of all three variable compensation components at target level).

Individual remuneration: 2018 and 2017
€ thou (total might not sum up due to rounding)

	Oliver Bäte (Appointed: 01/2008; CEO since 05/2015)							
	Grant				Actual grant		Payout[1]	
	2017	2018			2017	2018	2017	2018
	Target	Target	Min	Max				
Base salary	1,125	1,313	1,313	1,313	1,125	1,313	1,125	1,313
Perquisites	32	17	17	17	32	17	32	17
Total fixed compensation	1,157	1,329	1,329	1,329	1,157	1,329	1,157	1,329
Annual variable compensation								
Annual bonus	1,125	1,313	-	1,969	1,384	1,614	1,384	1,614
Deferred compensation								
MTB (2016 – 2018)[2]	1,125	1,313	-	1,969	1,384	1,614	-	4,828
AEI 2019/RSU[3]	-	1,313	-	1,969	-	1,614	-	-
AEI 2018/RSU[3]	1,125	-	-	-	1,384	-	-	-
AEI 2014/RSU[3]	-	-	-	-	-	-	-	1,862
AEI 2013/RSU[3]	-	-	-	-	-	-	1,820	-
GEI 2010/SAR[4]	-	-	-	-	-	-	-	-
Total	4,532	5,267	1,329	7,235	5,308	6,172	4,361	9,634
Pensions service cost[5]	622	696	696	696	622	696	622	696
Total	**5,154**	**5,963**	**2,025**	**7,931**	**5,930**	**6,868**	**4,983**	**10,330**

	Sergio Balbinot (Appointed: 01/2015)							
	Grant				Actual grant		Payout[1]	
	2017	2018			2017	2018	2017	2018
	Target	Target	Min	Max				
Base salary	750	750	750	750	750	750	750	750
Perquisites	22	40	40	40	22	40	22	40
Total fixed compensation	772	790	790	790	772	790	772	790
Annual variable compensation								
Annual bonus	750	750	-	1,125	932	932	932	932
Deferred compensation								
MTB (2016 – 2018)[2]	750	750	-	1,125	932	932	-	3,071
AEI 2019/RSU[3]	-	750	-	1,125	-	932	-	-
AEI 2018/RSU[3]	750	-	-	-	932	-	-	-
AEI 2014/RSU[3]	-	-	-	-	-	-	-	-
AEI 2013/RSU[3]	-	-	-	-	-	-	-	-
GEI 2010/SAR[4]	-	-	-	-	-	-	-	-
Total	3,022	3,040	790	4,165	3,568	3,586	1,704	4,793
Pensions service cost[5]	374	360	360	360	374	360	374	360
Total	**3,396**	**3,400**	**1,150**	**4,525**	**3,942**	**3,946**	**2,078**	**5,153**

1_In accordance with the German Corporate Governance Code, the annual bonus disclosed for performance year 2018 is paid in 2019 and for performance year 2017 in 2018. The payments for equity-related deferred compensation (GEI and AEI), however, are disclosed for the year in which the actual payment was made. To reconcile to the Corporate Accounting Standard 17, the total as shown in column "payout" should be adjusted by including the accrual for the AEI 2019/RSU and excluding any payouts from AEI 2013/RSU, AEI 2014/RSU or GEI 2010/SAR, as applicable.
2_The MTB figure included in the Actual Grant column shows the annual accrual before adjustment by the sustainability assessment. The payout 2018 figure includes the 2018 allocation and the accruals from the performance years 2016 and 2017, as adjusted by the sustainability assessment. The MTB 2016 – 2018 is paid out in spring 2019.
3_Payout is capped at 200 % above grant price. The relevant share price used to determine the fair market value, and hence the final number of RSUs granted, and the 200 % cap are only available after sign-off by the external auditors.
4_The equity-related remuneration that applied before 2010 consisted of two vehicles, virtual stock awards known as RSUs, and virtual stock options known as "Stock Appreciation Rights" (SAR). Only RSUs have been awarded as of 1 January 2010. The remuneration system valid until December 2009 is disclosed in the Annual Report 2009 (starting on page 17). Whereas the RSU grants are automatically exercised at the vesting date, the GEI/SAR grants are exercised by the Board member within the exercise period following the vesting date. Hence the total payout from SARs depends on the individual decision by the Board member. SARs are released to plan participants upon expiry of the vesting period, assuming all other exercise hurdles are met. For SARs granted from 2009, the vesting period was four years and the exercise period three years. SARs can be exercised on the condition that the price of the Allianz SE stock is at least 20 % above the strike price at the time of grant. During the term of the plan, at least once on five consecutive trading days the Allianz SE stock must relatively appreciate at least 0.01 percentage points ahead of the appreciation of the Dow Jones EURO STOXX Price Index (600).
5_Pension service cost in accordance with IAS 19: represents the company cost not the actual entitlement nor a payment, however, according to the German Corporate Governance Code the Pension Service Cost is to be included in all columns.

Individual remuneration: 2018 and 2017

€ thou (total might not sum up due to rounding)

	Jacqueline Hunt (Appointed: 07/2016)							
	Grant				Actual grant		Payout[1]	
	2017	2018			2017	2018	2017	2018
	Target	Target	Min	Max				
Base salary	750	750	750	750	750	750	750	750
Perquisites	18	11	11	11	18	11	18	11
Total fixed compensation	768	761	761	761	768	761	768	761
Annual variable compensation								
Annual bonus	750	750	-	1,125	923	904	923	904
Deferred compensation								
MTB (2016 – 2018)[2]	750	750	-	1,125	923	904	-	2,470
AEI 2019/RSU[3]	-	750	-	1,125	-	904	-	-
AEI 2018/RSU[3]	750	-	-	-	923	-	-	-
AEI 2014/RSU[3]	-	-	-	-	-	-	-	-
AEI 2013/RSU[3]	-	-	-	-	-	-	-	-
GEI 2010/SAR[4]	-	-	-	-	-	-	-	-
Total	3,018	3,011	761	4,136	3,536	3,472	1,691	4,135
Pensions service cost[5]	317	317	317	317	317	317	317	317
Total	**3,335**	**3,328**	**1,078**	**4,453**	**3,853**	**3,789**	**2,008**	**4,452**

	Dr. Helga Jung (Appointed: 01/2012)							
	Grant				Actual grant		Payout[1]	
	2017	2018			2017	2018	2017	2018
	Target	Target	Min	Max				
Base salary	750	750	750	750	750	750	750	750
Perquisites	14	172[6]	172[6]	172[6]	14	172[6]	14	172[6]
Total fixed compensation	764	922	922	922	764	922	764	922
Annual variable compensation								
Annual bonus	750	750	-	1,125	866	866	866	866
Deferred compensation								
MTB (2016 – 2018)[2]	750	750	-	1,125	866	866	-	2,846
AEI 2019/RSU[3]	-	750	-	1,125	-	866	-	-
AEI 2018/RSU[3]	750	-	-	-	866	-	-	-
AEI 2014/RSU[3]	-	-	-	-	-	-	-	1,679
AEI 2013/RSU[3]	-	-	-	-	-	-	1,649	-
GEI 2010/SAR[4]	-	-	-	-	-	-	-	-
Total	3,014	3,172	922	4,297	3,363	3,520	3,279	6,313
Pensions service cost[5]	431	441	441	441	431	441	431	441
Total	**3,445**	**3,612**	**1,362**	**4,737**	**3,794**	**3,961**	**3,710**	**6,753**

1_In accordance with the German Corporate Governance Code, the annual bonus disclosed for performance year 2018 is paid in 2019 and for performance year 2017 in 2018. The payments for equity-related deferred compensation (GEI and AEI), however, are disclosed for the year in which the actual payment was made. To reconcile to the Corporate Accounting Standard 17, the total as shown in column "payout" should be adjusted by including the accrual for the AEI 2019/RSU and excluding any payouts from AEI 2013/RSU, AEI 2014/RSU or GEI 2010/SAR, as applicable.

2_The MTB figure included in the Actual Grant column shows the annual accrual before adjustment by the sustainability assessment. The payout 2018 figure includes the 2018 allocation and the accruals from the performance years 2016 and 2017, as adjusted by the sustainability assessment. The MTB 2016 – 2018 is paid out in spring 2019.

3_Payout is capped at 200 % above grant price. The relevant share price used to determine the fair market value, and hence the final number of RSUs granted, and the 200 % cap are only available after sign-off by the external auditors.

4_The equity-related remuneration that applied before 2010 consisted of two vehicles, virtual stock awards known as RSUs, and virtual stock options known as "Stock Appreciation Rights" (SAR). Only RSUs have been awarded as of 1 January 2010. The remuneration system valid until December 2009 is disclosed in the Annual Report 2009 (starting on page 17). Whereas the RSU grants are automatically exercised at the vesting date, the GEI/SAR grants are exercised by the Board member within the exercise period following the vesting date. Hence the total payout from SARs depends on the individual decision by the Board member. SARs are released to plan participants upon expiry of the vesting period, assuming all other exercise hurdles are met. For SARs granted from 2009, the vesting period was four years and the exercise period three years. SARs can be exercised on the condition that the price of the Allianz SE stock is at least 20 % above the strike price at the time of grant. During the term of the plan, at least once on five consecutive trading days the Allianz SE stock must relatively appreciate at least 0.01 percentage points ahead of the appreciation of the Dow Jones EURO STOXX Price Index (600).

5_Pension service cost in accordance with IAS 19: represents the company cost not the actual entitlement nor a payment, however, according to the German Corporate Governance Code the Pension Service Cost is to be included in all columns.

6_Helga Jung received a payment of € 156 thou in 2018 for 25 years of service to Allianz.

Individual remuneration: 2018 and 2017

€ thou (total might not sum up due to rounding)

	Dr. Christof Mascher (Appointed: 09/2009)							
	Grant				Actual grant		Payout[1]	
	2017	2018			2017	2018	2017	2018
	Target	Target	Min	Max				
Base salary	750	750	750	750	750	750	750	750
Perquisites	11	8	8	8	11	8	11	8
Total fixed compensation	761	758	758	758	761	758	761	758
Annual variable compensation								
Annual bonus	750	750	-	1,125	829	819	829	819
Deferred compensation								
MTB (2016 – 2018)[2]	750	750	-	1,125	829	819	-	2,743
AEI 2019/RSU[3]	-	750	-	1,125	-	819	-	-
AEI 2018/RSU[3]	750	-	-	-	829	-	-	-
AEI 2014/RSU[3]	-	-	-	-	-	-	-	1,669
AEI 2013/RSU[3]	-	-	-	-	-	-	1,619	-
GEI 2010/SAR[4]	-	-	-	-	-	-	645	-
Total	3,011	3,008	758	4,133	3,247	3,216	3,854	5,989
Pensions service cost[5]	428	432	432	432	428	432	428	432
Total	**3,439**	**3,440**	**1,190**	**4,565**	**3,675**	**3,648**	**4,282**	**6,421**

	Niran Peiris (Appointed: 01/2018)							
	Grant				Actual grant		Payout[1]	
	2017	2018			2017	2018	2017	2018
	Target	Target	Min	Max				
Base salary	-	750	750	750	-	750	-	750
Perquisites	-	105[6]	105[6]	105[6]	-	105[6]	-	105[6]
Total fixed compensation	-	855	855	855	-	855	-	855
Annual variable compensation								
Annual bonus	-	750	-	1,125	-	866	-	866
Deferred compensation								
MTB (2016 – 2018)[2]	-	750	-	1,125	-	866	-	941
AEI 2019/RSU[3]	-	750	-	1,125	-	866	-	-
AEI 2018/RSU[3]	-	-	-	-	-	-	-	-
AEI 2014/RSU[3]	-	-	-	-	-	-	-	-
AEI 2013/RSU[3]	-	-	-	-	-	-	-	-
GEI 2010/SAR[4]	-	-	-	-	-	-	-	-
Total	-	3,105	855	4,230	-	3,454	-	2,662
Pensions service cost[5]	-	317	317	317	-	317	-	317
Total	**-**	**3,422**	**1,172**	**4,547**	**-**	**3,771**	**-**	**2,980**

1_In accordance with the German Corporate Governance Code, the annual bonus disclosed for performance year 2018 is paid in 2019 and for performance year 2017 in 2018. The payments for equity-related deferred compensation (GEI and AEI), however, are disclosed for the year in which the actual payment was made. To reconcile to the Corporate Accounting Standard 17, the total as shown in column "payout" should be adjusted by including the accrual for the AEI 2019/RSU and excluding any payouts from AEI 2013/RSU, AEI 2014/RSU or GEI 2010/SAR, as applicable.

2_The MTB figure included in the Actual Grant column shows the annual accrual before adjustment by the sustainability assessment. The payout 2018 figure includes the 2018 allocation and the accruals from the performance years 2016 and 2017, as adjusted by the sustainability assessment. The MTB 2016 – 2018 is paid out in spring 2019.

3_Payout is capped at 200 % above grant price. The relevant share price used to determine the fair market value, and hence the final number of RSUs granted, and the 200 % cap are only available after sign-off by the external auditors.

4_The equity-related remuneration that applied before 2010 consisted of two vehicles, virtual stock awards known as RSUs, and virtual stock options known as "Stock Appreciation Rights" (SAR). Only RSUs have been awarded as of 1 January 2010. The remuneration system valid until December 2009 is disclosed in the Annual Report 2009 (starting on page 17). Whereas the RSU grants are automatically exercised at the vesting date, the GEI/SAR grants are exercised by the Board member within the exercise period following the vesting date. Hence the total payout from SARs depends on the individual decision by the Board member. SARs are released to plan participants upon expiry of the vesting period, assuming all other exercise hurdles are met. For SARs granted from 2009, the vesting period was four years and the exercise period three years. SARs can be exercised on the condition that the price of the Allianz SE stock is at least 20 % above the strike price at the time of grant. During the term of the plan, at least once on five consecutive trading days the Allianz SE stock must relatively appreciate at least 0.01 percentage points ahead of the appreciation of the Dow Jones EURO STOXX Price Index (600).

5_Pension service cost in accordance with IAS 19: represents the company cost not the actual entitlement nor a payment, however, according to the German Corporate Governance Code the Pension Service Cost is to be included in all columns.

6_Niran Peiris received a one-time payment of € 50 thou to reimburse him for relocation cost.

Individual remuneration: 2018 and 2017

€ thou (total might not sum up due to rounding)

	Iván de la Sota (Appointed: 04/2018)[6]							
	Grant				Actual grant		Payout[1]	
	2017	2018			2017	2018	2017	2018
	Target	Target	Min	Max				
Base salary	-	563	563	563	-	563	-	563
Perquisites	-	71[7]	71[7]	71[7]	-	71[7]	-	71[7]
Total fixed compensation	-	633	633	633	-	633	-	633
Annual variable compensation								
Annual bonus	-	565	-	848	-	639	-	639
Deferred compensation								
MTB (2016 – 2018)[2]	-	565	-	848	-	639	-	695
AEI 2019/RSU[3]	-	565	-	848	-	639	-	-
AEI 2018/RSU[3]	-	-	-	-	-	-	-	-
AEI 2014/RSU[3]	-	-	-	-	-	-	-	-
AEI 2013/RSU[3]	-	-	-	-	-	-	-	-
GEI 2010/SAR[4]	-	-	-	-	-	-	-	-
Total	-	2,328	633	3,176	-	2,549	-	1,967
Pensions service cost[5]	-	266	266	266	-	266	-	266
Total	**-**	**2,594**	**899**	**3,442**	**-**	**2,815**	**-**	**2,233**

	Giulio Terzariol (Appointed: 01/2018)							
	Grant				Actual grant		Payout[1]	
	2017	2018			2017	2018	2017	2018
	Target	Target	Min	Max				
Base salary	-	750	750	750	-	750	-	750
Perquisites	-	27	27	27	-	27	-	27
Total fixed compensation	-	777	777	777	-	777	-	777
Annual variable compensation								
Annual bonus	-	750	-	1,125	-	885	-	885
Deferred compensation								
MTB (2016 – 2018)[2]	-	750	-	1,125	-	885	-	960
AEI 2019/RSU[3]	-	750	-	1,125	-	885	-	-
AEI 2018/RSU[3]	-	-	-	-	-	-	-	-
AEI 2014/RSU[3]	-	-	-	-	-	-	-	-
AEI 2013/RSU[3]	-	-	-	-	-	-	-	-
GEI 2010/SAR[4]	-	-	-	-	-	-	-	-
Total	-	3,027	777	4,152	-	3,432	-	2,622
Pensions service cost[5]	-	304	304	304	-	304	-	304
Total	**-**	**3,330**	**1,080**	**4,455**	**-**	**3,735**	**-**	**2,925**

1_In accordance with the German Corporate Governance Code, the annual bonus disclosed for performance year 2018 is paid in 2019 and for performance year 2017 in 2018. The payments for equity-related deferred compensation (GEI and AEI), however, are disclosed for the year in which the actual payment was made. To reconcile to the Corporate Accounting Standard 17, the total as shown in column "payout" should be adjusted by including the accrual for the AEI 2019/RSU and excluding any payouts from AEI 2013/RSU, AEI 2014/RSU or GEI 2010/SAR, as applicable.

2_The MTB figure included in the Actual Grant column shows the annual accrual before adjustment by the sustainability assessment. The payout 2018 figure includes the 2018 allocation and the accruals from the performance years 2016 and 2017, as adjusted by the sustainability assessment. The MTB 2016 – 2018 is paid out in spring 2019.

3_Payout is capped at 200 % above grant price. The relevant share price used to determine the fair market value, and hence the final number of RSUs granted, and the 200 % cap are only available after sign-off by the external auditors.

4_The equity-related remuneration that applied before 2010 consisted of two vehicles, virtual stock awards known as RSUs, and virtual stock options known as "Stock Appreciation Rights" (SAR). Only RSUs have been awarded as of 1 January 2010. The remuneration system valid until December 2009 is disclosed in the Annual Report 2009 (starting on page 17). Whereas the RSU grants are automatically exercised at the vesting date, the GEI/SAR grants are exercised by the Board member within the exercise period following the vesting date. Hence the total payout from SARs depends on the individual decision by the Board member. SARs are released to plan participants upon expiry of the vesting period, assuming all other exercise hurdles are met. For SARs granted from 2009, the vesting period was four years and the exercise period three years. SARs can be exercised on the condition that the price of the Allianz SE stock is at least 20 % above the strike price at the time of grant. During the term of the plan, at least once on five consecutive trading days the Allianz SE stock must relatively appreciate at least 0.01 percentage points ahead of the appreciation of the Dow Jones EURO STOXX Price Index (600).

5_Pension service cost in accordance with IAS 19: represents the company cost not the actual entitlement nor a payment, however, according to the German Corporate Governance Code the Pension Service Cost is to be included in all columns.

6_Iván de la Sota joined the Allianz SE Board of Management on 1 April 2018. He received a pro-rated base salary, annual bonus, MTB tranche, and equity-related compensation. The different pro-rated amounts for base salary and target amounts result from different pro-rating methodologies, which are generally applied.

7_Iván de la Sota received a one-time payment of € 50 thou to reimburse him for relocation cost.

Individual remuneration: 2018 and 2017
€ thou (total might not sum up due to rounding)

	Dr. Günther Thallinger (Appointed: 01/2017)							
	Grant				Actual grant		Payout[1]	
	2017	2018			2017	2018	2017	2018
	Target	Target	Min	Max				
Base salary	750	750	750	750	750	750	750	750
Perquisites	2	4	4	4	2	4	2	4
Total fixed compensation	752	754	754	754	752	754	752	754
Annual variable compensation								
Annual bonus	750	750	-	1,125	857	904	857	904
Deferred compensation								
MTB (2016 – 2018)[2]	750	750	-	1,125	857	904	-	1,911
AEI 2019/RSU[3]	-	750	-	1,125	-	904	-	-
AEI 2018/RSU[3]	750	-	-	-	857	-	-	-
AEI 2014/RSU[3]	-	-	-	-	-	-	-	-
AEI 2013/RSU[3]	-	-	-	-	-	-	-	-
GEI 2010/SAR[4]	-	-	-	-	-	-	-	-
Total	3,002	3,004	754	4,129	3,323	3,465	1,609	3,568
Pensions service cost[5]	318	395	395	395	318	395	318	395
Total	**3,320**	**3,399**	**1,149**	**4,524**	**3,641**	**3,860**	**1,927**	**3,963**

	Dr. Axel Theis (Appointed: 01/2015)							
	Grant				Actual grant		Payout[1]	
	2017	2018			2017	2018	2017	2018
	Target	Target	Min	Max				
Base salary	750	750	750	750	750	750	750	750
Perquisites	27	32	32	32	27	32	27	32
Total fixed compensation	777	782	782	782	777	782	777	782
Annual variable compensation								
Annual bonus	750	750	-	1,125	885	932	885	932
Deferred compensation								
MTB (2016 – 2018)[2]	750	750	-	1,125	885	932	-	3,015
AEI 2019/RSU[3]	-	750	-	1,125	-	932	-	-
AEI 2018/RSU[3]	750	-	-	-	885	-	-	-
AEI 2014/RSU[3]	-	-	-	-	-	-	-	-
AEI 2013/RSU[3]	-	-	-	-	-	-	-	-
GEI 2010/SAR[4]	-	-	-	-	-	-	-	-
Total	3,027	3,032	782	4,157	3,432	3,578	1,662	4,729
Pensions service cost[5]	501	510	510	510	501	510	501	510
Total	**3,528**	**3,542**	**1,292**	**4,667**	**3,933**	**4,087**	**2,163**	**5,238**

1_In accordance with the German Corporate Governance Code, the annual bonus disclosed for performance year 2018 is paid in 2019 and for performance year 2017 in 2018. The payments for equity-related deferred compensation (GEI and AEI), however, are disclosed for the year in which the actual payment was made. To reconcile to the Corporate Accounting Standard 17, the total as shown in column "payout" should be adjusted by including the accrual for the AEI 2019/RSU and excluding any payouts from AEI 2013/RSU, AEI 2014/RSU or GEI 2010/SAR, as applicable.
2_The MTB figure included in the Actual Grant column shows the annual accrual before adjustment by the sustainability assessment. The payout 2018 figure includes the 2018 allocation and the accruals from the performance years 2016 and 2017, as adjusted by the sustainability assessment. The MTB 2016 – 2018 is paid out in spring 2019.
3_Payout is capped at 200 % above grant price. The relevant share price used to determine the fair market value, and hence the final number of RSUs granted, and the 200 % cap are only available after sign-off by the external auditors.
4_The equity-related remuneration that applied before 2010 consisted of two vehicles, virtual stock awards known as RSUs, and virtual stock options known as "Stock Appreciation Rights" (SAR). Only RSUs have been awarded as of 1 January 2010. The remuneration system valid until December 2009 is disclosed in the Annual Report 2009 (starting on page 17). Whereas the RSU grants are automatically exercised at the vesting date, the GEI/SAR grants are exercised by the Board member within the exercise period following the vesting date. Hence the total payout from SARs depends on the individual decision by the Board member. SARs are released to plan participants upon expiry of the vesting period, assuming all other exercise hurdles are met. For SARs granted from 2009, the vesting period was four years and the exercise period three years. SARs can be exercised on the condition that the price of the Allianz SE stock is at least 20 % above the strike price at the time of grant. During the term of the plan, at least once on five consecutive trading days the Allianz SE stock must relatively appreciate at least 0.01 percentage points ahead of the appreciation of the Dow Jones EURO STOXX Price Index (600).
5_Pension service cost in accordance with IAS 19: represents the company cost not the actual entitlement nor a payment, however, according to the German Corporate Governance Code the Pension Service Cost is to be included in all columns.

GERMAN ACCOUNTING STANDARD 17 DISCLOSURE

Under the German Accounting Standard 17, the total remuneration to be disclosed for 2018 (2017 in parentheses) is defined differently as compared to the German Corporate Governance Code: It is composed of the base salary, perquisites, the annual bonus, the fair value of the RSU grant and the payout of the MTB 2016 – 2018. However, it excludes the pension service cost. The information on remuneration for 2017 (in parentheses) does not include the notional accruals for the MTB 2016 – 2018:

Oliver Bäte € 9,386 (3,925) thou,
Sergio Balbinot € 5,725 (2,636) thou,
Jacqueline Hunt € 5,038 (2,613) thou,
Dr. Helga Jung € 5,500 (2,497) thou,
Dr. Christof Mascher € 5,140 (2,419) thou,
Niran Peiris € 3,529 (–) thou,
Iván de la Sota € 2,605 (–) thou,
Giulio Terzariol € 3,507 (–) thou,
Dr. Günther Thallinger € 4,472 (2,466) thou,
Dr. Axel Theis € 5,661 (2,547) thou.

The sum of the total remuneration of the Board of Management for 2018, including the payments of the MTB 2016 – 2018 and excluding the pension service cost, amounts to € 51 mn (2017 excluding the notional accruals for the MTB 2016 – 2018: € 24 mn). The corresponding amount, including pension service cost, equals € 55 mn (2017 excluding the notional accruals for the MTB 2016 – 2018: € 28 mn).

EQUITY-RELATED REMUNERATION

In accordance with the approach described earlier, in March 2019 a number of RSUs were granted to each member of the Board of Management, which will vest and be settled in 2023.

Grants, outstanding holdings, and equity compensation expense under the Allianz Equity Program

Board members	RSU		Equity compensation expense 2018 € thou[2]
	Number of RSU granted on 1/3/2019[1]	Number of RSU held at 31/12/2018[1]	
Oliver Bäte	11,038	39,845	1,433
Sergio Balbinot	6,372	47,464	1,465
Jacqueline Hunt	6,179	9,341	425
Dr. Helga Jung	5,923	25,465	906
Dr. Christof Mascher	5,603	27,201	946
Niran Peiris	5,923	14,402	563
Iván de la Sota	4,366	12,679	505
Giulio Terzariol	6,051	11,844	497
Dr. Günther Thallinger	6,179	14,078	560
Dr. Axel Theis	6,372	27,164	928
Total	**64,006**	**229,483**	**8,229**

1_The relevant share price used to determine the fair value, and hence the final number of RSUs granted, is only available after sign-off of the Annual Report by the external auditors, thus numbers are based on a best estimate. As disclosed in the Annual Report 2017, the equity-related grant in 2018 was made to participants as part of their 2017 remuneration. The disclosure in the Annual Report 2017 was based on a best estimate of the RSU grants. The actual grants deviated from the estimated values and have to be disclosed accordingly. The actual RSU grants as of 2 March 2018 under the Allianz Equity Incentive are as follows: Oliver Bäte: 8,887, Sergio Balbinot: 5,985, Jacqueline Hunt: 5,924, Dr. Helga Jung: 5,563, Dr. Christof Mascher: 5,322, Dr. Günther Thallinger: 5,503, Dr. Axel Theis: 5,684.

2_Grants of equity-related remuneration are accounted for as cash settled awards. The fair value of the granted RSUs is remeasured at each reporting date and accrued, as a compensation expense, proportionately over the vesting and service period.

PENSIONS

Company contributions for the current pension plan are set at 50% of the base salary, reduced by an amount covering the disability and death risk. They are invested in a fund and include a guarantee for the contributions paid, but no further interest guarantee. For members with pension rights in the frozen defined-benefit plan, the above contribution rates are reduced by 19% of the expected annual pension from that frozen plan. The Allianz Group paid € 4 mn (2017: € 4 mn) to increase reserves for pensions and similar benefits for active members of the Board of Management. As of 31 December 2018, reserves for pensions and similar benefits for active members of the Board of Management amounted to € 31 mn (2017: € 41 mn).

Individual pensions: 2018 and 2017
€ thou (total might not sum up due to rounding)

		Defined-benefit pension plan (frozen)			Contribution-based pension plan (frozen)[1]		Current pension plan		AVK/APV[2]		Transition payment[3]		Total	
Board of Management		Expected annual pension payment[4]	SC[5]	DBO[6]	SC[5]	DBO[6]	SC[5]	DBO[6]	SC[5]	DBO[6]	SC[5]	DBO[6]	SC[5]	DBO[6]
Oliver Bäte	2018	-	-	-	54	3,087	595	2,028	6	41	41	890	696	6,045
	2017	-	-	-	45	3,149	536	1,385	6	36	36	675	622	5,245
Sergio Balbinot	2018	-	-	-	-	28	357	1,351	2	7	-	-	360	1,386
	2017	-	-	-	14	28	357	961	3	6	-	1	374	995
Jacqueline Hunt	2018	-	-	-	-	-	317	820	-	-	-	-	317	821
	2017	-	-	-	-	-	317	472	-	-	-	-	317	472
Dr. Helga Jung	2018	62	60	1,498	26	1,841	345	1,301	9	221	-	-	441	4,861
	2017	62	59	1,429	19	1,863	345	924	8	204	-	-	431	4,421
Dr. Christof Mascher	2018	-	-	-	25	3,139	357	1,409	6	47	44	717	432	5,312
	2017	-	-	-	26	3,208	357	1,018	5	42	40	646	428	4,914
Niran Peiris	2018	-	-	-	-	-	317	322	-	-	-	-	317	322
	2017	-	-	-	-	-	-	-	-	-	-	-	-	-
Iván de la Sota	2018	14	-	303	-	34	266	268	-	96	-	-	266	701
	2017	-	-	-	-	-	-	-	-	-	-	-	-	-
Giulio Terzariol	2018	19	14	289	6	486	269	486	14	238	-	-	304	1,500
	2017	-	-	-	-	-	-	-	-	-	-	-	-	-
Dr. Günther Thallinger	2018	-	-	-	31	1,266	357	949	7	37	-	-	395	2,252
	2017	-	-	-	27	1,311	284	570	7	32	-	-	318	1,914
Dr. Axel Theis	2018	120	108	2,930	33	2,415	334	1,254	11	306	24	727	510	7,633
	2017	120	114	3,332	16	2,537	334	889	11	283	25	768	501	7,810

1_The service cost of the frozen contribution-based pension plan reflects the continued death and disability cover.
2_Plan participants contribute 3 % of their relevant salary to the AVK. For the AVK the minimum guaranteed interest rate is 2.75 % – 3.50% depending on the date of joining Allianz. In general, the company funds the balance required via the APV. Before Allianz's founding of the APV in 1998, both Allianz and the plan participants were contributing to the AVK.
3_For details on the transition payment, see section "Termination of service". In any event a death benefit is included.
4_Expected annual pension payment at assumed retirement age for the frozen defined benefits pension plan, excluding current pension plan.
5_SC = service cost. Service costs are calculatory costs for the DBO related to the reported business year.
6_DBO = defined-benefit obligation, end of year. The figures show the obligation for Allianz resulting from defined benefit plans, taking into account realistic assumptions with regard to interest rate, dynamics, and biometric probabilities.

In 2018, former members of the Board of Management and their dependents received remunerations and other benefits totaling € 8 mn (2017: € 8 mn), while reserves for current pension obligations and accrued pension rights totaled € 152 mn (2017: € 137 mn).

LOANS TO MEMBERS OF THE BOARD OF MANAGEMENT

As of 31 December 2018, there were no outstanding loans granted by Allianz Group companies to members of the Board of Management.

TERMINATION OF SERVICE

Board of Management contracts are limited to a period of five years. For new appointments a shorter period is typical, a practice in line with the German Corporate Governance Code.

Arrangements for termination of service including retirement are as follows:

1. Board members who were appointed before 1 January 2010, and who have served a minimum of five years, are eligible for a six-month transition payment after leaving the Board of Management.
2. Severance payments made to board members in case of early termination comply with the German Corporate Governance Code.
3. Special terms – which are also in accordance with the German Corporate Governance Code – apply if a board member's service ended as a result of a "change of control" (i.e., if a situation arises in which a shareholder of Allianz SE, acting alone or together with other shareholders, holds more than 50% of voting rights in Allianz SE).

Contracts do not contain provisions for any other cases of early termination of Board of Management service.

Board members who were appointed before 1 January 2011 are eligible to continue using a company car for up to one year after retirement.

TERMINATION OF SERVICE – DETAILS OF THE PAYMENT ARRANGEMENTS

Transition payment (appointment before 1 January 2010)

Board members who receive a transition payment are subject to a six-month non-compete clause.

The transition payment comprises an amount corresponding to the most recent base salary, covering a period of six months, plus 25% of the target variable remuneration at the notice date. A board member with a base salary of € 750 thou would receive a maximum of € 937.5 thou.

Where an Allianz pension is immediately payable, transition payment amounts are offset against it.

Severance payment cap

Payments for early termination to board members with a remaining term of contract of more than two years are capped at twice the annual compensation – whereby the annual compensation:

1. is determined based on the previous year's annual base salary plus 50% of the target variable remuneration (annual bonus, annualized MTB, and equity-related remuneration: For a board member with a fixed base salary of € 750 thou, the annual compensation would amount to € 1,875 thou. Hence, he/she would receive a maximum severance payment of € 3,750 thou) and
2. shall not exceed the latest year's actual total compensation.

If the remaining term of contract is less than two years, the payment is pro-rated according to the remaining term of the contract.

Change of control

In case of early termination as a result of a change of control, severance payments made to board members generally amount to three times the annual compensation (as defined above) and shall not exceed 150% of the severance payment cap. A board member with a base salary of € 750 thou would receive a maximum of € 5,625 thou.

MISCELLANEOUS

INTERNAL AND EXTERNAL BOARD APPOINTMENTS

When a member of the Board of Management simultaneously holds an appointment at another company within the Allianz Group, the full amount of the respective remuneration is transferred to Allianz SE. In recognition of related benefits to the organization, board members are also allowed to accept a limited number of non-executive supervisory roles in appropriate external organizations. In these cases, 50% of the remuneration received is paid to Allianz SE. Only if the Allianz SE Supervisory Board classifies the appointment as a personal one, the respective board member will retain the full remuneration for that position. Any remuneration paid by external organizations will be itemized in those organizations' annual reports; its level is determined by the governing body of the relevant organization.

REMUNERATION OUTLOOK FOR 2019

The Board of Management's remuneration policy has remained stable for nine years; it was last presented to the Annual General Meeting in 2010. In anticipation of the upcoming new legislation resulting from Directive (EU) 2017/828 (Shareholder Rights Directive II), the Supervisory Board of Allianz SE conducted a comprehensive review and comparison against compensation-related market trends. Based on this review, the Supervisory Board of Allianz SE decided to implement structural changes to the remuneration system of the Board of Management of Allianz SE. The new structure became effective on 1 January 2019 and will be put to vote in the Annual Shareholder Meeting of Allianz SE on 8 May 2019.

The previous remuneration system supported sustainable performance and was aligned with the business strategy as well as shareholders' interests and applicable laws. The new structure continues to follow these principles and additionally integrates further stakeholder demands which have emerged over time, such as reduced complexity, as well as increased shareholder alignment and pay for performance.

SIGNIFICANT CHANGES FROM 2018 TO 2019

Topic	2018	2019
Pay mix Components	**Base salary + 3 variable components:** • Short-term: annual bonus • Mid-term: mid-term bonus (MTB) • Long-term: equity-related compensation	**Base salary + 2 variable components:** • Short-term: annual bonus • Long-term: equity-related compensation
Pay mix Proportion (based on allocation value)	**Base salary: 25%** • Short-term: 25% • Mid-term: 25% • Long-term: 25%	**Base salary: 30%** • Short-term: 25% • Long-term[1]: 45%
Annual bonus	• 50% Group financial targets (operating profit and net income, equally weighted) • 50% individual targets	• 100% Group financial targets (operating profit and net income, equally weighted) • Individual contribution considered through a contribution factor with a range from 0.8 – 1.2
Equity-related long-term compensation	Share price	Share price and relative total shareholder return (TSR)
Caps	Caps on all components	Caps on all components and overall compensation cap
Malus and clawback	Malus	Malus and clawback
Shareholding requirements	No	Yes

1_The allocation value is used to determine the number of restricted stock units (RSU) and is described in detail in the LTI section Allianz share price performance on page 37.

NEW TOTAL TARGET DIRECT COMPENSATION AND REMUNERATION STRUCTURE

	% of target	Target in € thou	Modifier for target level	Other components
30% fix	**30%** Base salary	CEO: 1,706 RBM: 975	• Fix	**Shareholding requirement** • CEO: 2 x Base salary • RBM: 1 x Base salary
36% cash 70% variable	**25%** Annual bonus	CEO: 1,422 RBM: 813	Group result × Individual contribution factor	• Malus (up to 100%) • Clawback (up to 3 years)
64% deferred	**45%** Long-term incentive (LTI)	CEO: 2,559 RBM: 1,463	4-year share price performance × 4-year relative performance (peer index) × Sustainability check (100% down to 0%)	

In order to foster market alignment and to simplify the remuneration structure, the mid-term bonus (MTB) is discontinued and variable compensation now consists of only two components. The weighting of the compensation components is therefore adjusted in order to allocate the discontinued MTB target amount, which had a weighting of 25% of total target compensation (without pension) and in line with regulatory requirements for deferred variable compensation:

- Base salary: increase by 5 percentage points from 25% to 30%
- Annual bonus: stable at 25%
- Long-term incentive (LTI): increase of equity component by 20 percentage points from 25% to 45% based on target allocation value.

The LTI percentage of the total target compensation for 2019 as well as the target amount of € 2,559 thou for the Chairman of the Allianz SE Board of Management (CEO) and of € 1,463 thou for a regular board member (RBM) are based on the target allocation value (as described in detail in the LTI section "Allianz share price performance" on **page 37).** This differs from the percentages based on IFRS fair value. Based on IFRS fair values, the equity-related compensation (which is allocated in the form of Restricted Stock Performance Units, "RSU") would be higher (assuming that the fair value is higher than the allocation value).

BASE SALARY

Starting in 2019, the non-performance-related base salary amounts to € 1,706 thou for the Chairman of the Allianz SE Board of Management and € 975 thou for a regular board member and is paid in twelve equal monthly installments.

ANNUAL BONUS

% of target	Target in € thou	Annual bonus key features	
25% Annual bonus	CEO: 1,422 RBM: 813	50% Group operating profit	50% Group net income
		• Payout adjusted by individual contribution factor: +/-20% • Annual bonus capped at 150% of target	

With the new annual bonus structure, the number of parameters driving the annual bonus have been reduced significantly, which supports simplicity and transparency. From 2019 onwards, the annual bonus is based on the achievement of Group financial targets, adjusted by the individual contribution factor, which takes into account business division and individual performance. The 2019 remuneration report will show the performance corridor for the Group financial target achievement as well as the overall individual target achievement per board member.

Group financial targets

Group financial performance targets are comprised of IFRS operating profit and IFRS net income attributable to shareholders, equally weighted. Operating profit and net income are the key performance indicators and steering parameters for the Allianz Group and of high relevance to investors and analysts. Operating profit is used to evaluate the performance of the reportable segments as well as of the Allianz Group as a whole. It highlights the portion of income before income taxes that is attributable to the ongoing core operations of the Allianz Group. As net income is the basis of the dividend and return on equity, the two indicators reflect the overall financial performance appropriately.

Individual contribution factor (ICF) (NEW)

The Group financial target achievement may be adjusted by the individual contribution factor (ICF). The ICF has a limited range of 0.8 to 1.2 and will be multiplied with the Group financial target achievement. It is an overall discretionary assessment by the Allianz SE Supervisory Board and takes into account the results of the business division and the individual contribution. Thereby the ICF assessment balances between the financial performance and the health targets (i.e. non-financial targets). For board members with business-related division responsibilities, the financial performance considers various profitability (e.g. operating profit and net income) and productivity (e.g. expense ratio) indicators for the business division. For board members with functional focus, division-specific performance targets are determined based on their key responsibilities. Health targets take into account customer satisfaction (e.g. NPS), employee engagement (e.g. Allianz Engagement Survey) and leadership quality, including strategic priorities. The assessment of the individual leadership contributions also includes a review of behavioral aspects, comprising customer orientation, collaborative leadership, entrepreneurship, and trust (e.g. with regard to sustainability, corporate social responsibility, and diversity as well as integrity). To enhance transparency, the individual contribution factor assessment will be disclosed per board member.

Annual bonus cap

The annual bonus is subject to a limit and capped at 150% of the target amount.

LONG-TERM INCENTIVE (LTI)

% of target	Target in € thou	LTI key features
45% Long-term incentive (LTI)	CEO: 2,559 RBM: 1,463	LTI allocation amount = LTI target amount multiplied with annual bonus target achievement factor, capped at 150% 4-year share price performance: • LTI granted in form of **Restricted Stock Units (RSUs)** with a pay-out after four years, capped at 200% × 4-year relative performance: • LTI payout subject to relative **4-year total shareholder return (TSR),** benchmarked to peer group (index), capped at 200% × Sustainability check (100% down to 0%)

To foster shareholder alignment, the proportion of the equity-related compensation component within the total target compensation is significantly increased to 45%. Also, annual target amounts are increased to € 2,559 thou for the Chairman of the Allianz SE Board of Management and € 1,463 thou for a regular board member. The proportion and the respective target amounts are based on target allocation values as described below in the section "Allianz share price performance".

The equity-related LTI introduces a new performance measurement for relative total shareholder return (relative TSR) which is objective and transparent and permits multi-year assessment of performance amongst peers. A sustainability review at the end of the performance period allows for a potential downward adjustment with the risk of no payout. The Allianz share price performance, the relative TSR, and the sustainability check adjustments are multiplicatively linked.

Allianz share price performance

Through the grant of restricted stock units (RSUs), the LTI continues to be equity-related and linked to the absolute share price development. The LTI allocation amount for the grant of RSUs is derived by multiplying the annual bonus target achievement factor with the LTI target amount. The LTI allocation amount is capped at 150% of the respective LTI target level. The number of RSUs allocated is derived by dividing the LTI allocation amount by the RSU allocation value at the time of grant. The RSU allocation value is calculated as the reference share price at grant minus the net present value of the dividends during the vesting period. The IFRS accounting value of the RSUs, however, deviates from the allocation value, as it is based on the fair value concept, which is more complex, since it is based on an option pricing model and additional market parameters[1]. The proposed simplified allocation value concept aims to increase transparency and traceability of the number of RSU allocated to the beneficiaries.

The allocation value and the fair value of the RSUs at grant will be disclosed in the annual remuneration report.

Relative TSR performance measurement (NEW)

To foster relative performance against peers, a relative performance measure, TSR, was introduced:

- The Allianz TSR will be benchmarked to the TSR of the STOXX Europe 600 insurance performance index, which represents a relevant peer group in the insurance industry.
- The relative TSR performance factor is determined using the outperformance methodology, and calculated as follows: The TSR of the index is deducted from the TSR of the Allianz share; the result is multiplied by the factor 2 and, for calculation of the payout, applied as a factor to the RSU share price at vesting, e.g. 1 percentage point outperformance results in a relative TSR performance factor of 102%.
- In order to avoid incentivizing excessive risk taking, the relative TSR performance factor is capped at 200% which reflects 50% outperformance. In addition, the payout of the RSU is set to zero if the relative TSR underperformance is below 50% after four years.

Sustainability check (downward adjustment) (NEW)

The payout of the LTI will be subjected to a sustainability check which may result in a LTI payout between 0% and 100%. It compares the development of the annual bonus KPIs in the grant year with the payout year of the LTI, taking into account extraordinary events and balance sheet strength.

Following the end of the four-year vesting period, the company makes a cash payment based on the relevant share price of the RSUs at vesting, as adjusted by the relative TSR measure and sustainability check as described above. The relevant share price, which is capped at twice the share price at grant, is calculated based on the ten-day average Xetra closing price of the Allianz stock following the annual financial media conference in the year of expiry of the respective RSU plan.

Overall LTI cap

The LTI payout is subject to a limit and capped at 600% of the target amount based on the allocation value as described in the LTI section "Allianz share price performance" on **page 37.**

PENSIONS AND SIMILAR BENEFITS

Pension contribution remains unchanged at 50% of annual base salary. For further information regarding "Pensions and similar benefits", please refer to **page 25.**

PERQUISITES

Perquisites mainly consist of contributions to accident and liability insurances and the provision of a company car. Perquisites are not linked to performance. Each member of the Board of Management is responsible for paying the income tax due on these perquisites. The Supervisory Board regularly reviews the level of perquisites.

TERMINATION OF SERVICE – DETAILS OF PAYMENT ARRANGEMENTS

In the future, severance payments to Board members in case of early termination, including the case of a change of control, will be limited uniformly to twice the annual compensation (consisting of base salary and 100% of the variable target compensation).

SHAREHOLDING REQUIREMENTS (NEW)

The members of the Board of Management are obliged to build up share ownership within three years.

- Chairman of the Board: two times base salary, i.e. € 3,412 thou
- Regular board member: one time base salary, i.e. € 975 thou.

Holding is required for the entire term of service on the Board of Management.

Shares will be acquired through mandatory pay component conversion to avoid insider trading.

The holding obligation ceases with the end of the mandate.

MALUS/CLAWBACK (NEW)

Variable remuneration components may not be paid, or payment may be restricted, in the case of a significant breach of the Allianz Code of Conduct or regulatory Solvency II policies or standards, including risk limits. In the same way, for three years after payout, variable remuneration components already paid may be subject to a clawback.

Additionally, a reduction or cancellation of variable remuneration may occur if the supervisory authority (BaFin) requires this in accordance with its statutory powers.

TOTAL TARGET COMPENSATION AND OVERALL CAP (NEW)

The review of the current remuneration system also revealed the need to adapt the compensation levels for the Board of Management of Allianz SE. The horizontal benchmark, with the relevant peer group consisting of DAX companies and international competitors, demonstrated that the compensation levels for both regular board members and the Chairman of the Board no longer reflect Allianz's overall position, given relative size, complexity, and sustained performance. Moreover, the remuneration levels for regular board members have remained unchanged since their last adjustment in 2014. Therefore, the Supervisory Board deemed an increase of the total target compensation (without pension) necessary to maintain its attractiveness to talents. Specifically, the amount[2] for regular board members

1_The fair value of the index-linked-RSUs is calculated as the present value of the expected future payout, taking into account the link between share performance and relative performance compared to the index as well as the relevant caps and thresholds as defined in the payout formula. The expected future payout is determined on the basis of observable market data as of the valuation day, and market standard simulation techniques. The most relevant market parameters for this estimation are the assumptions for the volatility of the Allianz stock, for the volatility of the index, for their correlation, the term structure of interest rates, and the expected dividends.

2_Based on the allocation value as described in detail in the LTI section "Allianz share price performance" on **page 37.**

increased from € 3,000 thou to € 3,251 thou; the amount[1] for the Chairman of the Board increased from € 5,250 thou to € 5,687 thou. The ratio of the Chairman of the Board's compensation against regular board members' compensation remained at 1.75.

In return to the increase, an overall cap was introduced which will limit the total payout significantly: The compensation relating to the relevant performance year, including pension contributions, will be capped at € 10,000 thou for the Chairman of the Board of Management and € 6,000 thou for a regular member of the Board of Management. The previous system did not include explicit overall payout caps. The calculatory overall payout caps that resulted from the individual caps of the compensations components amounted to € 11,800 thou for the Chairman of the Board of Management and € 6,750 thou for a regular member of the Board of Management.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is governed by the Statutes of Allianz SE and the German Stock Corporation Act. The structure of the Supervisory Board's remuneration is regularly reviewed with regard to its compliance with German, European, and international corporate governance recommendations and regulations.

REMUNERATION PRINCIPLES

- Set total remuneration at a level both aligned with the scale and scope of the Supervisory Board's duties and appropriate in view of the company's activities and its business and financial situation.
- Establish a remuneration structure that takes into account the individual functions and responsibilities of Supervisory Board members, such as chair, vice chair, or committee mandates.
- Establish a remuneration structure that allows proper oversight of business as well as independent decisions on executive personnel and remuneration.

REMUNERATION STRUCTURE AND COMPONENTS

The remuneration structure, which comprises fixed and committee-related remuneration only, was approved by the Annual General Meeting in 2018 and is laid down in the Statutes of Allianz SE.

FIXED ANNUAL REMUNERATION

The remuneration of a Supervisory Board member consists of a fixed cash amount paid pro rata temporis after the end of the respective quarter of the business year for services rendered over that period. In 2018 each regular Supervisory Board member received a fixed compensation amounting to € 125 thou per year. Each Vice Chairperson received € 187.5 thou, the Chairperson received € 250 thou.

COMMITTEE-RELATED REMUNERATION

The Chairperson and members of the Supervisory Board committees receive additional committee-related remuneration. The committee-related remuneration is as follows:

Committee-related remuneration
€ thou

Committee[1]	Chair	Member
Personnel Committee, Standing Committee, Risk Committee, Technology Committee	50	25
Audit Committee	100	50

1_Members of the Nomination Committee do not receive an additional remuneration.

ATTENDANCE FEES AND EXPENSES

In addition to the fixed and committee-related remuneration, members of the Supervisory Board receive an attendance fee of € 1,000 for each Supervisory Board or committee meeting they attend. Should several meetings be held on the same or consecutive days, the attendance fee will only be paid once. In addition, Allianz SE reimburses the Supervisory Board members for their out-of-pocket expenses and the VAT payable on their Supervisory Board service. The company provides insurance coverage and technical support to the Supervisory Board members to an extent reasonable for carrying out the Supervisory Board duties.

REMUNERATION FOR 2018

The total remuneration for all Supervisory Board members, including attendance fees, amounted to € 2,684 thou (2017: € 2,179 thou). The following table shows the individual remuneration for 2018 and 2017:

1_Based on the allocation value as described in detail in the LTI section "Allianz share price performance" on page 37.

Individual remuneration: 2018 and 2017
€ thou (total might not sum up due to rounding)

Members of the Supervisory Board	Committees[1] A	N	P	R	S	T		Fixed remuneration	Committee remuneration	Attendance fees	Total remuneration
Michael Diekmann[2]	M	C	C	C	C	M	2018	250.0	225.0	9.0	484.0
(Chairman)	M	C	C	C	C	M	2017	133.3	120.0	3.7	257.0
Jim Hagemann Snabe		M			M	C	2018	187.5	75.0	6.0	268.5
(Vice Chairman)	M[3]	M			M[4]	C	2017	133.3	56.7	4.5	194.5
Gabriele Burkhardt-Berg			M[5]		M[6]	M	2018	145.8	50.0	7.0	202.8
(Vice Chairwoman)[7]					M	M	2017	100.0	33.3	3.8	137.1
Sophie Boissard[8]	M						2018	125.0	50.0	8.0	183.0
	M						2017	66.7	26.7	3.7	97.1
Christine Bosse		M		M			2018	125.0	25.0	6.0	156.0
		M[9]		M			2017	100.0	28.3	4.5	132.8
Jean-Jacques Cette[10]	M[10]						2018	72.9	29.2	3.0	105.1
	M						2017	100.0	40.0	5.3	145.3
Dr. Friedrich Eichiner	C			M		M	2018	125.0	150.0	8.0	283.0
	C[11]			M		M	2017	100.0	86.7	6.0	192.7
Jean-Claude Le Goaër[12]	M[12]				M[13]		2018	52.1	29.2	4.0	85.3
							2017	-	-	-	-
Martina Grundler	M						2018	125.0	50.0	8.0	183.0
	M						2017	100.0	40.0	5.3	145.3
Herbert Hainer[14]			M		M		2018	125.0	50.0	7.0	182.0
			M		M		2017	66.7	26.7	3.0	96.4
Godfrey Robert Hayward[15]				M			2018	125.0	25.0	6.0	156.0
				M			2017	66.7	13.3	3.0	83.0
Frank Kirsch[16]				M[16]			2018	41.7	8.3	2.0	52.0
							2017	-	-	-	-
Jürgen Lawrenz				M[17]	M	M[18]	2018	125.0	50.0	6.0	181.0
				M	M[19]		2017	100.0	33.3	4.5	137.8
Rolf Zimmermann[20]			M[20]			M[20]	2018	125.0	33.3	4.0	162.3
			M		M[21]	M	2017	150.0	41.7	4.5	196.2
Total[22]							**2018**	**1,750.0**	**850.0**	**84.0**	**2,684.0**
							2017	**1,445.9**	**671.7**	**61.5**	**2,179.1**

Legend: C = Chairperson of the respective committee, M = Member of the respective committee
1_Abbreviations: A - Audit, N - Nomination, P - Personnel, R - Risk, S - Standing, T - Technology
2_Since 7 May 2017.
3_Until 3 May 2017.
4_Since 3 May 2017.
5_Since 1 September 2018.
6_Until 31 August 2018.
7_Since 1 September 2018.
8_Since 3 May 2017.
9_Since 3 May 2017.
10_Until 31 July 2018.
11_Since 3 May 2017.
12_Since 1 August 2018.
13_Since 1 September 2018.
14_Since 3 May 2017.
15_Since 3 May 2017.
16_Since 1 September 2018.
17_Until 31 August 2018.
18_Since 1 September 2018.
19_Since 3 May 2017.
20_Until 31 August 2018.
21_Until 3 May 2017.
22_The total reflects the remuneration of the full Supervisory Board in the respective year.

REMUNERATION FOR MANDATES IN OTHER ALLIANZ COMPANIES AND FOR OTHER FUNCTIONS

As remuneration for their membership in the Supervisory Board of Allianz Deutschland AG, Ms. Gabriele Burkhardt-Berg (three months in 2018) received € 15.9 thou for the financial year 2018 and Mr. Frank Kirsch received € 43.6 thou for the financial year 2018. Mr. Jürgen Lawrenz did not receive any remuneration for his service on the Supervisory Board of Allianz Technology SE. All current employee representatives of the Supervisory Board, except for Ms. Martina Grundler, are employed by Allianz Group companies and receive a market-based remuneration for their services.

LOANS TO MEMBERS OF THE SUPERVISORY BOARD

As of 31 December 2018, there were no outstanding loans granted by Allianz Group companies to members of the Supervisory Board.

COMBINED SEPARATE NON-FINANCIAL REPORT

About the report

This section has been compiled in accordance with the CSR Directive Implementation Act (EU Directive 2014/95/EU). It focuses on the key performance indicators (KPIs) that reflect our most material sustainability issues. This year we have further sharpened our focus: While still covering all matters and concepts, we decided to report only on the most material non-financial KPIs and to include them in the Corporate Governance section of the Annual Report. The KPIs included are: Net Promoter Score (NPS), the Inclusive Meritocracy Index (IMIX), and our environmental indicators (greenhouse gas (GHG) emissions per employee and % of green electricity). Based on our commitment to setting ourselves long-term climate targets, we are currently developing indicators and targets for the carbon performance of our proprietary investment portfolio for future reporting. For more information please see **www.allianz.com/en/sustainability/low-carbon-economy/decarbonization.**

The structure and content of the report are based on the legal requirements set out in the CSR legislation. It is also based on the Global Reporting Initiative (GRI) Standards, but only reflects the respective parts of the GRI Standards requirements. The concepts contained herein are in line with the content of our 2018 Group Sustainability Report (GSR) (to be published in April 2019), which is compiled in accordance with the standards set out by the GRI.

The 2018 non-financial reporting section covers the entire Allianz Group and also includes the relevant non-financial information for Allianz SE. If Allianz SE's concepts and processes differ from those applied by the Allianz Group, they are described separately. All measures, activities, and key figures refer to the 2018 financial year (1 January 2018 to 31 December 2018). Unless otherwise stated, we use the control principle defined by the International Financial Reporting Standards when determining the scope of our reporting on behalf of our consolidated entities.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) has been engaged to perform a reasonable assurance engagement on the 2018 non-financial information, with limited assurance given to the environmental indicators (GHG emissions per employee, % of green electricity). All 2017 data included in this report has been assessed based on a limited assurance engagement in the previous year. For the "Independent Practitioner's Report on a Limited and Reasonable Assurance Engagement on Non-Financial Reporting" please refer to **page 170.**

Any references to information published outside the Group Management Report and Allianz SE's Management Report are supplementary, do not form an integral part of this non-financial information, and are not subject to an assurance engagement (unless specified in the respective document).

Company description

For information on our business model, please refer to Business Operations starting on **page 50.**

Corporate Responsibility Governance and Strategy

At Allianz, we aim to create sustainable economic value by pursuing a long-term approach to corporate governance, social responsibility, and environmental stewardship. This is critical to our business success, as we are committed to delivering on our promises to customers, investors, and society as a whole. To deliver on our ambition of being one of the most trusted financial institutions and a global sustainability leader, we must continually adapt our business strategy to any issues that arise.

CORPORATE RESPONSIBILITY GOVERNANCE

The highest governing body for sustainability-related issues at Allianz is the Group ESG Board (ESG = Environment, Social, and Governance). Established in 2012, it is comprised of three Allianz SE board members and meets quarterly. The Group ESG Board is responsible for the whole Corporate Responsibility agenda, including climate-related topics, the integration of ESG into all business lines and core processes dealing with insurance and investment, and the Allianz Group's corporate citizenship activities. The three board members each assume responsibility for specific sustainability topics; functional departments directly provide the Group ESG Board with regular updates on sustainability issues.

In addition to the Group ESG Board, there are other committees under board member leadership which play an important role in our decision-making processes:

- The Group Finance and Risk Committee oversees risk management and monitoring, including sustainability risk. The Committee is the point of escalation for ESG-related topics, based on analysis and deliberations within the ESG Board.
- The Group Underwriting Committee monitors the underwriting business and related risk management. It also develops new underwriting policies and strategies.

Our group-level Corporate Responsibility (CR) management team is responsible for managing the strategic framework for all group-wide sustainability activities, developing and introducing relevant policies, reporting on non-financial matters and supporting operating entities (OEs) in integrating the Group's strategic approach and policies.

The corporate responsibility function reports to the Head of Group Communications and Corporate Responsibility at Allianz SE, who in turn reports directly to the CEO of Allianz SE. This ensures close alignment with the CEO's agenda.

Most matters described in this document are managed by the Group CR team. If a matter is managed by another function, it is highlighted in the relevant section.

STAKEHOLDER ENGAGEMENT & MATERIALITY

As we are a multinational business, the challenges we face are increasingly diverse and interconnected. Therefore we ensure our Corporate Responsibility Strategy takes into account our stakeholders' feedback, so we are able to respond to the most material issues we face. Related activities focus on the four stakeholder groups most immediately affected by our business activities: customers, employees, investors, and society as a whole. To succeed, we need to understand and respond to the changing world in which we operate. Our most recent materiality assessment was undertaken in 2018 to identify the issues perceived by our stakeholders as most important to our business (for more details, please see our Sustainability Report 2018, **section 03.2 www.allianz.com/sustainability).**

Survey results showed that of the perceived megatrends and risks Allianz should be addressing through its solutions and Corporate Responsibility Strategy, the most important are these:

- climate change/environment (e.g. climate-induced impacts, biodiversity loss, etc.),
- customer safety (through insurance products),
- digitalization/automation,
- natural disasters (e.g. earthquakes, extreme weather events, etc.).

The material topics and KPIs addressing those risks and megatrends are covered in this report. They reflect the aspects that are necessary for an understanding of the development, performance, and position of Allianz, and of the impact of our business activities on these aspects. All climate-related topics are covered within the section "Environmental matters"; customer safety is addressed in "Social matters – responsible consumer / sales concepts" and digitalization / automation in "Social matters – emerging consumers concept and data privacy concepts". We will further assess the topics of natural disasters and digitalization to ensure they are fully reflected in our strategy and reporting.

CORPORATE RESPONSIBILITY STRATEGY

Within the three main themes of our Corporate Responsibility Strategy (Low-Carbon Economy, Social Inclusion and Business Integration), we address risks and trends that might affect Allianz. We also look into social and environmental effects arising from our business activities and business relations through our ESG Business Integration approach. Finally, we seize business opportunities associated with sustainability matters; for example, in the areas of sustainable solutions and renewable energy investments.

RISK MANAGEMENT

As regards the requirements introduced through the CSR Directive Implementation Act in 2017, we have not identified any principal risks resulting from our operations, business activities, and business relations that could have severe adverse effects on material non-financial matters. In this report, we describe how we address our impact on those matters, along with the respective concepts we have in place.

Furthermore, as a global insurer, investor and asset manager, understanding ESG issues allows Allianz to reduce risks and capture opportunities in underwriting, claims, investment management, and asset management. We describe our ESG approach in the following section; our concepts for all other matters for which reporting is required will be addressed in the subsequent chapters. The ESG approach provides part of the foundation for these concepts.

ESG APPROACH

The types of ESG risks Allianz considers to be material in its insurance and investment activities are summarized in the Allianz ESG Integration Framework. ESG risks can turn into legal risks, reputational risks, supply chain and business disruption risks, quality risks, operational risks, human rights risks, financial risks, and/or investment risks for Allianz, its customers, and/or its invested companies.

ESG topics are integrated in our insurance, investment, and asset management business through multiple instruments including internal standards, guidelines, and processes, such as the Allianz Standard for Reputational Risk and Issue Management (AS RRIM), the Allianz Standards for Underwriting (ASU) and the Allianz ESG Functional Rule for Investments (EFRI). An overview of the Group's key ESG integration processes is described below.

- In the field of underwriting and investments in non-listed asset classes, ESG risks have been managed through the ESG sensitive business guidelines outlined in the AS RRIM since 2014. For investments in listed asset classes, the Allianz ESG Scoring Approach (defined in EFRI) is applied to manage related risks. Since December 2016, the ESG Scoring has provided Allianz investment and asset managers with ESG performance information, to be included in investment decisions.
- As far as investments are concerned, Allianz has excluded investments in companies involved in controversial weapons[1] since 2011, and in coal-based business models[2] since November 2015. The criteria for the exclusion of coal-based business models were expanded in 2018.
- For its Property-Casualty insurance business, Allianz has decided to no longer cover single-site coal-fired power plants and coal mines that are being operated or planned as of 2018. Existing contracts with such facilities will not be renewed when the current contract expires.
- Further ESG-related measures include our systematic engagement with investee companies, launched in 2017 and rolled out in 2018, as well as ESG considerations in our selection and management of asset managers.

Data related to our ESG integration approach will be included in our Group Sustainability Report 2018, to be published on 11 April 2019. An in-depth overview of our approach and processes to integrating ESG is published in the Allianz ESG Integration Framework at **www.allianz.com/esg-framework.**

In the Asset Management business segment, AllianzGI and PIMCO have developed and implemented their own processes to manage risks and capture opportunities from ESG issues. For proprietary assets that AllianzGI and PIMCO manage on behalf of other Allianz Group entities, the asset management entities' own approaches complement the Group requirements.

1_Cluster munitions, anti-personnel landmines, chemical and biological weapons.
2_Utilities generating 30 % or more of their electricity from coal, and mining companies generating 30 % or more of their revenue from thermal coal.

Environmental matters

This section describes the impacts of environmental matters on our business activities and relationships, as well as the impact of Allianz's activities and relationships on the environment. Furthermore, we describe our concepts for the management of these impacts and related achievements.

CONCEPTS

Within our Corporate Responsibility Strategy, the pillar entitled "Low-Carbon Economy" addresses climate change and environmental issues, which were identified as one of the four most material risks and megatrends. As a company dealing with risk, managing the impacts on environmental matters is an important part of our approach. Climate change remains a major risk for the societies in which we operate. It also directly affects our business, including everything from our in-house operations to our investments and our insurance products. We are committed to tackling the climate challenge by supporting the transition to a low-carbon economy through our investments and insurance solutions. In addition, we manage the emissions from our operations and strive to remain a carbon-neutral company.

CLIMATE CHANGE STRATEGY

At Allianz, we anticipate the risks of climate change. We care for our customers through our insurance products, while using our leverage as one of the world's largest institutional investors and insurers to enable the transition to a low-carbon economy.

We are committed to making climate protection an integral part of our core business, as well as to setting ourselves long-term climate targets for our proprietary investments and business operations that are in line with the Paris Climate Agreement's goal to limit global warming to well below 2°C. Our Climate Change Strategy anticipates the risks associated with a changing climate across all our lines of business. For the investment business, we consider climate-related criteria such as carbon emissions, energy efficiency, climate change vulnerability, or opportunities in clean tech as part of our ESG integration approach for listed and non-listed assets. We systematically engage with investee companies exposed to high ESG risks. Furthermore, we enter into active dialog with companies, encouraging them to define and implement their own climate strategies in line with the latest scientific findings. In addition, in 2015 we have decided to stop financing coal-based business models and we no longer insure single-site coal-fired power plants and coal mines that are operated or planned as of 2018. We are committed to fully phasing out coal-based business models across our proprietary investments and property-casualty portfolios by 2040 at the latest, and are further developing our approach to reach this target.

We care for our customers and advise them on how to reduce risks and minimize damage, while compensating those who have suffered losses. We are also developing insurance solutions for climate-vulnerable people in developing countries.

We enable positive change as an insurer, developing and offering insurance solutions for renewables technologies and energy efficiency. For instance, we contribute to financing a low-carbon economy by making equity and debt investments in renewable energies. Allianz also offers a variety of funds for institutional investors who want to invest in low-carbon assets such as renewable energy or green bonds. For further information on renewable energy investments, please refer to note 6 to the Consolidated Financial Statements.

Furthermore, we actively support an expansion of companies' climate-related risk disclosure. We report on opportunities and risks based on the framework developed by the G20's Task Force on Climate-related Financial Disclosures (TCFD). The disclosure can be found in our Sustainability Report 2018 **www.allianz.com/sustainability**.

Achievements and targets

Climate Change Strategy

- Status/progress:
  - Commitment to Science Based Targets initiative in May 2018.
  - We have decided to no longer insure single-site coal-fired power plants and coal mines that are being operated or planned as of 2018.
  - We further strengthened the coal exclusion approach in investments in 2018.
- Targets:
  - Set long-term climate targets for our proprietary investments and business operations in line with the Paris Climate Agreement's goal to limit global warming to well below 2°C.
  - Fully phase out coal-based business models across our proprietary investments and property-casualty portfolios by 2040 at the latest.

ENVIRONMENTAL CONCEPT

At Allianz, we are committed to effectively managing our most significant impacts on the environment, which includes prevention of pollution. We work to continually improve the environmental performance of our operations. Specifically we seek to:

- reduce the amount and carbon intensity of the energy consumed by our operations, for instance by ensuring an energy-efficient planning, construction, and operation of buildings,
- reduce the environmental impact of our business travels,
- use resources efficiently, in particular paper and water, and
- minimize the environmental impact of waste by avoiding, reducing, re-using, and recycling it as appropriate.

Further, we include various environmental factors in our sourcing and procurement processes. By doing that, we seek to raise suppliers' and contractors' awareness of our environmental commitment, and to encourage them to act accordingly.

Our group-wide Environmental Management System (EMS) provides standards and controls, supports environmental data collection, and promotes transparent reporting on environmental impacts across our operations. It guides us in monitoring and managing our use of resources. Operational implementation is monitored by the Group Environmental Officer, and supported by the Board of Management of Allianz SE.

Achievements and targets[1]

To ensure effective and coherent actions, we have set the following targets for the most material topics.

GHG emissions per employee, Allianz Group

- Status/progress: In 2018, our carbon footprint per employee was 2.7 tons. This represents a 27% reduction through increase in the share of green electricity and higher energy efficiency, against a 2010 baseline.
- Target: Reduce carbon emissions by 30% per employee by 2020, against a 2010 baseline.

GHG emissions per employee, Allianz SE[2]

- Status/progress: In 2018, our carbon footprint per employee was 3.5 tons. This represents a 6% increase, against a 2016 baseline, due to expansion of our international business presence, involving more travel.
- Target: Reduce carbon emissions by 2% per employee by 2020, against a 2016 baseline.

Green electricity, Allianz Group

- Status/progress: In 2018, we achieved a share of 45% green electricity of total electricity used (2017[3]: 45%).
- Target: Achieve 100% green electricity for our operations by 2023.

Green electricity, Allianz SE[4]

- Status/progress: In 2018, we achieved a share of 93% green electricity of total electricity used (2017: 100%). SE data now includes further SE locations for which no green electricity was available in 2018.
- Target: Achieve 100% green electricity for our operations by 2023.

Social matters

This section describes the impacts of social matters on our business activities and relationships as well as the impact of Allianz's activities and relationships on society as a whole. In addition, we describe the concepts and achievements related to the management of these impacts with a focus on social inclusion, emerging consumers, responsible consumer/sales policies, and data privacy.

SOCIAL INCLUSION CONCEPTS

As a global insurer, we rely on the principle of solidarity. Pooling risks is at the heart of our business model, and we have a major interest in creating stable communities. Civil unrest, social tensions and societal upheaval all pose a major business risk for Allianz. Of course, we are also interested in empowering people and improving their access to employment, which, in turn, provides a basis for creating the talented and diverse workforce we rely on. We believe social inclusion is one of the most important challenges society faces today, which is why we have made it one of the three top priorities for our Corporate Responsibility Strategy in 2016. True to our role as Insurer, Employer, and Committed Corporate Citizen, we want to contribute to creating more inclusive societies. We are determined to expand our range of offerings to emerging consumers, in order to provide more people with access to low-cost financial services. Inside the company, we support social inclusion through our diversity and well-being programs, as well as by supporting specific groups such as women in management and people with disabilities. Our social contributions include time, skills, and money.

ENCOURAGING FUTURE GENERATIONS PROGRAM (CONCEPT)

In 2016, we launched Encouraging Future Generations, our Social Inclusion program. It is designed to empower young people to develop in self-confidence, and to shape inclusive, resilient societies. Building on successful projects carried out by our OEs, the program provides the global framework and focus to scale up Allianz's social contribution.

Our group-wide initiatives are:

- a partnership with SOS Children's Villages (CV),
- our Social Innovation Fund, and
- the Allianz Future Generations Award.

Achievements and targets

Social Inclusion

- Status/Progress:
  - Together with SOS CV and Volunteer Vision, in 2018 we launched the first online mentoring in which Allianz employees mentor young people.
  - We also granted funds to 14 social projects globally through our Social Innovation Fund, and to impact-oriented ventures through the Allianz Future Generations Award.

- Target: To further improve our reach to children and youth, we will continue to support social projects through our Encouraging Future Generations Program.

EMERGING CONSUMERS CONCEPT

We continue to support low-income consumers in Asia, Africa and Latin America, where a majority of people are still severely underinsured. The responsibility for managing the emerging consumers business lies with the local Allianz OEs. In 2015, we managed to reach the 50-million-customer benchmark in the expanding emerging-consumers market (with a potential of 3.7 billion customers at present, and of 5 billion in 2030[5]). We are determined to further expand our range of offerings to emerging consumers, in order to continue closing the supply gap for people who need access to low-cost financial services tailored to their needs.

1_Please note that all environmental indicators (greenhouse gas (GHG) emissions per employee and % of green electricity) are assessed based on a limited assurance engagement, not on a reasonable assurance level.
2_The majority of the environmental impacts reported are in scope of an SE environmental management system certified to ISO14001, the scope currently excludes Allianz RE.
3_Energy data for 2017 was adjusted.
4_The SE target has been amended in 2018 in line with the Group target based on the recent RE100 commitment.
5_2017 World Bank and OECD figures. Total population is based on the de facto definition of population, which counts all residents regardless of legal status or citizenship. The values shown are midyear estimates.

As many of those markets lack an established financial-services infrastructure, our emerging-consumers segment places a key focus on digitalization. To make the most of existing opportunities, we are partnering with digital businesses to distribute and expand our reach in these markets, for example through mobile-phone-based insurance products.

Achievements and targets

- Status/progress: Allianz is expanding its access to emerging consumers with new digital offerings by collaborating with leading partners like BIMA and Go-Jek.
- Target: We aim to continue our expansion in Africa, Asia and Latin America.

RESPONSIBLE CONSUMER / SALES CONCEPTS

Our strong reputation is built on customers', shareholders', employees' and the general public's trust in our integrity. This trust depends on the quality of our products, the way we inform and advise our customers, and on the personal conduct and capability of our sales employees and representatives. Since 2011, we have a global Sales Compliance Program in place, which describes standardized processes and controls for communication, monitoring, and audit. The program is managed by the Compliance team. Recent initiatives include an enhancement of product governance principles and new solutions to deal with the low-interest-rate environment in life insurance; in this context we have implemented the Allianz Standard for Retail Risk in 2018.

Another key feature of our responsible sales concept are our Allianz Broker Remuneration Principles, which state that "Allianz commits itself not to devise or agree to remuneration schemes that are aimed at inducing brokers to act to the detriment of our customers or to distort fair competition." We have defined Minimum Standards for Asset Management Marketing Practices, which include the principles of truthful, clear, and accurate information on investment styles and philosophies. The globally binding Allianz Code of Conduct for Business Ethics and Compliance overarches these responsible sales controls. The code specifies that employees of Allianz Group must not, either by their actions or statements, seek to mislead the market or customers; and when establishing a customer relationship or providing financial services to a client, appropriate care shall be taken to ensure that the customer receives information that is necessary for a reasonable decision to be taken by the customer. A responsible approach to sales is more likely to lead to customer satisfaction. In turn, satisfied customers are loyal customers and are more willing to recommend us. Our customers' interests take priority whenever they seek advice from us and exemplary sales practices are of particular importance.

Since 2006, we have been measuring customer loyalty using the Net Promoter Score (NPS). NPS measures our customers' willingness to recommend Allianz, and the top-down NPS is applied regularly according to global cross-industry standards, allowing benchmarking against competitors in the respective markets. In 2016 we refined the NPS methodology and established a group-wide standard for retail end customer NPS, which helps to rate Allianz businesses along key business drivers like brand, product, price and service. At the same time, we introduced our Customer Excellence Program to systematically measure customer experience, identify key areas for improvement, and holistically enhance the drivers of customer satisfaction along the entire customer journey, as opposed to at individual touch points.

In 2018, we have taken this structured collection of insights to the next level: We established a more continuous approach to monitoring and improving customer journeys by introducing the five-star rating program – a standard rating method allowing customers to state their satisfaction level on a five-point scale, and to do this on various touchpoints along the claims journey. Whenever customers have a claim against us, we ask them afterwards to rate their satisfaction with our settlement of that claim on a five-star scale. If their rating is less than three stars we follow up to ensure we resolve whatever issue there may be, and prevent the same thing from happening with other customers. We aim at publishing all customer feedback online for full transparency, visible to our customers and prospective customers.

Complaints are another important source of customer feedback and we analyze them closely to identify potential improvements. We have internally certified our subsidiaries since 2006 to ensure that group-wide quality standards for handling complaints are met and customers are treated fairly. All NPS and customer feedback related matters are managed by the Group Market Management and Distribution team.

Achievements and targets

Responsible sales:

- Status/progress: The Allianz Standard for Retail Risk has been implemented in 2018 to ensure that all Allianz companies offer fair and transparent products.

Global NPS performance, Allianz Group[1]:

- Status/progress: 74% of the business segments of the Allianz Group's entities scored above market or in a loyalty leader position in 2018.
- Ambition: 75% of Allianz Group business segments of our entities score above market or in a loyalty leader position in 2019 (75% in 2018).
- In order to ensure that our global ambitions 2019 will be met, dedicated "NPS activation workshops" will be organized in the first half of 2019 with all OEs in scope to identify performance gaps and define concrete action plans.

DATA PRIVACY CONCEPTS

Digitalization enables more people to access insurance products, and we embrace the opportunities through our Digital by Default strategy, implemented with our Renewal Agenda in 2015. Digitalization, however, also comes with data privacy and protection risks. Data privacy matters are managed by the Privacy and Data Protection function. We take these risks very seriously, and we are enforcing robust security and privacy controls to give our customers the certainty that their personal data is safe and secure.

Our Allianz Privacy Framework includes: a global standard for data privacy; a privacy impact assessment and risk management process; integration with information security core functions; and employee training on appropriate procedures for processing of the

1_Please note that the NPS data is delivered by an external service provider and that we did not evaluate the data collection process of the provider.

personal data of our customers, employees, and third-party partners. All measures are subject to regular audit and assurance activities.

The Allianz Standard for Data Protection and Privacy defines rules and principles for collecting and processing personal data. Established in 2013, it sets out six privacy principles that we expect all our employees to respect: due care, purpose specification, reasonable limitation, transparency and openness, choice and consent, and privacy by design. We also publish a Privacy Notice, which clearly states what information we collect and why.

As part of our Privacy Risk Management, we consider the identification and management of privacy risks an integral part of our operational processes, therefore we measure, monitor, and remediate risks across Allianz's core businesses. So-called Privacy Impact Assessments (PIAs) are undertaken for high exposure processes that use personal data, in order to allow an early identification of high-risk areas and ensure they are appropriately managed over the lifecycle of a project, including when changing an existing product or service. In 2016, we began to fully automate the PIA process for all Allianz Group companies. The PIA tool has been implemented across the entire Allianz Group, in conjunction with training sessions. Privacy risks are included in Allianz's Integrated Risk and Control System (IRCS), which helps us measure and monitor privacy.

Equally important is the security of the personal data we handle. Within our robust Information Security Framework, we globally apply strict security processes, standards, and tools. The framework also defines minimum requirements based on the ISO 27001 standard for information security management. This standard specifies requirements regarding vulnerability assessment along the software development value chain (including penetration tests and security audits), the monitoring of systems via multi-level security systems, and effective IT security management and business continuity management.

We keep abreast of regulatory and industry developments and aim to reflect these in our operational and governance processes and procedures. For example, in response to the changes in the E.U. General Data Protection Regulation (GDPR) that came into force in May 2018, we worked with Allianz Group companies and other Group centers to track the group-wide implementation status of the Allianz Privacy Renewal Program.

Digital Privacy Guidelines provide guidance on privacy-related topics impacting digital projects – both privacy by design (as part of new product and service design processes) and privacy by default (meaning that wherever individuals are given choices on the use and sharing of their personal data, the initial settings restrict disclosure).

Achievements and targets

- The General Data Protection Regulation (GDPR) requirements have been implemented by Group Privacy in 2018 globally ensuring stricter requirements on the way Allianz collects and uses personal data of individuals.

Human rights matters

This section describes the impacts of human rights matters on our business activities and relationships, as well as the impact of Allianz's activities and relationships on human rights issues. Furthermore, we describe the concepts and achievements related to the management of these impacts. As a financial services provider those refer mainly to insurance transactions, direct investments and to our supply chain.

CONCEPTS

We are committed to apply key human rights principles, as described in the United Nations Universal Declaration of Human Rights, across our entire global organization. As a participant to the United Nations Global Compact since 2002, we have integrated its 10 principles into our globally binding Code of Conduct. We annually communicate our progress, including both human rights and labor standards. Since 2015, we encourage our vendors to sign a Vendor Code of Conduct, which stipulates what our vendors must fulfill with regards to fair labor practices, including the prevention of modern slavery in the supply chain and human rights.

As part of our support and engagement for these human rights principles, we also take an active stance against modern slavery or human trafficking – within the boundaries of the risk-based approach we pursue – in all of the Allianz Group's businesses and supply chains. In the 2018 Allianz Group – Modern Slavery Statement, the Group confirms that for the five preceding years, no incident of modern slavery, human trafficking, or child labor had been reported that would have involved an Allianz Group entity.

For insurance transactions and direct investments, such as real estate, infrastructure, and private equity, we address ESG risks using our referral process. As the issue of human rights cuts across most sensitive business areas, an ESG screening is mandatory for each transaction therein.

Please refer to our ESG approach on **page 42** for further details on the concepts.

Achievements and targets

- Status/progress:
  - Human rights matters have been taken into account within the 2018 ESG risk assessment process. For further details, please refer to our Sustainability Report 2018, **section 03.4.**
  - Additionally, according to the Allianz Group – Modern Slavery Statement we did not have any issues raised in regard to human right matters specific to the Allianz Group in 2018.
- Targets:
  - Continue to apply ESG Sector Guidelines and Human Rights Guidelines for sensitive countries into all business lines and core processes dealing with insurance and investment decisions.
  - Conduct annual review for U.K. and Group Modern Slavery Statements in 2019.
  - Develop human rights guidance within PSI ESG in underwriting project for property-casualty insurance in 2019.

Employee matters

This section describes the impacts of employee matters on our business activities and relationships as well as the impact of Allianz's activities and relationships on employees. Furthermore, we describe the concepts and achievements related to the management of these impacts. All employee matters are managed by the Group HR function.

CONCEPTS

Our employees are one of our most valuable assets and key to the success of our company. Without them, it would be impossible to deliver on our business strategy and achieve our goals. Therefore, the importance of retaining our best people and keeping them motivated and committed by managing and rewarding talent, promoting inclusivity and employee rights, and supporting employees' well-being and engagement cannot be overstated.

These aspirations are underpinned by our strategic HR frameworks, principles and tools including our globally consistent 4x3 People Attributes – Customer and Market Excellence, Collaborative Leadership, Entrepreneurship and Trust – along the entire people value chain: from recruiting and talent management to learning and performance management.

We make employee engagement a high priority as we work to build a committed workforce that excels by integrity and maintains a strong customer focus. In all these aspects, the Allianz Engagement Survey (AES), introduced in 2010, has been established as a valuable employee feedback platform.

As part of the AES, we use the Inclusive Meritocracy Index (IMIX) to measure progress towards a culture where both people and performance matter in order to enable employees to reach their full potential. As of 2015, the IMIX comprises 10 AES items covering the areas of leadership, performance and corporate culture.

The results of the AES (and thus the IMIX) are directly linked to the performance objectives of the Group's Board of Management. The Group Chief HR Officer is responsible for all people-related activities and reports directly to a member of the Board of Management.

As a follow-up action to the AES and sponsored by the CEO, the VOICE initiative brought together employees from different levels and functions to work on key focus areas within the field of employee engagement. Along the continuing implementation of the 2017 ideas, four new ideas were developed and implemented in the 2018 VOICE initiative:

- an appraisal app for recognizing employees across hierarchies,
- the so-called Innovation Journey – a process to develop solutions to concrete business problems identified by employees,
- Care2Share – an initiative to enhance trust between employees and managers, and
- Spotlight on Employees – a video series featuring individual board members and employees.

Our Board of Management has continually shown strong commitment to diversity and inclusion (D&I). The Allianz Global Inclusion Council (composed of senior leaders from across different entities) sets annual priorities, determines the global diversity strategy, and accepts sponsorships for various diversity programs. For 2018, we had determined the following priorities: gender equality, employee networks, and inclusion. Specific initiatives were implemented to address these priorities – such as the JET-program, an integrated development program for non-executive women (implemented in 2017 in Germany and the U.K.). Contributing to Inclusive Meritocracy and the IMIX, a pilot for top management entitled "Inclusive Leadership" was conducted in 2018, its main focus being on unconscious bias, leadership behavior, and communication. Rolling-out further pilots is planned in 2019.

Achievements and targets[1]

IMIX for Allianz SE:

- Status/progress: 69 % IMIX score in 2018.
- Target: 72 % IMIX score in 2018.
- New target: 73 % IMIX score in 2021.

As 2018 targets have not been fully reached for Allianz SE, the VOICE initiative will be continued to improve results in the mid-term.

IMIX for Allianz Group:

- Status/progress: 71 % IMIX score in 2018.
- Target: 72 % IMIX score in 2018.
- New target: 73 % IMIX score in 2021. The new ambitious IMIX target was set to further drive the change within the organization towards a culture of Inclusive Meritocracy.

As 2018 targets were not fully reached for the Allianz Group, the following initiatives will be implemented or continued to improve results in the mid-term: Inclusive Leadership Training, Inclusive Meritocracy Virtual Classrooms, broad upskilling offering (LinkedIn Learning) for all Allianz employees globally, and further specific local measures at OE level.

The diversity concept for our Board of Management and Supervisory Board is published in our Statement on Corporate Management pursuant to §315d and §289f of the HGB starting on page 17.

1_Please note that the IMIX data is delivered by an external service provider and that we did not evaluate the data collection process of the provider.

Compliance/anti-corruption and bribery matters

This section describes the impacts of compliance matters on our business activities and relationships as well as the impact of Allianz's activities and relationships on compliance. Furthermore, we describe the concepts and achievements related to the management of these impacts, with a focus on compliance, anti-corruption, and bribery matters. All compliance matters are managed by the Compliance team.

CONCEPTS AND PROGRAMS

Our risk management framework includes our Compliance Management System (CMS) which helps to ensure compliance with internationally recognized laws, rules and regulations, and to promote a culture of integrity in order to safeguard the company's reputation. We take a proactive stance, working with organizations such as the German Institute for Compliance and the Global Insurance Chief Compliance Officers Forum (CCO Forum) to enhance our understanding of compliance issues and to share best practices.

Compliance risk is covered as part of the operational risk in Allianz's Integrated Risk and Control System (IRCS). In 2018, all relevant entities conducted a compliance risk assessment based on the compliance-risk scenarios. The following top inherent compliance risk areas have been identified:

- data privacy,
- customer protection,
- economic sanctions,
- money laundering, and
- anti-trust.

In view of upcoming regulatory requirements, IT regulations and increased regulatory scrutiny and enforcement are emerging risks.

To ensure continuous improvement in how we address compliance risks, these risks are regularly assessed, monitored, and reported throughout the Group. Our Compliance Quality Assurance Program, rolled out in 2012, is comprised of self-assessments, independent on-site reviews, local spot checks, and testing of key controls. An online compliance issue management tool provides an overview over mitigating activities and key risk indicator tracking. In addition, our online compliance case management tool provides the consistent group-wide management of and authority over all cases. It also facilitates reporting to the Audit Committee and the Integrity Committee.

Anti-corruption and anti-fraud risk assessments are now integrated into the IRCS and mitigation activities are monitored through a global tracking tool. Further assessments and on-site reviews, including key control testing and follow-ups, are conducted as necessary, following a risk-based approach. In 2018, we completed the second cycle of the integrated compliance risk scoping and assessment activities as part of the company's IRCS.

We continue to strengthen the risk-based focus of compliance control reviews and testing. We also continue to improve the supporting IT solutions in place to optimize and harmonize all these activities, as well as our reporting across the Group and the quality of the data collected. In 2018, we rolled out an enhanced compliance assurance approach that now includes baseline reviews to fast-track compliance onboarding of newly acquired entities, risk-based targeted reviews of existing entities, and key control testing.

As part of our global compliance program, we follow international standards and applicable laws related to corruption and bribery, money laundering and terrorism financing, trade and financial sanctions, capital markets compliance, data privacy, sales compliance, antitrust, and other relevant compliance risk areas.

We take a zero-tolerance approach to fraud and corruption. At the minimum, this means adhering to local and international anti-corruption and anti-bribery laws. Above and beyond mere compliance, the Allianz Anti-Corruption Program, established in 2010, is a group-wide program that defines minimum standards for a consistent and comprehensive approach in every jurisdiction.

Directed at both our employees and third parties, the program and policy prohibit the offer, acceptance, payment, or authorization of any bribe or other form of corruption, when dealing with either the private sector or government authorities. Anti-corruption training is compulsory for all employees.

All OEs are required to perform Compliance Risk & Maturity assessment annually. The obligations laid down in the various program components are derived from both the Allianz Code of Conduct for Business Ethics and Compliance and our risk assessment. They are detailed in various Allianz Standards and Programs – specifically, the Economics Sanctions Program, the Anti-Money Laundering Program, the Antitrust Program, the Data Privacy Standard, Customer Protection, and the Anti-Corruption Program.

Achievements and targets

- Status/progress:
  - Roll-out of an enhanced compliance assurance approach in 2018.
  - Completion of the second cycle of the integrated compliance risk scoping and assessment activities as part of the company's IRCS.

- Targets:
  - Completion of the third cycle of the integrated compliance risk scoping and assessment activities as part of the company's IRCS process.
  - Review and simplify the current risk scoping and maturity assessment processes.

GROUP MANAGEMENT REPORT

C

BUSINESS OPERATIONS

Allianz Group structure

Allianz SE and its subsidiaries (the Allianz Group) offer property-casualty insurance, life/health insurance, and asset management products and services in over 70 countries, with the largest of our operations located in Europe. The Allianz Group serves more than 92 million private and corporate customers. Allianz SE, the parent company of the Allianz Group, has its headquarters in Munich, Germany.

The Allianz Group's structure reflects both our business segments and geographical regions. Business activities are organized by product and type of service, based on how these are strategically managed: insurance activities, asset management activities, and corporate and other activities. Due to differences in the nature of products, risks, and capital allocation, insurance activities are further divided into property-casualty and life/health categories. In accordance with the responsibilities of the Board of Management, each of the insurance categories is grouped into regional reportable segments. Corporate and other activities are divided into three different reportable segments in order to differentiate between the respective products, risks, and capital allocation. In 2018, the Allianz Group had 13 reportable segments.

Allianz Group structure – business segments and reportable segments[1]

PROPERTY-CASUALTY	LIFE/HEALTH
– German Speaking Countries and Central & Eastern Europe – Western & Southern Europe and Asia Pacific – Iberia & Latin America and Allianz Partners – Global Insurance Lines & Anglo Markets, Middle East and North Africa and Africa	– German Speaking Countries and Central & Eastern Europe – Western & Southern Europe and Asia Pacific – Iberia & Latin America – USA – Global Insurance Lines & Anglo Markets, Middle East and Africa
ASSET MANAGEMENT	**CORPORATE AND OTHER**
– Asset Management	– Holding & Treasury – Banking – Alternative Investments

Insurance operations

We offer a wide range of property-casualty and life/health insurance products to both retail and corporate customers. For the Property-Casualty business segment, these include motor, accident, property, general liability, travel insurance and assistance services; the Life/Health business segment offers savings and investment-oriented products in addition to life and health insurance. We are the leading property-casualty insurer worldwide and rank among the top five in the life/health insurance business[2]. Our key markets (in terms of premiums) for both property-casualty and life/health insurance are Germany, France, Italy, and the United States.

Most of our insurance markets are served by local Allianz companies. However, some business lines – such as Allianz Global Corporate & Specialty (AGCS), Allianz Partners (AP), and Credit Insurance – are run globally.

Asset Management

Our two major investment management entities, PIMCO and AllianzGI, operate under the governance of Allianz Asset Management (AAM). We are one of the largest asset managers in the world that actively manage assets. Our offerings cover a wide range of equity, fixed income, and alternative investment products and solutions. Our core markets are the United States, Germany, France, Italy, the United Kingdom, and the Asia-Pacific region. With the transfer of Allianz Capital Partners (ACP), our proprietary private equity, renewable energy and infrastructure manager, from Corporate and Other to AllianzGI, we are expanding AllianzGI's product offering range also for third-party alternative equity business.

Corporate and Other

The Corporate and Other business segment's activities include the management and support of the Allianz Group's businesses through its central holding functions, as well as Banking and Alternative Investments.

HOLDING & TREASURY

Holding & Treasury manages and supports the Group's businesses through its strategy, risk, corporate finance, treasury, financial reporting, controlling, communication, legal, human resources, technology, and other functions.

BANKING

Our banking operations, which place a primary focus on retail clients, support our insurance business and complement the products we offer in Italy, France, and Bulgaria. The sale of Oldenburgische Landesbank AG was closed on 7 February 2018. Hence, we no longer have any banking operations in Germany.

ALTERNATIVE INVESTMENTS

Alternative Investments provides global alternative investment management services in the real estate sector, mostly on behalf of our insurance operations. ACP was transferred to AllianzGI at the start of 2018.

1_For further information on organizational changes, please refer to the Executive Summary of 2018 Results.
2_Based on currently available peer data. Final peer analysis not available until after publication of this Annual Report.

Worldwide presence and business segments

Market presence of our business operations[1]

Insurance German Speaking Countries, Insurance Central & Eastern Europe	
German Speaking Countries	
■ ■	Germany
■ ■	Switzerland
Central & Eastern Europe	
■ ■	Austria
■ ■ ■	Bulgaria
■ ■	Croatia
■ ■	Czech Republic
■ ■	Hungary
■ ■	Poland
■ ■	Romania
■ ■	Slovakia
■ ■	Russia
■	Ukraine
Insurance Western & Southern Europe and Asia Pacific	
Europe	
■ ■ ■	Italy
■ ■	Greece
■ ■	Turkey
■ ■ ■	France
■ ■	Belgium
■ ■	The Netherlands
■ ■	Luxembourg
Asia Pacific	
■ ■	China
■	Hong Kong[2]
■ ■	Indonesia
■	Japan[2]
■	Laos
■ ■	Malaysia
■	Pakistan
■	Philippines
■	Singapore[2]
■ ■	Sri Lanka
■	Taiwan
■ ■	Thailand
■ ■	India
Insurance Iberia & Latin America and Allianz Partners	
Iberia	
■ ■	Spain
■ ■	Portugal
Latin America	
■	Argentina
■	Brazil
■ ■	Colombia
■ ■	Mexico
Allianz Partners	
■	Allianz Partners
US life insurance	
■	United States
Global insurance lines & Anglo markets, Insurance Middle East and Africa	
Global insurance lines & Anglo markets	
■	United Kingdom
■ ■	Australia
■	Ireland
■	Allianz Global Corporate & Specialty
■	Credit Insurance
■ ■	Reinsurance
Middle East	
■ ■	Egypt
■ ■	Lebanon
■ ■	Saudi Arabia
Africa	
■	Benin
■ ■	Burkina Faso
■ ■	Cameroon
■	Central Africa
■	Congo Brazzaville
■	Ghana
■ ■	Ivory Coast
■ ■	Kenya
■ ■	Madagascar
■	Mali
■	Morocco
■ ■	Nigeria
■ ■	Senegal
■	Togo
Asset Management	
North and Latin America	
■ ■	United States
■ ■	Canada
■ ■	Brazil
Europe	
■ ■	Germany
■ ■	Austria
■ ■	France
■ ■	Italy
■ ■	Ireland
■ ■	Luxembourg
■ ■	Spain
■ ■	Switzerland
■ ■	Belgium
■ ■	The Netherlands
■ ■	United Kingdom
■ ■	Sweden
Asia Pacific	
■ ■	Japan
■ ■	Hong Kong
■ ■	Taiwan
■ ■	Singapore
■ ■	China
■ ■	Australia

■ Property-Casualty ■ Life/Health ■ Banking ■ Retail Asset Management ■ Institutional Asset Management

1_This overview is based on our organizational structure as of 31 December 2018.
2_Property-Casualty business belongs to Allianz Global Corporate & Specialty.

Our steering

BOARD OF MANAGEMENT AND ORGANIZATIONAL STRUCTURE

Allianz SE has a divisional Board structure based on functional and business responsibilities. Business-related divisions reflect our business segments Property-Casualty, Life/Health, Asset Management, and Corporate and Other. In 2018 they were overseen by five board members. The following divisions focus on Group functions, along with business-related responsibilities: Chairman of the Board of Management; Finance, Controlling and Risk; Investment Management; Operations; Human Resources, Legal, Compliance and M&A; and Business Transformation[1].

For further information on Board of Management members and their responsibilities, please refer to Mandates of the Members of the Board of Management on page 10.

1_This member of the Board of Management also oversees Insurance Iberia & Latin America and Allianz Partners.

TARGET SETTING AND MONITORING

The Allianz Group steers its operating entities and business segments via an integrated management and control process. It begins with the definition of a business-specific strategy and goals, which are discussed and agreed upon between the Holding and operating entities. Based on this strategy, our operating entities prepare three-year plans which are then aggregated to form the financial plans for the business divisions and for the Allianz Group as a whole. This plan also forms the basis for our capital management. The Supervisory Board approves the plan and sets corresponding targets for the Board of Management. The performance-based remuneration of the Board of Management is linked to short-term, mid-term, and long-term targets to ensure effectiveness and emphasize sustainability. For further details about our remuneration structure, including target setting and performance assessment, please refer to the Remuneration Report starting on **page 23.**

We continuously monitor our business performance against these targets through monthly reviews – which cover key operational and financial metrics – to ensure we can move quickly and take appropriate measures in the event of negative developments. The Allianz Group uses operating profit and net income as key financial performance indicators across all its business segments. Other indicators include segment-specific figures, such as the combined ratio for Property-Casualty, return on equity[1] for Life/Health, and the cost-income ratio for Asset Management. To steer and control new business in our business segments Property-Casualty and Life/Health, we use Return on Risk Capital (RoRC)[2]. We also use new business margins for Life/Health. For a comprehensive view of our business segment performance, please refer to the chapters from **page 53** onwards.

Besides performance steering, we also have a risk steering process in place, which is described in the Risk and Opportunity Report starting on **page 74.**

Non-financial key performance indicators (KPIs) are mainly used for the sustainability assessment that we conduct when determining mid-term bonus levels. In line with our Renewal Agenda, KPIs mainly represent three key levers: True Customer Centricity, Digital by Default, and Inclusive Meritocracy. Examples include the Allianz Engagement Survey and Net Promoter Score (NPS[3]) results and diversity development. For further information on non-financial KPIs, please refer to the Combined Separate Non-Financial Report for the Allianz Group and Allianz SE (according to §§289b (3), 315b (3), sentence 1, sentence 2 in conjunction with §298(2) of the HGB) on **page 41.**

1_Excluding unrealized gains/losses on bonds net of shadow accounting.
2_The return on risk capital is defined as the present value of future real world profits on the capital requirement (including buffer to regulatory requirements) held at local level.
3_NPS is a measurement of customers' willingness to recommend Allianz. Top-down NPS is measured regularly according to global cross-industry standards and allows benchmarking against competitors in the respective markets.

BUSINESS ENVIRONMENT

Economic environment 2018[1]

The world economy continued to grow strongly in 2018. Global economic output increased by an estimated 3.1 %. While economic momentum in the United States even accelerated in the course of the year, due to a strongly procyclical fiscal policy, growth weakened in most other regions. The U.S. economy expanded by about 2.9 %. With an increase of 1.9 %, growth in the Eurozone was clearly weaker than in the United States. Growth deceleration was particularly pronounced in the emerging markets. Many emerging economies registered strong capital outflows as a result of higher interest rates in the United States.

2018 was characterized by an elevated level of political uncertainty. The trade conflict with the United States intensified, contributing to a deterioration in economic sentiment. In Europe, political risk increased with regard to the new Europe-skeptical government in Italy and Brexit. Following a prolonged period of very low market volatility, stock markets experienced several episodes of spikes in volatility in 2018. Major stock markets around the globe registered losses. On the monetary policy front, in December the European Central Bank announced the termination of its bond purchasing program at year-end. In the United States, the Federal Reserve continued to normalize its monetary policy stance. It increased the federal funds rate range four times, each time by 25 basis points, bringing it to a range of 2.25 % to 2.5 % while continuing its balance sheet normalization program. Yields on 10-year German government bonds closed the year at 0.25 %, 17 basis points below the level reached at the end of 2017. The U.S. Dollar-to-Euro exchange rate was 1.15 at the end of 2018 (end of 2017: 1.20).

Business environment 2018 for the insurance industry

2018 proved to be a year of transition for the insurance industry. The contours of a new market order have become ever more visible as parameters of risk, competition, and legislation changed significantly.

Cyber and climate change have come to the fore in the risk landscape. 2018 saw a surge in data breaches and privacy scandals. Climate-change-induced natural disasters remained at an elevated level: 2018 was the fourth-costliest year since 1980 for the insurance industry. In the competitive landscape, data have become the crucial factor for value creation, enabling new and established technology firms to attack along the insurance value chain. Last but not least, the insurance industry had to cope with a more fragmented legislative environment, characterized by trade wars, tariffs and Brexit. All these disruptions kept the insurance industry on their toes to update business models and invest in new technologies and resilience. In 2018, these efforts were at least supported by economic tailwinds of premium growth.

In the **property-casualty sector,** premium growth was robust in most markets, on the back of strong economic growth. Emerging markets, despite economic woes in some, remained the growth engine for the global market, registering double-digit growth as a whole. Overall and at a global scale, premiums rose by an estimated 5 % to 6 % in 2018 (in nominal terms and adjusted for foreign currency translation effects). Global industry profitability remained under pressure, as catastrophe losses and low investment yields were a drag.

In the **life sector,** global premium growth was held back by developments in China, the second biggest life insurance market: Tighter regulation of certain wealth-management-products led to market stagnation in terms of premium growth. Most other markets, however, saw a modest uptick in premium growth. Overall and at a global scale, premiums rose by an estimated 3 % to 4 % in 2018 (in nominal terms and adjusted for foreign currency translation effects). Global industry profitability remained challenging as the low yield environment continued in 2018.

Business environment 2018 for the asset management industry

Until September, U.S. equity indices performed rather well, while the development of other major markets, especially in Europe, was more volatile. In the fourth quarter, however, almost all equity markets turned downwards, driven by increased fear of a slowdown of the global economy and heightened political risks, which led to substantial losses globally for the entire year. In the U.S., fixed-income indices turned downwards as the U.S. Federal Reserve increased the federal funds rate in four steps in 2018, backed by solid U.S. economic data.

Along with worldwide capital market development, we saw long-term net inflows during most of the year. Net flows turned around especially in the U.S. and Europe at year-end, as the strongly increased market volatility led to a de-risking of investment portfolios in almost all asset classes into money market and other lower-risk assets. Overall, 2018 long-term net flows remained positive, but on the lowest level since years. Net inflows were strongly driven by passive products, while actively managed vehicles recorded net outflows in almost all asset classes.

1_At the date of the publication of this report, not all general market data for the year 2018 used in the chapter Business Environment was final. Also, please note that the information provided in this chapter is based on our estimates.

EXECUTIVE SUMMARY OF 2018 RESULTS

KEY FIGURES

Key figures Allianz Group[1]

		2018	2017	Delta
Total revenues[2]	€ mn	130,557	126,149	4,408
Operating profit[3]	€ mn	11,512	11,097	415
Net income[3]	€ mn	7,703	7,207	496
thereof: attributable to shareholders	€ mn	7,462	6,803	659
Solvency II capitalization ratio[4,5]	%	229	229	0 %-p
Return on equity[6]	%	13.2	11.8	1.4 %-p
Earnings per share	€	17.43	15.24	2.19
Diluted earnings per share	€	17.30	15.23	2.07

Earnings summary

MANAGEMENT'S ASSESSMENT OF 2018 RESULTS

Our **total revenues** grew by 6.1 % on an internal basis[7], compared to 2017. Our Life/Health business segment registered strong sales of fixed index annuities in the United States and of capital-efficient products in Germany, while an internal premium growth in our Property-Casualty business segment was driven by AGCS, Germany and Allianz Partners. An increase in assets under management (AuM) driven revenues led to revenue growth in our Asset Management business segment.

Our **operating investment result** decreased by € 4,634 mn to € 19,289 mn. This decrease was driven by a lower trading result, and higher equity impairments due to the downturn of major equity markets.

Our **operating profit** increased by 3.7 %, compared to 2017, and was in the upper end of the target range for 2018. This growth was largely attributable to our Property-Casualty business segment, where favorable developments such as a decreased expense ratio, lower claims from natural catastrophes, and premium growth resulted in a sizable increase in operating profit. Our Asset Management business segment also recorded an increase in operating profit, due to higher AuM-driven revenues. Life/Health reported an operating profit decrease, a consequence of lower investment margins in our German and the U.S. businesses. The operating result in our Corporate and Other business segment declined as well, as the sale of Oldenburgische Landesbank AG led to a drop in operating revenue.

Our **non-operating result** decreased by € 163 mn, settling at a loss of € 1,113 mn. A negative impact from the sale of our traditional life insurance portfolio in Taiwan was partially offset by lower restructuring charges.

Income taxes decreased by € 245 mn to € 2,696 mn, due to the U.S. tax reform which led to a reduction in the corporate income tax rate from 35 % in 2017 to 21 % in 2018. The effective tax rate dropped to 25.9 % (2017: 29.0 %).

Net income increased, as operating profit growth and lower income taxes more than offset the decline in our non-operating result.

Our **shareholders' equity**[8] fell € 4.3 bn to € 61.2 bn, largely due to a reduction in unrealized gains and losses (net). In addition, Allianz SE purchased approximately 15.8 million in own shares (with a total volume of € 3.0 bn[9]) in the course of 2018 as part of two recent share-buy-back programs. Our **Solvency II capitalization ratio** remained stable compared to year-end 2017.

For a more detailed description of the results generated by our business segments – specifically, Property-Casualty insurance operations, Life/Health insurance operations, Asset Management, and Corporate and Other – please consult the respective chapters on the following pages.

Other information

RECENT ORGANIZATIONAL CHANGES

Effective 1 January 2018 and 1 April 2018, the Allianz Group reorganized the structure of its insurance activities to reflect the changes in the responsibilities of the Board of Management. Middle East and Africa were reallocated to the reportable segment Global Insurance Lines & Anglo Markets, Middle East and Africa. In the Property-Casualty business segment, the reportable segment Iberia & Latin America was combined with the reportable segment Allianz Partners to form the reportable segment Iberia & Latin America and Allianz Partners. Any previously reported information has been adjusted to reflect this change in the composition of the Allianz Group's reportable segments.

There were also some minor reallocations between the reportable segments in the course of 2018.

Other parts of the Group Management Report

The Group Management Report also entails the following sections:

– Statement on Corporate Management pursuant to §315d and §289f of the HGB starting on **page 17,**
– Takeover-Related Statements and Explanations starting on **page 20,** and the
– Remuneration Report starting on **page 23.**

1_For further information on Allianz Group figures, please refer to note 4 to the Consolidated Financial Statements.
2_Total revenues comprise statutory gross premiums written in Property-Casualty and Life/Health, operating revenues in Asset Management, and total revenues in Corporate and Other (Banking).
3_The Allianz Group uses operating profit and net income as key financial indicators to assess the performance of its business segments and of the Group as a whole.
4_Figures as of 31 December.
5_Risk capital figures are group diversified at 99.5 % confidence level.
6_Represents the ratio of net income attributable to shareholders to the average shareholders' equity excluding unrealized gains/losses on bonds, net of shadow accounting, at the beginning of the year and at the end of the year.
7_Internal total revenue growth excludes the effects of foreign currency translation as well as acquisitions and disposals. Please refer to page 72 for a reconciliation of nominal total revenue growth to internal total revenue growth for each of our business segments and the Allianz Group as a whole.
8_For further information on shareholders' equity, please refer to the Balance Sheet Review.
9_For further information on the share buy-back program, please refer to note 19 to the Consolidated Financial Statements.

PROPERTY-CASUALTY INSURANCE OPERATIONS

KEY FIGURES

Key figures Property-Casualty[1]

		2018	2017	Delta
Gross premiums written	€ mn	53,636	52,262	1,373
Operating profit	€ mn	5,725	5,053	672
Net income	€ mn	4,302	3,807	495
Loss ratio[2]	%	66.0	66.5	(0.6) %-p
Expense ratio[3]	%	28.0	28.7	(0.6) %-p
Combined ratio[4]	%	94.0	95.2	(1.2) %-p

Gross premiums written[5]

On a nominal basis, we recorded an increase in **gross premiums written** compared to the previous year.

This includes unfavorable foreign currency translation effects of € 1,673 mn[6] and positive (de)consolidation effects of € 61 mn. On an internal basis, our premiums went up 5.7 %, driven by a positive volume effect of 4.0 % and a positive price effect of 1.7 %.

The following operations contributed positively to internal growth:

AGCS: Gross premiums went up to € 8,186 mn – an increase of 11.9 % on an internal basis. It was largely owed to positive volume effects at Allianz Risk Transfer.

Germany: Gross premiums amounted to € 10,477 mn, corresponding to an internal growth of 4.0 %. It was mainly caused by positive volume effects in our motor and commercial property insurance as well as price effects in our motor insurance business.

Allianz Partners: Gross premiums went up 4.7 % on an internal basis, totaling € 4,693 mn. Much of this increase was owed to positive volume effects at our U.S. travel business and Worldwide Care.

One operation weighed on internal growth:

Ireland: Gross premiums of € 568 mn, corresponding to a 6.7 % decrease on an internal basis. It was mainly caused by negative volume effects in our motor and commercial liability insurance business.

1_For further information on Allianz Property-Casualty figures, please refer to note 4 to the Consolidated Financial Statements.
2_Represents claims and insurance benefits incurred (net) divided by premiums earned (net).
3_Represents acquisition and administrative expenses (net) divided by premiums earned (net).
4_Represents the total of acquisition and administrative expenses (net) plus claims and insurance benefits incurred (net), divided by premiums earned (net).
5_We comment on the development of our gross premiums written on an internal basis, which means figures have been adjusted for foreign currency translation and (de-)consolidation effects to provide more comparable information.
6_Based on the average exchange rates in 2018 compared to 2017.

Operating profit

Operating profit
€ mn

	2018	2017	Delta
Underwriting result	2,578	2,011	568
Operating investment income (net)	3,017	2,905	112
Other result[1]	130	138	(8)
Operating profit	**5,725**	**5,053**	**672**

1_Consists of fee and commission income/expenses and other income/expenses.

Our **operating profit** increased in 2018: We recorded a significant increase in underwriting result as well as an increase in operating investment income, supported by one-off effects.

The sharp rise of our **underwriting result** was mainly driven by a lower expense ratio, a consequence of the efficiency programs we had carried out across the Group. We also benefited from an absence of high-severity losses from natural catastrophes (whereas in 2017 we had been affected by storms Harvey, Maria, and Irma as well as the California wildfires), and to a lesser extent from premium growth. Run-off remained at the previous year's level, and our **combined ratio** improved by 1.2 percentage points to 94.0 %.

Underwriting result
€ mn

	2018	2017	Delta
Premiums earned (net)	48,305	47,242	1,063
Accident year claims	(33,845)	(33,351)	(494)
Previous year claims (run-off)	1,981	1,927	54
Claims and insurance benefits incurred (net)	(31,864)	(31,425)	(440)
Acquisition and administrative expenses (net)	(13,542)	(13,537)	(6)
Change in reserves for insurance and investment contracts (net) (without expenses for premium refunds)[1]	(320)	(270)	(50)
Underwriting result	**2,578**	**2,011**	**568**

1_Consists of the underwriting-related part (aggregate policy reserves and other insurance reserves) of "change in reserves for insurance and investment contracts (net)". For further information, please refer to note 26 to the Consolidated Financial Statements.

Our **accident year loss ratio**[7] stood at 70.1 % – an improvement by 0.5 percentage points, compared to 2017. Much of this was due to a decrease in losses from natural catastrophes: As they fell from € 1,111 mn to € 934 mn, the impact on our combined ratio improved from the previous year's 2.4 percentage points to 1.9 percentage points.

Excluding losses from natural catastrophes, our accident year loss ratio improved by 0.1 percentage points to 68.1 %. This is largely owed to profitability improvements across the Allianz Group, which were only partially offset by an increase in our large-loss exposure.

7_Represents claims and insurance benefits incurred (net) less previous year claims (run-off), divided by premiums earned (net).

The following operations contributed positively to the development of our accident year loss ratio:

Reinsurance: 0.4 percentage points. This was due to a lesser impact from natural catastrophes.

AGCS: 0.2 percentage points. A favorable development of underlying and natural-catastrophe losses was partially offset by a higher impact from large losses and weather losses.

Australia: 0.1 percentage points. The improvement is attributable to a favorable underlying claims development and the fact that in 2017, losses from natural catastrophes had been higher.

One operation weighed on the development of our accident year loss ratio:

France: 0.3 percentage points. The accident year loss ratio suffered from large claims on commercial property, as well as from natural catastrophes such as storms and floods throughout the year.

Our **run-off ratio** remained at 4.1%; the main reserve releases stemmed from our operations in Italy, Australia, and Reinsurance.

Total expenses amounted to € 13,542 mn in 2018, compared to € 13,537 mn in the previous year. Our **expense ratio** improved by a healthy 0.6 percentage points to 28.0%, benefiting from efficiency programs across the Group, changes in business mix, and premium growth. Both the acquisition and the administrative expense ratio contributed positively to this development.

Operating investment income (net)
€ mn

	2018	2017	Delta
Interest and similar income (net of interest expenses)	3,329	3,371	(42)
Operating income from financial assets and liabilities carried at fair value through income (net)	(49)	(78)	29
Operating realized gains (net)	160	248	(88)
Operating impairments of investments (net)	(112)	(22)	(90)
Investment expenses	(397)	(399)	2
Expenses for premiums refunds (net)[1]	86	(215)	301
Operating investments income (net)[2]	**3,017**	**2,905**	**112**

1_Refers to policyholder participation, mainly from APR business (accident insurance with premium refunds), and consists of the investment-related part of "change in reserves for insurance and investment contracts (net)". For further information, please refer to note 26 to the Consolidated Financial Statements.
2_The operating investment income (net) of our Property-Casualty business segment consists of the operating investment result – as shown in note 4 to the Consolidated Financial Statements – and expenses for premium refunds (net) (policyholder participation).

Our **operating investment income (net)** increased, mainly due to a one-off effect in the investment result, net of policyholder participation of the German APR business, which was partially offset in the underwriting result.

Other result
€ mn

	2018	2017	Delta
Fee and commission income	1,765	1,616	149
Other income	30	33	(2)
Fee and commission expenses	(1,660)	(1,509)	(151)
Other expenses	(6)	(2)	(4)
Other result	**130**	**138**	**(8)**

Our **other result** remained relatively stable compared to the previous year.

Net income

Our **net income** increased by € 495 mn, mainly driven by a higher operating profit. The effect was only partially offset by a lower non-operating result and higher income taxes.

LIFE/HEALTH INSURANCE OPERATIONS

KEY FIGURES

Key figures Life/Health[1]

		2018	2017	Delta
Statutory premiums[2]	€ mn	70,450	67,277	3,173
Operating profit	€ mn	4,152	4,412	(259)
Net income	€ mn	2,837	2,968	(131)
Return on equity[3]	%	11.4	12.1	(0.7) %-p

Statutory premiums[4]

On a nominal basis, statutory premiums went up 4.7 %. This takes into account unfavorable foreign currency translation effects of € 1,093 mn as well as negative (de-)consolidation effects of € 56 mn. On an internal basis, statutory premiums increased by € 4,322 mn – or 6.4 % – to € 71,526 mn.

In the German life business, statutory premiums rose to € 22,511 mn. This increase – 6.6% on an internal basis – resulted mainly from higher sales of capital-efficient products. Statutory premiums in the German health business increased to € 3,455 mn, translating into 2.8% growth on an internal basis – much of which resulted from the acquisition of new customers for our supplementary health care coverage.

Statutory premiums in the United States stood at € 10,832 mn, up 16.2 % on an internal basis. This was caused by an increase in sales of fixed index annuities due to favorable product changes coupled with sales initiatives.

In Italy, statutory premiums grew to € 11,588 mn – a 3.8% increase on an internal basis. It was attributable to higher production volumes in all our lines of business except for unit-linked products without guarantee, with the largest part resulting from higher sales in capital-efficient products.

In France, statutory premiums dropped to € 8,364 mn. This decrease – 1.1% on an internal basis – was predominantly due to a decline in sales of the unit-linked products without guarantee. Increased sales in our business with protection & health products partly compensated for this development.

In the Asia-Pacific region, statutory premiums amounted to € 5,769 mn – up 15.4% on an internal basis. It was largely due to stronger sales in our business with unit-linked products in Taiwan.

Present value of new business premiums (PVNBP)[5]

Our PVNBP increased by € 3,492 mn to € 62,961 mn. Most of this is due to higher sales of our capital-efficient products in the German life business, in our business with fixed index annuities in the United States, and in most lines of business in Italy. In line with our product strategy, premiums continued to shift towards capital-efficient products.

Present value of new business premiums (PVNBP) by lines of business
%

	2018	2017	Delta
Guaranteed savings & annuities	18.0	23.9	(5.9)
Protection & health	14.7	14.4	0.4
Unit-linked without guarantee	25.8	25.6	0.1
Capital-efficient products	41.5	36.1	5.4
Total	**100.0**	**100.0**	**-**

Operating profit

OPERATING PROFIT BY PROFIT SOURCES[6]

Operating profit by profit sources
€ mn

	2018	2017	Delta
Loadings and fees	6,090	5,989	100
Investment margin	3,821	4,112	(291)
Expenses	(7,003)	(6,860)	(143)
Technical margin	1,211	1,238	(27)
Impact of changes in DAC	33	(68)	101
Operating profit	**4,152**	**4,412**	**(259)**

Our operating profit decreased, driven by a decline in our investment margin. This was largely due to higher impairments and decreased trading result mainly in our U.S. and German businesses – partly offset by higher income from unit-linked business in Italy and Taiwan.

1_For further information on Allianz Life/Health figures, please refer to note 4 to the Consolidated Financial Statements.
2_Statutory premiums are gross premiums written from sales of life and health insurance policies, as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.
3_Represents the ratio of net income to the average total equity, excluding unrealized gains/losses on bonds, net of shadow accounting, as well as attributable goodwill, at the beginning of the year and at the end of the year.
4_In this section, our comments in the following section on the development of statutory gross premiums written refer to values determined "on an internal basis", i.e. adjusted for foreign currency translation and (de-) consolidation effects, in order to provide more comparable information
5_PVNBP before non-controlling interests.
6_The purpose of the analysis of Life/Health operating profit sources is to explain movements in IFRS results by analyzing underlying drivers of performance, consolidated for the Life/Health business segment.

LOADINGS AND FEES[1]

Loadings and fees
€ mn

	2018	2017	Delta
Loadings from premiums	3,915	3,871	44
Loadings from reserves	1,477	1,462	15
Unit-linked management fees	698	657	41
Loadings and fees[1]	**6,090**	**5,989**	**100**
Loadings from premiums as % of statutory premiums	5.6	5.8	(0.2)
Loadings from reserves as % of average reserves [1,2]	0.3	0.3	-
Unit-linked management fees as % of average unit-linked reserves[2,3]	0.5	0.5	-

1_Aggregate policy reserves and unit-linked reserves.
2_Yields are pro rata.
3_Unit-linked management fees, excluding asset management fees, divided by unit-linked reserves.

Loadings from premiums grew as sales increased, driven particularly by capital-efficient products in our German life business. Higher sales in Italy and the Asia-Pacific region also contributed to this development. The rise in **loadings from reserves** was mainly due to higher reserve volumes in the United States, in our German life business, and higher average reserves in France. **Unit-linked management fees** went up, predominantly in Italy and Taiwan, supported by the increase in the assets under management.

1_Loadings and fees include premium and reserve based fees, unit-linked management fees, and policyholder participation in expenses.

INVESTMENT MARGIN[2]

Investment margin
€ mn

	2018	2017	Delta
Interest and similar income	17,883	17,856	28
Operating income from financial assets and liabilities carried at fair value through income (net)	(3,351)	(1,149)	(2,202)
Operating realized gains/losses (net)	4,945	5,333	(387)
Interest expenses	(104)	(102)	(2)
Operating impairments of investments (net)	(2,465)	(634)	(1,831)
Investment expenses	(1,382)	(1,332)	(50)
Other[1]	942	405	538
Technical interest	(8,781)	(8,745)	(36)
Policyholder participation	(3,867)	(7,519)	3,651
Investment margin	**3,821**	**4,112**	**(291)**
Investment margin in basis points[2,3]	87	97	(10)

1_"Other" comprises the delta of out-of-scope entities, on the one hand, which are added here with their respective operating profit and different line item definitions compared to the financial statements, such as interest paid on deposits for reinsurance, fee and commission income, and expenses excluding unit-linked management fees on the other hand. For 2018, it also includes a change in our U.S. fixed index annuity business, with € 683 mn shifted from "Impact of change in DAC" into the "Investment margin" – for further information please refer to note 2 to the Consolidated Financial Statements, chapter "Reserves for insurance and investment contracts", paragraph "Aggregate policy reserves" and Reconciliations.
2_Investment margin divided by the average of current end-of-period and previous end-of-period aggregate policy reserves.
3_Yields are pro rata.

Our **investment margin** decreased, which was largely attributable to a lower trading result in the United States, due to a deterioration of market conditions. Further contributing factors included a lower trading result, higher equity impairments, and lower realizations on debt securities in the German life business (after the sale of Italian government bonds had increased that figure in 2017). Most of this effect was offset by a lower policyholder participation.

2_The investment margin is defined as IFRS investment income net of expenses, less interest credited to IFRS reserves and policyholder participation (including policyholder participation beyond contractual and regulatory requirements mainly for the German life business).

EXPENSES[1]

Expenses
€ mn

	2018	2017	Delta
Acquisition expenses and commissions	(5,187)	(4,963)	(224)
Administrative and other expenses	(1,815)	(1,897)	81
Expenses	**(7,003)**	**(6,860)**	**(143)**
Acquisition expenses and commissions as % of PVNBP[1]	(8.2)	(8.3)	0.1
Administrative and other expenses as % of average reserves[2,3]	(0.3)	(0.4)	-

1_PVNBP before non-controlling interests.
2_Aggregate policy reserves and unit-linked reserves.
3_Yields are pro rata.

The increase in acquisition expenses and commissions was driven by a growth in sales mainly of fixed index annuities in the United States and of capital-efficient products in our German life business. Other factors included higher production in Italy, especially in the bancassurance channel with unit-linked products. Administrative and other expenses decreased slightly, mainly due to lower legal accruals in the United States, and smaller one-off improvements in the German health business.

TECHNICAL MARGIN[2]

Our technical margin dropped slightly, driven predominantly by one-off reserve adjustments in the United States, higher loss ratios due to higher claims in our protection & health business, and one-off effects in France. Positive effects from the Asia-Pacific region and from Switzerland partly compensated for this development.

IMPACT OF CHANGE IN DEFERRED ACQUISITION COSTS (DAC)[3]

Impact of change in DAC
€ mn

	2018	2017	Delta
Capitalization of DAC	1,827	1,711	115
Amortization, unlocking, and true-up of DAC	(1,793)	(1,779)	(14)
Impact of change in DAC	**33**	**(68)**	**101**

The improvement in the impact of change in DAC was due to a higher capitalization of DAC, mainly resulting from increased sales of fixed index annuities in the United States and increased production in Italy.

OPERATING PROFIT BY LINES OF BUSINESS

Operating profit by lines of business
€ mn

	2018	2017	Delta
Guaranteed savings & annuities	2,030	2,375	(345)
Protection & health	879	927	(48)
Unit-linked without guarantee	449	367	83
Capital-efficient products	793	743	50
Operating profit	**4,152**	**4,412**	**(259)**

The operating profit in our guaranteed savings & annuities line of business dropped, largely driven by the investment margins in our traditional variable annuity business in the United States, and in our German life business, as well as by a reclassification of a unit-linked product component to the unit-linked without guarantee line of business in France. A decrease in operating profit in our protection & health line of business was mainly driven by lower technical margins in France, and in the United States. The higher operating profit in our unit-linked without guarantee line of business was primarily due to higher unit-linked management fees in Italy and Taiwan, with a reclassification of a unit-linked product component from the guaranteed savings & annuities line of business in France contributing to the positive effect. The operating profit in the capital-efficient products line of business went up. Much of this increase was contributed by our German life business.

Net income

Our net income decreased by € 131 mn. This was due to the lower operating profit as well as to the sale of our traditional life insurance portfolio in Taiwan. The latter had a negative net impact of € 218 mn, partly offset by lower income taxes.

Return on equity

Our return on equity decreased by 0.7 percentage points to 11.4 %, driven mainly by the decline in our net income.

1_Expenses include acquisition expenses and commissions (excluding commission clawbacks, which are allocated to the technical margin) as well as administrative and other expenses.
2_The technical margin comprises the risk result (risk premiums less benefits in excess of reserves less policyholder participation), the lapse result (surrender charges and commission clawbacks) and the reinsurance result.
3_The impact of change in DAC includes effects of the change in DAC, unearned revenue reserves (URR), and the value of business acquired (VOBA). It represents the net impact of deferral and amortization of acquisition costs and front-end loadings on operating profit and therefore deviates from the IFRS financial statements.

ASSET MANAGEMENT

KEY FIGURES

Key figures Asset Management[1]

		2018	2017	Delta
Operating revenues	€ mn	6,732	6,408	324
Operating profit	€ mn	2,530	2,440	90
Cost-income ratio[2]	%	62.4	61.9	0.5 %-p
Net income	€ mn	1,922	1,546	376
Total assets under management as of 31 December	€ bn	1,961	1,960	1
thereof: Third-party assets under management as of 31 December	€ bn	1,436	1,448	(12)

Assets under management

Composition of total assets under management
€ bn

Type of asset class	as of 31 December 2018	as of 31 December 2017	Delta
Fixed income	1,553	1,553	-
Equities	143	164	(21)
Multi-assets[1]	160	163	(2)
Other[2]	105	81	24
Total	**1,961**	**1,960**	**1**

1_The term "multi-assets" refers to a combination of several asset classes (e.g. bonds, stocks, cash and real property) used as an investment. Multi-asset class investments increase the diversification of an overall portfolio by distributing investments over several asset classes.
2_"Other" is composed of asset classes other than equity, fixed income and multi-assets, e.g. money markets, commodities, real estate investment trusts, infrastructure investments, private equity investments, hedge funds, etc.

Net outflows[3] of **total assets under management** (AuM) amounted to € 15 bn in 2018, of which € 3 bn concerned third-party AuM (2017: € 150 bn net inflows). The outflows were attributable to PIMCO (€ 21 bn total and € 8 bn third-party), most of which occurred in the fourth quarter of 2018. AllianzGI, on the other hand, recorded total net inflows of € 6 bn and third-party net inflows of € 4 bn for the year.

Negative effects from "market and dividends"[4] amounted to € 67 bn. € 38 bn were due to PIMCO and mainly related to fixed-income assets. € 28 bn mostly referred to AllianzGI's equities and – albeit to a lesser extent – to multi-assets.

Positive effects from consolidation, deconsolidation, and other adjustments added € 24 bn to total AuM. This is mainly related to Allianz Capital Partners (ACP), which was transferred from the Corporate and Other business segment to the Asset Management business segment (AllianzGI) as of 1 January 2018, adding Allianz Group assets of € 23 bn to AllianzGI's total AuM.

Favorable foreign currency translation effects amounted to € 59 bn.

Overall, total AuM were stable, as the positive effects from foreign currency translation and the ACP onboarding were able to compensate for the negative effects from "market and dividends" and net outflows.

In the following section we focus on the development of **third-party assets under management**.

As of 31 December 2018, the business units' shares in third-party AuM remained stable: 77.8 % were attributable to PIMCO (31 December 2017: 76.8 %) and 22.2 % to AllianzGI (31 December 2017: 23.2 %). The slight shift towards PIMCO was due to positive foreign currency translation effects, overcompensating negative effects from "market and dividends" and net outflows. At AllianzGI, positive foreign currency translation effects and net inflows could not outweigh negative effects from "market and dividends" that occurred mainly in the fourth quarter of 2018.

The share of fixed-income assets rose from 76.4 % at the beginning of the year to 77.9 %. This was mainly due to positive foreign currency translation effects and – to a lesser extent – to positive effects from consolidation, deconsolidation, and other adjustments. Together, they outweighed the negative effects from "market and dividends" as well as the net outflows. The share of equities declined from 9.4 % to 8.3 %. This was driven by negative effects from "market and dividends". The share of multi-assets was stable at 10.2 % (31 December 2017: 10.2 %) and other AuM declined to 3.6 % (31 December 2017: 4.0 %).

Mutual funds[5] had a 59.3 % share in third-party AuM (31 December 2017: 59.4 %), while separate accounts[5] were at 40.7 % (31 December 2017: 40.6 %).

As for the regional allocation[6] of third-party AuM, shares shifted towards America (56.3 %), while Europe's share declined (32.2 %) and that of the Asia-Pacific region remained roughly stable (11.6 %) (31 December 2017: 53.4 %, 35.1 % and 11.5 %, respectively). The shift was primarily driven by positive foreign currency translation effects and third-party AuM net inflows in America.

1_For further information on our Asset Management figures, please refer to note 4 to the Consolidated Financial Statements.
2_Represents operating expenses divided by operating revenues.
3_Net flows represent the sum of new client assets, additional contributions from existing clients – including dividend reinvestment –, withdrawals of assets from and termination of client accounts, and distributions to investors.
4_"Market and dividends" represents current income earned on the securities held in client accounts, as well as changes in the fair value of these securities. This also includes dividends from net investment income and from net realized capital gains to investors of both open-ended mutual funds and closed-end funds.
5_Mutual funds are investment vehicles (in the United States, investment companies subject to the U.S. code; in Germany, vehicles subject to the "Standard-Anlagerichtlinien des Fonds" Investmentgesetz) where the money of several individual investors is pooled into one account to be managed by the asset manager, e.g. open-end funds, closed-end funds. Separate accounts are investment vehicles where the money of a single investor is directly managed by the asset manager in a separate dedicated account (e.g. public or private institutions, high net worth individuals, and corporates).
6_Based on the location of the asset management company.

The overall three-year rolling investment performance[1] of our Asset Management business declined over the year, with 85% of third-party assets outperforming their respective benchmarks (31 December 2017: 91%). The decline was mostly driven by AllianzGI's three-year rolling investment performance, which went down from 75% to 51%. PIMCO's three-year rolling investment performance also decreased slightly from 95% to 93%, but remained on a high level.

Operating revenues

Our **operating revenues** increased by 5.1% on a nominal basis. This reflects unfavorable foreign currency translation effects and the inclusion of ACP as of 1 January 2018 as well as the sale of AllianzGI Korea at the end of the third quarter of 2017. On an internal basis[2] operating revenues grew by 5.8%.

We recorded lower **performance fees**, due to a decrease in PIMCO's fees, reflecting weaker hedge funds and separate accounts. AllianzGI's performance fees increased, due to mostly operating-profit-neutral carried interest from ACP.

Other net fee and commission income rose, driven by higher average third-party AuM, mostly at PIMCO but also slightly at AllianzGI. Third-party AuM-driven margins also increased, mainly due to a more favorable asset mix.

Other operating revenues decreased, which was largely due to a less favorable foreign currency translation result and the sale of a joint venture in 2017.

Operating profit

Our **operating profit** increased by 3.7% on a nominal basis and 6.9% on an internal basis[2]. This was mainly due to growth in operating revenues. This positive development was only partly offset by increased operating expenses.

The increase in **operating expenses** was connected to higher personnel expenses, mainly at AllianzGI and particularly due to a mostly operating-profit-neutral rise associated with the ACP transfer. In addition, non-personnel expenses increased, largely due to PIMCO: This was partly attributable to investments in business growth.

Our **cost-income ratio** increased due to the inclusion of ACP, investments in business growth as well as lower performance fees.

Asset Management business segment information
€ mn

	2018	2017	Delta
Performance fees	419	437	(18)
Other net fee and commission income	6,294	5,938	356
Other operating revenues	19	33	(14)
Operating revenues	6,732	6,408	324
Administrative expenses (net), excluding acquisition-related expenses	(4,202)	(3,968)	(234)
Operating expenses	(4,202)	(3,968)	(234)
Operating profit	**2,530**	**2,440**	**90**

Net income

The increase in our **net income** of € 376 mn was due to a higher operating profit as well as to a lower effective tax rate, mostly due to the U.S. tax reform.

1_Three-year rolling investment performance reflects the mandate-based and volume-weighted three-year investment success of all third-party assets that are managed by Allianz Asset Management's portfolio-management units. For separate accounts and mutual funds, the investment success (valued on the basis of the closing prices) is compared with the investment success prior to cost deduction of the respective benchmark, based on various metrics. For some mutual funds, the investment success, reduced by fees, is compared with the investment success of the median of the respective Morningstar peer group (a position in the first and second quartile is equivalent to outperformance).
2_Operating revenues/operating profit adjusted for foreign currency translation and (de-)consolidation effects.

CORPORATE AND OTHER

KEY FIGURES

Key figures Corporate and Other[1]
€ mn

	2018	2017	Delta
Operating revenues	2,767	3,235	(468)
Operating expenses	(3,599)	(4,018)	419
Operating result	(831)	(783)	(49)
Net income (loss)	(1,294)	(1,293)	(1)

Key figures reportable segments
€ mn

	2018	2017	Delta
HOLDING & TREASURY			
Operating revenues	1,933	1,831	102
Operating expenses	(2,870)	(2,767)	(103)
Operating result	(938)	(936)	(1)
BANKING			
Operating revenues	680	1,018	(338)
Operating expenses	(629)	(922)	292
Operating result	51	96	(46)
ALTERNATIVE INVESTMENTS			
Operating revenues	167	398	(232)
Operating expenses	(111)	(341)	230
Operating result	56	57	(1)

Earnings summary

Our **operating result** declined slightly in 2018, due to a lower contribution from **Banking,** a consequence of the sale of Oldenburgische Landesbank AG in February 2018. Lower contribution from our reportable segment **Alternative Investments** was mainly related to the transfer of Allianz Capital Partners (ACP) from the Corporate and Other business segment to the Asset Management business segment (AllianzGI), effective 1 January 2018.

1_For further information on Allianz Corporate and Other figures, please refer to note 4 to the Consolidated Financial Statements.

OUTLOOK 2019

Overview: 2018 results versus previous year's outlook[1]

2018 results versus previous year's outlook for 2018

	Outlook 2018 – as per Annual Report 2017	Results 2018
Allianz Group	Operating profit of € 11.1 bn, plus or minus € 0.5 bn.	Operating profit of € 11.5 bn. In the upper end of our target range.
	Protection of shareholder value while continuing to provide attractive returns and dividends.	Return on equity (RoE)[1] amounted to 13.2 % (2017: 11.8 %). Proposed dividend at € 9.00 (2017: € 8.00) per share. Stable payout ratio of at least 50 %, based on expected number of eligible shares at the Annual General Meeting.
	Selective profitable growth.	Total revenues grew by 6.1 % on an internal basis, compared to 2017. Our Life/Health business segment registered strong sales of fixed index annuities in the United States and of capital-efficient products in Germany and we recorded an internal premium growth in our Property-Casualty business segment. An increase in third-party assets under management (AuM) driven revenues led to revenue growth in our Asset Management business segment.
Property-Casualty	Growth in gross premiums written: approximately 2 % on an internal basis.	Gross premiums written increased by 2.6 %. Internal growth of 5.7 % was mainly driven by AGCS, Germany, and Allianz Partners.
	Operating profit in the range of € 5.1 bn to € 5.7 bn.	Operating profit of € 5.7 bn is at the upper end of our target range. Our underwriting result was positively impacted by improvements in our expense ratio.
	Achievement of our combined-ratio target of 94 % or better.	Combined ratio was at 94.0 %, meeting our target. The improvement in profitability was mainly driven by a decrease in our expense ratio, which benefited from efficiency programs carried out across the entire Allianz Group.
	Pressure on operating investment income (net) to continue, due to reinvestments in a consistently low interest rate environment.	Operating investment income (net) increased, as a slightly lower interest income was more than offset by one-off effects.
Life/Health	Continue with focus on profitable growth and further shift new business mix towards capital-efficient, unit-linked, and protection products. Revenues are expected to be in the range of € 62.0 bn to € 68.0 bn.	Revenues of € 70.4 bn are above our outlook range, mainly due to the strong growth of capital-efficient products in Germany and USA.
	Operating profit between € 3.9 bn and € 4.5 bn.	At € 4.2 bn, our operating profit was within the target range, driven by high unit-linked management fees and a solid investment and technical margin.
	RoE between 10.0 % and 12.0 %.	Our 11.4 % RoE[1] is in the outlook range and, when excluding the sale of a life portfolio in Taiwan, even above the range (12.3 %).
	Pressure on investment income, due to low interest rates and continued capital market uncertainty.	Operating investment result reached € 15.5 bn, with realizations on a solid level. Overall, higher impairments and a lower trading result (a consequence of volatile markets) caused a lower investment income compared to the previous year.
Asset Management	Moderate increase in total AuM due to solid third-party net inflows at both AllianzGI and PIMCO, supported by a slightly positive market return.	Total AuM were stable, as the positive effects from foreign currency translation and the Allianz Capital Partners transfer were able to compensate for the negative effects from market returns and net outflows.
	Operating profit in the range of € 2.1 bn to € 2.7 bn.	Operating profit amounted to € 2.5 bn, exceeding the mid-point of the target range by € 0.1 bn.
	Cost-income ratio between 60 % and 65 %.	With a cost-income ratio of 62.4 %, our Asset Management business segment was in the target range.

1_Represents the ratio of net income attributable to shareholders to the average shareholders' equity excluding unrealized gains/losses on bonds, net of shadow accounting, at the beginning of the year and at the end of the year.

Economic outlook[2]

As we move into 2019, prospects for the world economy remain favorable overall. Nevertheless, political and economic risks remain sizable, in particular in relation to the trade dispute with the United States and Brexit. In our economic scenario we have penciled in positive outcomes for most political and policy-related risks. The U.S. economy is expected to grow by 2.5 %. In the Eurozone, growth is likely to slow to about 1.6 % in 2019. Most major Eurozone member countries are likely to experience somewhat lower growth than in 2018. In countries like Germany, fiscal policy will be growth-supportive. Driven by a less dynamic economic development in China, growth in the emerging market world will slow to 4.5 % from 4.7 % in 2018. All in all, global output is expected to increase by 3.0 % in 2019.

The uncertain global political environment bears the potential for higher financial-market volatility, especially as monetary policy is gradually becoming less expansionary. In the U.S., the Federal Reserve is getting closer to the peak in the current rate hiking cycle. One rate hike in the course of 2019 looks realistic. In the Eurozone, the European Central Bank is expected to start raising rates in autumn 2019. Modestly rising yields on 10-year U.S. government bonds and the prospects of the ECB starting to hike its key interest rates are likely to influence investors´ interest rate expectations and exert upward pressure on European benchmark bond yields. For 10-year German government bonds, we see yields climbing modestly to about 0.7 % in the course of 2019; yields on 10-year U.S. government bonds may end the year at slightly above 3 %.

1_For more detailed information on the previous year's outlook for 2018, please see the Annual Report 2017 from page 51 onward.

2_The information presented in the sections "Economic outlook", "Insurance industry outlook", and "Asset management industry outlook" is based on our own estimates.

Insurance industry outlook

2019 is expected to become another challenging year for the insurance industry, for many reasons. First, the global economic momentum will be weaker. Second, risks – notably cyber and climate change – might easily increase. Third, old business models will be relentlessly re-engineered from the customers' perspective; for that, new skills – data analytics and AI – are key. Fourth, political risks remain elevated, and the fractures of the old world order may become irreconcilable. Fifth, financial markets are in for a turbulent year as support from central banks is gradually withdrawn while economic uncertainty is on the rise. Nonetheless, absent an unexpected big shock, global insurance markets should grow also in 2019, the tenth consecutive year of growth since the financial crisis.

In the **non-life sector**, a slight premium growth slowdown is expected, against the backdrop of cooling economies. As in previous years, emerging markets are the main driver of growth. Overall, we expect global premium growth of around 5% in 2019 (in nominal terms and adjusted for foreign currency translation effects). As catastrophe losses may continue to be elevated and investment income to be impacted by volatile markets and still low yields, overall profitability is likely to remain under pressure.

In the **life sector**, premium growth is expected to accelerate. The main reason: a rebound in China where the regulatory shock of 2018 is seen as a one-off effect. As a consequence, emerging markets are likely to return to double-digit growth. On the other hand, premium growth in advanced economies should remain more or less stable, albeit at a much lower level. Overall, we expect global premium growth to increase by about 5 to 6% in 2019 (in nominal terms and adjusted for foreign currency translation effects). Given the continued revamping of insurance and investment portfolios, global industry profitability could creep up, although the investment environment remains challenging.

Asset management industry outlook

Brexit as well as ongoing political uncertainties and trade tensions are weighing on the global economy. As a result, market volatility is presumed to remain high and many investors are likely to further de-risk their portfolios. We therefore expect only a modest capital market contribution to AuM growth.

The industry's profitability remains under pressure from both continuous flows into passive products, new pricing models, and rising distribution costs, and we expect the trend towards industry consolidation to continue. At the same time, digital channels such as robo-advisory platforms are likely to continue gaining prominence. The strengthening of regulatory oversight and reporting could also affect profitability in the asset management sector. Opportunities in the area of active management will continue to exist, particularly in alternative and solutions-oriented strategies, but also in equity and fixed-income. In order to continue growing, it is vital for asset managers to keep sufficient business volumes, ensure efficient operations, and maintain a strong investment performance.

Overview: outlook and assumptions 2019 for the Allianz Group

Outlook 2019	
ALLIANZ GROUP	Operating profit of € 11.5 bn, plus or minus € 0.5 bn.
	Protection of shareholder value while continuing to provide attractive returns and dividends.
	Selective profitable growth.
PROPERTY-CASUALTY	Revenue growth of approximately 3 %.
	Operating profit in the range of € 5.4 bn to € 6.0 bn.
	Achievement of our combined ratio of 94 % or better.
	Pressure on operating investment income (net) to continue, due to reinvestments in a consistently low interest rate environment.
LIFE/HEALTH	Continue with focus on profitable growth; keep developing capital-efficient products; expand to new markets. Revenues are expected to be in the range of € 67.0 bn to € 73.0 bn.
	Operating profit between € 3.9 bn and € 4.5 bn.
	RoE between 10.0 % and 12.0 %.
	Pressure on investment income due to low interest rates and continued capital market volatility.
ASSET MANAGEMENT	Moderate increase in total AuM due to moderate third-party net inflows, supported by an overall slightly positive market return in a volatile market environment.
	Operating profit in the range of € 2.2 bn to € 2.8 bn.
	Cost-income ratio below 64 %.

ASSUMPTIONS

Our outlook assumes no significant deviations from our underlying assumptions – specifically:

- global economic growth to continue, albeit at a slower pace,
- modest rise in interest rates,
  - A 100 basis point increase (decrease) in interest rates would raise (lower) the expected operating profit by approximately € 0.1 bn in the first year that follows the rate change.
- no major disruptions in the capital markets,
- no disruptive fiscal or regulatory interference,
- level of claims from natural catastrophes at expected average levels,
- average U.S. Dollar to Euro exchange rate: 1.17.
  - A 10% weakening (strengthening) of the U.S. Dollar compared to the assumed exchange rate of 1.17 to the Euro would have a negative (positive) effect on operating profits of approximately € 0.4 bn.

For further information on our ambitions for the period 2019-2021, please refer to the section "Our business aspirations" in the Risk and Opportunity Report.

Management's assessment of expected revenues and earnings for 2019

In 2018, our total revenues amounted to € 130.6 bn, a 3.5% increase on a nominal and a 6.1% increase on an internal basis[1], compared to 2017. For 2019, we envisage relatively stable total revenues, with Property-Casualty and Asset Management revenues showing an upward trend, while Life/Health revenues are expected to be stable due to our selective focus on profitable growth.

At € 11.5 bn, our operating profit was in the upper end of our target range in 2018. For 2019, we envisage an operating profit of € 11.5 bn, plus or minus € 0.5 bn, as we expect another year of strong performance, supported by all business segments.

Our net income attributable to shareholders was € 7.5 bn, a strong increase from the previous year's level. Consistent with our disclosure practice in the past, and given the susceptibility of our non-operating results to adverse capital market developments, we refrain from providing a precise outlook for net income. However, since our outlook presumes no major disruptions of capital markets, we anticipate a rather stable net income development for 2019.

PROPERTY-CASUALTY INSURANCE

We expect our revenues to increase by approximately 3% in 2019 (2018: 2.6%), supported by favorable volume and price effects.

Premium growth in 2019 will probably be strongest at Allianz Partners, where we have pooled our B2B2C activities. Further growth can be expected in our core European markets, specifically Germany, Italy, and UK, as well as in emerging markets like Saudi Arabia and Malaysia.

We believe the overall slow rise in prices seen in a number of markets in the past year will continue in 2019. Notwithstanding, we will maintain our focus on achieving strong underwriting results by adhering to our strict underwriting discipline, as we have in previous years, and we will be prepared to accept a lower top line if target margins cannot be achieved.

Our combined ratio was at 94% in 2018, in line with our target, which we achieved by improving our expense levels. In 2019, we envisage a combined ratio of 94% or better. The underlying assumption is that the aggregate effect of improvements in pricing, claims management, and productivity will compensate for any inflation in underlying claims. Despite the highly volatile nature of natural catastrophes in recent years, we assume impacts to remain at the historic claims experience going forward.

As the low-interest-rate environment is likely to change only slowly, investment income will remain under pressure due to the rather short duration of investments in the Property-Casualty business segment. Going forward, we will continue to take measures to adapt our investment strategy to changing market conditions.

Overall, we expect our 2019 operating profit to be in the range of € 5.4 bn to € 6.0 bn (2018: € 5.7 bn).

LIFE/HEALTH INSURANCE

At € 4.2 bn, our Life/Health operating profit was within the target range in 2018, mainly due to strong sales of capital-efficient products, higher unit-linked management fees, and solid investment margins. For 2019, we expect the operating profit in this business segment to range between € 3.9 bn and € 4.5 bn.

One of the key performance indicators for the steering of our Life/Health business segment is RoE. In 2019, we expect it to be between 10.0% and 12.0%.

Going forward, we will remain focused on profitable growth and continue to develop capital-efficient products – always putting customer needs at the center of our efforts – while exploring new market opportunities and building on our strong track record of product innovation. In addition, we will continue to actively manage both our new and our in-force business through continuous repricing, expense management, asset/liability management, and crediting strategies. As before, this should allow us to mitigate the impacts of difficult market conditions – particularly low interest rates – and maintain our profitability targets.

ASSET MANAGEMENT

For 2019, we envisage moderate third-party net inflows and market returns at both PIMCO and AllianzGI with relatively stable margins and small growth in performance fees, leading to a modest growth in operating revenues. We also assume the U.S. Dollar to remain relatively stable compared to 2018. All things considered, we expect our 2019 operating profit to range between € 2.2 bn and € 2.8 bn (2018: € 2.5 bn).

Our cost-income ratio is expected to be below 64% in 2019 (2018: 62.4%), as we continue to invest in business growth. In the mid-term, we expect our cost-income ratio to reach 63%.

CORPORATE AND OTHER (INCLUDING CONSOLIDATION)

We recorded an operating loss of € 0.9 bn in 2018. For 2019, we envisage an operating loss in the same range: € 0.8 bn to € 1.0 bn for this business segment.

Financing, liquidity development, and capitalization

The Allianz Group enjoys a very healthy liquidity position and excellent financial strength, with its capitalization well above regulatory requirements.

As a result, we have full access to financial markets and are in an excellent position to raise financing at low cost. We are determined to maintain our strong financial flexibility, which is supported by both the prudent steering of our liquidity resources and our well-balanced debt maturity profile.

We also monitor the Group's and each of our operating entities' capital positions very closely. In addition, we will continue to optimize the sensitivity of our Solvency II capitalization ratio to changes in interest rates and spreads through prudent asset/liability management and life product design.

1_Operating revenues adjusted for foreign currency translation and (de)consolidation effects.

Expected dividend development[1]

For 2018, the Allianz SE Board of Management and the Supervisory Board propose a dividend of € 9.00 per share.

In addition, Allianz SE has decided to launch a share buy-back program worth up to € 1.5 bn, as part of our previously announced policy to return capital to the shareholders on a flexible basis. Formal authorization of the share buy-back program by the Annual General Meeting dates back to 7 May 2014. The buy-back program, which started in March 2019, is envisaged to be completed by December 2019. Allianz SE will cancel all repurchased shares.

Through prudent capital management, the Allianz Group aims to maintain a healthy balance between an attractive yield and investment in profitable growth. Of the Group's net income attributable to shareholders, we will continue to pay out 50 % as a regular dividend. Also, we aim to keep the regular dividend per share at the previous year's level, if not higher. In addition, we will also continue to return capital to our shareholders on a flexible basis.

All of the above remains subject to our sustainable Solvency II capitalization ratio above 160 % – which is considerably below our year-end 2018 level of 229 %, and 20 percentage points below our minimum solvency ambition for the Solvency II capitalization ratio of 180 %.

Management's overall assessment of the current economic situation of the Allianz Group

At the date of issuance of this Annual Report, and based on current information regarding natural catastrophes and capital market trends – in particular foreign currency, interest rates, and equities –, the Board of Management has no indication that the Allianz Group is facing any major adverse developments.

1_This represents management's current state of planning and may be revised in the future. Also, note that the decision regarding dividend payments in any given year is subject to specific dividend proposals by the Management and Supervisory Boards, each of which may elect to deviate, if and as appropriate under the then prevailing circumstances, as well as to the approval of the Annual General Meeting.

BALANCE SHEET REVIEW

Shareholders' equity[1]

Shareholders' equity
€ mn

	As of 31 December 2018	As of 31 December 2017	Delta
Shareholders' equity			
Paid-in capital	28,928	28,928	0
Retained earnings	27,967	27,199	768
Foreign currency translation adjustment	(2,607)	(2,749)	141
Unrealized gains and losses (net)	6,945	12,175	(5,230)
Total	**61,232**	**65,553**	**(4,321)**

The decrease in shareholders' equity was largely due to the reduction in the unrealized gains and losses (net). The dividend payout in May 2018 (€ 3,428 mn) and the two share buy-back programs[2] with a total amount of € 3 bn, further contributed to the decline. Net income attributable to shareholders of € 7,462 mn had a partly offsetting effect.

Total assets and total liabilities

As of 31 December 2018, total assets amounted to € 897.6 bn and total liabilities were € 833.9 bn. Compared to year-end 2017, total assets decreased by € 3.7 bn and total liabilities increased by € 1.2 bn.

The following section focuses on our financial investments in debt instruments, equities, real estate, and cash, as these reflect the major developments in our asset base.

STRUCTURE OF INVESTMENTS – PORTFOLIO OVERVIEW

The following portfolio overview covers the Allianz Group's assets held for investment, which are largely driven by our insurance businesses.

Asset allocation and fixed-income portfolio overview

	As of 31 December 2018	As of 31 December 2017	Delta	As of 31 December 2018	As of 31 December 2017	Delta
Type of investment	€ bn	€ bn	€ bn	%	%	%-p
Debt instruments, thereof:	**580.3**	**576.1**	**4.1**	**86.2**	**86.7**	**(0.5)**
Government bonds	211.6	213.6	(2.0)	36.5	37.1	(0.6)
Covered bonds	76.1	83.0	(6.9)	13.1	14.4	(1.3)
Corporate bonds	200.4	195.6	4.7	34.5	34.0	0.6
Banks	32.2	30.6	1.7	5.6	5.3	0.3
Other	60.0	53.4	6.6	10.3	9.3	1.1
Equities	**63.2**	**60.2**	**3.1**	**9.4**	**9.1**	**0.3**
Real estate	**12.5**	**11.4**	**1.0**	**1.9**	**1.7**	**0.1**
Cash/other	**16.9**	**16.7**	**0.2**	**2.5**	**2.5**	**-**
Total	**672.8**	**664.4**	**8.4**	**100.0**	**100.0**	**-**

Compared to year-end 2017, our overall asset allocation remained almost unchanged, with slightly increased equities and debt instruments exposure.

Our well-diversified exposure to debt instruments remained stable compared to year-end 2017. About 94% of this portfolio was invested in investment-grade bonds and loans.[3] Our government bonds portfolio contained bonds from France, Germany, Italy, and Spain that represented 17.3%, 14.2%, 8.8% and 5.6% of our portfolio shares. Of our covered bonds portfolio, 40.3% (31 December 2017: 41.6%) were German Pfandbriefe backed by either public-sector loans or mortgage loans. French, Spanish, and Italian covered bonds had portfolio shares of 16.1%, 9.1% and 6.6%, respectively (31 December 2017: 16.3%, 9.2% and 7.5%).

Our exposure to equities increased due to higher volume.

1_This does not include non-controlling interests of € 2,447 mn and € 3,049 mn as of 31 December 2018 and 31 December 2017, respectively. For further information, please refer to note 19 to the Consolidated Financial Statements.
2_For further information, please refer to note 19 to the Consolidated Financial Statements
3_Excluding self-originated German private retail mortgage loans. For 3 %, no ratings were available.

LIABILITIES

PROPERTY-CASUALTY LIABILITIES

As of 31 December 2018, the business segment's gross reserves for loss and loss adjustment expenses as well as discounted loss reserves amounted to € 65.6 bn, compared to € 66.2 bn at year-end 2017. On a net basis, our reserves, including discounted loss reserves, increased slightly from € 56.3 bn to € 56.4 bn.[1]

LIFE/HEALTH LIABILITIES

Life/Health reserves for insurance and investment contracts increased by € 16.5 bn to € 515.5 bn. An € 20.2 bn increase (before foreign currency translation effects) in aggregate policy reserves was mainly driven by our operations in Germany (€ 13.2 bn) and the United States (€ 6.6 bn before foreign currency translation effects). Reserves for premium refunds decreased by € 8.8 bn (before foreign currency translation effects), due to lower unrealized gains to be shared with policyholders. Foreign currency translation effects increased the balance sheet value by € 5.3 bn, mainly due to the stronger U.S. Dollar (€ 4.6 bn).

Off-balance sheet arrangements

In the normal course of business, the Allianz Group may enter into arrangements that do not lead to the recognition of assets and liabilities in the Consolidated Financial Statements under IFRS. Since the Allianz Group does not rely on off-balance sheet arrangements as a significant source of revenue or financing, our off-balance sheet exposure to loss is immaterial relative to our financial position.

The Allianz Group enters into various commitments including loan and leasing commitments, purchase obligations, and other commitments. For more details please refer to note 37 to the Consolidated Financial Statements.

The Allianz Group has also entered into contractual relationships with various types of structured entities. They have been designed in such a way that their relevant activities are directed by means of contractual arrangements rather than voting or similar rights. Typically, structured entities have been set up in connection with asset-backed financings and certain investment fund products. For more details on our involvement with structured entities, please refer to note 35 to the Consolidated Financial Statements.

Please refer to the Risk and Opportunity Report from page 74 onwards for a description of the main concentrations of risk and other relevant risk positions.

Regulatory capital adequacy

For details on the regulatory capitalization of the Allianz Group, please refer to the Risk and Opportunity Report from page 74 onwards.

1_For further information about changes in the reserves for loss and loss adjustment expenses for the Property-Casualty business segment, please refer to note 14 to the Consolidated Financial Statements.

LIQUIDITY AND FUNDING RESOURCES

Organization

The Allianz Group's liquidity management is based on policies and guidelines approved by the Allianz SE Board of Management. Allianz SE and each of the operating entities are responsible for managing their respective liquidity positions, while Allianz SE provides central cash pooling for the Group. Capital allocation is managed by Allianz SE for the entire Group. This structure allows the efficient use of liquidity and capital resources and enables Allianz SE to achieve the desired liquidity and capitalization levels for the Group and its operating entities.

Liquidity management of our operating entities

INSURANCE OPERATIONS

The major sources of liquidity for our operational activities are primary and reinsurance premiums received, reinsurance receivables collected, investment income, and proceeds generated from the maturity or sale of investments. These funds are mainly used to pay claims arising from the Property-Casualty insurance business and related expenses, life policy benefits, surrenders and cancellations, acquisition costs, and operating costs.

We receive a large part of premiums before payments of claims or policy benefits are required, generating solid cash flows from our insurance operations. This allows us to invest the funds in the interim to create investment income.

Our insurance operations also carry a high proportion of liquid investments, which can be converted into cash to pay for claims. Generally, our investments in fixed-income securities are sequenced to mature when funds are expected to be needed.

The overall liquidity of our insurance operations depends on capital market developments, interest rate levels, and our ability to realize the market value of our investment portfolio to meet insurance claims and policyholder benefits. Other factors affecting the liquidity of our Property-Casualty insurance operations include the timing, frequency, and severity of losses underlying our policies and policy renewal rates. In our Life operations, liquidity needs are generally influenced by trends in actual mortality rates compared to the assumptions underlying our life insurance reserves. Market returns, crediting rates, and the behavior of our life insurance clients – for example, regarding the level of surrenders and withdrawals – can also have significant impacts.

ASSET MANAGEMENT OPERATIONS

Within our Asset Management operations, the most important sources of liquidity are fees generated from asset management activities. These are primarily used to cover operating expenses.

BANKING OPERATIONS

Major sources of liquidity in our Banking operations include customer deposits, interbank loans, and interest and similar income from our lending transactions. The most important uses of funds are the issuance of new loans and investments in fixed-income securities. The liquidity of our Banking operations is largely dependent on the ability of our private and corporate customers to meet their payment obligations arising from loans and other outstanding commitments. Our ability to retain our customers' deposits is equally important to us.

Liquidity management and funding of Allianz SE

The responsibility for managing the funding needs within the Group, maximizing access to liquidity sources, and minimizing borrowing costs lies with Allianz SE. We therefore comment on the liquidity and funding resources of Allianz SE in the following sections. Restrictions on the transferability of capital within the Group mainly result from the capital maintenance rules under applicable company laws, as well as from the regulatory solvency capital requirements for regulated Group companies.

LIQUIDITY RESOURCES AND USES

Allianz SE ensures adequate access to liquidity and capital for our operating subsidiaries. The main sources of liquidity available for Allianz SE are dividends received from subsidiaries and funding provided by capital markets. Liquidity resources are defined as readily available assets – specifically cash, money market investments, and highly liquid government bonds. Our funds are primarily used for interest payments on our debt funding, operating costs, internal and external growth investments, and dividends to our shareholders.

FUNDING SOURCES

Allianz SE's access to external funds depends on various factors such as capital market conditions, access to credit facilities, credit ratings, and credit capacity. The financial resources available to Allianz SE in the capital markets for short-, mid- and long-term funding needs are described below. In general, mid- to long-term financing is covered by issuing senior or subordinated bonds or ordinary no-par value shares.

SHARE CAPITAL

As of 31 December 2018, the issued share capital registered at the Commercial Register was € 1,169,920,000. This was divided into 424,459,661 registered shares with restricted transferability. As of 31 December 2018, the Allianz Group held 961,636 (2017: 1,369,717) own shares.

Allianz SE has the option to increase its share capital according to authorizations provided by the AGM. The following table outlines Allianz SE's capital authorizations as of 31 December 2018:

Capital authorizations of Allianz SE

Capital authorization	Nominal amount	Expiry date of the authorization
Authorized Capital 2018/I[1]	€ 334,960,000	8 May 2023
Authorized Capital 2018/II[2]	€ 15,000,000	8 May 2023
Conditional Capital 2010/2018[3]	€ 250,000,000	

1_For issuance of shares against contribution in cash and/or kind, with the authorization to exclude shareholders' subscription rights.
2_For issuance of shares to employees with exclusion of shareholders' subscription rights.
3_To cover convertible bonds, bonds with warrants, convertible participation rights, participation rights, and subordinated financial instruments, each with the authorization to exclude shareholders' subscription rights.

For further information on our share capital and regarding authorizations to issue and repurchase shares, please refer to the chapter Takeover-Related Statements and Explanations (part of the Group Management Report) starting on **page 20.**

LONG-TERM DEBT FUNDING

As of 31 December 2018, Allianz SE had senior and subordinated bonds with a variety of maturities outstanding, reflecting our focus on long-term financing. As the cost and availability of external funding may be negatively affected by general market conditions or by matters specific to the financial services industry or the Allianz Group, we seek to reduce refinancing risk by actively steering the maturity profile of our funding structure.

Maturity structure of Allianz SE's senior and subordinated bonds[1]

€ mn

As of 31 December	Contractual maturity date: Up to 1 year	1 – 5 years	Over 5 years
2018			
Senior bonds	1,493	3,493	3,050
Subordinated bonds	-	-	13,430
Total	**1,493**	**3,493**	**16,480**
2017			
Senior bonds	500[2]	4,237	3,801
Subordinated bonds	-	-	13,250
Total	**500**	**4,237**	**17,051**

1_Based on carrying value.
2_€ 0.5 bn senior bond was redeemed in the first quarter of 2018.

Interest expenses on senior bonds increased, mainly due to higher outstanding volumes on average in 2018. For subordinated bonds, the decrease of interest expenses was primarily driven by lower funding costs on average in 2018.

Senior and subordinated bonds issued or guaranteed by Allianz SE[1]

As of 31 December	Nominal value € mn	Carrying value € mn	Interest expenses € mn	Weighted-average interest rate[2] %
2018				
Senior bonds	8,086	8,036	212	2.6
Subordinated bonds	13,456	13,430	605	4.5
Total	**21,541**	**21,466**	**817**	**3.8**
2017				
Senior bonds	8,595	8,538	209	3.1
Subordinated bonds	13,309	13,250	613	4.6
Total	**21,904**	**21,789**	**822**	**4.1**

1_For further information on Allianz SE debt (issued or guaranteed) as of 31 December 2018, please refer to note 18 to the Consolidated Financial Statements.
2_Based on nominal value.

The following table details the long-term debt issuances and redemptions of Allianz SE during 2018 and 2017:

Issuances and redemptions of Allianz SE's senior and subordinated bonds

€ mn

As of 31 December	Issuances[1]	Redemptions[1]	Issuance net of redemptions
2018			
Senior bonds	-	500	(500)
Subordinated bonds	-	-	-
2017			
Senior bonds	2,000	-	2,000
Subordinated bonds	1,500	1,400	100

1_Based on nominal value.

Funding in non-Euro currencies enables us to diversify our investor base or to take advantage of favorable funding costs in those markets. Funds raised in non-Euro currencies are incorporated in our general hedging strategy. As of 31 December 2018, approximately 18.5% (2017: 17.6%) of long-term debt was issued or guaranteed by Allianz SE in currencies other than the Euro.

Currency allocation of Allianz SE's senior and subordinated bonds[1]

€ mn

As of 31 December	Euro	Non-Euro	Total
2018			
Senior and subordinated bonds	17,550	3,991	21,541
2017			
Senior and subordinated bonds	18,050	3,854	21,904

1_Based on nominal value.

SHORT-TERM DEBT FUNDING

Short-term funding sources available are the Medium-Term Note Program and the Commercial Paper Program. Money market securities increased in the use of commercial paper, compared to the previous year-end. Interest expenses on money market securities increased mainly due to higher funding costs on average in 2018.

Money market securities of Allianz SE

	Carrying value	Interest expense	Average interest rate
As of 31 December	€ mn	€ mn	%
2018			
Money market securities	1,163	20	1.7
2017			
Money market securities	1,058	13	1.2

The Group maintained its A-1+/Prime-1 ratings for short-term issuances. We can therefore continue funding our liquidity under the Euro Commercial Paper Program at an average rate for each tranche below Euribor, and under the U.S. Dollar Commercial Paper Program at an average rate for each tranche below U.S. Libor.

Further potential sources of short-term funding allowing the Allianz Group to fine-tune its capital structure are letter of credit facilities and bank credit lines.

Allianz Group consolidated cash flows

Annual changes in cash and cash equivalents
€ mn

	2018	2017	Delta
Net cash flow provided by operating activities	25,672	33,188	(7,516)
Net cash flow used in investing activities	(19,310)	(24,755)	5,445
Net cash flow used in financing activities	(6,821)	(5,027)	(1,794)
Change in cash and cash equivalents [1]	(416)	2,656	(3,072)

1_Includes effects of exchange rate changes on cash and cash equivalents of € 41 mn and € (749) mn in 2018 and 2017, respectively.

Net cash flow provided by operating activities amounted to € 25.7 bn, after € 33.2 bn in 2017. This figure comprises net income plus adjustments for non-cash charges, credits, and other items included in net earnings, as well as cash flows related to the net change in operating assets and liabilities. Net income after adding back non-cash charges and similar items increased by € 3.1 bn to € 13.7 bn in 2018. Operating cash flows from net changes in operating assets and liabilities dropped to € 12.0 bn. This was mainly driven by net cash outflows from assets and liabilities held for trading (after net cash inflows in 2017), particularly in our Life/Health business segment in Germany.

Net cash outflow used in investing activities decreased by € 5.4 bn to € 19.3 bn. The main driver was lower net cash outflows from available-for-sale investments, particularly at Allianz SE and in the Life/Health business segment in Germany. Higher net cash outflows from loans and advances to banks and customers, mainly in the Life/Health business segment in Germany and at Allianz SE, partially compensated for this effect.

Net cash outflow used in financing activities amounted to € 6.8 bn, compared to € 5.0 bn in 2017. This increase was largely driven by net cash outflows from our refinancing activities – after net cash inflows in 2017 –, mainly due to the redemption of a senior bond in the first quarter of 2018. Higher net cash inflows from liabilities to banks and customers partly offset this effect.

Cash and cash equivalents decreased by € 0.4 bn. This figure includes cash and cash equivalents reclassified to assets of disposal groups held for sale which were disposed of in 2018.

For further information on the Consolidated Statements of Cash Flows, please refer to **page 96.**

RECONCILIATIONS

The previous analysis is based on our Consolidated Financial Statements and should be read in conjunction with them. In addition to our figures stated in accordance with the International Financial Reporting Standards (IFRS), the Allianz Group uses operating profit and internal growth to enhance the understanding of our results. These additional measures should be viewed as complementary to, rather than a substitute for, our figures determined according to IFRS.

For further information, please refer to note 4 to the Consolidated Financial Statements.

Composition of total revenues

Total revenues comprise statutory gross premiums written in Property-Casualty and Life/Health, operating revenues in Asset Management, and total revenues in Corporate and Other (Banking).

Composition of total revenues
€ mn

	2018	2017
PROPERTY-CASUALTY		
Gross premiums written	**53,636**	**52,262**
LIFE/HEALTH		
Statutory premiums	**70,450**	**67,277**
ASSET MANAGEMENT		
Operating revenues	**6,732**	**6,408**
consisting of:		
Net fee and commission income	6,713	6,374
Net interest and similar income	3	8
Income from financial assets and liabilities carried at fair value through income (net)	5	25
Other income	11	1
CORPORATE AND OTHER		
thereof: Total revenues (Banking)	**275**	**562**
consisting of:		
Interest and similar income	95	419
Income from financial assets and liabilities carried at fair value through income (net)[1]	3	20
Fee and commission income	577	576
Other income	4	4
Interest expenses, excluding interest expenses from external debt	(24)	(133)
Fee and commission expenses	(382)	(325)
Consolidation effects within Corporate and Other	-	2
CONSOLIDATION	(535)	(360)
Allianz Group total revenues	**130,557**	**126,149**

1_Includes trading income.

Composition of total revenue growth

We believe that an understanding of our total revenue performance is enhanced when the effects of foreign currency translation as well as acquisitions, disposals, and transfers (or "changes in scope of consolidation") are analyzed separately. Accordingly, in addition to presenting nominal total revenue growth, we also present internal growth, which excludes these effects.

Reconciliation of nominal total revenue growth to internal total revenue growth
%

	Internal Growth	Changes in scope of consolidation	Foreign currency translation	Nominal Growth
2018				
Property-Casualty	5.7	0.1	(3.2)	2.6
Life/Health	6.4	(0.1)	(1.6)	4.7
Asset Management	5.8	2.5	(3.2)	5.1
Corporate and Other	(4.0)	(49.3)	-	(51.1)
Allianz Group	**6.1**	**(0.2)**	**(2.4)**	**3.5**
2017				
Property-Casualty	2.3	0.4	(1.3)	1.4
Life/Health	7.0	(2.0)	(0.8)	4.1
Asset Management	7.8	0.2	(1.6)	6.4
Corporate and Other	1.9	-	-	1.9
Allianz Group	**5.0**	**(0.9)**	**(1.0)**	**3.0**

Life/Health insurance operations

OPERATING PROFIT

The reconciling item scope comprises the effects from out-of-scope entities in the profit sources reporting compilation. Operating profit from operating entities that are not in-scope entities is included in the investment margin. Currently, 21 entities comprising 99.0% of Life/Health total statutory premiums are in scope.

EXPENSES

Expenses comprise acquisition expenses and commissions as well as administrative and other expenses.

The delta shown as definitions in acquisition expenses and commissions represents commission clawbacks, which are allocated to the technical margin. The delta shown as definitions in administrative and other expenses mainly represents restructuring charges, which are stated in a separate line item in the Group income statement.

Acquisition, administrative, capitalization, and amortization of DAC
€ mn

	2018	2017
Acquisition expenses and commissions[1]	(5,187)	(4,963)
Definitions	12	14
Scope	(165)	(143)
Acquisition costs incurred	(5,341)	(5,092)
Capitalization of DAC[1]	1,827	1,711
Definition: URR capitalized	564	526
Definition: policyholder participation[2]	1,063	996
Scope	30	31
Capitalization of DAC	3,483	3,265
Amortization, unlocking, and true-up of DAC[1]	(1,793)	(1,779)
Definition: URR amortized	43	(47)
Definition: policyholder participation[2]	(968)	(1,117)
Definition: FIA adjustment[3]	683	-
Scope	(25)	(32)
Amortization, unlocking, and true-up of DAC	(2,060)	(2,975)
Commissions and profit received on reinsurance business ceded	84	95
Acquisition costs[4]	**(3,833)**	**(4,707)**
Administrative and other expenses[1]	(1,815)	(1,897)
Definitions	159	148
Scope	(160)	(123)
Administrative expenses on reinsurance business ceded	14	13
Administrative expenses[4]	**(1,802)**	**(1,858)**

1_As per Group Management Report.
2_For German Speaking Countries, policyholder participation on revaluation of DAC/URR capitalization/amortization.
3_For further information on the FIA adjustment, please refer to note 2 to the Consolidated Financial Statements, chapter "Reserves for insurance and investment contracts", paragraph "Aggregate policy reserves".
4_As per notes to the Consolidated Financial Statements.

IMPACT OF CHANGE IN DEFERRED ACQUISITION COSTS (DAC)

Impact of change in DAC includes the effects of changes in DAC, unearned revenue reserves (URR), and value of business acquired (VOBA). As such, it is the net impact of the deferral and amortization of acquisition costs and front-end loadings on operating profit.

URR capitalized: Capitalization amount of unearned revenue reserves (URR) and deferred profit liabilities (DPL) for FAS 97 LP.

URR amortized: Total amount of URR amortized includes scheduled URR amortization, true-up and unlocking.

Both capitalization and amortization are included in the line item premiums earned (net) in the Group income statement.

Policyholder participation is included within change in our reserves for insurance and investment contracts (net) in the Group income statement.

Reconciliation to Notes
€ mn

	2018	2017
Acquisition expenses and commissions[1]	(5,187)	(4,963)
Administrative and other expenses[1]	(1,815)	(1,897)
Capitalization of DAC[1]	1,827	1,711
Amortization, unlocking, and true-up of DAC[1]	(1,793)	(1,779)
Acquisition and administrative expenses	**(6,969)**	**(6,927)**
Definitions	1,556	521
Scope	(320)	(267)
Commissions and profit received on reinsurance business ceded	84	95
Administrative expenses on reinsurance business ceded	14	13
Acquisition and administrative expenses (net)[2]	**(5,635)**	**(6,565)**

1_As per Group Management Report.
2_As per notes to the Consolidated Financial Statements.

RISK AND OPPORTUNITY REPORT

Target and strategy of risk management

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

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

We closely monitor the capital position and risk concentrations of the Group and its related undertakings and apply regular stress tests (including standardized, historical and reverse stress test scenarios as well as monthly stress scenarios focusing on current and possible future developments). This allows us to take appropriate measures to ensure our continued capital and solvency strength. Furthermore, the risk capital reflecting the risk profile and the cost of capital is an important aspect considered in business decisions.

Risk governance system

RISK MANAGEMENT FRAMEWORK

As a provider of financial services, we consider risk management to be a core competency and an integral part of our business. Our risk management framework covers all operations and subsidiaries within the Group in proportion to the inherent risks of the activities, ensuring that risks across the Group are consistently identified, analyzed, assessed and managed. The primary goals of our risk management framework are:

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

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

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

OUR STRATEGY

OUR BUSINESS ASPIRATIONS

The Board of Management of Allianz SE has defined the following objectives for Allianz's medium-term strategy with the motto "Simplicity wins":

- Outperform: we seek to move ahead of our competitors, both traditional business and disruptors
- Transform: we seek to become simpler and deeply digital, and to make our business more scalable
- Rebalance: we seek to build market-leading positions in large, profitable and fast-growing geographies as well as new areas of business

These objectives have been translated into clear ambitions for the period 2019-21. With regard to financial performance, we strive for a return on equity (excluding unrealized gains/losses on bonds) of at least 13%, while growing our earnings per share at a compound annual growth rate of at least 5% (baseline full year 2018).

To ensure the sustainability of our performance, we have set ourselves health targets for customer loyalty and employee engagement: Our ambition is for at least 75% of the business segments of our entities to be or become rated by their customers as Loyalty Leader or above-market in terms of Net Promoter Score (NPS). At the same time, we aim to have our Inclusive Meritocracy Index at 73% or above.

OUR BUSINESS STRATEGY

To implement these strategic objectives, we have defined a number of strategic priorities, and are implementing initiatives and programs to address the five dimensions of our Renewal Agenda 2.0.

- True Customer Centricity: design intuitive products and processes to achieve loyalty leadership in our core markets.
- Digital by Default: build legacy-free platforms with core processes automation.
- Technical Excellence: move to data-driven product design, pricing and claims handling.
- Growth Engines: systematically exploit new sources for profitable growth.
- Inclusive Meritocracy: we reinforce a culture where both people and performance matter.

The Board of Management of Allianz SE has also defined a strategy for the management of risk. This risk strategy places a particular emphasis on protecting the Allianz brand and reputation, remaining solvent even in the event of extremely adverse scenarios, maintaining sufficient liquidity to meet financial obligations, and providing resilient profitability.

Opportunities

Our financial strength coupled with ongoing transformation renders us resilient and allows us to profit from new opportunities in a fast-changing business environment. For example,

- By combining close customer understanding and evolving data analytics techniques, we provide superior insurance products and extend tailor-made services offerings as well as raising productivity.
- As a diversified financial group that is active in over 70 countries, we can innovate locally, then spread ideas and best practice across the Group in order to exploit economies of scale.
- We seek to grow in fast-growing regions, including Asia-Pacific, and want to profit from consolidation in Europe.
- We are building expertise and business models to profit from new risk pools, including cyber risk (insurance, risk mitigation, and recovery services) and mobility fleets.
- As the world's population ages, we are expanding our offerings in the retirement savings markets.

In a continuously evolving market where the demands of customers also constantly change, our knowledge of the industry and competences in product development and risk management offer us great opportunities to create customer-focused solutions. For further details on opportunities envisaged by the Allianz Group in the various segments, please refer to Outlook 2019.

RISK GOVERNANCE STRUCTURE

SUPERVISORY BOARD AND BOARD OF MANAGEMENT

Allianz's approach to risk governance enables an integrated management of local and global risks and ensures that our risk profile remains consistent with both our risk strategy and our capacity to bear risks.

Within our risk governance system, the Supervisory Board and Board of Management of Allianz SE have both Allianz SE and group-wide responsibilities. The Board of Management formulates business objectives and a corresponding risk strategy; the core elements of the risk framework are set out in the Allianz Group Risk Policy and approved by the Board of Management. The Supervisory Board advises, challenges and supervises the Board of Management in the performance of its management activities. The following committees support the Board and the Supervisory Board on risk issues:

Supervisory Board Risk Committee

The Risk Committee of the Supervisory Board monitors the effectiveness of the Allianz risk management framework. Furthermore, it focuses on risk-related developments as well as general risks and specific risk exposures.

Group Finance and Risk Committee

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

OVERALL RISK ORGANIZATION AND ROLES IN RISK MANAGEMENT

A comprehensive system of risk governance is achieved by setting standards related to organizational structure, risk strategy and appetite, limit systems, documentation, and reporting. These standards ensure the accurate and timely flow of risk-related information and a disciplined approach towards decision-making and execution at both the global and local level.

As a general principle, the "first line of defense" rests with business managers in the related undertaking. They are responsible for both the risks and returns from their decisions. Our "second line of defense" is made up of independent global oversight functions including Risk, Actuarial, Compliance, and Legal, which support the Board in defining the risk frameworks within which the business can operate. Audit forms the "third line of defense", independently and regularly reviewing risk governance implementation, compliance with risk principles, performing quality reviews of risk processes, and testing adherence to business standards, including the internal control framework.

Group Risk management function

Group Risk is managed by the Group Chief Risk Officer and supports the Board of Management of Allianz SE, including its committees, through the analysis and communication of risk management related information and in implementing committee decisions.

Group Risk supports the Board of Management in developing the risk management framework, which covers risk governance, risk strategy and appetite, and risk monitoring and reporting. Group Risk is operationally responsible for assessing risks and monitoring limits and accumulations of specific risks across business lines, including natural and man-made disasters and exposures to financial markets and counterparties.

Group Risk strengthens and maintains the Group's risk network through regular and close interaction with the management of related undertakings and other key stakeholders such as the local finance, risk, actuarial and investment departments. A strong group-wide risk network allows the Allianz Group to influence risk culture across the Group and identify and bring risks to management's attention at an early stage.

Related undertakings

Related undertakings[1] are responsible for their own risk management, including adherence to both external requirements (for example, those imposed by local regulators) and internal standards. Their Boards of Management are responsible for setting and approving a local risk strategy during the annual Strategic and Planning Dialogs with the Group, and for ensuring adherence to their risk strategy.

A risk function, headed by a Chief Risk Officer which is independent from business line management, is established by each related undertaking. A local Risk Committee supports both the Board of Management and the Chief Risk Officer by acting as the primary risk controlling body.

Consistent implementation of the Group's risk management framework in the related undertakings, including regular dialog between the Group and the entity, is ensured through, for example, Group Risk representation on local Risk Committees and regular assessments of the local risk management framework and Chief Risk Officers by Group Risk. Moreover, the Group Chief Risk Officer must be consulted on decisions regarding the staffing, objectives and performance evaluation of local Chief Risk Officers.

Other functions and bodies

In addition to Group Risk and the local risk functions, legal, compliance, planning, and actuarial functions established at both the Group and the entity level constitute additional components of the "second line of defense".

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

Group Actuarial, Planning and Controlling contributes towards assessing and managing risks in line with regulatory requirements, in particular for those risks whose management requires actuarial expertise. The range of tasks includes, among others, the calculation and monitoring of technical provisions, technical actuarial assistance in business planning, reporting and monitoring of the results, and supporting the effective implementation of the risk management system.

1_Related undertakings are also referred to as operating entities.

Risk based steering and risk management

The Allianz Group is exposed to a variety of risks through its core insurance and asset management activities, including market, credit, underwriting, business, operational, strategic, liquidity, and reputational risks.

As an integrated financial services provider, we consider diversification across different business segments and regions to be a key element in managing our risks efficiently, limiting the economic impact of any single event and contributing to relatively stable results. Our aim is to maintain a balanced risk profile without any disproportionately large risk concentrations and accumulations.

With Solvency II being the regulatory regime relevant for the Group since 1 January 2016, our risk profile is measured and steered based on our approved Solvency II internal model[2]. We have introduced a target solvency ratio in accordance with Solvency II, based on pre-defined shock scenarios at the level of both the Group and related undertakings, supplemented by ad-hoc scenarios, historical and reverse stress tests, and sensitivity analyses.

In addition, central elements of Allianz's dividend policy are linked to Solvency II capitalization based on the internal model. By that we allow for a consistent view on risk steering and capitalization according to Solvency II framework.

Allianz steers its portfolio using a comprehensive view of risk and return based on the internal model and including scenario analysis: Risk and concentrations are actively restricted by limits based on our model and there is a comprehensive analysis of the return on risk capital[3] (RoRC). RoRC allows us to identify profitable lines of business and products on a sustainable basis, reflecting the capital commitment over the life time of the products and is a key criterion for capital allocation decisions.

As a consequence, the internal model is fully integrated in business steering and its application satisfies the so-called "use test" under Solvency II.

MARKET RISK

As an inherent part of our insurance operations, we collect premiums from our policyholders and invest them in a wide variety of assets; the resulting investment portfolios back the future claims and benefits to our customers. In addition, we also invest shareholders' capital, which is required to support the business. Finally, we use derivatives, mostly to hedge our portfolio against adverse market movements (for example, protective puts) or to reduce our reinvestment risk (for example, by using forwards, swaps or swaptions). Asset/liability management (ALM) decisions are taken based on the internal model, considering both the risks and the returns on the financial market.

As the fair values of our investment portfolios and liabilities depend on changes on the financial markets, we are exposed to the risk of adverse financial market developments. The long-dated liabilities in our Life/Health business segment contribute to interest rate risk, in

2_From a formalistic perspective, the German Supervisory Authority deems our model to be "partial" because not all our entities are using the internal model. Some of our smaller entities report under the standard formula and others under the deduction and aggregation approach. Without loss of generality, we might use the term internal model in the following chapters, e.g., in case descriptions also referring to entities that use the internal model, or descriptions focusing on processes with respect to the internal model components.

3_The return on risk capital is defined as the present value of future real world profits on the capital requirement (including buffer to regulatory requirements) held at local level.

particular if they cannot be matched by available investments due to long maturities. In addition, we are also exposed to adverse changes in equity and real estate prices, credit spread levels, inflation, implied volatilities and currencies which might impact the value of our portfolios.

To measure these market risks, real-world stochastic models for the relevant risk factors are calibrated using historical time series to generate possible future market developments. After the scenarios for all the risk factors are generated, the asset and liability positions are revalued under each scenario. The worst-case outcome of the sorted portfolio profit and loss distribution at a certain confidence level (99.5%) defines the market Value at Risk (VaR). For entities modeled using the standard formula, the market risk is based on aggregating the losses under defined standard formula shocks.

Strategic asset allocation benchmarks and risk limits, including financial VaR, stand-alone interest rate and equity sensitivity limits, and foreign exchange exposure limits, are defined for the Group and the related undertaking. Limits are closely monitored and, if a breach occurs, countermeasures are implemented which may include the escalation and/or closing of positions. Furthermore, we have put in place standards for hedging activities due to exposure to fair-value options embedded in life insurance products. Finally, guidelines are provided by the Group regarding certain investments, new investment products, and the use of derivatives. Compliance with these guidelines is controlled by the respective risk and controlling functions.

INTEREST RATE RISK

Allianz is a liability-driven investor. If the duration of our assets is shorter than our liabilities, we may suffer an economic loss in a falling-rate environment as we reinvest maturing assets at lower rates prior to the maturity of liability contracts. This risk is higher for long-dated life investment and savings products, with a significant part of the Life/Health business segment's interest rate risk coming from Western Europe, mainly from traditional life insurance products with guarantees. By contrast, opportunities may arise when interest rates increase. This may result in returns from reinvestments being higher than the rates guaranteed. Interest rate risk is managed within our asset/liability management process and controlled via interest rate sensitivity and duration mismatch limits for the Group and entities.

INFLATION RISK

As an insurance company, we are exposed to changing inflation rates, predominantly due to our Non-life insurance obligations but also due to inflation-indexed internal pension obligations. Inflation assumptions are taken into account in our product development and pricing. However, unexpected inflation increases both future claims and expenses, leading to greater liabilities; conversely, if future inflation rates were to be lower than assumed, liabilities would be lower than anticipated. The risk of changing inflation rates is incorporated in our internal model.

EQUITY RISK

The Group's insurance-focused operating entities may hold equity investments to diversify their portfolios and take advantage of expected long-term returns. Strategic asset allocation benchmarks and investment limits are used to manage and monitor these exposures. In addition, equity investments fall within the scope of the credit risk platform to avoid single-name risk concentrations. Risks from changes in equity prices are normally associated with decreasing share prices and increasing equity price volatilities. As stock markets also might increase, opportunities may arise from equity investments.

CREDIT SPREAD RISK

Fixed-income assets such as bonds may lose value if credit spreads widen. However, our risk appetite for credit spread risk takes into account the underlying economics of our business model: As a liability-driven investor, we typically hold fixed-income assets until maturity. This implies that short-term changes in market prices do not affect us. In our capacity as a long-term investor, this gives us the opportunity to invest in bonds yielding spreads over the risk-free return and earning this additional yield component.

CURRENCY RISK

Our operating entities typically invest in assets which are dominated in the same currency as their liabilities; however, some foreign currency exposures are allowed to support portfolio diversification and tactical investment decisions. Our largest exposure to foreign currency risk comes from our ownership of non-Euro entities: If the Euro strengthens, the Euro equivalent net asset value of our foreign subsidiaries will decline from a Group perspective; however, at the same time the capital requirements in Euro will decrease, partially mitigating the total impact on the Group capitalization. Based on our foreign exchange management limit framework, currency risk is monitored and managed at both the local and Group level.

REAL ESTATE RISK

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

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

CREDIT RISK

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

The Group's credit risk profile comes from three sources: our investment portfolio, credit insurance business, and external reinsurance.

- Investment portfolio: Credit risk results from our investments in fixed-income bonds, loans, derivatives, cash positions, and receivables whose value may decrease depending on the credit quality of the obligor. However, losses due to credit events can be shared with the policyholder for certain life insurance products.

- Credit insurance: Credit risk arises from potential claim payments on limits granted by Euler Hermes to its policyholders. Euler Hermes insures its policyholders from credit risk associated with short-term trade credits advanced to clients of the policyholder. If the client of the policyholder is unable to meet its payment obligations, Euler Hermes indemnifies the loss to the policyholder.
- Reinsurance: Credit risk arises from potential losses from non-recoverability of reinsurance receivables or due to default on benefits under in-force reinsurance treaties. Our reinsurance partners are carefully selected by a dedicated team. Besides focusing on companies with strong credit profiles, we may further require letters of credit, cash deposits, or other financial measures to further mitigate our exposure to credit risk.

The internal credit risk capital model takes into account the major determinants of credit risk for each instrument, including exposure at default, rating, seniority, collateral, and maturity. Additional parameters assigned to obligors are migration probabilities and obligor asset correlations reflecting dependencies within the portfolio. Ratings are assigned to single obligors via an internal rating approach. It is based on long-term ratings from rating agencies, which are dynamically adjusted using market-implied ratings and the most recent qualitative information available.

The loss profile of a given portfolio is obtained through Monte Carlo simulation, taking into account interdependencies and exposure concentrations per obligor segment. The loss profiles are calculated at different levels of the Allianz Group, and then fed into the internal model at each level for further aggregation across sources of risk to derive diversified credit risk.

Our credit insurance portfolio is modeled by Euler Hermes based on a proprietary model component, which is a local adaptation of the central internal credit risk model. Euler Hermes' loss profile is integrated in the Group's internal credit risk model to capture the concentration and diversification effects.

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

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

Clearly defined processes ensure that exposure concentrations and limit utilizations are appropriately monitored and managed. The setting of country and obligor exposure limits from the Group's perspective (i.e. the maximum concentration limit) takes into account the Allianz Group's portfolio size and structure as well as our overall risk strategy.

1_Credit Risk Platform

UNDERWRITING RISK

Underwriting risk consists of premium and reserve risks in the Property-Casualty[2] business segment as well as biometric risks in the Life/Health[3] business segment. Underwriting risks are not relevant for the Asset Management business segment and our banking operations.

PROPERTY-CASUALTY

Our Property-Casualty insurance businesses are exposed to premium-risk-related adverse developments in the current year's new and renewed business as well as to reserve risks related to the business in force.

Premium risk

As part of our Property-Casualty business operations, we receive premiums from our customers and provide insurance protection in return. Premium risk is the risk that actual claims for the business in the current year develop adversely relative to expected claims ratios. Premium risk can be mitigated by reinsurance as well as by technical excellence in underwriting. Assessing risks as part of the underwriting process is a key element of our risk management framework. There are clear underwriting limits and restrictions which are defined centrally and are applied across the Group.

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

Premium risk is estimated based on actuarial models that are used to derive loss distributions. Non-catastrophe risks are modeled using attritional loss models for frequency losses as well as frequency and severity models for large losses. Natural disasters, such as earthquakes, storms, and floods, represent a significant challenge for risk management due to their accumulation potential and occurrence volatility. For natural catastrophe risks, we use special modeling techniques which combine portfolio data (geographic location, characteristics of insured objects, and their values) with simulated natural disaster scenarios to estimate the magnitude and frequency of potential losses. Where such stochastic models do not exist, we use deterministic, scenario-based approaches to estimate potential losses. Similar approaches are used to evaluate risk concentrations for terror and man-made catastrophes including losses from cyber incidents and industrial concentrations.

These loss distributions are then used within the internal model to calculate potential losses with a predefined confidence level of 99.5 %.

Reserve risk

Reserve risk represents the risk of adverse developments in best-estimate reserves over a one-year time horizon, resulting from fluctuations in the timing and/or amount of claims settlement. We estimate and hold reserves for claims resulting from past events that have not yet been settled. In case of unexpected developments, we will experience a reserve gain or loss dependent on the assumptions applied for the estimate.

2_Property-Casualty is also referred to as Non-Life.
3_Life/Health is also referred to as Life.

Similar to premium risk, reserve risk is calculated based on actuarial models. The reserve distributions derived are then used within the internal model to calculate potential losses based on a predefined confidence level of 99.5%.

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

LIFE/HEALTH

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

Life/Health underwriting risk arises from profitability being lower than expected. As profitability calculations are based on several parameters – such as historical loss information and assumptions on inflation, mortality, or morbidity – realized parameters may differ from the ones used for underwriting. For example, higher-than-expected inflation may lead to higher medical claims in the future. However, beneficial deviations can also occur; for example, a lower morbidity rate than expected will most likely result in lower claims.

We measure risks within our internal model, distinguishing, where appropriate, between risks affecting the absolute level and trend development of the actuarial assumptions as well as pandemic risk scenarios. Depending on the nature and complexity of the risk involved, our health business is represented in the internal model according to Property-Casualty or Life/Health calculation methods and is therefore included in the relevant Property-Casualty and Life/Health figures accordingly. However, most of our health business is attributable to the Life/Health business segment.

BUSINESS RISK

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

For the Life/Health business, policyholder behavior risks are risks related to the unpredictable, adverse behavior of policyholders in exercising their contractual options, including for example the early termination of contracts, surrenders, partial withdrawals, renewals, and annuity take-up options.

Assumptions on policyholder behavior are set in line with accepted actuarial methods and are based on own historical data where available. If there is no historical data, assumptions are based on industry data or expert judgment. This is then used as a basis to determine the economic impact of policyholder behavior under different scenarios within our internal model.

OPERATIONAL RISK

Operational risks represent losses resulting from inadequate or failed internal processes, human errors, system failures, and external events, and can stem from a wide variety of sources, for example:

- "Clients, Products & Business Practices": potential losses due to a failure to meet the professional obligations or from the design of products. Examples include misselling, non-compliance with internal or external requirements related to products, anti-trust behavior, data protection, sanctions and embargoes, etc. These losses tend to be of a lower frequency but with a potentially high financial impact.
- "Execution, Delivery and Process Management": potential losses arising from transaction or process management failures. Examples include interest and penalties from non-payment or underpayment of taxes or losses associated with broker and agent distribution processes. These losses tend to be of a relatively higher frequency but with a low financial impact (although single large loss events can occur).
- Other operational risks including, for example, internal or external fraud, financial misstatement risk, a cyber security incident causing business disruption or fines, a potential failure at our outsourcing partners causing a disruption to our working environment, etc.

The operational risk capital of the Group is dominated (more than 80%) by the risk of potential losses within the categories: "Clients, Products, and Business Practices" and "Execution, Delivery, and Process Management". With regard to the largest category "Clients, Products, and Business Practices" (which contributes approximately two-thirds), the key external drivers are changes in laws and regulations. Internal drivers reflect potential failures of internal processes. These drivers are considered in the local scenario analysis.

Operational risk capital is calculated using a scenario-based approach based on expert judgment as well as internal and external operational loss data. The estimates for frequency and severity of potential loss events for each material operational risk category are assessed and used as a basis for our internal model calibration.

Allianz has developed a consistent operational risk management framework, which is applied across the Group and focuses on the early recognition and proactive management of material operational risks. The framework defines roles and responsibilities as well as management processes and methods: Local risk managers, in their capacity as the "second line of defense", identify and evaluate relevant operational risks and control weaknesses via a dialog with the "first line of defense", report operational risk events in a central database, and ensure that the framework is implemented in their respective operating entity.

This framework triggers specific mitigating control programs. For example, compliance risks are addressed via written policies and dedicated compliance programs monitored by the Group Compliance function at Allianz Group. The risk of financial misstatement is mitigated by a system of internal controls covering financial reporting. Outsourcing risks are covered by an Outsourcing Policy, Service Level Agreements, and Business Continuity and Crisis Management programs to protect critical business functions from these events. Cyber risks are mitigated through investments in cyber security and a variety of ongoing control activities.

OTHER RISKS NOT MODELED IN THE INTERNAL MODEL

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

STRATEGIC RISK

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

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

The most important strategic risks are directly addressed through Allianz's Renewal Agenda, which focuses on five themes: True Customer Centricity, Digital by Default, Technical Excellence, Growth Engines, and Inclusive Meritocracy. Progress on mitigating strategic risks and meeting the Renewal Agenda objectives is monitored and evaluated as part of the Strategic and Planning Dialogs between Allianz Group and the related undertakings.

LIQUIDITY RISK

Liquidity risk is defined as the risk that current or future payment obligations cannot be met or can only be met on the basis of adversely altered conditions. Liquidity risk can arise primarily if there are mismatches in the timing of cash in- and out-flows.

Our related undertakings manage liquidity risk locally, using asset/liability management systems designed to ensure that assets and liabilities are adequately matched. Local investment strategies particularly focus on the quality of investments and ensure a significant portion of liquid assets (e.g. high-rated government bonds or covered bonds) in the portfolios. In the course of liquidity planning, we reconcile liquidity sources (e.g. cash from investments and premiums) and liquidity needs (e.g. payments due to insurance claims and expenses) under a best-estimate plan, as well as under idiosyncratic and systemic adverse liquidity scenarios, to allow for a group-wide consistent view on liquidity risks. These analyses are performed at the entity level and are monitored by the Group.

An identical liquidity stress-testing framework is applied to Allianz SE. Major contingent liquidity requirements include market risk scenarios for Allianz SE and its subsidiaries, non-availability of external capital markets, and reinsurance risk scenarios for Allianz SE.

In addition, the accumulated liquidity position of Allianz SE's cash pool is monitored and forecast on a daily basis. It is subject to an absolute minimum strategic cushion amount and an absolute minimum target liquidity amount, while the strategic liquidity planning for Allianz SE over time horizons of twelve months and three years is reported to the Board of Management regularly and strives for the achievement of a target level for the strategic liquidity reserve.

REPUTATIONAL RISK

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

Reputational risk is the risk of an unexpected drop in the value of the Allianz SE share price, the value of the in-force business, or the value of future business caused by a decline in our reputation assessed by external stakeholders.

The identification and assessment of reputational risks is part of the annual Top Risk Assessment process. During this process, senior management decides on a risk management strategy for the most significant risks facing the company, including those with a potentially severe reputational impact. This annual process is supplemented by quarterly updates.

As a subset of reputational risk, the management of Environmental, Social and Governance (ESG) risks is supported by a dedicated Group ESG Board and Group ESG Office[1], which help steer the integration of ESG aspects into core investment and insurance activities. Significant ESG and other reputational risks identified during the course of business are escalated to Group Communications and Corporate Responsibility, Group Risk, and Group ESG experts for assessment and decision-making, with the GFRC acting as the ultimate escalation/decision-making body.

Internal risk capital framework

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

GENERAL APPROACH

We utilize an approach for the management of our risk profile and solvency position that reflects the Solvency II rules, in that it comprises our approved internal model and covers all major insurance operations. Other entities are reflected based on standard formula results, others under the deduction and aggregation approach as well as on sectoral or local requirements for non-insurance operations, in accordance with the Solvency II framework.

INTERNAL MODEL

Our internal model is based on a VaR approach using a Monte Carlo simulation. Following this approach, we determine the maximum loss in portfolio value in scope of the model within a specified timeframe

1_The Allianz Environmental, Social, Governance (ESG) Board and the ESG office are constituted as advisor to the Board of Management of Allianz SE and will further elevate environmental, social, and governance aspects in corporate governance and decision-making processes at the Allianz Group.

("holding period", set at one year) and probability of occurrence ("confidence level", set at 99.5%). We simulate risk events from all risk categories ("sources of risk") modeled and calculate the portfolio value based on the net fair value of assets minus liabilities, including risk mitigating measures like reinsurance contracts or derivatives, under each scenario.

The required risk capital is defined as the difference between the current portfolio value and the portfolio value under adverse conditions at the 99.5% confidence level. As we consider the impact of a negative or positive event on all risk sources and covered businesses at the same time, diversification effects across products and regions are taken into account. The results of our Monte Carlo simulation allow us to analyze our exposure to each source of risk both separately and in aggregate. We also analyze several pre-defined stress scenarios representing historical events, reverse stress tests, and adverse scenarios relevant for our portfolio. Furthermore, we conduct ad-hoc stress tests monthly to reflect current political and financial developments and to analyze specific non-financial risks more closely.

COVERAGE OF THE RISK CAPITAL CALCULATIONS

Allianz's Group internal model to calculate the Solvency Capital Requirement (SCR) covers all major insurance operations[1]. This includes the relevant assets (including fixed income, equities, real estate, and derivatives) and liabilities (including the run-off of all current and planned technical provisions as well as deposits, issued debt and other liabilities). For with-profit products in the Life/Health business segment, the options and guarantees embedded in insurance contracts – including policyholder behavior – are taken into account.

Smaller related undertakings within the European Economic Area which are not covered by the Group internal model are reflected with their standard formula results. At the Group level, the Solvency Capital Requirements for smaller insurance undertakings outside the European Economic Area with only an immaterial impact on the Group's risk profile are accounted for by means of book value deduction.[2]

Risk capital related to our European banking operations is allocated to the Corporate and Other business segment, based on the approach applied by banks in accordance with the local requirements resulting from the Basel regulation (Basel standards). Capital requirements for banks represent an insignificant amount of approximately 0.9% (2017: 1.7%) of our total pre-diversified Group Solvency Capital Requirement. Therefore, risk management with respect to banking operations is not discussed in more detail.

For our Asset Management business segment, we assign internal risk capital requirements based on sectorial regulatory capital requirements. The Asset Management business is mainly affected by operational risks. However, since most of our Asset Management business is not located within the Eurozone, at Group level its participation value bears a foreign exchange rate risk. Our Asset Management business is covered by adequate risk controlling processes, including qualitative risk assessments (such as the Top Risk Assessment) and regular reporting to the Group. As the impact on the Group's total Solvency Capital Requirement is minor, risk management with respect to Asset Management is not discussed in more detail.

Therefore Allianz's risk capital framework covers all material and quantifiable risks. Risks specifically not covered by the internal model include strategic, liquidity, and reputational risks.

ASSUMPTIONS AND LIMITATIONS

RISK-FREE RATE AND VOLATILITY ADJUSTMENT

When calculating the fair values of assets and liabilities, the assumptions regarding the underlying risk-free yield curve are crucial in determining and discounting future cash flows. We apply the methodology provided by the European Insurance and Occupational Pensions Authority (EIOPA) within the technical documentation (EIOPA-BoS-15/035) for the extrapolation of the risk-free interest rate curves beyond the last liquid tenor.[3]

In addition, we adjust the risk-free yield curves by a volatility adjustment (VA) in most markets where a volatility adjustment is defined by EIOPA and approved by the local regulator. This is done to better reflect the underlying economics of our business, as the cash flows of our insurance liabilities are largely predictable. The advantage of being a long-term investor is the opportunity to invest in bonds yielding spreads over the risk-free return and earning this additional yield component over the duration of the bonds. Being a long-term investor mitigates much of the risk of forced selling of debt instruments at a loss prior to maturity.

We take account of this by applying volatility adjustment to mitigate the credit spread risk, which we consider to be less meaningful for long term investors than the default risk. Allianz also models the volatility adjustment dynamically within our approved internal model which differs from the static EIOPA VA concept applied in the standard formula. For risk capital calculations, we assume a dynamic movement of the volatility adjustment broadly consistent with the way the VA would react in practice; however, we base the movement on our own portfolio rather than the EIOPA portfolio. To account for this deviation, Allianz applies a more conservative, reduced application ratio for the dynamic volatility adjustment. Validation is performed regularly to verify the appropriateness and conservativeness of the approach.

VALUATION ASSUMPTIONS: REPLICATING PORTFOLIOS

We replicate the liabilities of our Life/Health insurance business. This technique enables us to represent all product-related options and guarantees, both contractual and discretionary, by means of standard financial instruments. In the risk calculation we use the replicating portfolio to determine and revalue these liabilities under all potentially adverse Monte Carlo scenarios.

DIVERSIFICATION AND CORRELATION ASSUMPTIONS

Our internal model considers concentration, accumulation, and correlation effects when aggregating results at Group level. The resulting diversification reflects the fact that not all potential worst-case losses

1_Allianz Life US is based on third-country equivalence.
2_Under book value deduction, the book value of the respective entity is deducted from eligible Own Funds of the Group.
3_Due to late availability of EIOPA publication, the risk-free interest rate term structure used might slightly differ from the one published by EIOPA.

are likely to materialize at the same time. As we are an integrated financial services provider offering a variety of products across different business segments and geographic regions, diversification is key to our business model.

Diversification typically occurs when looking at combined risks that are not, or only partly, interdependent. Important diversification factors include regions (for example, windstorm in Australia vs. windstorm in Germany), risk categories (for example, market risk vs. underwriting risk), and subcategories within the same risk category (for example commercial vs. personal lines of property and casualty risk). Ultimately, diversification is driven by the specific features of the investment or insurance products in question and their respective risk exposures. For example, an operational risk event at an Australian entity can be considered to be highly independent of a change in credit spreads for a French government bond held by a German entity.

Where possible, we derive correlation parameters for each pair of market risks through statistical analysis of historical data, considering quarterly observations over more than a decade. In case historical data or other portfolio-specific observations are insufficient or unavailable, correlations are set by the Correlation Settings Committee, which combines the expertise of risk and business experts in a well-defined and controlled process. In general, when using expert judgment we set the correlation parameters to represent the joint movement of risks under adverse conditions. Based on these correlations, we use an industry-standard approach, the Gaussian copula, to determine the dependency structure of quantifiable sources of risk within the applied Monte Carlo simulation.

ACTUARIAL ASSUMPTIONS

Our internal model also includes assumptions on claims trends, liability inflation, mortality, longevity, morbidity, policyholder behavior, expense, etc. We use our own internal historical data for actuarial assumptions wherever possible, and also consider recommendations from the insurance industry, supervisory authorities, and actuarial associations. The derivation of our actuarial assumptions is based on generally accepted actuarial methods. Within our internal risk capital and financial reporting framework, comprehensive processes and controls exist for ensuring the reliability of these assumptions.

MODEL LIMITATIONS

As the internal model is based on a 99.5 % confidence level, there is a low statistical probability of 0.5 % that actual losses could exceed this threshold at the Group level in the course of one year.

We use model and scenario parameters derived from historical data, where available, to characterize future possible risk events. If future market conditions differ substantially from the past, for example in an unprecedented crisis, our VaR approach may be too conservative or too liberal in ways that are difficult to predict. In order to mitigate reliance on historical data, we complement our VaR analysis with stress testing.

Furthermore, we validate the model and parameters through sensitivity analyses, independent internal peer reviews, and, where appropriate, independent external reviews, focusing on methods for selecting parameters and control processes. To ensure that the model is validated adequately, we established an Independent Validation Unit (IVU) within Group Risk, responsible for validating our internal model within a comprehensive model validation process. Any limitations identified during the validation process are remedied after consultation with the Group regulator. Overall, we believe that our validation efforts are effective and that the model adequately assesses the risks to which we are exposed.

The construction and application of the replicating portfolios mentioned are subject to the set of available replicating instruments and might be too simple or restrictive to capture all factors affecting the change in value of liabilities. As with other model components, the replications are subject to independent validation and to suitability assessments as well as to stringent data and process quality controls. Therefore, we believe that the liabilities are adequately represented by the replicating portfolios.

Since the internal model takes into account the change in the economic fair value of our assets and liabilities, it is crucial to estimate the market value of each item accurately. For some assets and liabilities it may be difficult, if not impossible – notably in distressed financial markets – to either obtain a current market price or apply a meaningful mark-to-market approach. For such assets we apply a mark-to-model approach. For some of our liabilities, the accuracy of their values also depends on the quality of the actuarial cash flow estimates. Despite these limitations, we believe the estimated fair values are appropriately assessed.

REGULATORY AND MODEL CHANGES IN 2018

In 2018, our internal model was adjusted based on regulatory developments, validation results for our model, and the feedback received during the ongoing consultations with regulators. For the sake of clarity, all model changes and resulting impacts are presented within this section, based on data as of 31 December 2017.

The net impact of regulatory and Group model changes on the Solvency II risk capital of the Group in 2018 was € 0.8 bn. This is mainly driven by regulatory changes such as the reduction in the ultimate forward rate, the reduction in tax rate for Allianz Life US and the inclusion of Euler Re and Allianz Ayudhya Assurance (Thailand) based on their standard formula results. In addition, minor and immaterial model changes also contributed to a further increase of € 0.2 bn. Within these figures, the increase in risk capital was partially offset by the cross effect model change which replaced a conservative calibration with a more accurate modeling approach. Cross effects are defined as the effects arising due to the interaction between different risk categories.

In all subsequent sections, the figures including model changes will form the basis for the movement analysis of our risk profile in 2018.

Allianz Group: Impact of regulatory and model changes – allocated risk according to the risk profile (total portfolio before non-controlling interests)
€ mn

	Market risk		Credit risk		Underwriting risk		Business risk		Operational risk		Diversification		Total	
As of 31 December	2017[1]	2017[2]	2017[1]	2017[2]	2017[1]	2017[2]	2017[1]	2017[2]	2017[1]	2017[2]	2017[1]	2017[2]	2017[1]	2017[2]
Property-Casualty	4,904	4,300	2,281	2,433	10,923	11,417	739	844	1,913	1,875	(5,971)	(4,198)	14,788	16,671
Life/Health	16,016	15,868	2,847	3,851	527	413	3,596	3,556	2,099	1,945	(4,852)	(7,858)	20,233	17,775
Asset Management	170	170	19	19	-	-	-	-	755	755	-	-	943	943
Corporate and Other	1,409	1,279	610	651	191	147	-	-	838	885	(665)	(490)	2,383	2,472
Total Group	**22,499**	**21,617**	**5,757**	**6,954**	**11,641**	**11,978**	**4,335**	**4,400**	**5,605**	**5,459**	**(11,488)**	**(12,546)**	**38,348**	**37,862**
												Tax	(4,258)	(4,545)
												Total Group	**34,091**	**33,317**

1_2017 risk profile figures recalculated based on model changes in 2018 and the impact of minor and immaterial model changes were allocated proportionally. Tax estimated with yearend 2018 results.
2_2017 risk profile figures as reported previously.

In 2018, the impact of the model changes to our internal model focused on the following risk categories:

MARKET RISK
The impacts of minor, immaterial model and regulatory changes – mostly allocated to market risk – overcompensated the positive impact of the cross effect model change. The resulting overall increase in market risk impacted all segments with the largest impact seen for the Property-Casualty business segment. The combined impact of the regulatory and model changes on the total market risk of Allianz was an increase of € 0.9 bn to € 22.5 bn (2017: € 21.6 bn).

CREDIT RISK
Credit risk was reduced by € 1.2 bn to € 5.8 bn (2017: € 7.0 bn) primarily in the Life/Health business segment, due to the introduction of the cross effect model change which isolated the cross effects between credit and market risks.

Other immaterial credit risk model changes in 2018 were related to changes to internal rating models for specific asset classes.

UNDERWRITING RISK

Property-Casualty
The decrease in underwriting risk in the Property-Casualty business segment was mainly driven by the central correlation matrix update and some immaterial local model changes.

Life/Health
The increase in underwriting risk seen for the business segments Life/Health and Corporate/Other was mainly driven by the cross effect central model change as it reduced the diversification for multiple biometric risk factors.

BUSINESS RISK
The slight decrease of the overall business risk was mainly driven by the cross effect model change due to a more granular modeling of lapse risk for the Life/Health business segment and subsequent correlation adjustments versus the lapse risk for the Property-Casualty business segment.

OPERATIONAL RISK
No material operational risk model change has been applied in 2018.

IMPACT OF MODEL CHANGES ON ELIGIBLE GROUP OWN FUNDS
The regulatory and model changes in 2018 resulted in a € 0.7 bn increase of Own Funds, mainly driven by a change in the ZZR (Zinszusatz Reserve, an additional required reserve built up to counteract the low interest rate environment) at Allianz Leben, the inclusion of Allianz Ayudhya Assurance (Thailand) into the standard formula, and the impact from introducing a regulatory required transferability restriction for the Own Funds of Allianz Life US.

Allianz risk profile and management assessment

RISK PROFILE AND MARKET ENVIRONMENT
The Allianz Group is exposed to a variety of risks. The largest risks in terms of their contribution to Allianz's risk profile are:

- Market risk, especially equity risk, credit and credit spread risks driven by assets backing long-term liabilities, which we take to benefit from the expected risk premium; interest rate risk has reduced substantially due to duration management activities.
- Property-Casualty premium and reserve risks resulting from natural and man-made catastrophes as well as from claims uncertainty.

The risk profile and relative contributions have changed in 2018, predominantly due to changes in the market environment as well as to management actions such as the decrease in asset/liability duration mismatch, the reduction of exposures to some sovereign bond investments, and the significant increase in exposures to real estate and infrastructure investments. The regulatory and other model changes also contributed to the change.

POTENTIAL RISKS IN THE FINANCIAL MARKET AND IN OUR OPERATING ENVIRONMENT

Financial markets are characterized by historically low interest rates and risk premiums, prompting some investors to look for higher-yielding – and potentially higher-risk – investments. In addition to sustained low interest rates, the challenges of implementing long-term structural reforms in key Eurozone countries, the uncertainty about future monetary and fiscal policies, rising populism, and increased trade tension may lead to increasing market volatility. This could be accompanied by a flight to quality, combined with falling equity and bond prices due to rising spread levels, even in the face of potentially lower interest rates. We therefore continue to closely monitor political and financial developments – such as the Brexit in the United Kingdom and the potential rise of Euroscepticism, and the global trade situation – in order to manage our overall risk profile to specific event risks.

Risk caused by Brexit in the United Kingdom

Political risk is the risk that returns could suffer as a result of political changes or instability in a country, region or globally, for example Brexit (i.e. the withdrawal of the United Kingdom from the European Union). The Allianz Group is exposed to Brexit through business and insurance / derivative contract continuity risk, and the impact on earnings and solvency.

Based on our assessments, the Allianz Group is well prepared for the Brexit and confident that it will have only minimal direct impact on both the Group and its activities. This is because our insurance, asset management and investment management entities have taken actions to ensure that they are in the position to handle various Brexit scenarios, for example:

- Allianz insurance and asset management entities will be able to continue coverage and services by using legal possibilities such as Temporary Permission, Run off Regimes and/or Branch solutions depending on the respective business case.
- No issues are expected regarding derivatives, since all outstanding derivatives will be valid for at least one year post Brexit and new and rolled derivatives will be placed to minimize the implications.
- Even under conservative assumptions (driven by assumed adverse financial market developments), the Group will remain well capitalized.

REGULATORY DEVELOPMENTS

As Solvency II became effective in 2016, our approved Group internal model has been applied since the beginning of that year. There is still uncertainty about future regulatory requirements, as the future capital requirements for Global Systemically Important Insurers (so-called G-SIIs) are yet to be finalized.

In addition, future Solvency II capital requirements might change depending on the outcome of the 2020 review of the Solvency II framework by EIOPA. Finally, the potential for a multiplicity of different regulatory regimes, capital standards, and reporting requirements will increase operational complexity and costs.

MANAGEMENT ASSESSMENT

The Allianz Group's management feels comfortable with the Group's overall risk profile and has confidence in the effectiveness of its risk management framework to meet both, the challenges of a rapidly changing environment and the day-to-day business needs. This confidence is based on several factors, which are summarized below:

- Due to its effective capital management, the Allianz Group is well capitalized and has met its internal, rating agency, and regulatory solvency targets as of 31 December 2018. Allianz remains one of the most highly rated insurance groups in the world, as reflected by our external ratings.
- Allianz is well positioned to deal with potentially adverse future events – due, in part, to our strong internal limit framework, stress testing, internal model, and risk management practices.
- The Group has a conservative investment profile and disciplined business practices in the Property-Casualty, Life/Health, and Asset Management business segments, leading to sustainable operating earnings with a well-balanced risk-return profile.
- Finally, the Group has the additional advantage of being well-diversified, both geographically and across a broad range of businesses and products.

SOLVENCY II REGULATORY CAPITALIZATION

The Allianz Group's Own Funds and capital requirements are based on the market value balance sheet approach consistent with the economic principles of Solvency II[1]. Our regulatory capitalization is shown in the following table.

Allianz Group: Solvency II regulatory capitalization

As of 31 December		2018	2017
Own Funds	€ bn	76.8	76.4
Capital requirement	€ bn	33.5	33.3
Capitalization ratio	%	229	229

The following table summarizes our Solvency II regulatory capitalization ratios disclosed over the course of the year 2018.

Allianz Group: Solvency II regulatory capitalization ratios
%

	31 Dec 2018	30 Sept 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017
Capitalization ratio	229	229[1]	230	225	229[1]

1_Includes share buy-back.

Compared to year-end 2017, our Solvency II capitalization ratio remained stable at 229% as the increase in Own Funds was completely offset by a corresponding increase in the Solvency II capital requirement. This was due to compensating effects. Over the course of the year, strong Solvency II earnings had a positive impact on our Solvency II capitalization. However, this positive effect was partly offset by capital management activities such as the share buy-back program and the dividend accrual, as well as by management actions such as the buyout of the non-controlling interests of Euler Her-

1_Own Funds and capital requirement are calculated under consideration of volatility adjustment and yield curve extension, as described in section "Risk-free rate and volatility adjustment".

mes, the sale of Oldenburgische Landesbank Aktiengesellschaft, the decrease in exposures to some government bonds, and the improvement of our interest rate risk profile. The regulatory and model changes and the unfavorable markets – characterized by higher credit spreads and lower equity prices – also contributed to this compensating effect, along with other impacts such as taxes, changes in transferability restrictions, and diversification effects.

The following table presents the sensitivities of our Solvency II capitalization ratio under certain standard financial scenarios.

Allianz Group: Solvency II regulatory capitalization ratio sensitivities
%

As of 31 December	2018	2017
Base capitalization ratio	229	229
Interest rates up by 0.5 %[1]	231	231
Interest rates down by 0.5 %[1]	226	218
Equity prices up by 30 %	238	240
Equity prices down by 30 %	221	223
Combined scenario: Equity prices down by 30 % Interest rate down by 0.5 %[1]	217	212

1_Non-parallel interest rate shifts due to extrapolation of the yield curve beyond the last liquid point in line with Solvency II rules.

The Allianz Group is a financial conglomerate within the scope of the Financial Conglomerate Directive (FCD). The FCD does not impose a materially different capital requirement on Allianz Group compared to Solvency II.

Quantifiable risks and opportunities by risk category

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

At the Allianz Group, we measure and steer risk based on an approved internal model which measures the potential adverse developments of Own Funds. The results provide an overview of how our risk profile is distributed over different risk categories, and determines the regulatory capital requirements in accordance with Solvency II.

With the exception of the Asset Management business segment, all business segments are exposed to the full range of risk categories. As mentioned earlier, the Asset Management business segment is predominantly exposed to operational and market risks and to a lesser extent to credit risk.

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

The Group diversified risk is broken down as follows:

Allianz Group: Allocated risk according to the risk profile (total portfolio before non-controlling interests)
€ mn

	Market risk		Credit risk		Underwriting risk		Business risk		Operational risk		Diversification		Total	
As of 31 December	2018	2017[1]	2018	2017[1]	2018	2017[1]	2018	2017[1]	2018	2017[1]	2018	2017[1]	2018	2017[1]
Property-Casualty	4,969	4,904	2,341	2,281	11,257	10,923	724	739	1,742	1,913	(4,967)	(5,971)	16,067	14,788
Life/Health	15,646	16,016	2,712	2,847	416	527	3,886	3,596	2,024	2,099	(6,048)	(4,852)	18,636	20,233
Asset Management	180	170	20	19	-	-	-	-	802	755	-	-	1,002	943
Corporate and Other	1,306	1,409	533	610	98	191	-	-	578	838	(476)	(665)	2,040	2,383
Total Group	**22,102**	**22,499**	**5,607**	**5,757**	**11,771**	**11,641**	**4,610**	**4,335**	**5,146**	**5,605**	**(11,491)**	**(11,488)**	**37,745**	**38,348**
												Tax	(4,258)	(4,258)
												Total Group	**33,487**	**34,091**

1_2017 risk profile figures recalculated based on model changes in 2018 and the impacts of minor and immaterial model changes were allocated proportionally. Tax estimated with year-end 2018 results.

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

As of 31 December 2018, the Group diversified risk capital reflecting our risk profile before considering non-controlling interests amounted to € 33.5 bn (2017: € 33.3 bn). This represents a slight reduction in the diversification benefit – before tax – of 1.6 % to 23.3 %. The marginal increase in Solvency II capital requirement was mainly due to regulatory and model changes such as including Euler Re and Allianz Ayudhya Assurance (Thailand), based on their standard formula results, and the reduction of the ultimate forward rate. Business evolution also slightly increased the SCR, due to higher net earned premiums in the Property-Casualty business segment. This was partially offset by the effect of management actions and exposure updates such as the buyout of Euler Hermes and the sale of Oldenburgische Landesbank Aktiengesellschaft as well as market devel- developments – specifically the decrease in equity indices.

MARKET RISK

The following table presents our group-wide risk figures related to market risks by business segment and source of risk.

Allianz Group: Risk profile – market risk by business segment and source of risk (total portfolio before tax and non-controlling interests)
pre-diversified, € mn

	Interest rate		Inflation		Credit spread		Equity		Real estate		Currency		Total	
As of 31 December	2018	2017[1]	2018	2017[1]	2018	2017[1]	2018	2017[1]	2018	2017[1]	2018	2017[1]	2018	2017[1]
Property-Casualty	(478)	(369)	(1,608)	(1,292)	3,013	3,043	2,679	2,476	1,339	982	24	64	4,969	4,904
Life/Health	1,838	3,030	(246)	(92)	6,459	5,850	6,155	6,565	1,458	851	(18)	(188)	15,646	16,016
Asset Management	30	28	-	-	-	-	30	28	30	28	90	85	180	170
Corporate and Other	288	345	(345)	(412)	702	748	679	465	115	99	(132)	163	1,306	1,409
Total Group	**1,678**	**3,035**	**(2,200)**	**(1,796)**	**10,174**	**9,641**	**9,544**	**9,535**	**2,942**	**1,961**	**(36)**	**124**	**22,102**	**22,499**
									Share of total Group pre-diversified risk				44.9 %	45.1 %

1_2017 risk profile figures recalculated based on model changes in 2018 and the impacts of minor and immaterial model changes were allocated proportionally.

The Group's total pre-diversified market risk decreased by € 0.4 bn, which was mainly driven by interest rate and inflation risk, especially in the Life/Health business segment, with increases in credit spread and real estate risk creating a dampening effect. The decrease in interest rate risk was driven by management actions – in particular duration management measures – that improved the interest rate risk profile. The impact of widening credit spreads observed in financial markets was compensated by decreasing rates and the corresponding changes in the fixed-income investment portfolio. Real estate risk increased due to higher exposure in real estate and infrastructure investments. The overall reduction in market risk was also supported by exposure changes due to ALM measures and the corresponding effects on the diversification between market risk factors.

INTEREST RATE RISK

As of 31 December 2018, our interest-rate-sensitive investments excluding unit-linked business – amounting to a market value of € 421.3 bn (2017: € 427.3 bn)[1] – would have gained € 42.1 bn (2017: € 41.6 bn) or lost € 36.4 bn (2017: € 36.1 bn)[2] in value in the event of interest rates changing by - 100 and + 100 basis points, respectively. However, these impacts would have been partially offset by policyholder participation. In addition, the Solvency II Own Funds effect is much more limited due to our active duration management, limiting our duration mismatch to a positive 0.2 years, representing assets of longer duration than Solvency II liabilities.

EQUITY RISK

As of 31 December 2018, our investments excluding unit-linked business that are sensitive to changing equity markets – amounting to a market value of € 59.4 bn[3] (2017: € 57.1 bn) – would have lost € 12.4 bn[4] (2017: € 14.9 bn) in value assuming equity markets declined by 30 %. However, this impact would have been partially offset by policyholder participation.

REAL ESTATE RISK

As of 31 December 2018, about 6.0 % (2017: 4.0 %) of the total pre-diversified risk was related to real estate exposures.

1_The stated market value includes all assets whose market value is sensitive to interest rate movements (excluding unit-linked business) reflecting the Solvency II framework, and therefore is not based on classifications given by accounting principles.
2_The effects do not consider policyholder participation.
3_The stated market value includes all assets whose market value is sensitive to equity movements (excluding unit-linked business) reflecting the Solvency II framework, and therefore is not based on classifications given by accounting principles.
4_The effect does not consider policyholder participation.

CREDIT RISK

The following table presents our group-wide risk figures related to credit risks by business segment.

Allianz Group: Risk profile – allocated credit risk by business segment (total portfolio before tax and non-controlling interests)
pre-diversified

As of 31 December		2018	2017[1]
Property-Casualty	€ mn	2,341	2,281
Life/Health	€ mn	2,712	2,847
Asset Management	€ mn	20	19
Corporate and Other	€ mn	533	610
Total Group	**€ mn**	**5,607**	**5,757**
Share of total Group pre-diversified risk	%	11.4	11.6

1_2017 risk profile figures recalculated based on model changes in 2018 and the impacts of minor and immaterial model changes were allocated proportionally.

Throughout 2018, the credit environment remained stable with regard to credit migration risk and default risk.

The overall credit risk for the Allianz Group decreased marginally by € 0.2 bn to € 5.6 bn (2017: € 5.8 bn). This was mainly driven by the annual update of credit risk parameters based on new empirical data – such as the transition matrix and asset correlations – as well as an increased loss-absorbing capacity of technical provisions in the traditional life business, which decreased credit risk after considering policyholder participation.

These effects were partially offset by a slightly different interest rate environment compared to previous year, which generally increased credit risk exposures thereby increasing credit risk.

CREDIT RISK – INVESTMENTS

As of 31 December 2018, the credit risk arising from our investment portfolio accounted for 79.2 % (2017: 85.2 %) of our total Group pre-diversified internal credit risk[1], with the relative decrease mainly driven by the introduction of the cross effect model change.

Credit risk in the Life/Health business segment is primarily driven by long-term assets covering long-term liabilities. Typical investments are government bonds, senior corporate bonds, covered bonds, self-originated mortgages and loans, and a modest amount of derivatives. In the Property-Casualty business segment, fixed-income securities tend to be short- to mid-term, due to the nature of the business, which explains the lower credit risk in this segment.

The counterparty credit risk arising from derivatives is low, since derivatives usage is governed by the group-wide internal guidelines for collateralization of derivatives, which stipulates master netting and collateral agreements with each counterparty and requires high-quality and liquid collateral. In addition, Allianz closely monitors the credit ratings of counterparties and exposure movements.

As of 31 December 2018, the rating distribution based on issue (instrument) ratings of our fixed-income portfolio was as follows:

Rating distribution of Allianz Group's fixed-income portfolio[1] – fair value
€ bn

Type of issuer	Government / agency		Covered bond		Corporate		Banks		ABS / MBS		Short-term loan		Other		Total	
As of 31 December	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
AAA	43.9	42.8	49.0	55.0	2.1	2.0	2.6	1.7	18.1	16.9	-	-	-	-	115.6	118.4
AA	93.8	93.4	18.6	15.8	23.0	21.7	5.0	4.4	3.9	2.9	1.5	0.9	-	-	145.9	139.1
A	30.1	19.4	6.7	9.8	53.0	56.1	16.0	15.7	1.0	1.1	0.5	0.4	0.3	0.4	107.7	103.0
BBB	33.6	47.7	1.8	2.3	104.2	100.2	7.3	7.3	0.5	0.4	0.5	0.4	1.4	0.3	149.2	158.7
BB	5.0	5.4	-	-	6.4	5.0	0.6	0.7	0.1	0.1	0.1	0.2	-	-	12.2	11.5
B	3.3	2.8	-	-	1.3	1.0	0.2	0.1	0.1	0.1	-	-	-	-	4.9	4.0
CCC	-	-	-	-	0.2	0.3	-	-	0.1	0.1	-	-	-	-	0.3	0.3
CC	-	-	-	-	-	-	-	-	0.1	0.1	-	-	-	-	0.1	0.1
C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
D	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Not rated	1.8	2.1	-	0.1	10.2	9.2	0.6	0.6	0.1	-	0.4	1.1	5.1	4.9	18.3	18.0
Total	**211.6**	**213.6**	**76.1**	**83.0**	**200.4**	**195.6**	**32.2**	**30.6**	**24.1**	**21.7**	**3.0**	**3.1**	**6.8**	**5.6**	**554.3**	**553.1**

1_In accordance with the Group Management Report, figures stated include investments of Banking and Asset Management. Table excludes private loans. Stated market values include investments not in scope of the Solvency II framework.

CREDIT RISK – CREDIT INSURANCE

As of 31 December 2018, 11.5 % (2017: 9.6 %) of our total Group pre-diversified internal credit risk was allocated to Euler Hermes credit insurance exposures, for which the relative increase is primarily driven by the lower credit risk of the investment portfolio.

CREDIT RISK – REINSURANCE

As of 31 December 2018, 1.3 % (2017: 0.7 %) of our total Group pre-diversified internal credit risk was allocated to reinsurance exposures – of which 51.7 % (2017: 51.8 %) was related to reinsurance counterparties in the United States and Germany.

While 76.9 % (2017: 69.8 %) of the Allianz Group's reinsurance recoverables were distributed among reinsurers that had been assigned an investment-grade rating, the non-rated reinsurance recoverables represented 23.1 % (2017: 30.1 %). For substantial exposures to non-rated captives, risk mitigating techniques such as collateral agreements or funds-withheld concepts are in place.

Reinsurance recoverables by rating class[1]
€ bn

As of 31 December	2018	2017
AAA	0.02	0.01
AA+ to AA-	5.42	6.47
A+ to A-	1.72	4.94
BBB+ to BBB-	6.31	0.33
Non-investment grade	0.01	0.01
Not assigned	4.05	5.08
Total	**17.52**	**16.85**

1_Represents gross exposure for external reinsurance broken down by reinsurer. Overall exposure increases mainly due to changed methodology for determining reinsurance exposure subject to credit risk.

1_Additionally, 7.9 % (2017: 4.5 %) of our total Group pre-diversified internal credit risk is allocated to receivables, potential future exposure for derivatives and reinsurance, and other off-balance sheet exposures.

UNDERWRITING RISK

The following table presents the pre-diversified risk calculated for underwriting risks associated with our insurance business.

Allianz Group: Risk profile – allocated underwriting risk by business segment and source of risk (total portfolio before non-controlling interests)[1]
pre-diversified, € mn

	Premium natural catastrophe		Premium terror		Premium non-catastrophe		Reserve		Biometric		Total	
As of 31 December	2018	2017[2]	2018	2017[2]	2018	2017[2]	2018	2017[2]	2018	2017[2]	2018	2017[2]
Property-Casualty	827	814	64	29	5,087	4,939	5,196	4,997	82	144	11,257	10,922
Life/Health	-	-	-	-	-	-	-	-	416	528	416	528
Asset Management	-	-	-	-	-	-	-	-	-	-	-	-
Corporate and Other	-	-	-	-	-	-	-	-	98	191	98	191
Total Group	**827**	**814**	**64**	**29**	**5,087**	**4,939**	**5,196**	**4,997**	**597**	**863**	**11,771**	**11,641**
								Share of total Group pre-diversified risk			23.91 %	23.46 %

1_As risks are measured in an integrated approach and on an economic basis, internal risk profile takes reinsurance effects into account.
2_2017 risk profile figures recalculated based on model changes in 2018 and the impacts of minor and immaterial model changes were allocated proportionally.

PROPERTY-CASUALTY

During 2018, the total of the stand-alone underwriting risk capital on a Group diversified basis decreased by € 0.1 bn. This slight decrease was mainly driven by exposure and model updates as well as immaterial model changes at the local level. The remaining difference is due to diversification effects with other underwriting risk categories.

Overall, the underwriting risk profile for Allianz Group is not expected to change materially, as we do not plan to significantly change our underwriting standards (Allianz Standard for P&C Underwriting), or our Group natural catastrophe, man-made or terror risk appetite and the associated retrocession reinsurance strategy.

The loss ratios for the Property-Casualty business segment can be seen in the following table:

Property-Casualty loss ratios[1] for the past ten years
%

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Loss ratio	66.0	66.5	65.6	66.2	66.0	65.9	68.3	69.9	69.1	69.5
Loss ratio excluding natural catastrophes	64.0	64.2	64.2	64.6	65.1	63.0	66.6	65.5	65.9	68.4

1_Represents claims and insurance benefits incurred (net), divided by premiums earned (net).

The top three perils contributing to the natural catastrophe risk as of 31 December 2018 were: windstorms in Europe, floods in Germany, and earthquakes in Australia.

LIFE/HEALTH

The risk capital contribution of biometric risk decreased by € 0.3 bn compared to the previous year (after considering model changes). This is mainly due to the annual central and local updates of the longevity risk model. The contributions from the Property-Casualty and the Corporate and Other business segments are generated by the longevity risk of the internal pension schemes they contain.

Due to effective product design and the diversity of our products, there were no significant concentrations of underwriting risks within our Life/Health business segment.

BUSINESS RISK

There was no significant impact on the overall business risk from regular model updates or the evolution of our business. The contribution of business risk increased by € 0.3 bn to € 4.6 bn.

OPERATIONAL RISK

The slight decrease in risk capital for operational risks was driven by the annual regular update of local parameters. The majority of the different operational risk categories contributed to the decrease, however the main improvement was due to the category "capture, execution and maintenance of transactions" and the consideration of a cyber insurance policy purchased by the Group. Foreign currency exchange effects played a secondary role.

LIQUIDITY RISK

Detailed information regarding the Allianz Group's liquidity risk exposure, liquidity, and funding – including changes in cash and cash equivalents – is provided in Liquidity and Funding Resources from **page 69** onwards and in notes 13, 19 and 35 to the Consolidated Financial Statements. As inferred from the section on the management of liquidity risks, they are quantified and monitored through regular stress test reporting and properly managed but are not quantified for risk capital purposes.

CONTROLS OVER FINANCIAL REPORTING

The following information is provided pursuant to §289(4) and §315(4) of the German Commercial Code ("Handelsgesetzbuch – HGB").

In line with both our prudent approach to risk governance and compliance with regulatory requirements, we have created a structure to identify and mitigate the risk of material errors in our Consolidated Financial Statements (this also includes our market value balance sheet and risk capital controls)[1]. Our system of internal control over financial reporting (ICOFR) is regularly reviewed and updated. ICOFR is split into an Entity-Level Control Assessment Process (ELCA), IT General Controls (ITGC) and controls at process levels. The ELCA framework contains controls to monitor the system of governance effectiveness. In the ITGC framework we have implemented, for example, controls for access right management and for project and change management. We are in the process of including the current ICOFR framework in an Integrated Risk and Control System (IRCS). The IRCS is split into three main components: Reporting Risk (currently ICOFR), Compliance Risk, and Operational Risk (incl. IT Risks).

ACCOUNTING AND CONSOLIDATION PROCESSES

The accounting and consolidation processes we use to produce Consolidated Financial Statements are based on a central consolidation and reporting IT solution and local general ledger solutions. The latter are largely harmonized throughout the Group, using standardized processes, master data, posting logics, and interfaces for data delivery to the Holding. Access rights to accounting systems are managed according to strict authorization procedures.

Accounting rules for the classification, valuation, and disclosure of all items in the balance sheet, the income statement, and notes related to the annual and interim financial statements are defined primarily in our Group accounting manual. Internal controls are embedded in the accounting and consolidation processes to safeguard the accuracy, completeness, and consistency of the information provided in our financial statements.

INTERNAL CONTROL SYSTEM APPROACH

Our approach can be summarized as follows:

- We use a top-down, risk-based approach to determine the accounts and operating entities that should fall under the scope of our system of internal control over financial reporting (as well as IRCS). The methodology is described in our ICOFR manual and the IRCS Guideline. During the scoping process, both materiality and susceptibility to a misstatement are considered simultaneously. In addition to the quantitative calculation, we also consider qualitative criteria – such as expected increase in business volume – which are provided by different Group centers, Group Audit, and external audit.
- Then, our local entities identify risks that could lead to material financial misstatements, including all relevant root causes (i.e. human processing errors, fraud, system shortcomings, external factors, etc.).
- Preventive and detective key controls to address financial reporting risks have been put in place to reduce the likelihood and impact of financial misstatements. If a potential risk materializes, actions are taken to reduce the impact of the financial misstatement. Given the strong dependence of financial reporting processes on information technology systems, we also implement IT controls.
- Finally, we focus on ensuring that controls are appropriately designed and effectively executed to mitigate risk. We have set consistent documentation requirements across the Allianz Group for elements such as processes, related key controls, and execution. We conduct an annual assessment of our control system to maintain and continuously enhance its effectiveness. Group Audit and local internal audit functions ensure that the overall quality of our control system is subjected to regular control-testing, to assure reasonable design and operating effectiveness. Internal Audit does so through a comprehensive risk-based approach, which assesses the key controls of the company's internal procedures and processes, including local and group-internal controls over financial reporting risks, from an integrated perspective.

GOVERNANCE

Responsibility for ensuring the completeness, accuracy, and reliability of our Consolidated Financial Statements rests with the Chairman of the Allianz SE Board of Management, as well as the board member responsible for Finance, Controlling, and Risk, supported by Group center functions, the Group Disclosure Committee, and operating entities.

The Group Disclosure Committee ensures that these board members are made aware of all material information that could affect our disclosures, and assesses the completeness and accuracy of the information provided in the quarterly statements, half-yearly, and annual financial reports as well as in the Solvency II qualitative reports[2]. In 2018, the Group Disclosure Committee met on a quarterly basis before the quarterly statements and financial reports were issued. An additional meeting was held prior to issuance of the Solvency II qualitative reports.

Subsidiaries within the scope of our control system are individually responsible for adhering to the Group's internal governance and control policy and for creating local Disclosure Committees that are similar to the Group-level committee. The entities' CEOs and CFOs provide periodic sign-offs to the management of Allianz SE, certifying the effectiveness of their local systems of internal control as well as the completeness, accuracy, and reliability of financial data reported to the Holding.

1_For further information on our risk management system, please refer to the Risk and Opportunity Report.

2_Solvency Financial Condition Report and Regular Supervisory Report.

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CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED BALANCE SHEETS

Consolidated balance sheets
€ mn

As of 31 December	Note	2018	2017
ASSETS			
Cash and cash equivalents		17,234	17,119
Financial assets carried at fair value through income	5	7,611	8,177
Investments	6	550,923	546,828
Loans and advances to banks and customers	7	108,270	104,224
Financial assets for unit-linked contracts		115,361	119,141
Reinsurance assets	8	16,400	16,375
Deferred acquisition costs[1]	9	27,709	23,184
Deferred tax assets	32	959	931
Other assets	10	39,209	37,731
Non-current assets and assets of disposal groups classified as held for sale	3	125	14,329
Intangible assets	11	13,767	13,262
Total assets		**897,567**	**901,300**
LIABILITIES AND EQUITY			
Financial liabilities carried at fair value through income[1,2]		11,626	11,291
Liabilities to banks and customers	12	14,222	12,746
Unearned premiums	13	22,891	21,442
Reserves for loss and loss adjustment expenses	14	73,054	73,292
Reserves for insurance and investment contracts[1]	15	529,687	513,687
Financial liabilities for unit-linked contracts	16	115,361	119,141
Deferred tax liabilities	32	4,080	4,906
Other liabilities	17	40,232	39,639
Liabilities of disposal groups classified as held for sale	3	62	13,662
Certificated liabilities	18	9,199	9,596
Subordinated liabilities	18	13,475	13,295
Total liabilities		833,888	832,698
Shareholders' equity		61,232	65,553
Non-controlling interests		2,447	3,049
Total equity	19	63,679	68,602
Total liabilities and equity		**897,567**	**901,300**

1_For 2018, the amounts include the impact from changes related to fixed index annuities. For further information, please refer to note 2, chapter reserves for insurance and investment contracts, paragraph aggregate policy reserves.
2_Include mainly derivative financial instruments.

CONSOLIDATED INCOME STATEMENTS

Consolidated income statements
€ mn

	Note	2018	2017
Gross premiums written		77,824	77,345
Ceded premiums written		(5,141)	(4,912)
Change in unearned premiums (net)		(1,211)	(1,007)
Premiums earned (net)	20	71,472	71,427
Interest and similar income	21	21,616	21,848
Income from financial assets and liabilities carried at fair value through income (net)[1]	22	(3,301)	(1,204)
Realized gains/losses (net)	23	6,096	6,546
Fee and commission income	24	11,534	10,937
Other income		24	36
Total income		107,442	109,590
Claims and insurance benefits incurred (gross)		(54,459)	(56,644)
Claims and insurance benefits incurred (ceded)		2,302	5,427
Claims and insurance benefits incurred (net)	25	(52,157)	(51,218)
Change in reserves for insurance and investment contracts (net)[1]	26	(9,684)	(14,427)
Interest expenses	27	(1,035)	(1,149)
Loan loss provisions		(2)	(25)
Impairments of investments (net)	28	(3,152)	(1,160)
Investment expenses	29	(1,333)	(1,269)
Acquisition and administrative expenses (net)[1]	30	(24,600)	(25,702)
Fee and commission expenses	31	(4,302)	(3,857)
Amortization of intangible assets		(375)	(154)
Restructuring charges		(398)	(477)
Other expenses		(6)	(5)
Total expenses		(97,043)	(99,442)
Income before income taxes[1]		**10,399**	**10,148**
Income taxes	32	(2,696)	(2,941)
Net income		**7,703**	**7,207**
Net income attributable to:			
Non-controlling interests		241	404
Shareholders		7,462	6,803
Basic earnings per share (€)	40	17.43	15.24
Diluted earnings per share (€)	40	17.30	15.23

1_For 2018, the amounts include the impact from changes related to fixed index annuities. For further information, please refer to note 2, chapter reserves for insurance and investment contracts, paragraph aggregate policy reserves.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Consolidated statements of comprehensive income
€ mn

	2018	2017
Net income	**7,703**	**7,207**
Other comprehensive income		
Items that may be reclassified to profit or loss in future periods		
Foreign currency translation adjustments		
Reclassifications to net income	-	1
Changes arising during the year	167	(2,036)
Subtotal	167	(2,035)
Available-for-sale investments		
Reclassifications to net income	(377)	(986)
Changes arising during the year	(4,950)	1,358
Subtotal	(5,327)	373
Cash flow hedges		
Reclassifications to net income	(14)	(55)
Changes arising during the year	8	31
Subtotal	(6)	(24)
Share of other comprehensive income of associates and joint ventures		
Reclassifications to net income	-	-
Changes arising during the year	(79)	(78)
Subtotal	(79)	(78)
Miscellaneous		
Changes arising during the year	(124)	19
Subtotal	(124)	19
Items that may never be reclassified to profit or loss		
Changes in actuarial gains and losses on defined benefit plans	326	100
Total other comprehensive income	(5,043)	(1,645)
Total comprehensive income	**2,661**	**5,563**
Total comprehensive income attributable to:		
Non-controlling interests	153	393
Shareholders	2,507	5,170

For further information on the income taxes associated with different components of other comprehensive income, please see note 32.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Consolidated statements of changes in equity

€ mn

	Paid-in capital	Retained earnings	Foreign currency translation adjustments	Unrealized gains and losses (net)	Share-holders' equity	Non-controlling interests	Total equity
Balance as of 1 January 2017	**28,928**	**27,087**	**(762)**	**11,830**	**67,083**	**3,052**	**70,135**
Total comprehensive income[1]	-	6,820	(1,973)	323	5,170	393	5,563
Paid-in capital	-	-	-	-	-	-	-
Treasury shares	-	41	-	-	41	-	41
Transactions between equity holders[2,3]	-	(3,340)	(13)	21	(3,331)	(145)	(3,476)
Dividends paid[4]	-	(3,410)	-	-	(3,410)	(251)	(3,661)
Balance as of 31 December 2017	**28,928**	**27,199**	**(2,749)**	**12,175**	**65,553**	**3,049**	**68,602**
Total comprehensive income[1]	-	7,592	162	(5,247)	2,507	153	2,661
Paid-in capital	-	-	-	-	-	-	-
Treasury shares	-	32	-	-	32	-	32
Transactions between equity holders[2,3]	-	(3,428)	(21)	17	(3,432)	(510)	(3,942)
Dividends paid[4]	-	(3,428)	-	-	(3,428)	(245)	(3,673)
Balance as of 31 December 2018	**28,928**	**27,967**	**(2,607)**	**6,945**	**61,232**	**2,447**	**63,679**

1_Total comprehensive income in shareholders' equity for the year ended 31 December 2018 comprises net income attributable to shareholders of € 7.462 mn (2017: € 6,803 mn).
2_Includes income taxes within retained earnings.
3_For further information regarding the share buy-back program 2018, please refer to note 19.
4_In the second quarter of 2018, a dividend of € 8.00 (2017: € 7.60) per qualifying share was paid to the shareholders.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Consolidated statements of cash flows

€ mn

	2018	2017
SUMMARY		
Net cash flow provided by operating activities	25,672	33,188
Net cash flow used in investing activities	(19,310)	(24,755)
Net cash flow used in financing activities	(6,821)	(5,027)
Effect of exchange rate changes on cash and cash equivalents	41	(749)
Change in cash and cash equivalents	(416)	2,656
Cash and cash equivalents at beginning of period	17,119	14,463
Cash and cash equivalents reclassified to assets of disposal groups held for sale and disposed of in 2018	531	-
Cash and cash equivalents at end of period	**17,234**	**17,119**
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	**7,703**	**7,207**
Adjustments to reconcile net income to net cash flow provided by operating activities		
Share of earnings from investments in associates and joint ventures	(228)	(506)
Realized gains/losses (net) and impairments of investments (net) of:		
Available-for-sale and held-to-maturity investments, investments in associates and joint ventures, real estate held for investment, loans and advances to banks and customers, non-current assets and disposal groups classified as held for sale	(2,945)	(5,452)
Other investments, mainly financial assets held for trading and designated at fair value through income	5,256	(2,481)
Depreciation and amortization	1,586	1,544
Loan loss provisions	2	25
Interest credited to policyholder accounts	3,811	4,868
Net change in:		
Financial assets and liabilities held for trading	(3,368)	5,144
Reverse repurchase agreements and collateral paid for securities borrowing transactions	(605)	130
Repurchase agreements and collateral received from securities lending transactions	232	108
Reinsurance assets	243	(2,455)
Deferred acquisition costs	(1,272)	(546)
Unearned premiums	1,651	841
Reserves for loss and loss adjustment expenses	(206)	3,300
Reserves for insurance and investment contracts	14,753	15,233
Deferred tax assets/liabilities	748	806
Other (net)	(1,689)	5,421
Subtotal	17,969	25,981
Net cash flow provided by operating activities	**25,672**	**33,188**
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from the sale, maturity or repayment of:		
Financial assets designated at fair value through income	2,956	2,079
Available-for-sale investments	154,368	147,599
Held-to-maturity investments	225	305
Investments in associates and joint ventures	731	945
Non-current assets and disposal groups classified as held for sale	357	420
Real estate held for investment	440	152
Fixed assets of renewable energy investments	1	-
Loans and advances to banks and customers (purchased loans)	5,867	6,333
Property and equipment	144	153
Subtotal	165,089	157,986

CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED

Consolidated statements of cash flows

€ mn

	2018	2017
Payments for the purchase or origination of:		
Financial assets designated at fair value through income	(3,070)	(1,931)
Available-for-sale investments	(165,621)	(167,932)
Held-to-maturity investments	(320)	(616)
Investments in associates and joint ventures	(3,130)	(2,852)
Non-current assets and disposal groups classified held for sale	-	(199)
Real estate held for investment	(1,374)	(680)
Fixed assets of renewable energy investments	(155)	(218)
Loans and advances to banks and customers (purchased loans)	(1,388)	(2,214)
Property and equipment	(1,258)	(1,374)
Subtotal	(176,315)	(178,016)
Business combinations (note 3):		
Proceeds from sale of subsidiaries, net of cash disposed	(208)	-
Change in other loans and advances to banks and customers (originated loans)	**(7,094)**	**(4,517)**
Other (net)	**(781)**	**(209)**
Net cash flow used in investing activities	**(19,310)**	**(24,755)**
CASH FLOW FROM FINANCING ACTIVITIES		
Net change in liabilities to banks and customers	1,147	(60)
Proceeds from the issuance of certificated liabilities and subordinated liabilities	4,527	7,463
Repayments of certificated liabilities and subordinated liabilities	(4,961)	(5,173)
Transactions between equity holders	(3,941)	(3,477)
Dividends paid to shareholders	(3,673)	(3,661)
Net cash from sale or purchase of treasury shares	16	42
Other (net)	65	(162)
Net cash flow used in financing activities	**(6,821)**	**(5,027)**
SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS		
Income taxes paid (from operating activities)	(2,169)	(2,163)[1]
Dividends received (from operating activities)	2,564	2,224[1]
Interest received (from operating activities)	17,690	18,335
Interest paid (from operating activities)	(1,060)	(1,251)

1_Prior-year figures have been adjusted.

Cash and cash equivalents

€ mn

As of 31 December	2018	2017
Balances with banks payable on demand	7,660	8,745
Balances with central banks	2,990	1,973
Cash on hand	57	71
Treasury bills, discounted treasury notes, similar treasury securities, bills of exchange and checks	6,526	6,331
Total	**17,234**	**17,119**

Changes in liabilities arising from financing activities

€ mn

	Liabilities to banks and customers	Certificated and subordinated liabilities	Total
As of 1 January 2017	**8,998**	**21,145**	**30,143**
Net cash flows	(60)	2,291	2,231
Non-cash transactions			
Changes in the consolidated subsidiaries of the Allianz Group	(180)	-	(180)
Foreign currency translation adjustments	59	(8)	50
Fair value and other changes	109	(536)	(427)
As of 31 December 2017	**8,925**	**22,891**	**31,817**
Net cash flows	1,147	(434)	712
Non-cash transactions			
Changes in the consolidated subsidiaries of the Allianz Group	(1)	-	(1)
Foreign currency translation adjustments	(23)	12	(11)
Fair value and other changes	1	205	206
As of 31 December 2018	**10,049**	**22,674**	**32,723**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

1 _ Nature of operations and basis of presentation

The accompanying consolidated financial statements present the operations of Allianz SE with its registered office in Königinstrasse 28, 80802 Munich, Germany, and its subsidiaries (the Allianz Group). Allianz SE is recorded in the Commercial Register of the municipal court in Munich under the number HRB 164232.

They have been prepared in conformity with International Financial Reporting Standards (IFRS), as adopted under European Union (E.U.) regulations in accordance with § 315e (1) of the German Commercial Code (HGB). Within these consolidated financial statements, the Allianz Group has applied all standards and interpretations issued by the IASB and endorsed by the E.U. that are compulsory as of 31 December 2018.

In accordance with the provisions of IFRS 4, insurance contracts are recognized and measured on the basis of accounting principles generally accepted in the United States of America (US GAAP) as at first-time adoption of IFRS 4 on 1 January 2005.

The consolidated financial statements have been prepared as of and for the year ended 31 December 2018. The Allianz Group's presentation currency is the Euro (€). Amounts are rounded to the nearest million (€ mn) unless otherwise stated.

The consolidated financial statements were authorized for issue by the Board of Management on 12 February 2019.

The Allianz Group offers property-casualty insurance, life/health insurance, and asset management products and services in over 70 countries.

2 _ Accounting policies, significant estimates, and new accounting pronouncements

SIGNIFICANT ACCOUNTING POLICIES AND USE OF ESTIMATES AND ASSUMPTIONS

The following paragraphs describe important accounting policies as well as significant estimates and assumptions which are relevant for the Allianz Group's consolidated financial statements. Estimates and assumptions particularly influence the inclusion method as well as the accounting treatment of financial instruments and insurance contracts, goodwill, pension liabilities and similar obligations, and deferred taxes. The significant estimates and assumptions are explained in the respective paragraphs.

The Allianz Group's consolidated balance sheets are not presented using a current/non-current classification. The following balances are generally considered to be current: cash and cash equivalents, deferred acquisition costs on property & casualty contracts, non-current assets and assets of disposal groups classified as held for sale, and liabilities of disposal groups classified as held for sale.

The following balances are generally considered to be non-current: investments, deferred tax assets, intangible assets, deferred tax liabilities.

All other balances are mixed in nature (including both current and non-current portions).

PRINCIPLES OF CONSOLIDATION

Scope of consolidation and consolidation procedures

In accordance with IFRS 10, the Allianz Group's consolidated financial statements include the financial statements of Allianz SE and its subsidiaries. The Allianz Group controls a subsidiary when it is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are usually entities where Allianz SE, directly or indirectly, owns more than half of the voting rights or similar rights with the ability to affect the returns of the subsidiaries for its own benefit. In order to determine whether entities qualify as subsidiaries, potential voting rights that are currently exercisable or convertible are taken into consideration.

For some subsidiaries where the Allianz Group does not hold a majority stake, management has assessed that the Allianz Group controls these companies. The Allianz Group controls these entities based on distinctive rights stipulated by shareholder agreements between the Allianz Group and the other shareholders in these companies.

There are some companies where the Allianz Group holds a majority stake but where management has assessed that the Allianz Group does not control these entities because it has no majority representation in the governing bodies and/or it requires at least the confirmative vote of another investor to pass any decisions over relevant activities.

For certain entities, voting or similar rights are not the dominant factor of control, such as when voting rights relate to administrative tasks only and returns are directed by means of contractual arrangements, as is the case mainly for investment funds managed by Allianz Group internal asset managers. In such cases, the investment fund qualifies as subsidiary if the Allianz Group is in a principal instead of an agent role with regard to the investment fund. Above all, this qualification takes into account kick-out rights held by third-party investors as well as the aggregate economic interest of the Allianz Group in the investment funds.

Subsidiaries are consolidated as from the date on which control is obtained by the Allianz Group, up to the date on which the Allianz Group no longer maintains control. Accounting policies of subsidiaries are adjusted as necessary to ensure consistency with the accounting policies adopted by the Allianz Group. The effects of intra-Allianz Group transactions are eliminated.

Business combinations and measurement of non-controlling interests

Where newly acquired subsidiaries are subject to business combination accounting, the provisions of IFRS 3 are applied. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation can be measured either at their fair value at the acquisition date or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. This option is exercised on a case-by-case basis.

Associates and joint arrangements

Associates are entities over which the Allianz Group can exercise significant influence. In general, if the Allianz Group holds 20% or more of the voting power in an investee but does not control the investee, it is assumed to have significant influence. Investments in associates are generally accounted for using the equity method.

Although the Allianz Group's share in some companies is below 20%, management has assessed that the Allianz Group has significant influence over these companies because it is represented in the governing bodies that decide on the relevant activities of these companies.

For certain investment funds in which the Allianz Group holds a stake of above 20%, management has assessed that the Allianz Group has no significant influence because it is not represented in the governing bodies of these investment funds or the investment activities are largely predetermined.

Pursuant to IFRS 11, investments in joint arrangements have to be classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Allianz Group has assessed the nature of all its joint arrangements and determined them to be joint ventures. Those are generally accounted for using the equity method.

The Allianz Group accounts for investments in associates and joint arrangements with a time lag of no more than three months. Income from investments in associates and joint arrangements – excluding distributions – is included in interest and similar income. Accounting policies of associates and joint arrangements are generally adjusted where necessary to ensure consistency with the accounting policies adopted by the Allianz Group.

For further information, please refer to note 43.

FOREIGN CURRENCY TRANSLATION

Translation from any foreign currency to the functional currency

The individual financial statements of each of the Allianz Group's subsidiaries are prepared in the currency prevailing in the primary economic environment where the subsidiary conducts its ordinary activities (its functional currency). Transactions recorded in currencies other than the functional currency (foreign currencies) are recorded at the exchange rate prevailing on the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the closing exchange rate. While non-monetary items denominated in foreign currencies and measured at historical cost are translated at historical rates, non-monetary items measured at fair value are translated using the closing rate. Foreign currency gains and losses arising from foreign currency transactions are reported in income from financial assets and liabilities carried at fair value through income (net), except when the gain or loss on a non-monetary item measured at fair value is recognized in other comprehensive income. In this case, any foreign exchange component of that gain or loss is also recognized in other comprehensive income.

Translation from the functional currency to the presentation currency

For the consolidated financial statements, the results and financial position of each of the Allianz Group's subsidiaries are expressed in Euro, the presentation currency of the Allianz Group. Assets and liabilities of subsidiaries not reporting in Euro are translated at the closing rate on the balance sheet date; income and expenses are translated at the quarterly average exchange rate. Any foreign currency translation differences, including those arising from the equity method, are recorded in other comprehensive income.

FINANCIAL INSTRUMENTS

Recognition and derecognition

Financial assets are generally recognized and derecognized on the trade date, i.e. when the Allianz Group commits to purchase or sell securities.

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the Allianz Group transfers the asset and substantially all of the risks and rewards of ownership. A financial liability is derecognized when it is extinguished.

Offsetting

Financial assets and liabilities are offset and the net amount is presented in the balance sheet only when there is a legally enforceable right to offset the recognized amounts and when there is an intention to either settle on a net basis or to realize the asset and settle the liability simultaneously.

Securities lending and repurchase agreements

The Allianz Group enters into securities lending transactions and repurchase agreements. Cash received in the course of those transactions is recognized together with a corresponding liability. Securities received as collateral under lending transactions are not recognized, and securities sold under repurchase agreements are not derecognized, if risks and rewards have not been transferred. Securities borrowing transactions generally require the Allianz Group to deposit cash with the securities lender. Fees paid are reported as interest expenses.

Measurement at fair value

The Allianz Group carries certain financial instruments at fair value and discloses the fair value of all financial instruments. The fair value of an asset or liability is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

Assets and liabilities measured or disclosed at fair value in the consolidated financial statements are measured and classified in accordance with the fair value hierarchy in IFRS 13, which categorizes the inputs to valuation techniques used to measure fair value into three levels.

The level 1 inputs of financial instruments traded in active markets are based on unadjusted quoted market prices or dealer price quotations for identical assets or liabilities on the last exchange trading day prior to or at the reporting date, if the latter is a trading day.

Level 2 applies if the market for a financial instrument is not active or when the fair value is determined by using valuation techniques based on observable input parameters. Such market inputs are observable substantially over the full term of the asset or liability and include references to formerly quoted prices for identical instruments from an active market, quoted prices for identical instruments from an inactive market, quoted prices for similar instruments from active markets, and quoted prices for similar instruments from inactive markets. Market observable inputs also include interest rate yield curves, volatilities, and foreign currency exchange rates.

Level 3 applies if not all input parameters are observable in the market. Accordingly, the fair value is based on valuation techniques using non-market observable inputs. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which observable market prices exist and other valuation models. Appropriate adjustments are made, for example, for credit risks.

For fair value measurements categorized as level 2 and level 3, the Allianz Group uses valuation techniques consistent with the three widely used valuation techniques listed in IFRS 13:

- Market approach: Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach: Amount that would currently be required to replace the service capacity of an asset (replacement cost).
- Income approach: Conversion of future amounts such as cash flows or income to a single current amount (present value technique).

There is no one-to-one connection between valuation technique and hierarchy level. Depending on whether valuation techniques are based on significant observable or unobservable inputs, financial instruments are classified in the fair value hierarchy.

Estimates and assumptions of fair values and hierarchies are particularly significant when determining the fair value of financial instruments for which at least one significant input is not based on observable market data (classified as level 3 of the fair value hierarchy). The availability of market information is determined by the relative trading levels of identical or similar instruments in the market, with emphasis placed on information that represents actual market activity or binding quotations from brokers or dealers.

The degree of judgment used in measuring the fair value of financial instruments closely correlates with the level of non-market observable inputs. The Allianz Group uses a maximum of observable inputs and a minimum of non-market observable inputs when measuring fair value. Observability of input parameters is influenced by various factors such as type of the financial instrument, whether a market is established for the particular instrument, specific transaction characteristics, liquidity, and general market conditions. If the fair value cannot be measured reliably, amortized cost is used as a proxy for determining fair values.

For further information, please refer to note 34.

Impairments

The evaluation of whether a financial debt instrument is impaired requires analysis of the underlying credit risk/quality of the relevant issuer and involves significant management judgment. In particular, current publicly available information with regard to the issuer and the particular security is considered relating to factors including, but not limited to, evidence of significant financial difficulty of the issuer and breach of contractual obligations of the security, such as a default or delinquency on interest or principal payments. The Allianz Group also considers other factors which could provide objective evidence of a loss event, including the probability of bankruptcy and the lack of an active market due to financial difficulty. The presence of either a decline in fair value below amortized cost or the downgrade of an issuer's credit rating does not in itself represent objective evidence of a loss event, but may represent objective evidence of a loss event when considered with other available information.

Once impairment is triggered for an available-for-sale debt instrument, the cumulative loss recognized in other comprehensive income is reclassified to profit or loss. The cumulative loss corresponds to the difference between amortized cost and the current fair value of the investment. Further declines in fair value are recognized in other comprehensive income unless there is further objective evidence that such declines are due to a credit-related loss event. If in subsequent periods the impairment loss is reversed, the reversal is measured as the lesser of the full original impairment loss previously recognized in the income statement and the subsequent increase in fair value.

For held-to-maturity investments and loans, the impairment loss is measured as the difference between the amortized cost and the expected future cash flows using the original effective interest rate.

An available-for-sale equity security is considered to be impaired if there is objective evidence that the cost may not be recovered. The Allianz Group's policy considers a decline to be significant if the fair value is below the weighted average cost by more than 20%. A decline is considered to be prolonged if the fair value is below the weighted average cost for a period of more than nine consecutive months. If an available-for-sale equity security is impaired, any further declines in the fair value at subsequent reporting dates are recognized as impairments.

Reversals of impairments of available-for-sale equity securities are not recorded in the income statement but in other comprehensive income and recycled upon derecognition.

Hedge accounting

For derivative financial instruments used in hedge transactions that meet the criteria for hedge accounting, the Allianz Group designates the derivative as a hedging instrument in a fair value hedge, cash flow hedge, or hedge of a net investment in a foreign operation. The Allianz Group documents the hedge relationship, as well as its risk management objective and strategy for entering into the hedge transaction. The Allianz Group assesses, both at the hedge's inception and on an ongoing basis, whether the hedging instruments used are highly effective in offsetting changes in fair values or cash flows of the hedged items.

Derivative financial instruments designated in hedge accounting relationships are included in the line items Other assets and Other liabilities. Freestanding derivatives are included in the line item financial assets or liabilities held for trading.

For further information on derivatives, please refer to note 33.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include balances with banks payable on demand, balances with central banks, cash on hand, treasury bills to the extent they are not included in financial assets held for trading, and checks and bills of exchange that are eligible for refinancing at central banks, subject to a maximum term of three months from the date of acquisition.

FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE THROUGH INCOME

Financial assets and liabilities carried at fair value through income include financial assets and liabilities held for trading as well as financial assets and liabilities designated at fair value through income. While the former category includes trading instruments and financial derivatives, the latter category is mainly designated at fair value to avoid accounting mismatches.

INVESTMENTS

Available-for-sale investments

Available-for-sale investments comprise debt and equity instruments that are designated as available for sale or do not fall into the other measurement categories. These investments are measured at fair value through other comprehensive income. When an investment is derecognized or determined to be impaired, the cumulative gain or loss previously recorded in other comprehensive income is transferred and recognized in the consolidated income statement. Realized gains and losses on those instruments are generally determined by applying the average cost method at the subsidiary level.

Held-to-maturity investments

Held-to-maturity investments are debt securities with fixed or determinable payments and fixed maturities for which the Allianz Group has the positive intent and ability to hold to maturity. These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

Funds held by others under reinsurance contracts assumed

Funds held by others under reinsurance contracts assumed relate to cash deposits to which the Allianz Group is entitled, but which the ceding insurer retains as collateral for future obligations of the Allianz Group. The cash deposits are recorded at the amount due on repayment, less any impairment for balances that are deemed not to be recoverable.

Investments in associates and joint ventures

For details on the accounting for investments in associates and joint ventures please see the section principles of consolidation.

Real estate held for investment

Real estate held for investment is carried at cost less accumulated depreciation and impairments. Real estate held for investment is depreciated on a straight-line basis over its useful life, with a maximum of 50 years, and regularly tested for impairment.

Fixed assets of renewable energy investments

These assets are accounted for as property, plant and equipment in line with IAS 16. Hence, they are carried at cost less accumulated depreciation and impairments.

LOANS AND ADVANCES TO BANKS AND CUSTOMERS

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as financial assets held for trading, designated at fair value through income, or designated as available for sale. These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

FINANCIAL ASSETS AND LIABILITIES FOR UNIT-LINKED CONTRACTS

Financial assets for unit-linked contracts are recorded at fair value, with changes in fair value recognized in the income statement together with the offsetting changes in fair value of the corresponding financial liabilities for unit-linked contracts. They are included in the line item income from financial assets and liabilities carried at fair value through income (net).

REINSURANCE ASSETS

Assets and liabilities related to reinsurance are reported on a gross basis. Reinsurance assets include balances expected to be recovered from reinsurance companies. The amount of reserves ceded to re-insurers is estimated in a manner consistent with the claim liability associated with the reinsured risks. To the extent that the assuming reinsurers are unable to meet their obligations, the respective ceding insurers of the Allianz Group remain liable to its policyholders for the portion reinsured. Consequently, allowances are made for receivables on reinsurance contracts which are deemed uncollectible.

DEFERRED ACQUISITION COSTS

Deferred acquisition costs (DAC)

Costs that vary with and are directly related to the acquisition and renewal of insurance contracts and investment contracts with discretionary participation features are deferred by recognizing a DAC asset. At inception, DAC is tested to ensure that it is recoverable over the life of the contracts. Subsequently, loss recognition tests at the end of each reporting period ensure that the DAC is covered by future profits.

For short-duration, traditional long-duration, and limited-payment insurance contracts, DAC is amortized in proportion to premium revenue recognized. For universal life-type and participating life insurance contracts as well as investment contracts with discretionary participation features, DAC is generally amortized over the life of a book of contracts based on estimated gross profits (EGP) or estimated gross margins (EGM), respectively.

Acquisition costs for unit-linked investment contracts are deferred in accordance with IFRS 15 if the costs are incremental. For non-unit-linked investment contracts accounted for under IAS 39 at amortized cost, acquisition costs that meet the definition of transaction costs under IAS 39 are considered in the aggregate policy reserves.

Present value of future profits (PVFP)

The value of an insurance business or an insurance portfolio acquired is measured by the PVFP, which is the present value of net cash flows anticipated in the future from insurance contracts in force at the date of acquisition. It is amortized over the life of the relevant contracts.

Deferred sales inducements

Sales inducements on non-traditional insurance contracts are deferred and amortized using the same methodology and assumptions as for deferred acquisition costs.

Shadow accounting

For insurance contracts and investment contracts with discretionary participation features, shadow accounting is applied to DAC, PVFP and deferred sales inducements in order to include the effect of unrealized gains or losses in the measurement of these assets in the same way as it is done for realized gains or losses. Accordingly, the assets are adjusted with corresponding charges or credits recognized directly in other comprehensive income as a component of the related unrealized gain or loss. When the gains or losses are realized they are recognized in the income statement through recycling and prior adjustments due to shadow accounting are reversed.

OTHER ASSETS

Other assets primarily consist of receivables, accrued dividends, interest, rent and deferred compensation amounts as well as real estate held for own use, software and equipment. Depreciation is generally computed using the straight-line method over the estimated useful lives of the assets.

The table below summarizes estimated useful lives for real estate held for own use, software and equipment.

Estimated useful lives (in years)

	Years
Real estate held for own use	max. 50
Software	2 – 13
Equipment	2 – 10

INTANGIBLE ASSETS AND GOODWILL

Intangible assets with finite useful lives are measured at cost less accumulated amortization and impairments. Intangible assets with indefinite useful lives are tested for impairment annually and whenever there is a triggering event. They are also reviewed annually to determine whether the indefinite-life classification is still appropriate.

The table below summarizes estimated useful lives and the amortization methods for each class of intangible assets with finite useful lives.

Estimated useful lives (in years) and amortization methods

	Useful lives	Amortization method
Long-term distribution agreements	10 – 25	straight-line considering contractual terms
Acquired business portfolios	13 – 42	in proportion to the consumption of future economic benefit
Customer relationships	6 – 13	straight-line or in relation to customer churn rates

For business combinations, goodwill is recognized in the amount of the consideration transferred in excess of the fair values assigned to the identifiable assets acquired and liabilities assumed. Goodwill is accounted for at the acquiree in the acquiree's functional currency. There is an at least annual evaluation whether it is deemed recoverable.

The recoverable amounts of all cash generating units (CGUs) to test goodwill and other indefinite life intangible assets for impairment are typically determined on the basis of value in use calculations. The determination of a CGU's recoverable amount requires significant judgment regarding the selection of appropriate valuation techniques and assumptions.

Further explanations on the impairment test for goodwill and its significant assumptions as well as respective sensitivity analyses are given in note 11.

INSURANCE, INVESTMENT AND REINSURANCE CONTRACTS

Insurance and investment contracts

Insurance contracts and investment contracts with discretionary participation features are accounted for under the insurance accounting provisions of US GAAP, as have been applied at first-time adoption of IFRS 4 on 1 January 2005, wherever IFRS 4 does not provide specific guidance. Investment contracts without discretionary participation features are accounted for as financial instruments in accordance with IAS 39.

Reinsurance contracts

The Allianz Group's consolidated financial statements reflect the effects of ceded and assumed reinsurance contracts. Assumed reinsurance premiums, commissions, and claim settlements, as well as the reinsurance element of technical provisions, are accounted for in accordance with the conditions of the reinsurance contracts, and in consideration of the original contracts for which the reinsurance was concluded. When the reinsurance contracts do not transfer significant insurance risk, deposit accounting is applied as required under the related reinsurance accounting provisions of US GAAP or under IAS 39.

Liability adequacy tests

Liability adequacy tests are performed for each insurance portfolio, based on estimates of future claims, costs, premiums earned, and proportionate expected investment income. For short-duration contracts, a premium deficiency is recognized if the sum of expected claim costs and claim adjustment expenses, expected dividends to policyholders, DAC, and maintenance expenses exceeds related unearned premiums while considering anticipated investment income.

For long-duration contracts, a premium deficiency is recognized, if actual experience regarding investment yields, mortality, morbidity, terminations, or expense indicates that existing contract liabilities, along with the present value of future gross premiums, will not be sufficient to cover the present value of future benefits and to recover DAC.

UNEARNED PREMIUMS

For short-duration insurance contracts, such as most of the property and casualty contracts, premiums to be earned in future years are recorded as unearned premiums. These premiums are earned in subsequent periods in relation to the insurance coverage provided.

Amounts charged as consideration for origination of certain long-duration insurance contracts (i.e. initiation or front-end fees) are reported as unearned revenues and, as such, included in unearned premiums. These fees are recognized using the same amortization methodology as DAC, including shadow accounting.

RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES

Reserves are established for the payment of losses and loss adjustment expenses (LAE) on claims which have occurred but are not yet settled. Reserves for loss and loss adjustment expenses fall into two categories: case reserves for reported claims and reserves for incurred but not reported losses (IBNR).

Case reserves for reported claims are based on estimates of future payments that will be made with respect to claims, including LAE relating to such claims. These estimates reflect the informed judgment of claims personnel based on general insurance reserving practices and knowledge of the nature and value of a specific type of claim. These case reserves are regularly re-evaluated in the ordinary course of the settlement process and adjustments are made as new information becomes available.

IBNR reserves are established to recognize the estimated cost of losses that have occurred but where the Allianz Group has not yet been notified. IBNR reserves, similar to case reserves for reported claims, are established to recognize the estimated costs, including expenses, necessary to bring claims to final settlement. The Allianz Group relies on its past experience, adjusted for current trends and any other relevant factors, to estimate IBNR reserves.

IBNR reserves are estimates based on actuarial and statistical projections of the expected cost of the ultimate settlement and administration of claims. The analyses are based on facts and circumstances known at the time, predictions of future events, estimates of future inflation, and other societal and economic factors. Trends in claim frequency, severity, and time lag in reporting are examples of factors used in projecting the IBNR reserves. IBNR reserves are reviewed and revised periodically, as additional information becomes available and actual claims are reported.

Reserves for loss and loss adjustment expenses are not discounted, except when payment amounts are fixed and timing is reasonably determinable.

RESERVES FOR INSURANCE AND INVESTMENT CONTRACTS

Reserves for insurance and investment contracts include aggregate policy reserves, reserves for premium refunds and other insurance reserves.

Aggregate policy reserves

The aggregate policy reserves for participating life insurance contracts are calculated using the net level premium method based on assumptions for mortality, morbidity, and interest rates that are guaranteed in the contract or used in determining the policyholder dividends (or premium refunds).

For traditional long-duration insurance contracts, such as traditional life and health products, aggregate policy reserves are computed using the net level premium method, based on best-estimate assumptions adjusted for a provision for adverse deviation for mortality, morbidity, expected investment yields, surrenders, and expenses at the policy inception date, which remain locked in thereafter unless a premium deficiency occurs.

The aggregate policy reserves for universal life-type insurance contracts are equal to the account balance, which represents premiums received and investment return credited to the policy, less deductions for mortality costs and expense charges. The aggregate policy reserve also includes reserves for investment contracts with discretionary participation features as well as for liabilities for guaranteed minimum mortality and morbidity benefits related to non-traditional contracts with annuitization options and unit-linked insurance contracts. For contracts with a discretionary participation feature, the whole contract is classified as one liability rather than separately recognizing the participation feature.

Insurance contract features not closely related to the underlying insurance contracts are bifurcated from the insurance contracts and accounted for as derivatives in line with IFRS 4 and IAS 39. The embedded derivatives separated from certain life insurance and annuity contracts are recognized as financial liabilities held for trading.

The assumptions used for aggregate policy reserves are determined using current and historical client data, industry data, and, in the case of assumptions for interest rates, reflect expected earnings on assets which back the future policyholder benefits. The information used by Allianz Group's actuaries in setting such assumptions includes, but is not limited to, pricing assumptions, available experience studies, and profitability analyses.

The average interest rate assumptions per operating entity used in the calculation of deferred acquisition costs and aggregate policy reserves are as follows:

Interest rate assumptions
%

	Traditional long-duration insurance contracts	Participating life insurance contracts
Deferred acquisition costs	2.5 – 6.0	2.2 – 5.0
Aggregate policy reserves	2.5 – 6.0	0.8 – 4.3

The Allianz Group has recognized all rights and obligations related to issued insurance contracts according to its accounting policies, and thus has not separately recognized an unbundled deposit component in respect of any of its insurance contracts.

Non-unit-linked investment contracts without discretionary participation features are accounted for under IAS 39. The aggregate policy reserves for those contracts are initially recognized at fair value, or the amount of the deposit by the contract holder, net of the transaction costs, that are directly attributable to the issuance of the contract. Subsequently, those contracts are measured at amortized cost using the effective interest method.

In 2018, Allianz Group adjusted its measurement approach for specific products within the US fixed index annuity (FIA) portfolio to periodically review and unlock, as necessary, assumptions used in calculating the underlying aggregate policy reserves. Previously, assumptions used for calculating the aggregate policy reserve were locked in at inception of each contract. In this context, some assumptions used in the amortization of DAC were not consistently updated for new information. This also impacted the timing of revision of some assumptions used in the valuation of the bifurcated market based embedded derivative. The adjustment was made in the fourth quarter of 2018 and is immaterial with regard to the current year as well as prior year consolidated financial statements.

In the consolidated balance sheet for the year ended 31 December 2018, the FIA-related changes in connection with prior years led to a € 13 mn decrease in reserves for insurance and investment contracts, a € 669 mn increase in deferred acquisition costs, and a € 675 mn increase in financial liabilities carried at fair value through income. Correspondingly, in the consolidated income statement for the year ended 31 December 2018, due to FIA-related changes referring to prior years, change in reserves for insurance and investment contracts (net) decreased by € 13 mn, acquisition and administrative expenses (net) decreased by € 683 mn, and income from financial assets and liabilities carried at fair value through income (net) decreased by € 689 mn. Overall income before income taxes increased by € 7 mn.

Reserves for premium refunds

Reserves for premium refunds include the amounts allocated under the relevant local statutory/contractual regulations or, at the entity's discretion, to the accounts of the policyholders and the amounts resulting from the differences between these IFRS-based financial statements and the local financial statements (latent reserves for premium refunds), which will reverse and enter into future profit participation calculations. Unrealized gains and losses recognized for available-for-sale investments are recognized in the latent reserves for premium refunds to the extent that policyholders will participate in such gains and losses on the basis of statutory or contractual regulations when they are realized, based on and similar to shadow accounting. The profit participation allocated to participating policyholders or disbursed to them reduces the reserves for premium refunds.

RESERVING PROCESS

For the business segments Life/Health and Property-Casualty, the central oversight process around reserve estimates includes the setting of group-wide standards and guidelines, regular site visits, as well as regular quantitative and qualitative reserve monitoring.

The oversight and monitoring of the Allianz Group's reserves culminate in quarterly meetings of the Allianz Group Reserve Committee, which is the supervising body that governs all significant reserves. It particularly monitors key developments across the Allianz Group affecting the adequacy of reserves.

Life/Health reserves are subject to estimates and assumptions, especially on the life expectancy and health of an insured individual (mortality, longevity, and morbidity risk) and on the development of interest rates and investment returns (asset-liability mismatch risk). These assumptions also have an impact on the presentation of costs arising from the origination of insurance business (acquisition costs and sales inducements) and the value of acquired insurance business (PVFP). To ensure consistency in the application of actuarial methods and assumptions in the Life/Health reserving process, the Allianz Group has designed a two-stage reserving process:

Stage one: Life/Health reserves are calculated by qualified local staff experienced in the subsidiaries' business. Actuaries in the local entities also conduct tests of the adequacy of the premiums and reserves to cover future claims and expenses (liability adequacy tests). The process follows group-wide standards for applying consistent and plausible assumptions. The appropriateness of the reserves and their compliance with group-wide standards is confirmed by the local actuary.

Stage two: The Allianz Group Actuarial function regularly reviews the local reserving processes, including the appropriateness and consistency of the assumptions, and analyzes the movements of the reserves. Any adjustments to the reserves and other insurance-related reporting items are reported to and analyzed together with the Allianz Group Reserve Committee.

Property-Casualty reserves are set by leveraging the use of actuarial techniques and educated judgment. A two-stage process exists for the setting of reserves in the Allianz Group:

Stage one: Property-Casualty reserves are calculated by local reserving actuaries at the Allianz operating entities. The reserves are set based on a thorough analysis of historical data, enhanced by interactions with other business functions (e.g. Underwriting, Claims and Reinsurance). Actuarial judgment is applied where necessary, especially in cases where data is unreliable, scanty, or unavailable. The judgment of Property-Casualty actuaries is based on past experience of the characteristics of each line of business, the current stage of the underwriting cycle, and the external environment in which the subsidiary operates. The reserves are proposed to a local reserve committee, whereat the rationale of the selections are discussed and subsequently documented. A final decision on the reserve selection is made in the reserve committee. Local actuaries are responsible for their compliance with the Group Actuarial Standards and Guidelines.

Stage two: The Allianz Group Actuarial function forms an opinion on the adequacy of the reserves proposed by the local entities. The Allianz Group Actuarial function challenges the operating entities' selection through their continuous interaction with local teams and quarterly attendance in the local reserve committees. The ability to form a view on reserve adequacy is further enabled by regular reviews of the local reserving practices. Such reviews consist of an evaluation of the reserving process as well as of the appropriateness and consistency of the assumptions, and an analysis of the movements of the reserves. Significant findings from these reviews are communicated in the Allianz Group Reserve Committee to initiate actions where necessary.

OTHER LIABILITIES

Pensions and similar obligations

Pensions and similar obligations are measured at present value and presented net of plan assets by applying the provisions of IAS 19. These valuations rely on extensive assumptions. Key assumptions such as discount rates, inflation rates, compensation increases, pension increases, and rates of medical cost trends are defined centrally at the Allianz Group level, considering the circumstances in the individual countries. In order to ensure their thorough and consistent determination, all input parameters are discussed and defined taking into consideration economic developments, peer reviews, and currently available market and industry data.

Further explanations and sensitivity calculations are given in note 38.

Share-based compensation plans

The share-based compensation plans of the Allianz Group are classified as either equity-settled or cash-settled plans. Equity-settled plans are measured at fair value on the grant date (grant-date fair value) and the grant-date fair value is recognized as an expense over the vesting period. Where equity-settled plans involve equity instruments of Allianz SE, a corresponding increase in shareholders' equity is recognized. Where equity-settled plans involve equity instruments of subsidiaries of the Allianz Group, the corresponding increase is recognized in non-controlling interests. Equity-settled plans include a best estimate of the number of equity instruments that are expected to vest in determining the amount of expense to be recognized. For cash-settled plans, the Allianz Group accrues the fair value of the award as compensation expenses over the vesting period. Upon vesting, any change in the fair value of any unexercised awards is also recognized as a compensation expense. Where expected tax deductions differ, in terms of amount and timing, from the cumulative share-based payment expense recognized in profit or loss, deferred taxes are recognized on temporary differences.

Financial liabilities for puttable financial instruments

The Allianz Group records financial liabilities where non-controlling investors have the right to put their financial instruments back to the Allianz Group, which is primarily the case for mutual funds controlled but not wholly owned by the Allianz Group. These liabilities are generally required to be recorded at the redemption amount, with changes recognized in equity for put options over non-controlling interests and in the income statement for redeemable fund units.

CERTIFICATED LIABILITIES AND SUBORDINATED LIABILITIES

Certificated liabilities and subordinated liabilities are subsequently measured at amortized cost, using the effective interest method to amortize the premium or discount to the redemption value over the life of the liability.

EQUITY

Issued capital represents the mathematical per-share value received at the issuance of shares. Additional paid-in capital represents the premium exceeding the issued capital received at the issuance of shares.

Retained earnings comprise the net income of the current year, earnings not yet distributed from prior years, treasury shares, and any amounts directly recognized in equity according to IFRS. Treasury shares are deducted from shareholders' equity. No gain or loss is recognized on the sale, issuance, acquisition, or cancellation of these shares. Any consideration paid or received is recorded directly in shareholders' equity.

Please refer to the section above for an explanation of foreign currency changes that are recognized in equity. The effective portion of gains and losses of hedging instruments designated as hedges of a net investment in a foreign operation is recognized in foreign currency translation adjustments.

Unrealized gains and losses (net) include unrealized gains and losses from available-for-sale investments and from derivative financial instruments that meet the criteria for cash flow hedge accounting.

Non-controlling interests represent equity in subsidiaries, not attributable directly or indirectly, to Allianz SE as parent.

PREMIUMS

Premiums for short-duration insurance contracts are recognized as revenues over the period of the contract in proportion to the amount of insurance protection provided. Premiums for long-duration insurance contracts are recognized as earned when due.

Revenues for universal life-type and investment contracts represent charges assessed against the policyholders' account balances for front-end loads, net of the change in unearned revenue liabilities and cost of insurance, surrenders, and policy administration, and are included within premiums earned (net).

Premiums ceded for reinsurance are deducted from premiums written.

INTEREST AND SIMILAR INCOME AND INTEREST EXPENSES

Interest income and interest expenses are recognized on an accrual basis using the effective interest method. This line item also includes dividends from available-for-sale equity securities as well as income from investments in associates and joint ventures. Dividends are recognized in income when the right to receive the dividend is established. The share of earnings from investments in associates and joint ventures represents the share of net income from entities accounted for using the equity method.

INCOME FROM FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE THROUGH INCOME (NET)

Income from financial assets and liabilities carried at fair value through income (net) includes all investment income as well as realized and unrealized gains and losses from financial assets and liabilities carried at fair value through income. In addition, commissions attributable to trading operations and related interest expenses as well as refinancing and transaction costs are included in this line item. Foreign currency gains and losses on monetary items are also reported within income from financial assets and liabilities carried at fair value through income (net).

FEE AND COMMISSION INCOME

Fee and commission income primarily consists of asset management fees which are recognized when the service is provided. For those fees, the service is considered to be provided periodically. Performance fees may not be recognized as fee income before the respective benchmark period is completed, because, before its completion, the obligation to pay the fee is conditional, the fund performance is regularly not reliably estimable, and related service is not fully performed. In any case, performance-related fees from alternative investment products (carried interest) are not recognized as revenue prior to the date of the official declaration of distribution by the fund. The transaction price for asset management services is determined by the fees contractually agreed.

CLAIMS AND INSURANCE BENEFITS INCURRED

These expenses consist of claims and insurance benefits incurred during the period, including benefit claims in excess of policy account balances and interest credited to policy account balances. Furthermore, it includes claims handling costs directly related to the processing and settlement of claims. Reinsurance recoveries are deducted from claims and insurance benefits.

INCOME TAXES

Current income taxes are calculated based on the respective local taxable income and local tax rules for the period. In addition, current income taxes presented for the period include adjustments for uncertain tax payments or tax refunds for periods not yet finally assessed, excluding interest expenses and penalties on the underpayment of taxes. In the event that amounts included in the tax return are considered unlikely to be accepted by the tax authorities (uncertain tax positions), a provision for income taxes is recognized. The amount is based on the best possible assessment of the tax payment expected. Tax refund claims from uncertain tax positions are recognized when it is probable that they can be realized.

Deferred tax assets or liabilities are calculated for temporary differences between the tax bases and the financial statement carrying amounts, including differences from consolidation, unused tax loss carry-forwards, and unused tax credits. Measurement is based on enacted or substantively enacted tax rates and tax rules. Assessments as to the recoverability of deferred tax assets require the use of judgment regarding assumptions related to estimated future taxable profits. This includes the character and amounts of taxable future profits, the periods in which those profits are expected to occur, and the availability of tax planning opportunities. The Allianz Group recognizes a valuation allowance for deferred tax assets when it is unlikely that a corresponding amount of future taxable profit will be available against which the deductible temporary differences, tax loss carry forwards and tax credits can be utilized.

The analysis and forecasting required in this process are performed for individual jurisdictions by qualified local tax and financial professionals. Given the potential significance surrounding the underlying estimates and assumptions, group-wide policies and procedures have been designed to ensure consistency and reliability around the recoverability assessment process. Forecast operating results are based upon approved business plans, which are themselves subject to a well-defined process of control. As a matter of policy, especially strong evidence supporting the recognition of deferred tax assets is required if an entity has suffered a loss in either the current or the preceding period. Recognition and recoverability of all significant deferred tax assets are reviewed by tax professionals at Group level and by the Allianz Group Tax Committee.

Changes in deferred tax assets and liabilities are generally recognized through profit and loss in the consolidated income statement, except for changes recognized directly in equity.

Further explanations are given in note 32.

NEW ACCOUNTING PRONOUNCEMENTS

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 supersedes IAS 18, IAS 11 and a number of revenue-related interpretations. The Allianz Group adopted IFRS 15 using the cumulative effect method on the required effective date. As a result, the Allianz Group did not apply the requirements of IFRS 15 to the comparative period presented.

Under IFRS 15, revenue is recognized when (or as) the Allianz Group satisfies a performance obligation by transferring a service to a customer. Furthermore, revenue is recognized for these contracts to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue will not occur. The guidance also changes the accounting for certain contract costs and revises the criteria for determining if an entity is acting as a principal or agent in certain arrangements.

Based on the Allianz Group's detailed assessment, only a few differences in presentation and timing of revenue recognition were identified. The impacts that the Allianz Group identified primarily relate to principal versus agent considerations (i.e. gross-up) and the accounting treatment of certain asset management related upfront distribution costs which under IFRS 15 can no longer be capitalized.

The adoption of IFRS 15 led to an increase of fee and commission income and fee and commission expenses of € 387 mn (i.e. gross-up effect) and a decrease of retained earnings as of 1 January 2018 by € 20 mn, due to the reversal of capitalized upfront distribution costs. Other than that, the adoption of IFRS 15 had no impact on the Allianz Group's financial position and the financial results.

Other adopted accounting pronouncements

The following amendments and revisions to existing standards became effective for the Allianz Group's consolidated financial statements as of 1 January 2018:

– IFRS 2, Classification and Measurement of Share-based Payment Transactions,
– IAS 40, Transfers of Investment Property,
– IFRIC 22, Foreign Currency Transactions and Advance Consideration, and
– ASCG (DRSC) Interpretation 4 (IFRS) Accounting for Interest and Penalties Related to Income Taxes under IFRSs.

These changes had no material impact on the Allianz Group's financial results or financial position.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

IFRS 17, Insurance Contracts

In May 2017, the IASB issued IFRS 17, Insurance Contracts. The IASB tentatively decided to defer the mandatory effective date of IFRS 17 by one year in their November 2018 Board meeting, so that IFRS 17 should be applied after 1 January 2022 (retrospective application). IFRS 17 provides comprehensive guidance on accounting for insurance contracts and investment contracts with discretionary participation features. For non-life insurance contracts, IFRS 17 introduces mandatory discounting of loss reserves as well as a risk adjustment for non-financial risk. Further, IFRS 17 will change the presentation of insurance contract revenue, a gross written premium will no longer be presented in the statement of comprehensive income.

For long-duration life insurance contracts, IFRS 17 is expected to have a significant impact on actuarial modeling, as more granular cash flow projections and regular updates of all assumptions will be required, either resulting in profit or loss or impacting the "contractual service margin", a separate component of the insurance liability representing unearned profits from in-force contracts. Further, IFRS 17 introduces different measurement approaches for the insurance contract liabilities, reflecting a different extent of policyholder participation in investment or insurance entity performance.

The Allianz Group is currently assessing the impact of the application of IFRS 17. As of the date of the publication of these consolidated financial statements, it is not practicable to quantify the effect on the Allianz Group consolidated financial statements.

IFRS 9, Financial Instruments

IFRS 9, Financial instruments, issued by the IASB in July 2014, fully replaces IAS 39 and provides a new approach on how to classify financial instruments based on their cash flow characteristics and the business model under which they are managed. Furthermore, the standard introduces a new forward-looking impairment model for debt instruments and provides new rules for hedge accounting.

It can be assumed that the main impact from IFRS 9 will arise from the new classification rules leading to more financial instruments being measured at fair value through income as well as the new impairment model. Interdependencies with IFRS 17 will need to be considered to assess the ultimate combined impact of both standards.

The amendments to IFRS 4, Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts, issued in September 2016, allow entities that issue insurance contracts within the scope of IFRS 4 to defer the implementation of IFRS 9 until 1 January 2021 under certain circumstances. It is to be noted that the IASB has recently proposed to defer the IFRS 9 effective date for such entities in scope by another year until 2022.

Given the strong interrelation between the measurement of direct participating insurance contracts and the underlying assets held, the Allianz Group has decided to use the option to defer the full implementation of IFRS 9 until IFRS 17 becomes effective.

In order to qualify for the temporary exemption, an entity has to prove that its activities are predominantly connected to insurance as of 31 December 2015. Under the amended IFRS 4, this condition is met if the insurer carries significant liabilities arising from contracts within the scope of IFRS 4. Significant insurance-related liabilities are given, among others, if the percentage of the total carrying amount of liabilities connected with insurance relative to the total carrying amount of all liabilities is greater than 90 %. A reassessment at a subsequent annual reporting date is required if, and only if, there was a change in the entity's activities during the annual period that ended on that date.

As of 31 December 2015, the Allianz Group's total carrying amount of liabilities connected with insurance amounted to € 722 bn, which represented more than 90 % of its total liabilities of € 783 bn. Thereof, non-derivative investment contract liabilities measured at fair value through income applying IAS 39 amounted to € 107 bn, mostly consisting of financial liabilities for unit-linked contracts. Other insurance-related liabilities amounted to € 40 bn and included mainly other liabilities (e.g. payables as well as employee-related liabilities) as well as subordinated liabilities and financial liabilities carried at fair value through income related to certain derivatives. No change in the activities of the Allianz Group occurred subsequently that would have required a reassessment.

The following table provides an overview of the fair values as of 31 December 2018 and the amounts of change in the fair values during the reporting period separately for financial assets that meet the SPPI criterion (i.e. financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis) and all other financial assets:

Financial assets under IFRS 9 classification rules
€ mn

As of 31 December 2018	Financial assets that meet the SPPI criterion[1]		All other financial assets	
	Fair value	Fair value change during the reporting period	Fair value	Fair value change during the reporting period
Cash and cash equivalents	17,234	203	-	-
Debt securities				
Government and government agency bonds	208,133	(1,873)	6,268	(365)
Covered bonds	81,444	(1,630)	2,500	(86)
Corporate bonds	219,212	(8,753)	15,502	(601)
MBS/ABS	19,036	(530)	5,175	(112)
Other debt securities	29,151	208	7,092	377
Subtotal	556,976	(12,578)	36,537	(787)
Equity securities	-	-	53,599	(4,345)
Financial assets for unit-linked contracts	-	-	115,361	(5,468)
Derivative financial instruments	-	-	3,218	182
Other	17,848	-	-	-
Total	**592,058**	**(12,375)**	**208,715**	**(10,418)**

1_Excluding any financial asset that meets the definition of held for trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis.

The financial assets for unit-linked contracts are exclusively held on behalf and for the benefit of unit-linked policyholders. To ensure consistency with the corresponding accounting treatment for the unit-linked contracts, these investments are designated at fair value through income under current accounting rules. This treatment is going to be maintained under the future IFRS 9 regime accordingly.

The following table provides information about the credit risk exposures for financial assets with contractual terms that meet the SPPI criterion. It includes the carrying amounts applying IAS 39 (in the case of financial assets measured at amortized cost before adjusting for any impairment allowances):

Carrying amounts of financial assets that meet the SPPI[1] criterion by rating
€ mn

As of 31 December 2018	Cash and cash equivalents	Government and government agency bonds	Covered bonds	Corporate bonds	MBS/ABS	Other debt securities	Other
Investment grade							
AAA	-	43,761	48,369	4,536	14,720	438	-
AA	-	91,752	18,187	27,646	3,092	7,721	-
A	-	28,125	6,250	66,889	726	8,746	-
BBB	-	33,053	1,750	106,354	250	6,105	-
Non-investment grade	-	7,873	-	6,737	141	922	-
Not rated	17,234	957	25	6,134	107	3,265	17,848
Total	**17,234**	**205,521**	**74,581**	**218,296**	**19,036**	**27,197**	**17,848**

1_Excluding any financial asset that meets the definition of held for trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis.

The fair values of financial assets included in the table above that are non-investment grade, and thus do not have low credit risk as of 31 December 2018, approximately equal the respective carrying amounts. The same also applies to non-rated financial assets.

The publicly available IFRS 9 information disclosed by some subsidiaries that already apply IFRS 9 is not material from the Allianz Group's perspective. Furthermore, the vast majority of the financial instruments of these subsidiaries are financial assets for unit-linked contracts that are recorded at fair value through income under IAS 39 as well as under IFRS 9.

The Allianz Group's investments in associates and joint ventures that are insurance entities also apply the temporary exemption of applying IFRS 9 to the extent they qualify. The entities underlying all other investments in associates and joint ventures already adopted IFRS 9 as of 1 January 2018. The impact of adopting or deferring the application of IFRS 9 for the investments in associates or joint ventures is not material for the Allianz Group.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16, Leases, which supersedes IAS 17, IFRIC 4, SIC-15, and SIC-27. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Allianz Group has completed a detailed assessment of the impact on its consolidated financial statements. On transition to IFRS 16, the Allianz Group elects to apply the practical expedient to grandfather the assessment of which transactions are leases; in other words, it applies IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for being or containing a lease. Therefore, the definition of a lease under IFRS 16 will be applied only to contracts entered into or modified on or after 1 January 2019.

As a lessee, the Allianz Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Allianz Group. Under IFRS 16, the Allianz Group will recognize right-of-use assets and lease liabilities for most of their leases with the following exceptions: The Allianz Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases with a lease term of 12 months or less, leases of low-value assets (e.g. tablets, personal computers, telephones, office furniture, copy and fax machines), and car leases. The lease payments associated with such short-term and low-value leases will be recognized as an expense on a straight-line basis over the lease term. At transition, lease liabilities will be measured at the present value of the remaining lease payments, discounted at the Allianz Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets will be measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments. In addition to the short-term as well as low-value lease expedients, the Allianz Group uses the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

– Apply a single discount rate to a portfolio of leases with similar characteristics
– Adjust the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review
– Exclude initial direct costs from measuring the right-of-use asset at the date of initial application
– Use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The financial impacts from implementing IFRS 16 will not be significant for the Allianz Group. IFRS 16 will lead to the recognition of new assets and liabilities for the previously classified operating leases in the amount of approximately € 2.5 bn. As of 31 December 2018, the Allianz Group's future minimum lease payments under non-cancellable operating leases amounted to € 2.4 bn on an undiscounted basis (see note 37). In addition, IFRS 16 replaces the straight-line operating lease expenses with a depreciation charge for right-of-use assets and interest expenses on lease liabilities. In aggregate, there will be an insignificant negative impact on net income in the first year of application due to the front-end loading of the interest expenses.

The Allianz Group adopted IFRS 16 using the modified retrospective approach on the required effective date (i.e. 1 January 2019). As a result, the Allianz Group will not apply the requirements of IFRS 16 to the comparative period presented. The impact on retained earnings as of 1 January 2019 is not significant.

Further amendments and interpretations

In addition to the above-mentioned accounting pronouncements recently issued, the following amendments and revisions to standards and interpretations have been issued by the IASB but are not yet effective for or have not been adopted early by the Allianz Group.

Further amendments and interpretations

Standard/Interpretation	Effective date
IFRS 3, Definition of a Business	Annual periods beginning on or after 1 January 2020
IFRS 9, Prepayment Features with Negative Compensation	Annual periods beginning on or after 1 January 2021
IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	–
IAS 1 and IAS 8, Definition of Material	Annual periods beginning on or after 1 January 2020
IAS 19, Plan Amendments, Curtailment or Settlement	Annual periods beginning on or after 1 January 2019
IAS 28, Long-term Interests in Associates and Joint Ventures	Annual periods beginning on or after 1 January 2019
IFRIC 23, Uncertainty over Income Tax Treatments	Annual periods beginning on or after 1 January 2019
Annual Improvements to IFRSs 2015-2017 Cycle (Amendments to IFRS 3 and 11 and IAS 12 and 23)	Annual periods beginning on or after 1 January 2019

The amendments and interpretations are not expected to have a material impact on the financial position and financial results of the Allianz Group. Early adoption is generally allowed but not intended by the Allianz Group.

3 _ Consolidation and classification as held for sale

SIGNIFICANT ACQUISITIONS

In 2018 and 2017, no significant acquisitions occurred.

SIGNIFICANT CHANGES IN NON-CONTROLLING INTERESTS

On 27 April 2018, the Allianz Group successfully completed the acquisition of the shares of Euler Hermes held by non-controlling interests and delisted the shares of Euler Hermes from Euronext Paris on the same day.

From January through April 2018, the Allianz Group acquired the remaining 20.9% of Euler Hermes's outstanding shares in consideration for a total of € 1,073 mn in cash, equivalent to € 122 per share. The buyout of the outstanding shares of Euler Hermes reduced the shareholders' equity of the Allianz Group by € 513 mn.

CLASSIFICATION AS HELD FOR SALE

Non-current assets and disposal groups classified as held for sale
€ mn

As of 31 December	2018	2017
Assets of disposal groups classified as held for sale		
Oldenburgische Landesbank AG, Oldenburg	-	14,102
Other disposal groups	78	6
Subtotal	78	14,108
Non-current assets classified as held for sale		
Real estate held for investment	47	216
Real estate held for own use	-	4
Subtotal	47	220
Total	**125**	**14,329**
Liabilities of disposal groups classified as held for sale		
Oldenburgische Landesbank AG, Oldenburg	-	13,657
Other disposal groups	62	6
Total	**62**	**13,662**

OLDENBURGISCHE LANDESBANK AG, OLDENBURG

In 2018, the Allianz Group disposed of Oldenburgische Landesbank AG, Oldenburg, a 90.2% owned subsidiary of the Allianz Group, allocated to the reportable segment Banking (Corporate and Other). The entity had been classified as held for sale since year-end 2016. It was deconsolidated on 7 February 2018. At 31 December 2017 already, an impairment and a liability of € 233 mn had been recognized in connection with the expected loss from the sale of Oldenburgische Landesbank AG. In 2018, the Allianz Group received proceeds from the sale of its 90.2% stake of € 323 mn and recognized a deconsolidation loss of € 24 mn.

The impact of the disposal, net of cash disposed, on the consolidated statement of cash flows for the year 2018 was as follows:

Impact of the disposal
€ mn

Financial assets carried at fair value through income	20
Investments	2,492
Loans and advances to banks and customers	11,092
Deferred tax assets	51
Other assets	156
Financial liabilities carried at fair value through income	(15)
Liabilities to banks and customers	(12,756)
Other liabilities	(578)
Certificated liabilities	(133)
Subordinated liabilities	(149)
Other comprehensive income	(45)
Impairment loss on measurement of disposal group at fair value less costs to sell	(49)
Impairment in connection with expected loss	(233)
Realized loss from the disposal	(24)
Non-controlling interests	(37)
Proceeds from sale of the subsidiary, net of cash disposed[1]	**(208)**

1_Includes cash and cash equivalents at an amount of € 531 mn which were disposed of with the entity.

4 _ Segment reporting

IDENTIFICATION OF REPORTABLE SEGMENTS

The business activities of the Allianz Group are organized by product and type of service: insurance activities, asset management activities, and corporate and other activities. Due to differences in the nature of products, risks, and capital allocation, insurance activities are further divided into the business segments Property-Casualty and Life/Health. In accordance with the responsibilities of the Board of Management, each of the insurance business segments is grouped into the following reportable segments:

- German Speaking Countries and Central & Eastern Europe,
- Western & Southern Europe and Asia Pacific
- Iberia & Latin America and Allianz Partners
- USA (Life/Health only),
- Global Insurance Lines & Anglo Markets, Middle East and Africa.

Asset management activities represent a separate reportable segment. Due to differences in the nature of products, risks, and capital allocation, corporate and other activities are divided into three reportable segments: Holding & Treasury, Banking, and Alternative Investments. In total, the Allianz Group has identified 13 reportable segments in accordance with IFRS 8.

The types of products and services from which the reportable segments derive revenues are described below.

PROPERTY-CASUALTY

In the business segment Property-Casualty, reportable segments offer a wide variety of insurance products to both private and corporate customers, including motor liability and own damage, accident, general liability, fire and property, legal expense, credit, and travel insurance.

LIFE/HEALTH

In the business segment Life/Health, reportable segments offer a comprehensive range of life and health insurance products on both an individual and a group basis, including annuities, endowment and term insurance, unit-linked and investment-oriented products, as well as full private health, supplemental health, and long-term care insurance.

ASSET MANAGEMENT

The reportable segment Asset Management operates as a global provider of institutional and retail asset management products and services to third-party investors. It also provides investment management services to the Allianz Group's insurance operations. The products for retail and institutional customers include equity and fixed-income funds as well as alternative products. The United States, Europe, and the Asia-Pacific region represent the primary asset management markets.

CORPORATE AND OTHER

The reportable segment Holding & Treasury includes the management and support of the Allianz Group's businesses through its strategy, risk, corporate finance, treasury, financial reporting, controlling, communication, legal, human resources, technology, and other functions. The reportable segment Banking consists of the banking activities in Germany (until February 2018), France, Italy, and Bulgaria. The banks offer a wide range of products for corporate and retail clients, with a primary focus on the latter. The reportable segment Alternative Investments provides global alternative investment management services in the real estate sector, mainly on behalf of the Allianz Group's insurance operations.

GENERAL SEGMENT REPORTING INFORMATION

Prices for transactions between reportable segments are set on an arm's length basis in a manner similar to transactions with third parties. Transactions between reportable segments are eliminated in the consolidation. Financial information is recorded based on reportable segments; cross-segmental country-specific information is not determined.

REPORTABLE SEGMENTS MEASURE OF PROFIT OR LOSS

The Allianz Group uses operating profit to evaluate the performance of its reportable segments as well as of the Allianz Group as a whole. Operating profit highlights the portion of income before income taxes that is attributable to the ongoing core operations of the Allianz Group. The Allianz Group considers the presentation of operating profit to be useful and meaningful to investors because it enhances the understanding of the Allianz Group's underlying operating performance and the comparability of its operating performance over time.

To better understand the ongoing operations of the business, the Allianz Group generally excludes the following non-operating effects:

- income from financial assets and liabilities carried at fair value through income (net),
- realized gains/losses (net) and impairments of investments (net),
- interest expenses from external debt,
- acquisition-related expenses (from business combinations),
- amortization of intangible assets,
- restructuring charges, and
- profit (loss) of substantial subsidiaries classified as held for sale.

The following exceptions apply to this general rule:

- In all reportable segments, income from financial assets and liabilities carried at fair value through income (net) is treated as operating profit if the income relates to operating business.
- For life/health insurance business and property-casualty insurance products with premium refunds, all items listed above are included in operating profit if the profit sources are shared with policyholders. There is one exception from this general rule with regard to policyholder participation in extraordinary tax benefits and expenses. As IFRS require that the consolidated income statements present all tax effects in the line item income taxes, even when they belong to policyholders, the corresponding expenses for premium refunds are shown as non-operating as well.

Operating profit should be viewed as complementary to, and not as a substitute for, income before income taxes or net income as determined in accordance with IFRS.

RECENT ORGANIZATIONAL CHANGES

Effective 1 January and 1 April 2018, the Allianz Group reorganized the structure of its insurance activities to reflect the changes in the responsibilities of the Board of Management. Middle East and Africa were reallocated to the reportable segment Global Insurance Lines & Anglo Markets, Middle East and Africa. In the Property-Casualty business segment, the reportable segment Iberia & Latin America was combined with the reportable segment Allianz Partners to form the reportable segment Iberia & Latin America and Allianz Partners. Previously reported information has been adjusted to reflect this change in the composition of the Allianz Group's reportable segments.

Additionally, some minor reallocations between the reportable segments have been made.

BUSINESS SEGMENT INFORMATION – CONSOLIDATED BALANCE SHEETS

Business segment information – consolidated balance sheets

€ mn

	Property-Casualty		Life/Health	
As of 31 December	2018	2017	2018	2017
ASSETS				
Cash and cash equivalents	3,977	3,317	8,301	9,025
Financial assets carried at fair value through income	768	604	6,620	7,442
Investments	99,366	101,668	434,794	424,294
Loans and advances to banks and customers	10,773	10,610	95,808	92,674
Financial assets for unit-linked contracts	-	-	115,361	119,141
Reinsurance assets	10,987	11,437	5,504	5,034
Deferred acquisition costs	4,796	4,715	22,912	18,469
Deferred tax assets	714	891	710	685
Other assets	23,357	22,787	18,808	19,416
Non-current assets and assets of disposal groups classified as held for sale	48	23	77	204
Intangible assets	3,292	2,985	2,976	2,934
Total assets	**158,078**	**159,036**	**711,870**	**699,318**

	Property-Casualty		Life/Health	
As of 31 December	2018	2017	2018	2017
LIABILITIES AND EQUITY				
Financial liabilities carried at fair value through income	126	133	11,421	11,021
Liabilities to banks and customers	1,563	1,237	5,976	5,655
Unearned premiums	17,784	17,065	5,128	4,402
Reserves for loss and loss adjustment expenses	61,442	62,093	11,672	11,256
Reserves for insurance and investment contracts	14,388	14,928	515,537	499,060
Financial liabilities for unit-linked contracts	-	-	115,361	119,141
Deferred tax liabilities	2,190	2,445	3,374	3,956
Other liabilities	19,115	18,876	14,094	14,600
Liabilities of disposal groups classified as held for sale	35	6	27	-
Certificated liabilities	-	11	11	11
Subordinated liabilities	-	-	65	65
Total liabilities	**116,641**	**116,794**	**682,666**	**669,168**

Asset Management		Corporate and Other		Consolidation		Group	
2018	2017	2018	2017	2018	2017	2018	2017
1,073	1,050	4,136	3,919	(253)	(192)	17,234	17,119
69	72	506	492	(353)	(434)	7,611	8,177
72	24	103,084	105,441	(86,394)	(84,599)	550,923	546,828
68	59	5,449	5,368	(3,828)	(4,488)	108,270	104,224
-	-	-	-	-	-	115,361	119,141
-	-	-	-	(90)	(96)	16,400	16,375
-	-	-	-	-	-	27,709	23,184
162	148	1,095	958	(1,722)	(1,752)	959	931
3,731	3,215	7,462	8,871	(14,149)	(16,558)	39,209	37,731
-	-	-	14,105	-	(3)	125	14,329
7,488	7,332	12	12	-	-	13,767	13,262
12,662	**11,901**	**121,745**	**139,165**	**(106,788)**	**(108,120)**	**897,567**	**901,300**

Asset Management		Corporate and Other		Consolidation		Group	
2018	2017	2018	2017	2018	2017	2018	2017
-	-	433	577	(354)	(440)	11,626	11,291
174	174	8,045	7,208	(1,536)	(1,527)	14,222	12,746
-	-	-	-	(21)	(26)	22,891	21,442
-	-	-	-	(59)	(57)	73,054	73,292
-	-	(57)	(109)	(181)	(193)	529,687	513,687
-	-	-	-	-	-	115,361	119,141
46	79	193	178	(1,722)	(1,752)	4,080	4,906
3,370	2,936	25,012	26,242	(21,358)	(23,015)	40,232	39,639
-	-	-	13,682	-	(25)	62	13,662
-	-	11,458	12,367	(2,271)	(2,794)	9,199	9,596
-	-	13,430	13,250	(20)	(20)	13,475	13,295
3,589	**3,188**	**58,513**	**73,396**	**(27,522)**	**(29,848)**	**833,888**	**832,698**
				Total equity		**63,679**	**68,602**
				Total liabilities and equity		**897,567**	**901,300**

BUSINESS SEGMENT INFORMATION – TOTAL REVENUES AND RECONCILIATION OF OPERATING PROFIT (LOSS) TO NET INCOME (LOSS)

Business segment information – total revenues and reconciliation of operating profit (loss) to net income (loss)
€ mn

	Property-Casualty		Life/Health	
	2018	2017	2018	2017
Total revenues[1]	**53,636**	**52,262**	**70,450**	**67,277**
Premiums earned (net)	48,305	47,242	23,167	24,185
Operating investment result				
Interest and similar income	3,426	3,465	17,883	17,856
Operating income from financial assets and liabilities carried at fair value through income (net)	(49)	(78)	(3,351)	(1,149)
Operating realized gains/losses (net)	160	248	4,945	5,333
Interest expenses, excluding interest expenses from external debt	(97)	(94)	(104)	(102)
Operating impairments of investments (net)	(112)	(22)	(2,465)	(634)
Investment expenses	(397)	(399)	(1,382)	(1,332)
Subtotal	2,931	3,120	15,527	19,971
Fee and commission income	1,765	1,616	1,548	1,454
Other income	30	33	13	1
Claims and insurance benefits incurred (net)	(31,864)	(31,425)	(20,296)	(19,798)
Operating change in reserves for insurance and investment contracts (net)[2]	(235)	(485)	(9,349)	(13,937)
Loan loss provisions	-	-	-	-
Acquisition and administrative expenses (net), excluding acquisition-related expenses	(13,542)	(13,537)	(5,635)	(6,565)
Fee and commission expenses	(1,660)	(1,509)	(742)	(700)
Operating amortization of intangible assets	-	-	(20)	(19)
Operating restructuring charges	-	-	(59)	(27)
Other expenses	(6)	(2)	(1)	(154)
Operating profit (loss)	**5,725**	**5,053**	**4,152**	**4,412**
Non-operating investment result				
Non-operating income from financial assets and liabilities carried at fair value through income (net)	40	(5)	16	46
Non-operating realized gains/losses (net)	663	609	134	137
Non-operating impairments of investments (net)	(396)	(163)	(41)	(54)
Subtotal	307	442	108	129
Non-operating change in reserves for insurance and investment contracts (net)	-	-	(22)	(61)
Interest expenses from external debt	-	-	-	-
Acquisition-related expenses	-	-	-	-
Non-operating amortization of intangible assets	(55)	(61)	(278)	(52)
Non-operating restructuring charges	(180)	(233)	(64)	(50)
Non-operating items	73	148	(256)	(34)
Income (loss) before income taxes	5,798	5,201	3,896	4,377
Income taxes	(1,496)	(1,394)	(1,059)	(1,410)
Net income (loss)	**4,302**	**3,807**	**2,837**	**2,968**
Net income (loss) attributable to:				
Non-controlling interests	66	167	166	146
Shareholders	4,236	3,640	2,671	2,821

1_Total revenues comprise statutory gross premiums written in Property-Casualty and Life/ Health, operating revenues in Asset Management, and total revenues in Corporate and Other (Banking).
2_For the year ended 31 December 2018, includes expenses for premium refunds (net) in Property-Casualty of € 86 mn (2017: € (215) mn).

Asset Management		Corporate and Other		Consolidation		Group	
2018	2017	2018	2017	2018	2017	2018	2017
6,732	**6,408**	**275**	**562**	**(535)**	**(360)**	**130,557**	**126,149**
-	-	-	-	-	-	71,472	71,427
14	19	513	731	(220)	(223)	21,616	21,848
5	25	20	(1)	8	-	(3,368)	(1,203)
-	-	-	-	40	(68)	5,146	5,513
(11)	(11)	(198)	(311)	214	208	(195)	(311)
-	-	-	-	-	-	(2,577)	(656)
-	-	(94)	(109)	540	571	(1,333)	(1,269)
8	33	241	310	582	489	19,289	23,923
8,462	7,904	2,231	2,349	(2,472)	(2,387)	11,534	10,937
11	1	4	156	(34)	(154)	24	36
-	-	-	-	4	5	(52,157)	(51,218)
-	-	-	-	(78)	56	(9,662)	(14,366)
-	-	(2)	(25)	-	-	(2)	(25)
(4,202)	(3,968)	(1,171)	(1,578)	(50)	(61)	(24,600)	(25,709)
(1,749)	(1,530)	(2,134)	(1,992)	1,983	1,873	(4,302)	(3,857)
-	-	-	-	-	-	(20)	(19)
-	-	-	-	-	-	(59)	(27)
-	-	-	(3)	1	154	(6)	(5)
2,530	**2,440**	**(831)**	**(783)**	**(64)**	**(24)**	**11,512**	**11,097**
-	-	19	(71)	(7)	29	67	(1)
-	(15)	156	108	(3)	194	951	1,033
-	-	(137)	(287)	-	-	(575)	(504)
-	(15)	38	(250)	(10)	223	443	528
-	-	-	-	-	-	(22)	(61)
-	-	(840)	(838)	-	-	(840)	(838)
-	7	-	-	-	-	-	7
(13)	(13)	(9)	(9)	-	-	(355)	(135)
(2)	(10)	(94)	(157)	-	-	(339)	(450)
(15)	(31)	(905)	(1,254)	(10)	223	(1,113)	(949)
2,515	2,408	(1,736)	(2,037)	(74)	199	10,399	10,148
(593)	(862)	443	744	10	(19)	(2,696)	(2,941)
1,922	**1,546**	**(1,294)**	**(1,293)**	**(63)**	**179**	**7,703**	**7,207**
73	73	(64)	16	-	1	241	404
1,848	1,473	(1,230)	(1,309)	(63)	178	7,462	6,803

RECONCILIATION OF REPORTABLE SEGMENTS TO ALLIANZ GROUP FIGURES

Reconciliation of reportable segments to Allianz Group figures

€ mn

	Total revenues		Premiums earned (net)		Operating profit (loss)		Net income (loss)	
	2018	2017	2018	2017	2018	2017	2018	2017
German Speaking Countries and Central & Eastern Europe	15,434	14,897	12,919	12,485	1,641	1,389	1,207	1,197
Western & Southern Europe and Asia Pacific	12,476	12,348	10,837	11,233	1,776	1,924	1,339	1,309
Iberia & Latin America and Allianz Partners	9,457	9,525	8,121	7,932	498	452	320	237
Global Insurance Lines & Anglo Markets, Middle East and Africa	23,371	22,092	16,428	15,592	1,826	1,288	1,448	1,073
Consolidation	(7,103)	(6,600)	-	-	(16)	-	(13)	(9)
Total Property-Casualty	**53,636**	**52,262**	**48,305**	**47,242**	**5,725**	**5,053**	**4,302**	**3,807**
German Speaking Countries and Central & Eastern Europe	28,758	27,359	14,073	15,177	1,620	1,644	1,097	1,084
Western & Southern Europe and Asia Pacific	29,335	28,554	6,987	6,840	1,359	1,326	823	954
Iberia & Latin America	1,873	2,011	493	505	286	328	235	244
USA	10,832	9,720	1,183	1,261	852	1,049	664	637
Global Insurance Lines & Anglo Markets, Middle East and Africa	711	667	426	399	49	55	29	39
Consolidation and Other	(1,059)	(1,034)	5	2	(14)	10	(12)	10
Total Life/Health	**70,450**	**67,277**	**23,167**	**24,185**	**4,152**	**4,412**	**2,837**	**2,968**
Asset Management	**6,732**	**6,408**	**-**	**-**	**2,530**	**2,440**	**1,922**	**1,546**
Holding & Treasury	-	-	-	-	(938)	(936)	(1,251)	(1,171)
Banking	274	560	-	-	51	96	13	(170)
Alternative Investments	-	-	-	-	56	57	(55)	48
Consolidation	-	2	-	-	-	-	-	-
Total Corporate and Other	**275**	**562**	**-**	**-**	**(831)**	**(783)**	**(1,294)**	**(1,293)**
Consolidation	**(535)**	**(360)**	**-**	**-**	**(64)**	**(24)**	**(63)**	**179**
Group	**130,557**	**126,149**	**71,472**	**71,427**	**11,512**	**11,097**	**7,703**	**7,207**

NOTES TO THE CONSOLIDATED BALANCE SHEETS

5 _ Financial assets carried at fair value through income

Financial assets carried at fair value through income

€ mn

As of 31 December	2018	2017
Financial assets held for trading		
Debt securities	421	405
Equity securities	203	210
Derivative financial instruments	2,729	2,461
Subtotal	3,353	3,076
Financial assets designated at fair value through income		
Debt securities	2,276	2,603
Equity securities	1,982	2,498
Subtotal	4,258	5,101
Total	**7,611**	**8,177**

6 _ Investments

Investments

€ mn

As of 31 December	2018	2017
Available-for-sale investments	520,612	520,397
Held-to-maturity investments	2,787	2,678
Funds held by others under reinsurance contracts assumed	732	836
Investments in associates and joint ventures	11,823	9,010
Real estate held for investment	12,455	11,419
Fixed assets of renewable energy investments	2,514	2,488
Total	**550,923**	**546,828**

AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments

€ mn

As of 31 December	2018				2017			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Debt securities								
Corporate bonds	236,297	8,818	(3,923)	241,192	228,439	15,579	(493)	243,526
Government and government agency bonds[1]	180,094	19,106	(1,669)	197,531	177,186	22,551	(827)	198,911
MBS/ABS	24,267	202	(434)	24,035	21,405	368	(140)	21,633
Other	5,376	1,080	(14)	6,442	4,472	715	(18)	5,169
Subtotal[2]	446,034	29,205	(6,040)	469,199	431,503	39,213	(1,477)	469,239
Equity securities	43,055	9,246	(888)	51,413	37,195	14,241	(278)	51,158
Total	**489,089**	**38,451**	**(6,928)**	**520,612**	**468,697**	**53,455**	**(1,755)**	**520,397**

1_As of December 2018, fair value and amortized cost of bonds from countries with a rating below AA amount to € 71,260 mn (2017: € 74,132 mn) and € 68,667 mn (2017: € 68,638 mn), respectively.
2_As of December 2018, fair value and amortized cost of debt securities with a contractual maturity of less than one year amount to € 31,226 mn (2017: € 30,037 mn) and € 29,873 mn (2017: € 29,222 mn), respectively.

HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments

€ mn

As of 31 December	2018				2017			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Government and government agency bonds	2,538	189	(46)	2,681	2,368	271	(19)	2,621
Corporate bonds[1]	249	44	-	292	310	62	-	372
Total[2]	**2,787**	**232**	**(46)**	**2,973**	**2,678**	**333**	**(19)**	**2,992**

1_Also include corporate mortgage-backed securities.
2_As of 31 December 2018, fair value and amortized cost of debt securities with a contractual maturity of less than one year amount to € 408 mn (2017: € 186 mn) and € 400 mn (2017: € 184 mn), respectively.

UNREALIZED LOSSES ON AVAILABLE-FOR-SALE INVESTMENTS AND HELD-TO-MATURITY INVESTMENTS

DEBT SECURITIES

Total unrealized losses amounted to € 6,087 mn as of 31 December 2018. The Allianz Group holds a large variety of government and government agency bonds and corporate bonds, mostly of or domiciled in OECD countries.

In general, the credit risk of government and government agency bonds is rather moderate since they are backed by the fiscal capacity of the issuers who typically hold an investment-grade country- and/or issue-rating. During 2018, interest rates of government and government agency bonds increased in some countries, while decreasing in others. This development, supported by purchases and realizations, led to an increase in unrealized losses on government and government agency bonds of € 870 mn.

The unrealized losses on the Allianz Group's investments in government and government agency bonds are spread over several countries, with the main part coming from Europe.

For the vast majority of corporate bonds, the issuer/issues have an investment-grade rating. The increase in unrealized losses of € 3,431 mn compared to 31 December 2017 is due to increasing interest rates.

The main impact from unrealized losses on corporate bonds comes from the financial, consumer and energy sector.

Based on a detailed analysis of the underlying securities, the Allianz Group did not consider these investments to be impaired as of 31 December 2018.

EQUITY SECURITIES

As of 31 December 2018, unrealized losses amounted to € 888 mn, an increase of € 610 mn compared to 31 December 2017. They concern equity securities that did not meet the criteria of the Allianz Group's impairment policy for equity instruments as described in note 2. The major part of these unrealized losses has been in a continuous loss position of less than 6 months.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

As of 31 December 2018, loans to associates and joint ventures amounted to € 2,179 mn (2017: € 1,598 mn).

Associates and joint ventures
€ mn

	2018	2017
Share of earnings	228	506
Share of other comprehensive income	(79)	(78)
Share of total comprehensive income	**149**	**428**

REAL ESTATE HELD FOR INVESTMENT

Real estate held for investment
€ mn

	2018	2017
Cost as of 1 January	14,386	14,691
Accumulated depreciation as of 1 January	(2,967)	(2,959)
Carrying amount as of 1 January	**11,419**	**11,732**
Additions	1,031	538
Changes in the consolidated subsidiaries of the Allianz Group	343	(193)
Disposals and reclassifications into non-current assets and assets of disposal groups classified as held for sale	(316)	(188)
Reclassifications	153	33
Foreign currency translation adjustments	76	(252)
Depreciation	(250)	(252)
Impairments	(16)	(24)
Reversals of impairments	15	24
Carrying amount as of 31 December	**12,455**	**11,419**
Accumulated depreciation as of 31 December	3,158	2,967
Cost as of 31 December	15,613	14,386

FIXED ASSETS OF RENEWABLE ENERGY INVESTMENTS

Fixed assets of renewable energy investments[1]
€ mn

	2018	2017
Cost as of 1 January	3,086	2,868
Accumulated depreciation as of 1 January	(597)	(472)
Carrying amount as of 1 January	**2,488**	**2,397**
Additions	155	218
Changes in the consolidated subsidiaries of the Allianz Group	-	-
Disposals	(1)	-
Depreciation	(128)	(91)
Impairments	-	(36)
Carrying amount as of 31 December	**2,514**	**2,488**
Accumulated depreciation as of 31 December	726	597
Cost as of 31 December	3,240	3,086

1_Include fixed assets of wind parks and solar parks.

7 _ Loans and advances to banks and customers

Loans and advances to banks and customers
€ mn

As of 31 December	2018	2017
Short-term investments and certificates of deposit	3,105	3,094
Loans	102,898	99,526
Other	2,344	1,697
Subtotal	108,348	104,317
Loan loss allowance	(78)	(94)
Total[1]	**108,270**	**104,224**

1_Includes loans and advances to banks and customers due within one year of € 12,674 mn (2017: € 10,055 mn).

8 _ Reinsurance assets

Reinsurance assets
€ mn

As of 31 December	2018	2017
Unearned premiums	1,713	1,504
Reserves for loss and loss adjustment expenses	9,672	10,112
Aggregate policy reserves	4,887	4,633
Other insurance reserves	128	127
Total	**16,400**	**16,375**

Changes in aggregate policy reserves ceded to reinsurers are as follows:

Changes in aggregate policy reserves ceded to reinsurers
€ mn

	2018	2017
Carrying amount as of 1 January	**4,633**	**5,211**
Foreign currency translation adjustments	187	(513)
Changes recorded in the consolidated income statements	87	70
Other changes	(19)	(135)
Carrying amount as of 31 December	**4,887**	**4,633**

The reserves for loss and loss adjustment expenses ceded to reinsurers in the business segment Property-Casualty amounted to € 8,966 mn (2017: € 9,587 mn) as of 31 December 2018. Their change is shown in the respective table in note 14.

The Allianz Group reinsures a portion of the risks it underwrites in an effort to control its exposure to losses and events and to protect its capital resources. For natural catastrophe events, the Allianz Group has a centralized program in place that pools exposures from its subsidiaries by internal reinsurance agreements. Allianz SE limits exposures in this portfolio through external reinsurance. For other risks, the subsidiaries of the Allianz Group have individual reinsurance programs in place. Allianz SE participates with up to 100% on an arm's length basis in these cessions, in line with local requirements. The risk coming from these cessions is also limited by external retrocessions.

Reinsurance involves credit risk and is subject to aggregate loss limits. Reinsurance does not legally discharge the respective Allianz company from primary liability under the reinsured policies. Although the reinsurer is liable to this company to the extent of the business ceded, the Allianz company remains primarily liable as the direct insurer for all the risks it underwrites, including the share that is reinsured. The Allianz Group monitors the financial condition of its reinsurers on a regular basis and reviews its reinsurance arrangements periodically in order to evaluate the reinsurer's ability to fulfill its obligations to the Allianz Group companies under existing and planned reinsurance contracts. The Allianz Group's evaluation criteria, which include the degree of creditworthiness, capital levels, and marketplace reputation of its reinsurers, are such that the Allianz Group believes that its reinsurance credit risk is not significant, and historically has not experienced noteworthy difficulty in collecting claims from its reinsurers. Additionally, and as appropriate, the Allianz Group may also require letters of credit, deposits, or other financial guarantees to further minimize its exposure to credit risk. In certain cases, however, the Allianz Group does establish an allowance for doubtful amounts related to reinsurance as appropriate, although this amount was not significant as of 31 December 2018 and 2017. The Allianz Group primarily maintains business relations with highly rated reinsurers.

9 _ Deferred acquisition costs

Deferred acquisition costs
€ mn

As of 31 December	2018	2017
Deferred acquisition costs		
Property-Casualty	4,796	4,715
Life/Health	21,727	17,568
Subtotal	26,523	22,283
Deferred sales inducements	803	450
Present value of future profits	383	451
Total	**27,709**	**23,184**

Changes in deferred acquisition costs
€ mn

	2018	2017
Carrying amount as of 1 January	**23,184**	**24,887**
Additions	9,856	9,576
Changes in the consolidated subsidiaries of the Allianz Group	-	-
Foreign currency translation adjustments	333	(1,256)
Changes in shadow accounting	2,575	(824)
Amortization	(8,239)	(9,199)
Carrying amount as of 31 December	**27,709**	**23,184**

10 _ Other assets

Other assets

€ mn

As of 31 December	2018	2017
Receivables		
Policyholders	6,460	6,134
Agents	4,394	4,231
Reinsurance	2,942	2,594
Other	5,478	4,904
Less allowances for doubtful accounts	(600)	(594)
Subtotal	18,673	17,270
Tax receivables		
Income taxes	1,798	2,032
Other taxes	1,998	1,742
Subtotal	3,796	3,775
Accrued dividends, interest, and rent	6,585	6,671
Prepaid expenses	507	442
Derivative financial instruments used for hedging that meet the criteria for hedge accounting, and firm commitments[1]	489	538
Property and equipment		
Real estate held for own use	2,856	2,941
Software	2,934	2,786
Equipment	1,378	1,432
Subtotal	7,168	7,159
Other assets	1,991	1,876
Total[2]	**39,209**	**37,731**

1_Mainly level 2 for fair value measurement.
2_Includes other assets due within one year of € 32,802 mn (2017: € 32,008 mn).

PROPERTY AND EQUIPMENT

Property and equipment

€ mn

	2018			2017		
	Real estate held for own use	Software	Equipment	Real estate held for own use	Software	Equipment
Cost as of 1 January	3,938	7,420	4,318	3,995	7,283	4,381
Accumulated depreciation as of 1 January	(997)	(4,633)	(2,887)	(971)	(4,643)	(2,904)
Carrying amount as of 1 January	**2,941**	**2,786**	**1,432**	**3,024**	**2,640**	**1,477**
Additions	78	830	316	109	845	418
Changes in the consolidated subsidiaries of the Allianz Group	-	6	18	-	(12)	-
Disposals and reclassifications into non-current assets and assets of disposal groups classified as held for sale	(14)	(56)	(61)	(46)	(10)	(82)
Reclassifications	(63)	23	(15)	(33)	17	(20)
Foreign currency translation adjustments	(13)	(2)	6	(41)	(22)	(57)
Depreciation/Amortization	(71)	(585)	(317)	(70)	(565)	(303)
Impairments	(4)	(70)	(1)	(2)	(106)	(1)
Reversals of impairments	1	-	-	-	-	-
Carrying amount as of 31 December	**2,856[1]**	**2,934[2]**	**1,378**	**2,941**	**2,786**	**1,432**
Accumulated depreciation as of 31 December	1,014	4,879	2,880	997	4,633	2,887
Cost as of 31 December	3,870	7,812	4,259	3,938	7,420	4,318

1_As of 31 December 2018, assets pledged as security and other restrictions on title were € 104 mn (2017: € 103 mn).
2_As of 31 December 2018, includes € 1,926 mn (2017: € 1,838 mn) for self-developed software and € 1,007 mn (2017: € 948 mn) for software purchased from third parties.

11 _ Intangible assets

Intangible assets
€ mn

As of 31 December	2018	2017
Goodwill	12,330	11,848
Distribution agreements[1]	815	918
Other[2]	621	496
Total	**13,767**	**13,262**

1_Primarily include the long-term distribution agreements with Commerzbank AG and Banco Popular S.A.
2_Primarily include acquired business portfolios, customer relationships, heritable building rights, land use rights, lease rights, renewal rights, and brand names.

GOODWILL

Goodwill
€ mn

	2018	2017
Cost as of 1 January	12,288	12,812
Accumulated impairments as of 1 January	(440)	(440)
Carrying amount as of 1 January	**11,848**	**12,372**
Additions	359	32
Disposals	-	-
Foreign currency translation adjustments	123	(556)
Impairments	-	-
Carrying amount as of 31 December	**12,330**	**11,848**
Accumulated impairments as of 31 December	292	440
Cost as of 31 December	12,622	12,288

2018
Additions are mainly related to goodwill arising from the acquisition of Servicios Compartidos Multiasistencia S.L., Madrid.

2017
Additions are mainly related to goodwill arising from the acquisition of Sound Harbor Partners, a New York based private credit manager.

IMPAIRMENT TEST FOR GOODWILL

ALLOCATION PRINCIPLES
For the purpose of impairment testing, the Allianz Group has allocated goodwill to CGUs[1]. These CGUs represent the lowest level at which goodwill is monitored for internal management purposes.

CGUs in the Property-Casualty business segment are:

- Insurance German Speaking Countries, including Germany and Switzerland,
- Insurance Western & Southern Europe, including Belgium, France, Greece, Italy, Luxembourg, the Netherlands, and Turkey,
- Insurance Asia,
- Insurance Iberia & Latin America, including Mexico, Portugal, South America and Spain,
- Insurance Central & Eastern Europe, including Austria, Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Russia, Slovakia, and Ukraine,
- Global Insurance Lines & Anglo Markets, Middle East and Africa including Australia, Ireland, the United Kingdom, Middle East and Africa,
- Specialty Lines I, including Allianz Re, Allianz Global Corporate & Specialty and Credit Insurance, and
- Specialty Lines II, including Allianz Partners.

CGUs in the Life/Health business segment are:

- Insurance German Speaking Countries, including Germany and Switzerland
- Insurance Germany – Health,
- Insurance Western & Southern Europe, including Belgium, France, Greece, Italy, Luxembourg, the Netherlands, and Turkey,
- Insurance Central & Eastern Europe, including Austria, Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Russia, Slovakia, and Ukraine,
- Global Insurance Lines & Anglo Markets, Middle East and Africa including Australia, Ireland, the United Kingdom, Middle East and Africa, and
- US Life Insurance.

The business segment Asset Management is represented by the CGU Asset Management, mainly including Allianz Global Investors and PIMCO.

1_The following paragraphs only include the CGUs that contain goodwill.

The carrying amounts of goodwill are allocated to the Allianz Group's CGUs as of 31 December 2018 and 2017 as follows:

Allocation of carrying amounts of goodwill to CGUs
€ mn

As of 31 December	2018	2017
PROPERTY-CASUALTY		
Insurance German Speaking Countries	299	268
Insurance Western & Southern Europe	1,195	1,242
Insurance Asia	135	99
Insurance Iberia & Latin America	21	21
Insurance Central & Eastern Europe	311	311
Global Insurance Lines & Anglo Markets, Middle East and Africa	538	493
Specialty Lines I	38	38
Specialty Lines II	265	21
Subtotal	2,803	2,494
LIFE/HEALTH		
Insurance German Speaking Countries	615	615
Insurance Germany - Health	331	331
Insurance Western & Southern Europe	631	639
Insurance Central & Eastern Europe	45	45
Global Insurance Lines & Anglo Markets, Middle East and Africa	16	12
US Life Insurance	467	459
Subtotal	2,104	2,100
ASSET MANAGEMENT	7,423	7,254
Total	**12,330**	**11,848**

VALUATION TECHNIQUES

The recoverable amounts for all CGUs are determined on the basis of value in use calculations. The Allianz Group applies generally acknowledged valuation principles to determine the value in use.

For all CGUs in the Property-Casualty business segment and for the CGU Asset Management, the Allianz Group mainly uses the discounted earnings method to derive the value in use. Generally, the basis for the determination of the discounted earnings value is the business plan ("detailed planning period") as well as the estimate of the sustainable returns and eternal growth rates, which can be assumed to be realistic on a long-term basis ("terminal value") for the operating entities included in the CGU. The discounted earnings value is calculated by discounting the future earnings using an appropriate discount rate. The business plans applied in the value in use calculations are the results of the structured management dialogues between the Board of Management of Allianz SE and the operating entities in connection with a reporting process integrated into these dialogues. Generally, the business plans comprise a planning horizon of three years and are based on the current market environment.

The terminal values are largely based on the expected profits of the final year of the detailed planning period. Where necessary, the planned profits are adjusted to reflect long-term sustainable earnings. The financing of the assumed eternal growth in the terminal values is accounted for by appropriate profit retention.

For all CGUs in the Life/Health business segment, the value in use is based on an Appraisal Value method, which is derived from the Embedded Value and new-business value calculation. As a starting point for the impairment test for the CGUs in the Life/Health business segment, the Market Consistent Embedded Value (MCEV) and a multiple of the Market Consistent Value of New Business is used. MCEV is an industry-specific valuation method to assess the current value of the in-force portfolio. The Allianz Group uses an economic balance sheet approach to derive the MCEV, which is directly taken out of the market value balance sheet (MVBS) as determined using Solvency II guidance. In case, where no adequate valuation reflecting a long-term view in line with management judgment and market experience could be derived from market-consistent methodology, the Appraisal Value can be derived from a Traditional Embedded Value (TEV). This was not the case in 2018.

SIGNIFICANT ASSUMPTIONS

In determining the business plans, certain key assumptions were made in order to project future earnings.

For entities included in the CGUs of the Property-Casualty business segment, the business plans are mainly based on key assumptions including expense ratio, loss ratio, investment income, risk capital, market share, premium rate changes, and taxes. The bases for determining the values assigned to the key assumptions are current market trends and earnings projections.

The discount rate is based on the capital asset pricing model (CAPM) and appropriate eternal growth rates. The assumptions, including the risk-free interest rate, market risk premium, segment beta, and leverage ratio used to calculate the discount rates, are generally consistent with the parameters used in the Allianz Group's planning and controlling process. The discount rates and eternal growth rates for the CGUs in the Property-Casualty business segment are as follows:

Discount rates and eternal growth rates for the CGUs in the Property-Casualty business segment[1]
%

CGUs in the Property-Casualty business segment	Discount rate	Eternal growth rate
Insurance German Speaking Countries	7.5	0.9
Insurance Western & Southern Europe	9.9	3.0
Insurance Asia	11.7	3.2
Insurance Iberia & Latin America	10.2	2.7
Insurance Central & Eastern Europe	8.9	1.3
Global Insurance Lines & Anglo Markets, Middle East and Africa	9.0	1.6
Specialty Lines I	8.2	1.4
Specialty Lines II	7.7	1.0

1_The table provides an overview of weighted key parameters on CGU level of the country-specific discount rates and eternal growth rates used.

For entities included in the CGUs of the Life/Health business segment, the MCEV is the excess of assets over liabilities of the MVBS according to the Solvency II requirements. Assets and liabilities included in the MVBS are measured at their market value as of the reporting date. Technical provisions are an essential part of the liabilities included in the MVBS and generally consist of the best estimate plus a risk margin. The best estimate corresponds to the probability-weighted average of future cash flows considering the time value of money, using the relevant risk-free interest rate term structure. The calculation of the best estimate is based on assumptions made for demographic factors (e.g. mortality, morbidity, lapse/surrender rates), expense allowances, taxation, assumptions on market conditions for market consistent projections (e.g. reference rates, volatilities) as well as investment strategy and asset allocation of the entity. The risk margin ensures that the value of the technical provisions is equivalent to the amount that the entity would be expected to require in order to take on and meet the insurance and reinsurance obligations.

Reference rates used for the calculation of the best estimate follow EIOPA specifications for the Solvency II guidance.

The following table provides an overview of the reference rates for the CGUs in the Life/Health business segment:

Reference rates for the CGUs in the Life/Health business segment

CGUs in the Life/Health business segment	Reference rate for entities with Appraisal Value based on MCEV
Insurance German Speaking Countries	Euro swap curve minus 10 bps credit risk adjustment plus 24 bps volatility adjustment CHF swap curve minus 10 bps credit risk adjustment plus 4 bps volatility adjustment
Insurance Germany - Health	Euro swap curve minus 10 bps credit risk adjustment plus 24 bps volatility adjustment
Insurance Western & Southern Europe	Euro swap curve minus 10 bps credit risk adjustment plus 24 bps volatility adjustment
Insurance Central & Eastern Europe	For those entities reporting in Euro: Euro swap curve minus 10 bps credit risk adjustment plus 24 bps volatility adjustment For other entities: Local swap curve minus 10 bps credit risk adjustment plus volatility adjustment for the following currencies only (HRK: 12 bps, CZK: 17 bps, PLN: 9 bps)
Global Insurance Lines & Anglo Markets, Middle East and Africa	For those entities reporting in Euro: Euro swap curve minus 10 bps credit risk adjustment plus 24 bps volatility adjustment
US Life Insurance	Local swap curve minus 18 bps credit risk adjustment plus 54 bps volatility adjustment

The new-business value calculation is based on a best estimate of one year of value of new business, multiplied by a factor (multiple) to capture expected future new business. The best estimate of new business is generally derived from the achieved value of new business. The new business multiple accounts for the risk and the growth associated with future new business in analogy to the discount rate and the growth rate in a discounted earnings method. For all CGUs in the Life/Health business segment, a multiple of not more than ten times the value of new business is applied.

For entities included in the CGU of the Asset Management business segment, key assumptions include assets under management growth, cost-income ratio, and risk capital. The key assumptions are based on the current market environment. The discount rate for the CGU Asset Management is 10.2 % and the eternal growth rate is 1.0 %.

SENSITIVITY ANALYSIS

Sensitivity analyses were performed with regard to discount rates and key value drivers of the business plans.

For the CGUs in the Property-Casualty business segment and for the CGU Asset Management, sensitivity analyses were performed with respect to the long-term sustainable combined ratios and cost-income ratios. For all CGUs discounted earnings value sensitivities still exceeded their respective carrying amounts – though for the CGU Insurance Asia in the business segment Property-Casualty a simultaneous increase of 0.5 % points in the discount rate and the combined ratio results in the recoverable amount of the CGU getting close to its respective carrying value.

In the Life/Health business segment, sensitivity analyses were performed based on MCEV sensitivity testing on the reference rate. The analyses have shown that in case of a decrease in reference rates by 50 basis points, the appraisal value of each CGU still exceeds its carrying amount.

12 _ Liabilities to banks and customers

Liabilities to banks and customers
€ mn

As of 31 December	2018	2017
Payable on demand and other deposits	1,115	973
Repurchase agreements and collateral received from securities lending transactions and derivatives	4,173	3,821
Other	8,934	7,953
Total[1]	**14,222**	**12,746**

1_Consists of liabilities to banks and customers due within one year of € 12,653 mn (2017: € 10,995 mn), 1 – 5 years of € 819 mn (2017: € 1,097 mn) and over 5 years of € 750 mn (2017: € 654 mn).

13 _ Unearned premiums

Unearned premiums
€ mn

As of 31 December	2018	2017
Property-Casualty	17,784	17,065
Life/Health	5,128	4,402
Consolidation	(21)	(26)
Total	**22,891**	**21,442**

14 _ Reserves for loss and loss adjustment expenses

As of 31 December 2018, the reserves for loss and loss adjustment expenses of the Allianz Group totaled € 73,054 mn (2017: € 73,292 mn). The following table reconciles the beginning and ending reserves for the Property-Casualty business segment for the years ended 31 December 2018 and 2017.

Change in the reserves for loss and loss adjustment expenses in the Property-Casualty business segment
€ mn

	2018			2017		
	Gross	Ceded	Net	Gross	Ceded	Net
As of 1 January	**62,093**	**(9,587)**	**52,505**	**61,617**	**(8,119)**	**53,497**
Balance carry forward of discounted loss reserves	4,096	(287)	3,809	4,055	(298)	3,757
Subtotal	66,189	(9,874)	56,314	65,671	(8,417)	57,254
Loss and loss adjustments expenses incurred						
Current year	36,515	(2,670)	33,845	38,305	(4,954)	33,351
Prior years	(2,905)	924	(1,981)	(2,043)	116	(1,927)
Subtotal	33,610	(1,746)	31,864	36,262	(4,838)	31,425
Loss and loss adjustments expenses paid						
Current year	(17,859)	775	(17,084)	(17,749)	1,080	(16,669)
Prior years	(17,044)	1,798	(15,246)	(15,764)	1,655	(14,109)
Subtotal	(34,903)	2,573	(32,330)	(33,513)	2,735	(30,778)
Foreign currency translation adjustments and other changes[1]	567	(125)	442	(2,232)	646	(1,586)
Changes in the consolidated subsidiaries of the Allianz Group	135	(68)	67	-	-	-
Subtotal	65,598	(9,240)	56,358	66,189	(9,874)	56,314
Ending balance of discounted loss reserves	(4,157)	274	(3,883)	(4,096)	287	(3,809)
As of 31 December	**61,442**	**(8,966)**	**52,475**	**62,093**	**(9,587)**	**52,505**

1_Include effects of foreign currency translation adjustments for prior year's claims of gross € 26 mn (2017: € (2,127) mn) and of net € (70) mn (2017: € (1,579) mn) and for current year claims of gross € (44) mn (2017: € (406) mn) and of net € (41) mn (2017: € (322) mn).

Prior years' net loss and loss adjustment expenses incurred reflect the changes in estimation charged or credited to the consolidated income statement in each year with respect to the reserves for loss and loss adjustment expenses established as of the beginning of that year. During the year ended 31 December 2018, the Allianz Group recorded additional income of € 1,981 mn (2017: € 1,927 mn) net in respect of losses occurring in prior years. During the year ended 31 December 2018, this amount, expressed as a percentage of the net balance of the beginning of the year, was 3.5 % (2017: 3.4 %).

CHANGES IN HISTORICAL RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES (LAE)

The analysis of loss and LAE reserves by actuaries and management is conducted by line of business and separately for specific claim types such as asbestos and environmental claims. The origin year of losses is taken into consideration by analyzing each line of business by accident year. While this determines the estimates of reserves for loss and LAE by accident year, the effect in the consolidated income statement in the respective calendar year combines the accident year loss ratio for the current year with the favorable or adverse development from prior years (run-off).

Although discounted loss reserves have been reclassified to "Reserves for insurance and investment contracts" in the balance sheet, the underlying business development of these non-life reserves is still considered in the loss ratio. Therefore the tables below show the loss development by accident year including the business development of discounted loss reserves.

The run-off triangle, also known as the "loss triangle", is a tabular representation of loss-related data (such as payments, loss reserves, ultimate losses) in two time-related dimensions. One of these is the calendar year, the other is the accident year (year of loss occurrence). Run-off triangles – as the basis for measuring loss reserves – express how the loss reserves change over the course of time due to payments made and new estimates of the expected ultimate loss at the respective reporting date.

The data is only presented on a net basis, as this is considered to be more meaningful in order to represent the retained impact on Group results. The run-off triangles are not prepared on a currency-adjusted basis. This means all figures are translated from the respective local currency into the Allianz Group presentation currency (Euro), consistently using the exchange rates applicable at the respective reporting date. This ensures that the reserves reconcile with reserves in the consolidated balance sheet.

LOSS PAYMENTS FOR THE INDIVIDUAL ACCIDENT YEARS (PER CALENDAR YEAR, NET)

Loss payments for the individual accident years (per calendar year, net)
€ mn

	Accident year										
Calendar year	2009 and prior	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
2009	26,167										**26,167**
2010	12,364	14,094									**26,459**
2011	5,284	6,945	14,316								**26,545**
2012	3,979	1,972	7,434	14,443							**27,828**
2013	3,147	1,113	2,090	7,181	15,449						**28,979**
2014	2,496	729	1,169	1,890	7,009	15,410					**28,702**
2015	2,021	476	775	1,054	1,850	7,564	16,291				**30,031**
2016	2,417	364	546	727	1,004	2,007	7,929	16,409			**31,403**
2017	1,276	269	303	425	710	1,022	2,261	7,842	16,669		**30,778**
2018	1,791	180	257	344	389	707	1,119	2,484	7,976	17,084	**32,330**

RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES FOR THE INDIVIDUAL ACCIDENT YEARS AT THE RESPECTIVE REPORTING DATE (NET)

Reserves for loss and loss adjustment expenses for the individual accident years at the respective reporting date (net)
€ mn

	Accident year										
As of 31 December	2009 and prior	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
2009	48,539										**48,539**
2010	36,122	14,729									**50,850**
2011	30,023	7,218	15,596								**52,836**
2012	27,144	5,238	7,861	15,564							**55,807**
2013	23,221	3,837	5,190	7,239	13,957						**53,445**
2014	20,909	3,105	4,066	5,223	7,101	15,215					**55,619**
2015	18,614	2,614	3,208	3,931	5,182	7,585	16,358				**57,492**
2016	15,655	2,141	2,564	3,040	3,894	5,262	7,991	16,708			**57,254**
2017	13,247	1,625	1,945	2,356	2,815	3,891	5,407	8,454	16,573		**56,314**
2018	11,358	1,371	1,570	1,808	2,352	2,954	4,114	5,424	8,327	17,081	**56,358**

ULTIMATE LOSS FOR THE INDIVIDUAL ACCIDENT YEARS AT THE RESPECTIVE REPORTING DATE (NET)

Ultimate loss for the individual accident years at the respective reporting date (net)
€ mn

	Accident year										
Calendar year	2009 and prior	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
2009	74,706										
2010	74,653	28,823									
2011	73,838	28,257	29,912								
2012	74,939	28,250	29,610	30,007							
2013	74,162	27,962	29,029	28,863	29,407						
2014	74,346	27,958	29,074	28,736	29,560	30,625					
2015	74,072	27,943	28,990	28,498	29,490	30,560	32,649				
2016	73,529	27,834	28,893	28,334	29,206	30,244	32,211	33,116			
2017	72,397	27,588	28,577	28,076	28,837	29,896	31,888	32,705	33,242		
2018	72,300	27,513	28,459	27,871	28,764	29,665	31,713	32,158	32,972	34,165	
Surplus[1]	2,407	1,310	1,453	2,137	643	960	936	958	270	-[3]	**11,072**
Reduction 2018 versus 2017[2]	98	75	118	205	73	231	174	547	270	-[3]	**1,791**

1_Includes effects from foreign currency translation adjustments and other changes.
2_The total development 2018 to 2017 of € 1,791 mn represents the cumulative surplus from re-estimating the ultimate loss for prior year claims. Considering foreign currency translation adjustments of net € (70) mn as well as changes in the consolidated subsidiaries of the Allianz Group and other changes of in total € 259 mn, this leads to an effective run-off of net € 1,981 mn, which can be found in the table "Change in reserves for loss and loss adjustment expenses" within this note.
3_Presentation not meaningful.

CALENDAR YEAR PREMIUMS EARNED AND ULTIMATE LOSS RATIOS FOR THE INDIVIDUAL ACCIDENT YEARS AT THE RESPECTIVE REPORTING DATE (NET)

Calendar year premiums earned and ultimate loss ratios for the individual accident years at the respective reporting date (net)

	Premiums earned (net)	Accident year								
		2010	2011	2012	2013	2014	2015	2016	2017	2018
	€ mn	%	%	%	%	%	%	%	%	%
2010	39,303	73.3								
2011	39,898	71.9	75.0							
2012	41,705	71.9	74.2	72.0						
2013	42,047	71.1	72.8	69.2	69.9					
2014	43,759	71.1	72.9	68.9	70.3	70.0				
2015	46,430	71.1	72.7	68.3	70.1	69.8	70.3			
2016	46,588	70.8	72.4	67.9	69.5	69.1	69.4	71.1		
2017	47,242	70.2	71.6	67.3	68.6	68.3	68.7	70.2	70.4	
2018	48,305	70.0	71.3	66.8	68.4	67.8	68.3	69.0	69.8	70.7

The ultimate loss of an accident year comprises all payments made for that accident year up to the reporting date, plus the loss reserves at the reporting date. Given complete information regarding all losses incurred up to the reporting date, the ultimate loss for each accident-year period would remain unchanged. In practice, however, the ultimate loss (based on estimates) is exposed to fluctuations that reflect the increase in knowledge regarding the loss cases. The loss ratio presented above deviates from the reported loss ratio because the ultimate loss in the table above is based on the sum of the payments plus the loss reserves, not the incurred loss as stated in the consolidated income statements. This means that effects like changes in consolidated subsidiaries, foreign currency translation and unwinding of discounted loss reserves are presented differently.

CONCENTRATION OF INSURANCE RISK IN THE PROPERTY-CASUALTY BUSINESS SEGMENT

Further risk disclosure requirements of IFRS 4 in connection with IFRS 7 are reflected in the following sections of the Risk and Opportunity Report within the Group Management Report:

- Internal risk capital framework,
- Risk based steering and risk management,
- Underwriting risk in the section Quantifiable risks and opportunities by risk category.

CONTRACTUAL CASH FLOWS

As of 31 December 2018, the reserves for loss and loss adjustment expenses which are expected to be due in 2019 amounted to € 17,841 mn, while those expected to be due between 2020 and

2023 amounted to € 20,347 mn and those expected to be due after 2023 amounted to € 18,171 mn.

15 _ Reserves for insurance and investment contracts

Reserves for insurance and investment contracts
€ mn

As of 31 December	2018	2017
Aggregate policy reserves	466,406	440,926
Reserves for premium refunds	62,573	71,776
Other insurance reserves	707	984
Total	**529,687**	**513,687**

AGGREGATE POLICY RESERVES

Aggregate policy reserves
€ mn

	2018	2017
As of 1 January	**440,926**	**433,610**
Balance carry forward of discounted loss reserves	(4,096)	(4,055)
Subtotal	436,830	429,556
Foreign currency translation adjustments	5,250	(13,056)
Changes in the consolidated subsidiaries of the Allianz Group	-	-
Changes recorded in the consolidated income statements	2,051	3,268
Premiums collected	29,367	24,941
Separation of embedded derivatives	1,274	2,061
Interest credited	3,731	4,868
Dividends allocated to policyholders	1,558	1,740
Releases upon death, surrender, and withdrawal	(16,566)	(16,460)
Policyholder charges	(1,515)	(1,387)
Portfolio acquisitions and disposals	(1,058)	9
Other changes[1]	1,328	1,290
Subtotal	462,249	436,830
Ending balance of discounted loss reserves	4,157	4,096
As of 31 December	**466,406**	**440,926**

1_Mainly relate to insurance contracts when policyholders change their contract from an unit-linked to an universal life-type contract.

RESERVES FOR PREMIUM REFUNDS

Reserves for premium refunds
€ mn

	2018	2017
Amounts already allocated under local statutory or contractual regulations		
As of 1 January	**16,196**	**16,101**
Foreign currency translation adjustments	7	(19)
Changes in the consolidated subsidiaries of the Allianz Group	-	-
Changes	698	113
As of 31 December	**16,901**	**16,196**
Latent reserves for premium refunds		
As of 1 January	**55,581**	**54,563**
Foreign currency translation adjustments	85	(215)
Changes in the consolidated subsidiaries of the Allianz Group	-	-
Changes due to fluctuations in market value	(10,436)	(2,603)
Changes due to valuation differences charged to income	443	3,836
As of 31 December	**45,673**	**55,581**
Total	**62,573**	**71,776**

CONCENTRATION OF INSURANCE RISK IN THE LIFE/HEALTH BUSINESS SEGMENT

The Allianz Group's Life/Health business segment provides a wide variety of insurance and investment contracts to individuals and groups in over 30 countries around the world. Individual contracts include both traditional contracts and unit-linked contracts. Without taking policyholder participation into account, traditional contracts generally incorporate significant investment risk for the Allianz Group, while unit-linked contracts generally result in the contract holder assuming the investment risk. Traditional contracts include life, endowment, annuity and health contracts. Traditional annuity contracts are issued in both deferred and immediate types. In addition, the Allianz Group's life insurance operations in the United States issue a significant amount of equity-indexed deferred annuities. In certain markets, the Allianz Group also issues group life, group health and group pension contracts.

As of 31 December 2018 and 2017, the Allianz Group's reserves for insurance and investment contracts for the business segment Life/Health are summarized per reportable segment as follows:

Concentration of insurance risk in the Life/Health business segment per reportable segment
€ mn

As of 31 December	2018			2017		
	Reserves for insurance and investments contracts	Financial liabilities for unit-linked contracts	Total	Reserves for insurance and investments contracts	Financial liabilities for unit-linked contracts	Total
German Speaking Countries and Central & Eastern Europe	293,849	9,693	303,542	286,202	10,434	296,636
Western & Southern Europe and Asia Pacific	118,101	83,904	202,005	119,745	84,418	204,163
Iberia & Latin America	9,409	870	10,279	9,462	683	10,145
USA	97,127	20,610	117,736	85,916	23,478	109,395
Global Insurance Lines & Anglo Markets, Middle East and Africa	1,560	284	1,844	1,583	127	1,710
Consolidation and Other	(4,508)	-	(4,508)	(3,848)	-	(3,848)
Total	**515,537**	**115,361**	**630,898**	**499,060**	**119,141**	**618,201**

The majority of the Allianz Group's Life/Health business segment operations are conducted in Western Europe. Insurance laws and regulations in Europe have historically been characterized by legal or contractual minimum participation of contract holders in the profits of the insurance company issuing the contract. In particular, life insurance business in Germany, Switzerland, and Austria, which comprises approximately 50% (2017: 51%) of the Allianz Group's reserves for insurance and investment contracts as of 31 December 2018, includes a substantial level of policyholder participation in all sources of profit, including mortality/morbidity, investment, and expense. As a result of this policyholder participation, the Allianz Group's exposure to insurance, investment and expense risk is mitigated.

Furthermore, all of the Allianz Group's annuity policies issued in the United States meet the criteria for classification as insurance contracts under IFRS 4 because they include options for contract holders to elect a life-contingent annuity. These contracts currently do not expose the Allianz Group to significant longevity risk on a portfolio level, nor are they expected to do so in the future, as the projected and observed annuitization rates are very low. Additionally, many of the Allianz Group's traditional contracts issued in France and Italy do not incorporate significant insurance risk, although they are accounted for as insurance contracts because of their discretionary participation features. Similarly, a significant portion of the Allianz Group's unit-linked contracts in France and Italy do not incorporate significant insurance risk.

As a result of the considerable diversity in types of contracts issued, including the offsetting effects of mortality risk and longevity risk inherent in a combined portfolio of life insurance and annuity products, the geographic diversity of the Allianz Group's Life/Health business segment and the substantial level of policyholder participation in mortality/morbidity risk in certain countries in Western Europe, the Allianz Group does not believe its Life/Health segment has any significant concentrations of insurance risk, nor does it believe its net income or shareholders' equity is highly sensitive to insurance risk.

The Allianz Group's Life/Health business segment is exposed to significant investment risk as a result of guaranteed minimum interest rates being included in most of its non-unit-linked contracts. The weighted average guaranteed minimum interest rates of the Allianz Group's largest operating entities in the business segment Life/Health, comprising 86% (2017: 86%) of the aggregate policy reserves in this business segment in 2018, can be summarized by country as follows:

Weighted average guaranteed minimum interest rates of life insurance entities

As of 31 December	2018		2017	
	Guaranteed rate	Aggregate policy reserves	Guaranteed rate	Aggregate policy reserves
	%	€ bn	%	€ bn
Germany	2.2	190.2	2.4	178.7
United States	0.5	97.1	0.6	85.9
France	0.4	55.2	0.4	54.8
Italy	1.5	29.5	1.6	29.3
Switzerland	1.5	11.4	1.6	11.1
Belgium	2.2	8.6	2.5	8.8

In most of these markets, the effective interest rates earned on the investment portfolio exceed these guaranteed minimum interest rates. In addition, the operations in these markets may also have significant mortality and expense margins. However, the

Allianz Group's Life/Health operations in Switzerland and Belgium have high guaranteed minimum interest rates on older contracts in their portfolios and, as a result, may be sensitive to declines in investment rates or a prolonged low interest rate environment.

Further risk disclosure requirements of IFRS 4 in connection with IFRS 7 are reflected in the following sections of the Risk and Opportunity Report within the Group Management Report:

- Internal risk capital framework,
- Risk based steering and risk management,
- Underwriting risk in the section Quantifiable risks and opportunities by risk category.

FUTURE POLICY BENEFITS

As of 31 December 2018, benefits for insurance and investment contracts which are expected to be due in 2019 amounted to € 52 bn, while those expected to be due between 2020 and 2023 amounted to € 190 bn and those expected to be due after 2023 amounted to € 1,173 bn.

The resulting total benefits for insurance and investment contracts in the amount of € 1,414 bn include contracts where the timing and amount of payments are considered fixed and determinable, as well as contracts which have no specified maturity dates and may result in a payment to the contract beneficiary, depending on mortality and morbidity experience and the incidence of surrenders, lapses, or maturities. Furthermore, the amounts are undiscounted and do not include any expected future premiums; therefore they exceed the reserves for insurance and investment contracts presented in the consolidated balance sheet.

For contracts without fixed and determinable payments, the Allianz Group has made assumptions in estimating the undiscounted cash flows of contractual policy benefits including mortality, morbidity, interest crediting rates, policyholder participation in profits, and future lapse rates. These assumptions represent current best estimates and may differ from the estimates used to establish the reserves for insurance and investment contracts in accordance with the Allianz Group's established accounting policy. Due to the uncertainty of the assumptions used, the amount presented could be materially different from the actual incurred payments in future periods.

16 _ Financial liabilities for unit-linked contracts

Financial liabilities for unit-linked contracts
€ mn

	2018	2017
As of 1 January	**119,141**	**111,325**
Foreign currency translation adjustments	644	(4,660)
Changes in the consolidated subsidiaries of the Allianz Group	130	-
Premiums collected	20,351	20,640
Interest credited	(7,836)	7,973
Releases upon death, surrender, and withdrawal	(13,404)	(12,776)
Policyholder charges	(2,013)	(1,972)
Portfolio acquisitions and disposals	(57)	(12)
Reclassifications[1]	(1,596)	(1,377)
As of 31 December[2]	**115,361**	**119,141**

1_These reclassifications mainly relate to insurance contracts when policyholders change their contracts from an unit-linked to an universal life-type contract.
2_Consists of € 71,586 mn (2017: € 74,878 mn) unit-linked insurance contracts and € 43,774 mn (2017: € 44,263 mn) unit-linked investment contracts.

17 _ Other liabilities

Other liabilities
€ mn

As of 31 December	2018	2017
Payables		
Policyholders	4,880	4,626
Reinsurance	1,655	1,589
Agents	1,652	1,562
Subtotal	8,186	7,777
Payables for social security	425	429
Tax payables		
Income taxes	1,530	2,006
Other taxes, interest, and penalties	1,738	1,453
Subtotal	3,268	3,458
Accrued interest and rent	437	461
Unearned income	503	469
Provisions		
Pensions and similar obligations	9,091	9,410
Employee related	2,779	2,540
Share-based compensation plans	383	497
Restructuring plans	335	313
Other provisions	2,079	2,055
Subtotal	14,667	14,815
Deposits retained for reinsurance ceded	2,568	2,025
Derivative financial instruments used for hedging that meet the criteria for hedge accounting, and firm commitments[1]	330	147
Financial liabilities for puttable financial instruments	1,993	2,640
Other liabilities	7,855	7,418
Total[2]	**40,232**	**39,639**

1_Mainly level 2 for fair value measurement.
2_Includes other liabilities due within one year of € 27,001 mn (2017: € 25,987 mn).

18 _ Certificated and subordinated liabilities

Certificated and subordinated liabilities

€ mn[1]

	Contractual maturity date				
	Up to 1 year	1 - 5 years	Over 5 years	As of 31 December 2018	As of 31 December 2017
Senior bonds					
Fixed rate[2]	1,493	2,989	3,050	7,533	8,033
Contractual interest rate	4.75 %	1.81 %	2.49 %		
Floating rate	-	504	-	504	506
Current interest rate	-	0.18 %	-		
Money market securities					
Fixed rate	1,163	-	-	1,163	1,058
Contractual interest rate	1.70 %	-	-		
Total certificated liabilities	**2,656**	**3,493**	**3,050**	**9,199**	**9,596**
Subordinated bonds					
Fixed rate	-	-	2,981	2,981	2,874[3]
Contractual interest rate	-	-	4.75 %		
Floating rate	-	-	10,449	10,449	10,377[3]
Current interest rate	-	-	4.37 %		
Hybrid equity[4]					
Floating rate	-	-	45	45	45
Current interest rate	-	-	1.13 %		
Total subordinated liabilities	**-**	**-**	**13,475**	**13,475**	**13,295**

1_Except for interest rates. Interest rates represent the weighted average.
2_Change due to the redemption of a € 0.5 bn certificated bond in the first quarter of 2018.
3_Previous-year figures have been adjusted without impact on the total amount of subordinated liabilities.
4_Relates to hybrid equity issued by subsidiaries.

Bonds outstanding as of 31 December 2018

€ mn

	ISIN	Year of issue	Currency	Notional amount	Coupon in %	Maturity date
Certificated liabilities						
Allianz Finance II B.V., Amsterdam	DE000A1AKHB8	2009	EUR	1,500	4.750	22 July 2019
	DE000A180B72	2016	EUR	750	0.000	21 April 2020
	DE000A19S4T0	2017	EUR	500	3-months Euribor + 50 bps	7 December 2020
	DE000A1G0RU9	2012	EUR	1,500	3.500	14 February 2022
	DE000A19S4U8	2017	EUR	750	0.250	6 June 2023
	DE000A19S4V6	2017	EUR	750	0.875	6 December 2027
	DE000A1HG1K6	2013	EUR	750	3.000	13 March 2028
	DE000A180B80	2016	EUR	750	1.375	21 April 2031
	DE000A1HG1L4	2013	GBP	750	4.500	13 March 2043
Subordinated liabilities						
Allianz SE, Munich	DE000A1RE1Q3	2012	EUR	1,500	5.625	17 October 2042
	DE000A14J9N8	2015	EUR	1,500	2.241	7 July 2045
	DE000A2DAHN6	2017	EUR	1,000	3.099	6 July 2047
	XS1556937891	2017	USD	600	5.100	30 January 2049
	XS0857872500	2012	USD	1,000	5.500	Perpetual bond
	DE000A1YCQ29	2013	EUR	1,500	4.750	Perpetual bond
	CH0234833371	2014	CHF	500	3.250	Perpetual bond
	DE000A13R7Z7	2014	EUR	1,500	3.375	Perpetual bond
	XS1485742438	2016	USD	1,500	3.875	Perpetual bond
Allianz Finance II B.V., Amsterdam	DE000A1GNAH1	2011	EUR	2,000	5.750	8 July 2041
	DE000A0GNPZ3	2006	EUR	800	5.375	Perpetual bond

19 _ Equity

Equity
€ mn

As of 31 December	2018	2017
Shareholders' equity		
Issued capital	1,170	1,170
Additional paid-in capital	27,758	27,758
Retained earnings[1]	27,967	27,199
Foreign currency translation adjustments	(2,607)	(2,749)
Unrealized gains and losses (net)[2]	6,945	12,175
Subtotal	61,232	65,553
Non-controlling interests	2,447	3,049
Total	**63,679**	**68,602**

1_As of 31 December 2018, include € (84) mn (2017: € (115) mn) related to treasury shares.
2_As of 31 December 2018, include € 267 mn (2017: € 274 mn) related to cash flow hedges.

ISSUED CAPITAL

Issued capital as of 31 December 2018 amounted to € 1,170 mn, divided into 424,459,661 fully paid registered shares. The shares have no-par value but a mathematical per-share value as a proportion of the issued capital.

AUTHORIZED CAPITAL

As of 31 December 2018, Allianz SE had authorized capital with a notional amount of € 335 mn for the issuance of new shares until 8 May 2023 (Authorized Capital 2018/I). The shareholders' sub-scription rights can be excluded for capital increases against contribution in kind. For a capital increase against contributions in cash, the shareholders' subscription rights can be excluded: (i) for fractional amounts, (ii) if the issue price is not significantly below the market price and the shares issued under exclusion of the subscription rights pursuant to § 186 (3) sentence 4 of the German Stock Corporation Act (Aktiengesetz) do not exceed 10 % of the share capital, and (iii) to the extent necessary to grant a subscription right for new shares to the holders of bonds that carry conversion or option rights or provide for mandatory conversion. The subscription rights for new shares from the Authorized Capital 2018/I and the Conditional Capital 2010/2018 may only be excluded for the proportionate amount of the share capital of up to € 117 mn (corresponding to 10% of the share capital at year-end 2018).

In addition, Allianz SE has authorized capital (Authorized Capital 2018/II) for the issuance of new shares against contributions in cash until 8 May 2023. The shareholders' subscription rights are excluded. The new shares may only be offered to employees of Allianz SE and its Group companies. As of 31 December 2018, the Authorized Capital 2018/II amounted to € 15 mn.

CONDITIONAL CAPITAL

As of 31 December 2018, Allianz SE had conditional capital totaling € 250 mn (Conditional Capital 2010/2018). This conditional capital increase will only be carried out if conversion or option rights attached to convertible bonds, bonds with warrants, convertible participation rights, participation rights, and subordinated financial instruments which Allianz SE or its Group companies have issued against cash payments according to the resolutions of the Annual General Meeting (AGM) on 5 May 2010 or 9 May 2018, are exercised or the conversion obligations under such bonds are fulfilled, and only to the extent that the conversion or option rights or conversion obligations are not serviced through treasury shares or through shares from authorized capital.

Convertible subordinated notes totaling € 500 mn, which may be converted into Allianz shares, were issued against cash in July 2011. Within 10 years after the issuance a mandatory conversion of the notes into Allianz shares at the then prevailing share price may apply if certain events occur, subject to a floor price of at least € 74.90 per share. Within the same period, the investors have the right to convert the notes into Allianz shares at a price of € 187.26 per share. Both conversion prices are as of inception and subject to anti-dilution provisions. The subscription rights of shareholders for these convertible notes have been excluded with the consent of the Supervisory Board and pursuant to the authorization of the AGM on 5 May 2010. The granting of new shares to persons entitled under such convertible notes is secured by the Conditional Capital 2010/2018. On or before 31 December 2018, there was no conversion of any such notes into new shares.

CHANGES IN THE NUMBER OF ISSUED SHARES OUTSTANDING

Number of issued shares outstanding

	2018	2017
Number of issued shares outstanding as of 1 January	438,879,929	455,067,737
Changes in number of treasury shares	408,081	562,546
Cancellation of issued shares	(15,789,985)	(16,750,354)
Number of issued shares outstanding as of 31 December	423,498,025	438,879,929
Treasury shares[1]	961,636	1,369,717
Total number of issued shares	**424,459,661**	**440,249,646**

1_Thereof 961,636 (2017: 1,369,131) own shares held by Allianz SE.

PROPOSAL FOR APPROPRIATION OF NET EARNINGS

The Board of Management and the Supervisory Board propose that the net earnings ("Bilanzgewinn") of Allianz SE of € 4,544,152,898.54 for the 2018 fiscal year shall be appropriated as follows:

- Distribution of a dividend of € 9.00 per no-par share entitled to a dividend: € 3,811,482,225.00
- Unappropriated earnings carried forward: € 732,670,673.54

The proposal for appropriation of net earnings reflects the 961,636 treasury shares held directly and indirectly by the company as of 31 December 2018. Such treasury shares are not entitled to the dividend pursuant to § 71b of the German Stock Corporation Act (AktG). Should there be any change in the number of shares entitled to the dividend by the date of the Annual General Meeting, the above proposal will be amended accordingly and presented for resolution on the appropriation of net earnings at the Annual General Meeting, with an unchanged dividend of € 9.00 per each share entitled to dividend.

TREASURY SHARES

As of 31 December 2018, Allianz SE held 961,636 (2017: 1,369,131) treasury shares. Of these, 761,636 (2017: 343,102) were held for covering future subscriptions by employees in Germany and abroad in the context of Employee Stock Purchase Plans, whereas

200,000 (2017: 1,026,029) were held as a hedge for obligations from the Allianz Equity Incentive Program.

In 2018, 826,029 treasury shares with the original purpose of hedging obligations from the Allianz Equity Incentive Program were rededicated to covering subscriptions by employees in the context of Employee Stock Purchase Plans.

In 2018, 407,495 (2017: 562 546) treasury shares were sold to employees of Allianz SE as well as its subsidiaries in Germany and abroad in the context of the Employee Stock Purchase Plan. These shares were taken from the stock of treasury shares dedicated to this purpose. In 2018, as in the previous year, no capital increase for the purpose of Employee Stock Purchase Plans was undertaken. Employees of the Allianz Group purchased shares at prices ranging from € 137.57 (2017: € 108.04) to € 153.94 (2017: € 158.72) per share. As of 31 December 2018, the remaining treasury shares of Allianz SE held for covering subscriptions by employees in the context of the Employee Stock Purchase Plan of Allianz SE and its subsidiaries in Germany and abroad amounted to 761,636 shares.

In the year ending 31 December 2018, the total number of treasury shares of Allianz SE decreased by 407,495 (2017: decrease of 562,546), which corresponds to € 1,123,161.03 (2017: € 1,494,910.50) or 0.10 % (2017: 0.13 %) of issued capital as of 31 December 2018.

The treasury shares of Allianz SE and its subsidiaries represented € 2.7 mn (2017: € 3.6 mn) or 0.23 % (2017: 0.31 %) of the issued capital as of 31 December 2018.

SHARE BUY-BACK PROGRAMS 2018

In the year ending 31 December 2018, Allianz SE executed two share buy-back programs with a total volume of € 3 bn:

SHARE BUY-BACK PROGRAM 2018/I

In its meeting on 9 November 2017, the Board of Management of Allianz SE resolved to carry out a share buy-back program in an amount of up to € 2 bn within a period of six months (Share Buy-Back Program 2018/I) based on the authorization granted by the Annual General Meeting on 7 May 2014. In the period between 3 January 2018 and 3 May 2018, a total of 10,373,863 treasury shares with a market value of € 1,999,999,143.43 were acquired for an average price of € 192.79.

SHARE BUY-BACK PROGRAM 2018/II

In its meeting on 2 July 2018, the Board of Management of Allianz SE resolved to carry out a share buy-back program in an amount of up to € 1 bn within a period between 4 July 2018 and 30 September 2018 (Share Buy-Back Program 2018/II) based on the authorization granted by the Annual General Meeting on 9 May 2018. In the period between 4 July 2018 and 4 September 2018, a total of 5,416,122 treasury shares with a market value of € 999,999,881.83 were acquired for an average price of € 184.63.

All of the treasury shares acquired within the Share Buy-Back Program 2018/I and within the Share Buy-Back Program 2018/II have been redeemed according to the simplified procedure without reduction of the share capital.

NON-CONTROLLING INTERESTS

Non-controlling interests
€ mn

As of 31 December	2018	2017
Unrealized gains and losses (net)	61	180
Share of earnings	241	404
Other equity components	2,145	2,465
Total	**2,447**	**3,049**

CAPITAL REQUIREMENTS

The Allianz Group's capital requirements primarily depend on the type of business that it underwrites, the industry and geographic locations in which it operates, and the allocation of the Allianz Group's investments. During the Allianz Group's annual planning and strategic dialogs with its related undertakings, internal capital requirements are determined through business plans regarding the levels and timing of capital expenditures and investments. These plans also form the basis for the Allianz Group's capital management. Resilience under stress conditions is also considered when determining the internal capital requirements of the Group. The regulators impose minimum capital requirements on the Group and its related undertakings. For further details on how the Allianz Group manages its capital, please refer to the section "Target and strategy of risk management" of the Risk and Opportunity Report.

With Solvency II being the regulatory regime relevant for the Group since 1 January 2016, the risk profile is measured and steered based on the approved Solvency II internal model[1]. A target solvency ratio has been introduced in accordance with Solvency II, based on pre-defined shock scenarios at the level of both the Group and related undertakings, supplemented by ad-hoc scenarios, historical and reverse stress tests, and sensitivity analyses. The Solvency II capital requirement is defined as the difference between the current portfolio value and the portfolio value under adverse conditions at the 99.5 % confidence level and over a holding period of one year.

The Allianz Group's Own Funds are composed of the eligible Own Funds relating to the Group of internal model and standard formula entities, the sectoral Own Funds of entities from other financial sectors, as well as the equivalent Own Funds of entities included via the deduction and aggregation (D&A) method. The eligible Own Funds relating to the Group of internal model and standard formula entities essentially consist of the MVBS excess of assets over liabilities plus qualifying subordinated liabilities, less deductions for foreseeable dividends as well as further deductions relating for example, to tier limits or transferability restrictions.

Compared to year-end 2017, the Solvency II capitalization ratio remained stable at 229 % as the increase in Own Funds was completely offset by a corresponding increase in the Solvency II capital requirement. This was due to compensating effects. Over the course of the year, strong Solvency II earnings had a positive impact on the Solvency II

1_From a formalistic perspective, the German Supervisory Authority deems the model to be "partial" because not all entities are using the internal model. Some of the smaller entities report under the standard formula and others under the deduction and aggregation approach. Without loss of generality, we might use the term internal model in the following chapters, e.g., in case descriptions also referring to entities that use the internal model, or descriptions focusing on processes with respect to the internal model components.

capitalization. However, this positive effect was partly offset by capital management activities such as the share buy-back program and the dividend accrual, as well as by management actions such as the buyout of the non-controlling interests of Euler Hermes, the sale of Oldenburgische Landesbank Aktiengesellschaft, the decrease in exposures to some government bonds, and the improvement of the interest rate risk profile. The regulatory and model changes and the unfavorable markets – characterized by higher credit spreads and lower equity prices – also contributed to this compensating effect, along with other impacts such as taxes, changes in transferability restrictions, and diversification effects. For further information on the Solvency II capitalization, please refer to the section "Solvency II regulatory capitalization" of the Risk and Opportunity Report.

The Allianz Group is a financial conglomerate within the scope of the Financial Conglomerates Directive (FCD). The FCD does not impose a materially different capital requirement on Allianz Group compared to Solvency II.

The insurance subsidiaries of the Allianz Group (including Allianz SE) prepare individual financial statements based on local laws and regulations. The local regulations establish additional restrictions on the minimum level of capital and the amount of dividends that may be paid to shareholders. The respective local minimum capital requirements are based on various criteria including, but not limited to, the volume of premiums written or claims paid, amount of insurance reserves, investment risks, mortality risks, credit risks, and underwriting risks.

As of 31 December 2018, the Board of Management of the Allianz Group believes that there are no outstanding regulatory capital or compliance matters that would have materially adverse effects on the financial position or results of operations of the Allianz Group.

Some insurance subsidiaries of the Allianz Group are subject to regulatory restrictions on the amount of dividends that can be remitted to Allianz SE without prior approval by the appropriate regulatory body. Such restrictions require that a company may only pay dividends up to an amount in excess of certain regulatory capital levels, or based on the levels of undistributed earned surplus or current year income or a percentage thereof. The Board of Management of the Allianz Group believes that these restrictions will not affect the ability of Allianz SE to pay dividends to its shareholders in the future.

NOTES TO THE CONSOLIDATED INCOME STATEMENTS

20 _ Premiums earned (net)

Premiums earned (net)
€ mn

	Property-Casualty	Life/Health	Consolidation	Group
2018				
Premiums written				
Gross	53,636	24,315	(127)	77,824
Ceded	(4,683)	(585)	127	(5,141)
Net	48,952	23,730	-	72,682
Change in unearned premiums (net)	(647)	(563)	-	(1,211)
Premiums earned (net)	**48,305**	**23,167**	**-**	**71,472**
2017				
Premiums written				
Gross	52,262	25,212	(130)	77,345
Ceded	(4,442)	(599)	130	(4,912)
Net	47,820	24,613	-	72,433
Change in unearned premiums (net)	(579)	(428)	-	(1,007)
Premiums earned (net)	**47,242**	**24,185**	**-**	**71,427**

21 _ Interest and similar income

Interest and similar income
€ mn

	2018	2017
Dividends from available-for-sale investments	2,590	2,202
Interest from available-for-sale investments	13,370	13,321
Interest from loans to banks and customers	3,831	4,231
Rent from real estate held for investment	892	900
Other	934	1,194
Total	**21,616**	**21,848**

22 _ Income from financial assets and liabilities carried at fair value through income (net)

Income from financial assets and liabilities carried at fair value through income (net)
€ mn

	2018	2017
Income from financial assets and liabilities held for trading (net)	(4,372)	2,436
Income from financial assets and liabilities designated at fair value through income (net)	(485)	300
Income from financial liabilities for puttable financial instruments (net)	344	(117)
Foreign currency gains and losses (net)[1]	1,212	(3,822)
Total	**(3,301)**	**(1,204)**

1_These foreign currency gains and losses arise subsequent to initial recognition on all assets and liabilities denominated in a foreign currency that are monetary items and not measured at fair value through income.

23 _ Realized gains/losses (net)

Realized gains/losses (net)
€ mn

	2018	2017
REALIZED GAINS		
Available-for-sale investments		
Equity securities	3,617	2,803
Debt securities	3,166	4,373
Subtotal	6,783	7,176
Other	857	715
Subtotal	7,640	7,891
REALIZED LOSSES		
Available-for-sale investments		
Equity securities	(586)	(463)
Debt securities	(815)	(786)
Subtotal	(1,402)	(1,248)
Other	(142)	(97)
Subtotal	(1,543)	(1,346)
Total	**6,096**	**6,546**

24 _ Fee and commission income

Fee and commission income

€ mn

	2018	2017
PROPERTY-CASUALTY		
Fees from credit and assistance business	1,379	1,204
Service agreements	386	412
Subtotal	1,765	1,616
LIFE/HEALTH		
Investment advisory	1,418	1,338
Service agreements	130	115
Subtotal	1,548	1,454
ASSET MANAGEMENT		
Management and advisory fees[1]	7,590	6,896
Loading and exit fees[1]	411	543
Performance fees	419	437
Other	43	28
Subtotal	8,462	7,904
CORPORATE AND OTHER		
Service agreements	1,540	1,434
Investment advisory and banking activities	691	916
Subtotal	2,231	2,349
CONSOLIDATION	(2,472)	(2,387)
Total	**11,534**	**10,937**

1_Includes effects from the application of IFRS 15 as described in note 2.

25 _ Claims and insurance benefits incurred (net)

Claims and insurance benefits incurred (net)

€ mn

	Property-Casualty	Life/Health	Consolidation	Group
2018				
Gross	(33,610)	(20,908)	60	(54,459)
Ceded	1,746	612	(56)	2,302
Net	**(31,864)**	**(20,296)**	**4**	**(52,157)**
2017				
Gross	(36,262)	(20,486)	104	(56,644)
Ceded	4,838	689	(100)	5,427
Net	**(31,425)**	**(19,798)**	**5**	**(51,218)**

26 _ Change in reserves for insurance and investment contracts (net)

Change in reserves for insurance and investment contracts (net)

€ mn

	Property-Casualty	Life/Health	Consolidation	Group
2018				
Gross	(243)	(9,607)	(77)	(9,927)
Ceded	9	235	(1)	243
Net	**(235)**	**(9,372)**	**(78)**	**(9,684)**
2017				
Gross	(487)	(14,059)	56	(14,489)
Ceded	2	61	-	63
Net	**(485)**	**(13,998)**	**56**	**(14,427)**

27 _ Interest expenses

Interest expenses

€ mn

	2018	2017
Liabilities to banks and customers	(91)	(150)
Deposits retained for reinsurance ceded	(49)	(45)
Certificated liabilities	(240)	(239)
Subordinated liabilities	(606)	(622)
Other	(49)	(93)
Total	**(1,035)**	**(1,149)**

28 _ Impairments of investments (net)

Impairments of investments (net)

€ mn

	2018	2017
Impairments		
Available-for-sale investments		
Equity securities	(2,799)	(881)
Debt securities	(340)	(56)
Subtotal	(3,139)	(937)
Other	(34)	(72)
Non-current assets and assets of disposal groups classified as held for sale	(12)	(233)
Subtotal	(3,185)	(1,242)
Reversals of impairments	33	83
Total	**(3,152)**	**(1,160)**

29 _ Investment expenses

Investment expenses
€ mn

	2018	2017
Investment management expenses	(732)	(724)
Expenses from real estate held for investment	(376)	(375)
Expenses from fixed assets of renewable energy investments	(225)	(170)
Total	**(1,333)**	**(1,269)**

30 _ Acquisition and administrative expenses (net)

Acquisition and administrative expenses (net)
€ mn

	2018	2017
PROPERTY-CASUALTY		
Acquisition costs[1]	(10,317)	(10,278)
Administrative expenses	(3,225)	(3,259)
Subtotal	(13,542)	(13,537)
LIFE/HEALTH		
Acquisition costs	(3,833)	(4,707)
Administrative expenses	(1,802)	(1,858)
Subtotal	(5,635)	(6,565)
ASSET MANAGEMENT		
Personnel expenses	(2,542)	(2,378)
Non-personnel expenses	(1,660)	(1,583)
Subtotal	(4,202)	(3,961)
CORPORATE AND OTHER		
Administrative expenses	(1,171)	(1,578)
Subtotal	(1,171)	(1,578)
CONSOLIDATION	(50)	(61)
Total	**(24,600)**	**(25,702)**

1_Include € 559 mn (2017: € 508 mn) ceded acquisition costs.

31 _ Fee and commission expenses

Fee and commission expenses
€ mn

	2018	2017
PROPERTY-CASUALTY		
Fees from credit and assistance business	(1,328)	(1,202)
Service agreements	(332)	(306)
Subtotal	(1,660)	(1,509)
LIFE/HEALTH		
Service agreements	(70)	(59)
Investment advisory	(672)	(641)
Subtotal	(742)	(700)
ASSET MANAGEMENT		
Commissions[1]	(1,737)	(1,400)
Other	(13)	(130)
Subtotal	(1,749)	(1,530)
CORPORATE AND OTHER		
Service agreements	(1,759)	(1,670)
Investment advisory and banking activities	(375)	(322)
Subtotal	(2,134)	(1,992)
CONSOLIDATION	1,983	1,873
Total	**(4,302)**	**(3,857)**

1_Includes effects from the application of IFRS 15 as described in note 2.

32 _ Income taxes

Income taxes
€ mn

	2018	2017
Current income taxes	(1,993)	(2,129)
Deferred income taxes	(703)	(812)
Total	**(2,696)**	**(2,941)**

During the year ended 31 December 2018, current income taxes included income of € 329 mn (2017: € 160 mn) related to prior years, deferred income taxes included expenses of € 239 mn (2017: € 43 mn) related to prior years.

Of the deferred income taxes for the year ended 31 December 2018, expenses of € 566 mn (2017: € 581 mn) are attributable to the recognition of deferred taxes on temporary differences, and expenses of € 145 mn (2017: € 183 mn) are attributable to tax losses carried forward. Changes of applicable tax rates due to changes in tax law produced deferred tax income of € 8 mn (2017: expenses of € 48 mn).

For the years ended 31 December 2018 and 2017, the income taxes relating to components of other comprehensive income consist of the following:

Income taxes relating to components of other comprehensive income
€ mn

	2018	2017
Items that may be reclassified to profit or loss in future periods		
Foreign currency translation adjustments	134	(89)
Available-for-sale investments	1,513	531
Cash flow hedges	4	8
Share of other comprehensive income of associates and joint ventures	(10)	(4)
Miscellaneous	42	181
Items that may never be reclassified to profit or loss		
Changes in actuarial gains and losses on defined benefit plans	(73)	(46)
Total	**1,609**	**581**

The recognized income taxes for the year ended 31 December 2018 are € 100 mn above (2017: € 63 mn below) the calculated income taxes, which are determined by multiplying the respective income before income taxes with the applicable country-specific tax rates. The following table shows the reconciliation from the calculated income taxes to the effectively recognized income taxes for the Allianz Group. The Allianz Group's reconciliation is a summary of the individual company-related reconciliations, which are based on the respective country-specific tax rates taking into consideration consolidation effects with an impact on the Group result. The applicable tax rate used in the reconciliation for domestic Allianz Group companies includes corporate tax, trade tax, and the solidarity surcharge, and amounted to 31.0 % (2017: 31.0 %).

The effective tax rate is determined on the basis of the effective income tax expenses on income before income taxes.

Effective tax rate
€ mn

	2018	2017
Income before income taxes	10,399	10,148
Applied weighted income tax rate	25.0 %	29.6 %
Calculated income taxes	**2,596**	**3,004**
Trade tax and similar taxes	220	211
Net tax-exempt income	(198)	(221)
Effects of tax losses	-	(10)
Other effects	77	(43)
Effective income taxes	**2,696**	**2,941**
Effective tax rate	**25.9 %**	**29.0 %**

For the year ended 31 December 2018, the write-down of deferred taxes on tax losses increased the tax expenses by € 14 mn (2017: € 52 mn). The reversal of write-down of deferred tax assets on tax losses carried forward resulted in deferred tax income of € 4 mn (2017: € 49 mn). Due to the use of tax losses carried forward, for which deferred tax assets had previously been written off, the current income tax expenses decreased by € 1 mn (2017: € 3 mn). Deferred tax income increased by € 9 mn (2017: € 10 mn) due to the use of tax losses carried forward, for which deferred tax assets had previously been written off. The above-mentioned effects are shown in the reconciliation statement as "effects of tax losses".

The tax rates used in the calculation of the Allianz Group's deferred taxes are the applicable national rates, which in 2018 ranged from 10.0 % to 40.0 %, with changes to tax rates that had already been adopted in Brazil, Greece, Netherlands, Slovakia and Taiwan by 31 December 2018 taken into account.

Deferred tax assets on losses carried forward are recognized to the extent to which it is more likely than not that sufficient future taxable profits will be available for realization. Entities which suffered a tax loss in either the current or the preceding period recognized deferred tax assets in excess of deferred tax liabilities amounting to € 525 mn (2017: € 351 mn), as there was convincing other evidence that sufficient taxable profit will be available.

DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities
€ mn

As of 31 December	2018	2017
DEFERRED TAX ASSETS		
Financial assets carried at fair value through income	40	34
Investments	11,574	8,992
Deferred acquisition costs	623	1,256
Other assets	1,281	1,394
Intangible assets	80	99
Tax losses carried forward	1,775	1,941
Insurance reserves	27,268	27,126
Pensions and similar obligations	4,158	4,662
Other liabilities	1,166	990
Total deferred tax assets	47,963	46,495
Non-recognition or valuation allowance for deferred tax assets on tax losses carried forward	(720)	(737)
Effect of netting	(46,285)	(44,827)
Net deferred tax assets	**959**	**931**
DEFERRED TAX LIABILITIES		
Financial assets carried at fair value through income	269	206
Investments	23,263	24,949
Deferred acquisition costs	6,944	6,309
Other assets	901	1,622
Intangible assets	692	637
Insurance reserves	15,245	12,918
Pensions and similar obligations	2,490	2,516
Other liabilities	561	576
Total deferred tax liabilities	50,364	49,734
Effect of netting	(46,285)	(44,827)
Net deferred tax liabilities	**4,080**	**4,906**
Net deferred tax assets (liabilities)	**(3,121)**	**(3,976)**

In 2018, the posting of deferred taxes in France was changed due to a refined calculation methodology, which led to a decrease in deferred tax assets and liabilities before netting, particularly for investments and insurance reserves. The comparative amounts for 2017 were adjusted accordingly by € (10.1) bn.

Taxable temporary differences associated with investments in Allianz Group companies for which no deferred tax liabilities are recognized, as the Allianz Group is able to control the timing of their reversal, and which will not reverse in the foreseeable future, amounted to € 1,844 mn (2017: € 1,673 mn). Deductible temporary differences arising from investments in Allianz Group companies for which no deferred tax assets are recognized, as it is not probable that they will reverse in the foreseeable future, amounted to € 92 mn (2017: € 65 mn).

TAX LOSSES CARRIED FORWARD

Tax losses carried forward at 31 December 2018 of € 7,531 mn (2017: € 8,395 mn) resulted in the recognition of deferred tax assets to the extent that there is sufficient certainty that the unused tax losses will be utilized. At the reporting date, this prerequisite was not fulfilled for a partial amount of € 2,737 mn (2017: € 2,684 mn). According to tax legislation as of 31 December 2018, an amount of € 2,514 mn (2017: € 2,353 mn) of these tax losses may be carried forward indefinitely and in unlimited amounts, whereas an amount of € 224 mn (2017: € 331 mn) of these tax losses carried forward will expire over the next 20 years if not utilized.

Tax losses carried forward are scheduled according to their expiry periods as follows:

Tax losses carried forward
€ mn

	2018
2019	46
2020-2021	113
2022-2023	42
2024-2028	682
>10 years	607
Unlimited	6,041
Total	**7,531**

OTHER INFORMATION

33 _ Derivative financial instruments

Derivative financial instruments
€ mn

As of 31 December	2018						2017		
	Maturity by notional amount			Notional principal amounts	Positive fair values	Negative fair values	Notional principal amounts	Positive fair values	Negative fair values
	Up to 1 year	1 - 5 years	Over 5 years						
Interest rate contracts	23,950	15,532	57,020	96,502	607	(126)	98,508	691	(123)
Equity/index contracts	229,478	1,334	11,820	242,632	2,152	(11,169)	298,984	1,445	(11,044)
Foreign exchange contracts	70,235	2,406	1,608	74,249	432	(624)	59,991	835	(262)
Other	2,300	2,547	482	5,329	27	(35)	4,198	27	(8)
Total	**325,963**	**21,819**	**70,930**	**418,712**	**3,218**	**(11,954)**	**461,681**	**2,998**	**(11,437)**
thereof OTC[1]	259,123	21,498	70,930	351,551	2,033	(11,921)	373,008	2,728	(11,411)
thereof exchange-traded	66,840	321	-	67,161	1,185	(33)	88,673	270	(26)

1_Consists mainly of equity/index contracts and foreign exchange contracts.

The table shows the fair value and notional amounts of all freestanding derivatives, as well as derivatives for which hedge accounting is applied by the Allianz Group, as of 31 December 2018 and 2017, respectively. The notional principal amounts indicated in the table are cumulative, as they include the absolute value of the notional principal amounts of derivatives with positive and negative fair values. Although these notional principal amounts reflect the degree of the Allianz Group's involvement in derivative transactions, they do not represent amounts exposed to risk. Further information on the use of derivatives to hedge risk can be found in the sections on market and credit risk of the Risk and Opportunity Report, which forms part of the Group Management Report.

FREESTANDING DERIVATIVE FINANCIAL INSTRUMENTS

As of 31 December 2018, freestanding derivatives, included in the line item financial assets and liabilities held for trading, had a notional principal amount of € 398.0 bn (2017: € 439.6 bn) as well as a positive fair value of € 2.7 bn (2017: € 2.5 bn) and a negative fair value of € 11.6 bn (2017: € 11.3 bn). Out of the total allocated to the freestanding derivatives, € 114.1 bn (2017: € 103.0 bn) of the notional principal relate to annuity products. Annuity products are equity-indexed or contain certain embedded options or guarantees which are considered embedded derivatives under IAS 39. For these embedded derivatives, the notional principal amounts included in the table refer to the account value of the related insurance contracts. The total negative fair value of these embedded derivatives amounts to € 10.0 bn (2017: € 10.2 bn). Further information on the fair value measurement of these derivatives can be found in note 34.

DERIVATIVE FINANCIAL INSTRUMENTS USED IN ACCOUNTING HEDGES

As of 31 December 2018, derivatives which form part of hedge accounting relationships, and which are included in the line items other assets and other liabilities, had a notional amount of € 20.7 bn (2017: € 22.1 bn) as well as a positive fair value of € 489 mn (2017: € 538 mn) and a negative fair value of € 330 mn (2017: € 147 mn). These hedging instruments mainly include interest rate forwards with a total positive fair value of € 193 mn (2017: € 216 mn).

FAIR VALUE HEDGES

The Allianz Group uses fair value hedges to hedge the exposure to changes in the fair value of financial assets due to movements in interest or exchange rates and to hedge its equity portfolio against equity market risk. As of 31 December 2018, the derivative financial instruments used for the related fair value hedges of the Allianz Group had a total positive fair value of € 149 mn (2017: € 12 mn).

CASH FLOW HEDGES

During the year ended 31 December 2018, cash flow hedges were used to hedge the exposure to the variability of cash flows arising from interest rate or exchange rate fluctuations as well as inflation. As of 31 December 2018, the derivative instruments utilized had a total positive fair value of € 202 mn (2017: € 229 mn).

The ineffectiveness that arises from cash flow hedges is immaterial.

HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS

As of 31 December 2018, the Allianz Group hedges part of its foreign currency net investments through the issuance of several foreign currency denominated liabilities and the use of forward sales. The total negative fair value in 2018 was € 191 mn (2017: total positive fair value of € 149 mn).

OFFSETTING

The Allianz Group mainly enters into enforceable master netting arrangements and similar arrangements for derivatives transactions. None of these enforceable master netting arrangements or similar arrangements meet the requirements for offsetting in line with IAS 32.

Credit risk associated with netting arrangements is further mitigated by collateral. For further information on collateral, please refer to note 34. The maximum credit risk exposure is represented by the carrying amount of the financial assets.

34 _ Fair values and carrying amounts of financial instruments

Certain risk disclosure requirements of IFRS 7 are reflected in the following sections of the Risk and Opportunity Report within the Group Management Report:

- Risk based steering and risk management,
- Internal risk capital framework,
- Allianz risk profile and management assessment,
- Market risk, credit risk, and liquidity risk in the section Quantifiable risks and opportunities by risk category.

FAIR VALUES AND CARRYING AMOUNTS

The following table compares the carrying amount and fair value of the Allianz Group's financial assets and financial liabilities:

Fair values and carrying amounts of financial instruments
€ mn

As of 31 December	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS				
Cash and cash equivalents	17,234	17,234	17,119	17,119
Financial assets held for trading	3,353	3,353	3,076	3,076
Financial assets designated at fair value through income	4,258	4,258	5,101	5,101
Available-for-sale investments	520,612	520,612	520,397	520,397
Held-to-maturity investments	2,787	2,973	2,678	2,992
Investments in associates and joint ventures	11,823	15,284	9,010	11,059
Real estate held for investment	12,455	21,545	11,419	18,913
Loans and advances to banks and customers	108,270	121,839	104,224	119,934
Financial assets for unit-linked contracts	115,361	115,361	119,141	119,141
FINANCIAL LIABILITIES				
Financial liabilities held for trading	11,626	11,626	11,291	11,291
Liabilities to banks and customers	14,222	14,235	12,746	12,759
Financial liabilities for unit-linked contracts	115,361	115,361	119,141	119,141
Financial liabilities for puttable financial instruments	1,993	1,993	2,640	2,640
Certificated liabilities	9,199	9,830	9,596	10,459
Subordinated liabilities	13,475	13,897	13,295	14,757

As of 31 December 2018, fair values could not be reliably measured for equity investments with carrying amounts totaling € 61 mn (2017: € 73 mn). These investments are primarily investments in privately held corporations and partnerships. During the year ended 31 December 2018, such investments with carrying amounts of € 119 mn (2017: € 39 mn) were sold. The gains and losses from these disposals were immaterial.

FAIR VALUE MEASUREMENT ON A RECURRING BASIS

The following financial assets and liabilities are carried at fair value on a recurring basis:

- Financial assets and liabilities held for trading,
- Financial assets and liabilities designated at fair value through income,
- Available-for-sale investments,
- Financial assets and liabilities for unit-linked contracts, and
- Financial liabilities for puttable financial instruments.

The following table presents the fair value hierarchy for financial instruments carried at fair value in the consolidated balance sheets as of 31 December 2018 and 2017:

Fair value hierarchy (items carried at fair value)
€ mn

As of 31 December	2018				2017			
	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total
FINANCIAL ASSETS								
Financial assets carried at fair value through income								
Financial assets held for trading	1,341	1,888	123	3,353	347	2,716	13	3,076
Financial assets designated at fair value through income	3,112	985	161	4,258	3,876	1,076	150	5,101
Subtotal	4,453	2,874	284	7,611	4,223	3,792	162	8,177
Available-for-sale investments								
Corporate bonds	11,821	209,461	19,910	241,192	15,816	211,507	16,203	243,526
Government and government agency bonds	18,234	178,530	766	197,531	30,884	167,449	578	198,911
MBS/ABS	45	23,807	183	24,035	45	21,406	182	21,633
Other	826	1,075	4,540	6,442	694	899	3,577	5,169
Equity securities	37,163	655	13,595	51,413	40,247	788	10,122	51,158
Subtotal	68,089	413,529	38,994	520,612	87,687	402,048	30,661	520,397
Financial assets for unit-linked contracts	90,856	23,676	829	115,361	95,224	23,324	592	119,141
Total	**163,398**	**440,078**	**40,107**	**643,583**	**187,134**	**429,164**	**31,416**	**647,714**
FINANCIAL LIABILITIES								
Financial liabilities held for trading	36	1,568	10,023	11,626	34	1,139	10,118	11,291
Financial liabilities for unit-linked contracts	90,856	23,676	829	115,361	95,224	23,324	592	119,141
Financial liabilities for puttable financial instruments	1,665	108	221	1,993	2,377	87	175	2,640
Total	**92,556**	**25,351**	**11,073**	**128,980**	**97,636**	**24,550**	**10,886**	**133,072**

1_Quoted prices in active markets.
2_Market observable inputs.
3_Non-market observable inputs.

FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH INCOME

Financial assets held for trading

This position mainly includes derivative financial instruments. The fair value of these derivatives is mostly determined based on the income approach, using present value techniques and the Black-Scholes-Merton model. Primary inputs for the valuation include volatilities, interest rates, yield curves, and foreign exchange rates observable at commonly quoted intervals. In some cases, it is determined based on the market approach.

Financial assets designated at fair value through income

The fair value is mainly determined based on net asset values for funds and using the market approach.

AVAILABLE-FOR-SALE INVESTMENTS

Debt securities

Debt securities include corporate and government and government agency bonds, MBS/ABS, and other debt securities.

The valuation techniques for these debt securities are similar. The fair value is determined using the market and the income approach. Primary inputs for the market approach are quoted prices for identical or comparable assets in active markets where the comparability between security and benchmark defines the fair value level. The income approach in most cases means that a present value technique is applied where either the cash flow or the discount curve is adjusted to reflect credit risk and liquidity risk. Depending on the observability of these risk parameters in the market, the security is classified as level 2 or level 3.

Level 3 investments are mainly priced based on the income approach. The primary non-market observable input used in the discounted cash flow method is an option-adjusted spread taken from a set of benchmark securities with similar characteristics. A significant yield increased of the benchmark securities in isolation could result in a decreased fair value, while a significant yield decrease could result in an increased fair value. However, a 10% stress of the main non-market observable inputs has only immaterial impact on fair value.

Equity securities

For level 2, the fair value is mainly determined using the market approach or net asset value techniques for funds. For certain private equity investments, the funds are priced based on transaction prices using the cost approach. As there are only few holders of these funds, the market is not liquid and transactions are only known to participants.

Level 3 mainly comprise private equity fund investments as well as alternative investments of the Allianz Group, and in most cases are delivered as net asset values by the fund managers. The net asset values are calculated using material, non-public information about the respective private equity companies. The Allianz Group has only limited insight into the specific inputs used by the fund managers hence a narrative sensitivity analysis is not applicable. The fund's asset manager generally prices the underlying single portfolio companies in line with the International Private Equity and Venture Capital Valuation (IPEV) guidelines using discounted cash flow (income approach) or multiple methods (market approach). For certain investments, the capital invested is considered to be a reasonable proxy for the fair value. In the cases, sensitivity analyses are also not applicable.

FINANCIAL ASSETS FOR UNIT-LINKED CONTRACTS

For level 2, the fair value is determined using the market or the income approach. Valuation techniques applied for the income approach mainly include discounted cash flow models as well as the Black-Scholes-Merton model. Financial liabilities for unit-linked contracts are valued based on their corresponding assets.

FINANCIAL LIABILITIES HELD FOR TRADING

This position mainly includes derivative financial instruments.

For level 2, the fair value is determined using the income or the market approach. Valuation techniques applied for the income approach mainly include discounted cash flow models as well as the Black-Scholes-Merton model. Main observable input parameters include volatilities, yield curves observable at commonly quoted intervals, and credit spreads observable in the market.

For level 3, the fair value is determined using the income or the market approach. Valuation techniques applied for the income approach mainly include discounted cash flow models. A significant proportion of derivative liabilities represent derivatives embedded in certain life insurance and annuity contracts. Significant non-market observable input parameters include mortality rates and surrender rates. A significant decrease (increase) in surrender rates, in mortality rates or in the utilization of annuitization benefits could result in a higher (lower) fair value. For products with a high death benefit, surrender rates may show an opposite effect. However, a 10% stress of the main non-market observable inputs has only immaterial impact on fair value.

Quantitative description of non-market observable input(s) used for the level 3 portfolios

Description	Non-market observable input(s)	Range
Fixed index annuities	Annuitizations	0% - 25%
	Surrenders	0% - 25%
	Mortality	n/a[1]
	Withdrawal benefit election	0% - 50%
Variable annuities	Surrenders	0.5% - 35%
	Mortality	n/a[1]

1_Mortality assumptions are mainly derived from the Annuity 2000 Mortality Table.

FINANCIAL LIABILITIES FOR PUTTABLE FINANCIAL INSTRUMENTS

Financial liabilities for puttable financial instruments are generally required to be recorded at the redemption amount with changes recognized in income. The fair value is based on the net asset value or the use of present value techniques.

SIGNIFICANT TRANSFERS OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

In general, financial assets and liabilities are transferred from level 1 to level 2 when their liquidity, trade frequency, and activity are no longer indicative of an active market. In 2018, this mainly affects a government bond portfolio with a transfer volume of € 10.9 bn and a corporate bond portfolio of € 2.2 bn for which now mainly composite prices are used. Conversely, the same policy applies for transfers from level 2 to level 1.

Transfers into/out of level 3 may occur due to a reassessment of the input parameters.

Reconciliation of level 3 financial instruments

The following tables show reconciliations of the financial instruments carried at fair value and classified as level 3:

Reconciliation of level 3 financial assets

€ mn

	Financial assets carried at fair value through income	Available-for-sale investments – Debt securities[1]	Available-for-sale investments – Equity securities	Financial assets for unit-linked contracts	Total
Carrying value (fair value) as of 1 January 2018	**162**	**20,539**	**10,122**	**592**	**31,416**
Additions through purchases and issues	20	4,883	4,293	244	9,440
Net transfers into (out of) level 3	2	136	28	57	223
Disposals through sales and settlements	238	(909)	(1,208)	(20)	(1,899)
Net gains (losses) recognized in consolidated income statement	(137)	25	(151)	12	(250)
Net gains (losses) recognized in other comprehensive income	-	148	543	-	691
Impairments	-	(28)	(291)	-	(319)
Foreign currency translation adjustments	(1)	516	49	(56)	508
Changes in the consolidated subsidiaries of the Allianz Group	-	89	209	-	298
Carrying value (fair value) as of 31 December 2018	**284**	**25,399**	**13,595**	**829**	**40,107**
Net gains (losses) in profit or loss attributable to a change in unrealized gains or losses for financial assets held at the reporting date	110	64	(229)	12	(43)

1_Primarily include corporate bonds.

Reconciliation of level 3 financial liabilities

€ mn

	Financial liabilities held for trading	Financial liabilities for unit-linked contracts	Financial liabilities for puttable financial instruments	Total
Carrying value (fair value) as of 1 January 2018	**10,118**	**592**	**175**	**10,886**
Additions through purchases and issues	1,154	244	33	1,431
Net transfers into (out of) level 3	-	57	-	57
Disposals through sales and settlements	(892)	(20)	(7)	(919)
Net losses (gains) recognized in consolidated income statement	(767)	12	-	(755)
Net losses (gains) recognized in other comprehensive income	-	-	-	-
Impairments	-	-	-	-
Foreign currency translation adjustments	410	(56)	-	354
Changes in the consolidated subsidiaries of the Allianz Group	-	-	20	20
Carrying value (fair value) as of 31 December 2018	**10,023**	**829**	**221**	**11,073**
Net losses (gains) in profit or loss attributable to a change in unrealized gains or losses for financial liabilities held at the reporting date	(1,022)	12	-	(1,010)

FAIR VALUE MEASUREMENT ON A NON-RECURRING BASIS

Certain financial assets are measured at fair value on a non-recurring basis when events or changes in circumstances indicate that the carrying amount may not be recoverable.

If financial assets are measured at fair value on a non-recurring basis at the time of impairment, or if fair value less cost to sell is used as the measurement basis under IFRS 5, corresponding disclosures can be found in note 28.

FAIR VALUE INFORMATION ABOUT FINANCIAL ASSETS AND LIABILITIES NOT CARRIED AT FAIR VALUE

Fair value hierarchy (items not carried at fair value)
€ mn

As of 31 December	2018				2017			
	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total
FINANCIAL ASSETS								
Held-to-maturity investments	1,753	1,219	1	2,973	1,303	1,688	1	2,992
Investments in associates and joint ventures	2	185	15,097	15,284	85	76	10,898	11,059
Real estate held for investment	-	-	21,545	21,545	-	-	18,913	18,913
Loans and advances to banks and customers	6,333	66,911	48,595	121,839	5,668	72,371	41,895	119,934
Total	**8,088**	**68,315**	**85,238**	**161,641**	**7,056**	**74,136**	**71,707**	**152,898**
FINANCIAL LIABILITIES								
Liabilities to banks and customers	6,294	5,319	2,622	14,235	5,330	4,850	2,579	12,759
Certificated liabilities	-	9,652	178	9,830	-	10,293	166	10,459
Subordinated liabilities	-	13,897	-	13,897	-	14,757	-	14,757
Total	**6,294**	**28,869**	**2,799**	**37,962**	**5,330**	**29,901**	**2,745**	**37,975**

1_Quoted prices in active markets.
2_Market observable inputs.
3_Non-market observable inputs.

HELD-TO-MATURITY INVESTMENTS

For level 2 and level 3, the fair value is mainly determined based on the market approach, using quoted market prices, and the income approach using deterministic discounted cash flow models.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

For level 2 and level 3, fair values are mainly based on an income approach using a discounted cash flow method or net asset values as provided by third-party vendors.

REAL ESTATE

Fair values are mostly determined using the market or the income approach. The valuation techniques applied for the market approach include market prices of identical or comparable assets in markets that are not active. The fair values are either calculated internally and validated by external experts, or derived from expert appraisals with internal controls in place to monitor these valuations.

LOANS AND ADVANCES TO BANKS AND CUSTOMERS

For loans and advances to banks and customers, quoted market prices are rarely available. Level 1 mainly consists of highly liquid advances, e.g. short-term investments. The fair value for these assets in level 2 and level 3 is mainly derived based on the income approach using deterministic discounted cash flow models.

LIABILITIES TO BANKS AND CUSTOMERS

Level 1 mainly consists of highly liquid liabilities, e.g. payables on demand. The fair value for liabilities in level 2 and level 3 is mainly derived based on the income approach, using future cash flows discounted with risk-specific interest rates. Main non-market observable inputs include credit spreads. In some cases, the carrying amount (amortized cost) is considered to be a reasonable estimate of the fair value.

CERTIFICATED LIABILITIES AND SUBORDINATED LIABILITIES

For level 2, the fair value is mainly determined based on the market approach, using quoted market prices, and based on the income approach, using present value techniques. For level 3, fair values are mainly derived based on the income approach, using deterministic cash flows with credit spreads as primary non-market observable inputs. In some cases, the carrying amount (amortized cost) is considered to be a reasonable estimate for the fair value.

TRANSFERS OF FINANCIAL ASSETS

As of 31 December 2018, the Allianz Group substantially retained all the risks and rewards out of the ownership of transferred assets. There have not been any transfers of financial assets that were derecognized in full or partly, in which Allianz continues to control the transferred assets. Transfers of financial assets mainly relate to securities lending and repurchase agreement transactions. Financial assets transferred in the context of repurchase agreement and securities lending transactions are mainly available-for-sale debt and equity securities for which substantially all of the risks and rewards are retained. As of 31 December 2018, the carrying amount of the assets transferred for securities lending transactions amounted to € 9,570 mn (2017: € 6,424 mn). For repurchase agreements, the carrying amount of the assets transferred amounted to € 857 mn (2017: € 566 mn) and the carrying amount of the associated liabilities amounted to € 865 mn (2017: € 568 mn).

ASSETS PLEDGED AND COLLATERAL

The carrying amounts of the assets pledged as collateral are displayed in the following table:

Assets pledged as collateral
€ mn

As of 31 December	2018	2017
Collaterals without right to resell or repledge		
Investments	10,096	10,029
Loans and advances to banks and customers	-	2,827
Other	5	8
Subtotal	10,101	12,864
Collaterals with right to resell or repledge		
Financial assets carried at fair value through income	-	7
Investments	5,308	1,768
Subtotal	5,308	1,775
Total	**15,409**	**14,639**

Financial assets are pledged as collateral as part of sales and repurchases, securities borrowing, and transactions with derivatives, under terms that are usual and customary for such activities.

In addition, as part of these transactions, the Allianz Group has received collateral that it is permitted to sell or repledge in the absence of default. As of 31 December 2018, the Allianz Group received collateral, consisting of fixed income and equity securities, with a fair value of € 9,261 mn (2017: € 1,904 mn), which the Allianz Group has the right to sell or repledge. For the years ended 31 December 2018 and 2017, no previously received collateral was sold or repledged by the Allianz Group.

As of 31 December 2018, the Allianz Group received cash collateral with a carrying amount of € 225 mn (2017: € 243 mn).

35 _ Interests in unconsolidated structured entities

NATURE, PURPOSE, AND ROLE OF THE ALLIANZ GROUP IN STRUCTURED ENTITIES

Under IFRS 12, a structured entity is defined as an entity that has been designed so that voting rights or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The Allianz Group engages in some business activities that involve the use of entities that meet the above-mentioned definition of structured entities. Primarily, the Allianz Group is involved with such entities due to its investment activities associated with its insurance business and due to its asset management activities. Furthermore, structured entities are used by the Allianz Group to source out certain risks to investors as part of its reinsurance business. Generally, the classification of an entity as a structured entity may require significant judgment.

In the following sections, the business activities involving unconsolidated structured entities are described.

INVESTMENTS IN ASSET-BACKED SECURITIES (ABS) AND MORTGAGE-BACKED SECURITIES (MBS) ISSUED BY SECURITIZATION VEHICLES

The Allianz Group acts as investor in ABS- or MBS-issuing securitization vehicles which purchase pools of assets including commercial mortgage loans (CMBS), auto loans, credit card receivables, and others. These securitization vehicles refinance the purchase of assets by issuing tranches of ABS or MBS whose repayment is linked to the performance of the assets held by the vehicles.

Securitization vehicles invested in by the Allianz Group have generally been set up by third parties. Furthermore, the Allianz Group has neither transferred any assets to these vehicles nor has it provided any further credit enhancements to them.

Income derived from investments in securitization vehicles mainly includes interest income generated from ABS and MBS, as well as realized gains and losses from disposals of these securities.

Within the asset management business, the Allianz Group acts as asset manager for some securitization vehicles. The assets under management of these vehicles amounted to € 1,137 mn as of 31 December 2018 (2017: € 1,462 mn). Some of the affected vehicles have been set up by the Allianz Group whereas others have been set up by third parties. In this respect, the role of the Allianz Group is limited to asset management. The Allianz Group has not invested in these vehicles being managed.

Income derived from the management of securitization vehicles comprises asset management fees.

INVESTMENTS IN INVESTMENT FUNDS

Considering the broad variety of investment funds across different jurisdictions, the classification of investment funds as structured entities based on the definition in IFRS 12 is judgmental. As a general rule, the management of relevant activities of an investment fund is delegated to the fund manager via asset management agreements. In contrast, influence from investors on the relevant activities of investment funds is usually either precluded by legal or regulatory provisions or not deemed substantial.

Investment funds are generally subject to stringent regulatory requirements from financial authorities in all jurisdictions across the world. Comprehensive regulation of funds protects fund investors and also helps to limit investment risk. These mechanisms result in a legal set-up of funds, agreed and accepted by investors and investment managers, that may lead to a classification as structured entities under IFRS 12.

With regard to investment activities, income mainly includes distributions from the funds as well as realized gains and losses from disposals.

FUND MANAGEMENT ACTIVITIES

Within the asset management business, investment funds are established and managed to accommodate retail and institutional clients' requirements to hold investments in specific assets, market segments or regions. Within the insurance business, policyholder money is partly invested in investment funds, which include funds managed by Allianz's group-internal asset managers as well as funds set up and managed by third parties. Investment funds managed or invested in by Allianz Group may include mutual funds, special funds and other funds.

Income derived from the management of investment funds includes mainly asset management fees and performance based fees.

Investment funds launched by group-internal asset managers can be considered to be sponsored by the Allianz Group. As a sponsor, the Allianz Group through its asset management subsidiaries is involved in the legal set-up and marketing of internally managed investment funds. This may include providing seed capital to the funds and providing administrative services to ensure the investment funds' operation. Investment funds managed by group-internal asset managers can be reasonably associated with the Allianz Group. The use of the Allianz name for investment funds is another indicator that the Allianz Group has acted as a sponsor for the respective funds. Information on the management fees generated in the asset management business are disclosed in note 24.

NATURE OF RISKS ASSOCIATED WITH UNCONSOLIDATED STRUCTURED ENTITIES

INTERESTS IN ASSET-BACKED SECURITIES (ABS) AND MORTGAGE-BACKED SECURITIES (MBS) ISSUED BY SECURITIZATION VEHICLES

Carrying amounts of ABS and MBS investments by type of category
€ mn

As of 31 December	2018	2017
U.S. Agency	4,854	5,032
CMBS	10,153	8,337
CMO/CDO	4,166	3,819
Auto	1,183	879
Credit Card	131	37
Other	3,725	3,611
Total[1,2]	**24,211**	**21,715**

1_Comprises mainly investments.
2_Thereof rated AAA or AA € 22,121 mn (2017: € 19,849 mn).

The carrying amounts in the tables listed above correspond to an aggregated amortized cost amount of € 24,443 mn (2017: € 21,487 mn). This amortized cost amount represents the maximum exposure to loss for the Allianz Group from these investments. In the reporting period, the Allianz Group has not provided any financial or other support to these entities, nor does it have the intention to provide such support in the future.

INVESTMENTS IN INVESTMENT FUNDS

Investments in investment funds by asset class
€ mn

As of 31 December	2018	2017
Debt funds	8,053	7,438
Stock funds	4,013	4,446
Private equity funds	11,808	8,333
Property funds	5,716	4,561
Other funds	748	574
Total[1]	**30,339**	**25,352**

1_Comprises mainly investments.

Of the total investment fund exposure, investments of € 11.6 bn (2017: € 11.2 bn) relate to listed investment funds, whereas investments of € 18.8 bn (2017: € 14.2 bn) relate to unlisted investment funds.

As of the reporting date, the Allianz Group has receivables from unconsolidated investment funds, which are mainly due in return for asset management services, amounting to € 796 mn (2017: € 837 mn). Furthermore, the Allianz Group has commitments to invest in private equity funds and similar financial instruments totaling € 17,199 mn as of 31 December 2018 (2017: € 16,001 mn).

The carrying amounts in the tables listed above correspond to an aggregated amortized cost amount of € 26,493 mn (2017: € 21,731 mn). This amortized cost amount represents the maximum exposure to loss for the Allianz Group from these investments. In the reporting period, the Allianz Group has not provided any financial or other support to these entities, nor does it have the intention to provide such support in the future.

Besides the above-mentioned investments in investment funds, the Allianz Group also holds investment funds to fund unit-linked insurance contracts. However, these holdings are held on behalf and for the benefit of unit-linked policyholders only. For that reason, these holdings are not included in the above-mentioned table. As of 31 December 2018, the volume of unit-linked assets amounted to € 115,361 mn (2017: € 119,141 mn). The maximum exposure to loss on these investments is covered by liabilities recorded for unit-linked contracts.

36 _ Related party transactions

Information on the remuneration of board members and transactions with these persons can be found in the Remuneration Report, starting on page 23.

Transactions between Allianz SE and its subsidiaries that are to be deemed related parties have been eliminated in the consolidation and are not disclosed in the notes.

Business relations with joint ventures and associates are set on an arm's length basis.

37 _ Litigation, guarantees, and other contingencies and commitments

LITIGATION

Allianz Group companies are involved in legal, regulatory, and arbitration proceedings in Germany and a number of foreign jurisdictions, including the United States. Such proceedings arise in the ordinary course of businesses, including, amongst others, their activities as insurance, banking and asset management companies, employers, investors and taxpayers. It is not feasible to predict or determine the ultimate outcome of the pending or threatened proceedings. Management does not believe that the outcome of these proceedings, including those discussed below, will have a material adverse effect on the financial position and the results of operations of the Allianz Group, after consideration of any applicable provision.

On 24 May 2002, pursuant to a statutory squeeze-out procedure, the general meeting of Dresdner Bank AG resolved to transfer shares from its minority shareholders to Allianz as principal shareholder in return for payment of a cash settlement amounting to € 51.50 per share. Allianz established the amount of the cash settlement on the basis of an expert opinion, and its adequacy was confirmed by a court appointed auditor. Some of the former minority shareholders applied for a court review of the appropriate amount of the cash settlement in a mediation procedure ("Spruchverfahren"). In September 2013, the district court ("Landgericht") of Frankfurt dismissed the minority shareholders' claims in their entirety. This decision has been appealed to the higher regional court ("Oberlandesgericht") of Frankfurt. In the event that a final decision were to determine a higher amount as an appropriate cash settlement, this would affect all of the approximately 16 mn shares that were transferred to Allianz.

In September 2015 and in January 2017, two separate putative class action complaints were filed against Allianz Life Insurance Company of North America (Allianz Life) making allegations similar to those made in prior class actions regarding the sale of Allianz Life's annuity products, including allegations of breach of contract and violation of California unfair competition law. The ultimate outcome of the cases cannot yet be determined.

GUARANTEES

Guarantees
€ mn

As of 31 December	2018	2017
Financial guarantees	29	368
Indemnification contracts	169	33
Performance guarantees	53	50
Total	**251**	**451**

COMMITMENTS

LOAN COMMITMENTS

The Allianz Group engages in various lending commitments to meet the financing needs of its customers. They consist of advances and mortgage loans. As of 31 December 2018, the total of loan commitments amounts to € 340 mn (2017: € 1,100 mn).

LEASING COMMITMENTS

The Allianz Group occupies property in many locations under various long-term operating leases and has entered into various operating leases covering the long-term use of data processing equipment and other office equipment.

As of 31 December 2018, the future minimum lease payments under non-cancelable operating leases were as follows:

Future minimum lease payments – operating leases
€ mn

	2018
Due in 1 year or less	381
Due in more than 1 and up to 5 years	1,109
Due in more than 5 years	914
Subtotal	2,404
Subleases	(264)
Total	**2,140**

For the year ended 31 December 2018, rental expenses totaled € 281 mn (2017: € 333 mn), net of sublease rental income received of € 2 mn.

PURCHASE OBLIGATIONS

Purchase obligations
€ mn

As of 31 December	2018	2017
Commitments to acquire interests in associates and available-for-sale investments	17,199	16,001
Debt investments	5,746	6,392
Other	3,304	3,193
Total	**26,249**	**25,586**

OTHER COMMITMENTS AND CONTINGENCIES

Allianz and HT1 Funding GmbH have signed a Contingent Indemnity Agreement in July 2006, pursuant to which Allianz may, in certain circumstances, be obliged to make payments to HT1 Funding GmbH. The contingent payment obligation of Allianz relates to the coupon payments of the Tier 1 Capital Securities issued by HT1 Funding GmbH. The original nominal amount of the Tier 1 Capital Securities of € 1,000 mn was reduced in 2012 to approximately € 416 mn. This reduces the amount of coupon payments of the Tier 1 Capital Securities and the contingent payment obligation of Allianz accordingly. Since June 2017, the annual coupon is the 12-month Euribor plus a margin of 2.0% p.a., the coupon payable on 30 June 2019 is 1.819% p.a. The securities have no scheduled maturity and the security holders have no right to call for their redemption. Since June 2017, the securities may be redeemed annually on 30 June at the option of the issuer. Allianz expects not to be obliged to make a payment in the foreseeable future. However, it is not possible for Allianz to predict the ultimate payment obligations at this point in time.

Pursuant to §§221 ff. of the German Insurance Supervision Act ("Versicherungsaufsichtsgesetz" – VAG), mandatory insurance guarantee schemes ("Sicherungsfonds") for life insurers as well as for health insurers are implemented in Germany, which are financed through their member undertakings.

The insurance guarantee scheme for life insurers levies annual contributions and, under certain circumstances, special contributions. As of 31 December 2018, the future liabilities of Allianz Lebensversicherungs-AG and its subsidiaries to the insurance guarantee scheme pursuant to the SichLVFinV amount to annual contributions of € 22.7 mn (2017: € 12.9 mn) and potential special contributions of, in principle, € 203 mn (2017: € 170 mn) per year. In addition, Allianz Lebensversicherungs-AG and some of its subsidiaries have assumed a contractual obligation to provide, if required, further funds to Protektor Lebensversicherungs-AG ("Protektor"), a life insurance company that has assumed the task of the mandatory insurance guarantee scheme for life insurers. Such obligation is, in principle, based on a maximum of 1% of the sum of the net underwriting reserves with deduction of payments already provided to the insurance guarantee scheme. As of 31 December 2018, and under inclusion of the contributions to the mandatory insurance scheme mentioned above for a limited period of time, and assuming that no other life insurer is exempted from payments, the aggregate outstanding commitment of Allianz Lebensversicherungs-AG and its subsidiaries to the insurance guarantee scheme and to Protektor is € 1,846 mn (2017: € 1,545 mn).

38 _ Pensions and similar obligations

OVERVIEW

Retirement benefits in the Allianz Group, which are granted to employees and in Germany also to agents, are either in the form of defined benefit or defined contribution plans. For defined benefit plans, the beneficiary is granted a defined benefit by the employer or via an external entity. In contrast to defined contribution arrangements, the future cost to the employer of a defined benefit plan is not known with certainty in advance.

The Allianz Group provides competitive and cost-effective retirement and disability benefits using risk appropriate vehicles. The plans may vary from country to country due to the different legal, fiscal and economic environment.

Risks typically associated with defined benefit plans are biometric risks like longevity, disability, and death as well as economic risks such as interest rates, inflation and compensation increases. New plans are primarily based on contributions and may include, in some cases, guarantees such as the preservation of contributions or minimum interest rates.

In the Pension Task Force, the heads of Group HR, Group Accounting and Reporting, Group Treasury and Corporate Finance, Group Actuarial, Planning & Controlling, Group Risk and AIM met three times to provide global governance and pre-align pension-related topics such as risk management and Solvency II prior to relevant Group Committee meetings.

Each of the pension plans in Germany, the U.K. and Switzerland contributes more than 5% to the Allianz Group's defined benefit obligation or its plan assets. As the Allianz Retirement and Death Benefits Fund in the U.K. closed from 1 July 2015 to future accrual and the plans in Switzerland are nearly negligible from a risk perspective, except a minor liquidity risk due to the "Freizügigkeitsleistung", only the defined benefit plans in Germany are described in more detail regarding key risks and regulatory environment.

Most active German employees participate in contribution-based plans using different vehicles to cover the base salary both below and above the German social security ceiling (GSSC). Since 1 January 2015, the Allianz Group contributes for new entrants and for the majority of contribution-based pension plan beneficiaries above the GSSC to the low-risk pension plan "My Allianz Pension", where only contributions are preserved. For salaries above the GSSC, the Allianz Group decides each year whether and to which extent a budget for the contribution-based pension plans is provided. Independently of this decision, an additional risk premium is paid to cover death and disability. Generally the accruals of the contribution-based pension plans are wholly funded, whereas the grandfathered plans are funded to a minor extent. On retirement, the accumulated capital is paid as a lump sum or converted to a lifetime annuity.

Employees who joined Allianz before 1 January 2015 participate in the Allianz Versorgungskasse VVaG (AVK), financed through employee contributions, and the Allianz Pensionsverein e.V. (APV), which is financed by the employer. Both pension funds provide pension benefits for the base salary up to the GSSC and are wholly funded along local regulatory requirements and were closed to new entrants, effective 31 December 2014. AVK and APV are legally separate administered pension funds with trustee boards being responsible for the investment of the assets and the risk management. AVK is subject to German insurance regulation. The assets of the contribution-based pension plans are allocated to a trust (Methusalem Trust e.V.) and managed by a board of trustees. For the AVK the annual minimum interest rate guaranteed is 1.75% – 3.50%, depending on the date of joining the Allianz Group, and for the closed part of the contribution-based pension plan it is 2.75%.

There is also a partly funded defined benefit pension plan for agents (VertreterVersorgungsWerk, VVW), which has been closed for new entrants as of 31 December 2011. A part of the pension plan serves as a replacement for the compensatory claim of agents according to German Commercial Code (§89b). VVW is close to a final salary benefit plan and pension increases are broadly linked to inflation.

Pension increases apart from AVK and APV are guaranteed at least with 1% p.a. Depending on legal requirements, some pension increases are linked to inflation. In AVK the complete surplus share of the retirees is used to increase their pension.

The period in which a retirement benefit can be drawn is usually between the ages of 60 and 67. Disability benefits are granted until retirement pension is paid. In the case of death under the previous plans, surviving dependents normally receive 60% (widow/widower) and 20% (per child) of the original employee's pension, in total not to exceed 100%. Under the "My Allianz Pension" plan, the surviving dependents gain the accrued capital.

Additionally, the Allianz Group offers a deferred compensation program, "Pensionszusage durch Entgeltumwandlung (PZE)", for active employees. Within some boundaries they convert at their discretion parts of their gross income and receive in exchange a pension commitment of equal value. PZE is qualified as a defined benefit plan with small risk exposure.

DEFINED BENEFIT PLANS

The following table sets out the changes in the defined benefit obligation, in the fair value of plan assets, in the effect of the asset ceiling as well as in the net defined benefit balance for the various Allianz Group defined benefit plans:

Reconciliation of defined benefit obligation, fair value of plan assets, effect of asset ceiling, and net defined benefit balance
€ mn

	Defined benefit obligation		Fair value of plan assets		Effect of asset ceiling[1]		Net defined benefit balance	
	I		II		III		(I-II+III)	
	2018	2017	2018	2017	2018	2017	2018	2017
Balance as of 1 January	**23,597**	**23,316**	**14,428**	**14,048**	**43**	**32**	**9,212**	**9,300**
Current service costs	461	448	-	-	-	-	461	448
Interest expenses	425	426	-	-	-	-	425	426
Interest income	-	-	264	262	-	-	(264)	(262)
Other	(1)	3	-	-	-	-	(1)	3
Expenses recognized in the consolidated income statements	**884**	**877**	**264**	**262**	**-**	**-**	**621**	**616**
Actuarial (gains)/losses due to								
Changes in demographic assumptions[2]	(288)	(130)	-	-	-	-	(288)	(130)
Changes in financial assumptions	(391)	187	-	-	-	-	(391)	187
Experience adjustments	195	145	-	-	-	-	195	145
Return on plan assets greater/(less) than interest income on plan assets	-	-	(178)	358	-	-	178	(358)
Change in effect of asset ceiling in excess of interest	-	-	-	-	(4)	14	(4)	14
Remeasurements recognized in the consolidated statements of comprehensive income (before deferred taxes)	**(485)**	**202**	**(178)**	**358**	**(4)**	**14**	**(311)**	**(142)**
Employer contributions	-	-	369	276	-	-	(369)	(276)
Plan participants' contributions	126	122	126	122	-	-	-	-
Benefits paid	(747)	(747)	(451)	(456)	-	-	(297)	(291)
Acquisitions and divestitures	23	37	20	19	-	-	3	19
Settlement payments/assets distributed on settlement	(3)	(2)	(3)	(2)	-	-	-	-
Foreign currency translation adjustments	44	(241)	51	(240)	2	(3)	(5)	(4)
Changes in the consolidated subsidiaries of the Allianz Group	(4)	34	(2)	42	-	-	(2)	(8)
Balance as of 31 December[3]	**23,436**	**23,597**	**14,624**	**14,428**	**40**	**43**	**8,853**	**9,212**
thereof assets							(239)	(198)
thereof liabilities							9,091	9,410
Thereof allotted to:								
Germany	18,153	18,126	9,586	9,366	-	-	8,566	8,761
United Kingdom	1,598	1,730	1,625	1,614	-	-	(27)	116
Switzerland	1,332	1,271	1,453	1,407	40	43	(81)	(93)

1_The asset ceiling is determined by taking into account the reduction of future contributions.
2_Includes for 2018 € 278 mn in Germany due to the change in mortality tables.
3_As of 31 December 2018, € 5,406 mn (2017: € 5,527 mn) of the defined benefit obligation are wholly unfunded, while € 18,030 mn (2017: € 18,071 mn) are wholly or partly funded.

As of 31 December 2018, post-retirement health benefits included in the defined benefit obligation and in the net amount recognized amounted to € 10 mn (2017: € 10 mn) and € 10 mn (2017: € 10 mn), respectively.

During the year ended 31 December 2018, the defined benefit costs related to post-retirement health benefits amounted to € - mn (2017: € 1 mn).

ASSUMPTIONS

The assumptions for the actuarial computation of the defined benefit obligation and the recognized expense depend on the circumstances in the particular country where the plan has been established.

The calculations are based on current actuarially calculated mortality tables, projected turnover depending on age and length of service, and internal Allianz Group retirement projections. Although this represents the best estimate as of today, considering a further increase in life expectancy could be reasonable. The weighted average life expectancy of a currently 65-year-old plan participant is about 89.2 (2017: 89.2) years for women and 86.5 (2017: 86.8) years for men. An increase in life expectancy by one year would lead to an increase of the defined benefit obligation by € 678 mn (2017: € 705 mn).

The weighted average values of the assumptions for the Allianz Group's defined benefit plans used to determine the defined benefit obligation and the recognized expense are as follows:

Assumptions for defined benefit plans
%

As of 31 December	2018	2017
Discount rate	**2.0**	**1.8**
This includes the following country rates:		
Germany		
long duration	2.0	1.8
short duration	1.6	1.4
United Kingdom	2.7	2.4
Switzerland	1.0	0.8
Rate of compensation increase	**1.4**	**1.4**
Rate of pension increase	**1.4**	**1.3**
Rate of medical cost trend	**1.0**	**1.0**

The recognized expense is recorded based on the assumptions of the corresponding previous year.

The discount rate assumption is the most significant risk for the defined benefit obligation. It reflects market yields at the balance sheet date of high-quality fixed income investments corresponding to the currency and duration of the liabilities. In the Eurozone, the decision for the discount rate is based on AA-rated financial and corporate bonds, provided by Allianz Investment Data Services (IDS), and a standardized cash flow profile for a mixed population. The Internal Controls Over Financial Reporting (ICOFR) certified Allianz Global Risk Parameters (GRIPS) methodology is an internal development of the Nelson-Siegel model and consistently used by Group Risk, Group Audit, AIM and PIMCO.

The range for the sensitivity calculations was derived by analyzing the average volatility over a five-year period.

An increase in the discount rate by 50 basis points would lead to a decrease of € 1.5 bn (2017: € 1.6 bn) in the defined benefit obligation, whereas a decrease in the discount rate by 50 basis points would lead to an increase of € 1.7 bn (2017: 1.8 bn).

An increase of pre-retirement benefit assumptions (e.g. salary increase) of 25 basis points would have an effect of € 62 mn (2017: € 68 mn) on the defined benefit obligation. However, the increase of post-retirement assumptions (e.g. inflation-linked increases of pension payments) of 25 basis points would increase the defined benefit obligation by € 494 mn (2017: € 525 mn).

An increase in the medical cost trend rate by 100 basis points would have an effect of € 1 mn (2017: € 1 mn) on the defined benefit obligation and like last year no material effect on the defined benefit costs.

PLAN ASSETS/ASSET LIABILITY MANAGEMENT (ALM)

Based on the estimated future cash flows of € 789 mn for 2019, € 795 mn for 2020, € 846 mn for 2021, € 907 mn for 2022, € 912 mn for 2023, and € 4,664 mn for 2024 – 2028, the weighted duration of the defined benefit obligation is 17.2 (2017: 15.7) years. Based on the liability profiles of the defined benefit obligation and on the regulatory funding requirements, the Allianz Group uses stochastic asset liability models to optimize the asset allocation from a risk-return perspective.

Due to a well-diversified portfolio of approximately 137,000 (2017: 138,000) plan participants, there is no reasonable uncertainty of future cash flows to be expected that could have an impact on the liquidity of the Allianz Group. The chart below shows the asset allocation:

Asset allocation of plan assets
€ mn

As of 31 December	2018	2017
Equity securities		
Quoted	1,577	1,769
Non-quoted	-	5
Debt securities		
Quoted	5,473	5,551
Non-quoted	1,952	1,875
Real estate	**787**	**740**
Annuity contracts	**3,590**	**3,369**
Life insurance investment products	**998**	**914**
Other	**247**	**205**
Total	**14,624**	**14,428**

The bulk of the plan assets are held by Allianz Versorgungskasse VVaG, Munich, which is not part of the Allianz Group. Plan assets do not include any real estate used by the Allianz Group and include only € 39.1 mn (2017: 40.4 mn) of own transferable financial instruments.

In addition to the plan assets of € 14.6 bn (2017: € 14.4 bn), the Allianz Group has dedicated assets at Group level amounting to € 8.6 bn as of 31 December 2018 (2017: € 8.4 bn), which are likewise managed according to Allianz ALM standards.

CONTRIBUTIONS

For the year ending 31 December 2019, the Allianz Group expects to contribute € 292 mn to its defined benefit plans (2017: € 281 mn for the year ending 31 December 2018) and to pay € 323 mn directly to participants in its defined benefit plans (2017: € 313 mn for the year ending 31 December 2018).

DEFINED CONTRIBUTION PLANS

Defined contribution plans are funded through independent pension funds or similar organizations. Contributions fixed in advance (e.g. based on salary) are paid to these institutions and the beneficiary's right to benefits exists against the pension fund. The employer has no obligation beyond payment of the contributions.

During the year ended 31 December 2018, the Allianz Group recognized expenses for defined contribution plans of € 257 mn (2017: € 267 mn). Additionally, the Allianz Group paid contributions for state pension schemes of € 329 mn (2017: € 331 mn).

39 _ Share-based compensation plans

ALLIANZ EQUITY INCENTIVE PLAN (AEI)

The AEI plan is granted in the form of restricted stock units (RSUs) and is part of a new variable compensation component for the plan beneficiaries.

The RSU granted to a plan participant obligate the Allianz Group to pay in cash the average closing price of an Allianz SE share on the last day of the vesting period and the prior nine trading days, or to convert one RSU into one Allianz SE share. The payout is capped at a 200 % share price growth above the grant price.

The RSUs are subject to a vesting period of four years and will be settled on the last day of the vesting period. The Allianz Group can choose the settlement method for each unit.

In addition, upon the death of a plan participant, a change of control or notice for operational reasons, the RSUs vest immediately and will be exercised by the company.

The RSUs are virtual stocks without dividend payments and a capped payout. The fair value is calculated by subtracting the net present value of expected future dividend payments until maturity as well as the fair value of the cap from the prevailing share price as of the valuation date. The cap is valued as a European short call option, using prevailing market data as of the valuation date.

The following table provides the assumptions used in calculating the fair value of the RSUs at grant date:

Assumptions of AEI plans

		2019 [1]	2018	2017
Share price	€	184.92	183.80	167.45
Average dividend yield	%	5.2	4.8	4.8
Average interest rate	%	(0.2)	(0.1)	(0.1)
Expected volatility	%	19.3	20.2	22.9

1_The RSUs 2019 are deemed to have been granted to participants as part of their 2018 remuneration. Consequently, the assumptions for RSU grants delivered in March 2019 are based on best estimate.

The RSUs are accounted for as cash-settled plans as the Allianz Group intends to settle in cash. Therefore, the Allianz Group accrues the fair value of the RSUs as compensation expenses over the service period of one year and afterwards over the vesting period. During the year ended 31 December 2018, the Allianz Group recognized compensation expenses related to the AEI plans of € 96 mn (2017: € 261 mn).

As of 31 December 2018, the Allianz Group recorded provisions of € 383 mn (2017: € 472 mn) for these RSUs in Other liabilities.

PIMCO LLC CLASS M-UNIT PLAN

In 2008, AllianzGI L.P. launched a new management share-based payment incentive plan for certain senior-level executives and affiliates of PIMCO LLC. Participants in the plan are granted options to acquire an own class of equity instruments (M-units), which vest in one-third increments on approximately the third, fourth and fifth anniversary of the option grant date. Upon vesting, options will automatically be exercised in a cashless transaction, but only if they are in the money. Participants may elect to defer the receipt of M-units through the M-unit Deferral Plan until termination of their service at the latest. With the M-unit Plan, participants can directly participate in PIMCO's performance. Class M-units are non-voting common equity with limited information rights. They bear quarterly distributions equal to a pro-rata share of PIMCO's net distributable income. Deferred M-units have a right to receive a quarterly cash compensation equal to and in lieu of quarterly dividend payments.

A maximum of 250,000 M-units are authorized for issuance under the M-unit Plan.

The fair value of the underlying M-unit options was measured using the Black-Scholes option pricing model. Volatility was derived in part by considering the average historical and implied volatility of a selected group of peers. The expected life of one granted option was calculated based on treating the three vesting tranches (one third in years 3, 4, and 5) as three separate awards.

The following table provides the assumptions used in calculating the fair value of the M-unit options at grant date:

Assumptions of Class M-Unit plan

		2018	2017
Weighted-average fair value of options granted	€	412.40	387.10
Assumptions:			
Expected return (in years)		3.84	3.84
Expected volatility	%	21.0	25.2
Expected dividend yield	%	11.8	13.7
Risk free rate of return	%	2.5	1.9

The number and weighted-average exercise price of the M-unit options outstanding and exercisable are as follows:

Reconciliation of outstanding M-unit options

	2018		2017	
	Number of options	Weighted-average exercise price €	Number of options	Weighted-average exercise price €
Outstanding as of 1 January	**122,972**	**12,063.87**	**114,192**	**17,000.84**
Granted	49,595	13,583.45	49,195	9,830.11
Exercised	(19,084)	20,639.22	(33,344)	18,163.02
Forfeited	(9,625)	13,081.02	(7,071)	14,097.57
Outstanding as of 31 December	**143,858**	**11,902.16**	**122,972**	**12,063.87**
Exercisable as of 31 December	-	-	-	-

As of 31 December 2018, the aggregate intrinsic value of share options outstanding was € 356 mn (2017: € 200 mn).

As of 31 December 2018, the M-unit options outstanding have an exercise price between € 9,901.59 and € 21,005.12 and a weighted-average remaining contractual life of 3.08 years.

The share options settled by delivery of PIMCO LLC shares are accounted for as equity-settled plans by PIMCO LLC. Therefore, PIMCO LLC measures the total compensation expense to be recognized for the equity-settled shares based on their fair value as of the grant date. The total compensation expense is recognized over the vesting period.

During the year ended 31 December 2018, the Allianz Group recorded compensation expenses of € 14 mn (2017: € 16 mn) related to these share options.

EMPLOYEE STOCK PURCHASE PLANS

The Allianz Group offers Allianz SE shares in 32 countries to entitled employees at favorable conditions. The shares have a minimum holding period of three to five years. During the year ended 31 December 2018, the number of shares sold to employees under these plans was 407,495 (2017: 562,546). From 2018 onwards, the employees are no longer able to buy shares at a discounted price, but receive one bonus share for three shares bought. For the year ended 31 December 2018, these bonus shares had an equivalent value of € 15 mn. During the year ended 31 December 2017, the Allianz Group had recognized the difference between the issue price charged to the subsidiaries of the Allianz Group and the discounted price of the shares purchased by employees, amounting to € 25 mn as compensation expenses.

OTHER SHARE OPTION AND SHAREHOLDING PLANS

The Allianz Group has other local share-based compensation plans, including share option and employee share purchase plans, none of which, individually or in the aggregate, are material to the consolidated financial statements.

40 _ Earnings per share

Earnings per share are calculated by dividing net income attributable to shareholders by the weighted-average number of common shares outstanding. For the calculation of diluted earnings per share, the nominator and denominator are adjusted for the effects of potentially dilutive common shares. These effects arise from various share-based compensation plans of the Allianz Group.

Earnings per share
€ mn

	2018	2017
Net income attributable to shareholders – basic	7,462	6,803
Effect of potentially dilutive common shares	(25)	(3)
Net income attributable to shareholders – diluted	**7,437**	**6,801**
Weighted-average number of common shares outstanding – basic	428,106,916	446,440,727
Potentially dilutive common shares	1,889,894	97,445
Weighted-average number of common shares outstanding – diluted	**429,996,810**	**446,538,172**
Basic earnings per share (€)	**17.43**	**15.24**
Diluted earnings per share (€)	**17.30**	**15.23**

41 _ Other information

NUMBER OF EMPLOYEES

As of 31 December 2018, the Allianz Group employed 142,460 (2017: 140,553) people, thereof 37,566 (2017: 40,149) in Germany. The average total number of employees for the year ended 31 December 2018 was 141,507.

PERSONNEL EXPENSES

Personnel expenses
€ mn

	2018	2017
Salaries and wages	9,213	9,524
Social security contributions and employee assistance	1,352	1,397
Expenses for pensions and other post-retirement benefits	1,203	1,217
Total	**11,768**	**12,138**

ISSUANCE OF THE DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE ACCORDING TO § 161 AKTG

On 12 December 2018, the Board of Management and the Supervisory Board of Allianz SE issued the Declaration of Compliance according to § 161 AktG, which has been made permanently available to shareholders on the company's website.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

On 8 March 2018, the Allianz SE Supervisory Board elected PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC GmbH) as the external auditing firm for the Allianz Group and successor to KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG AG).

On 14 May 2018, the Supervisory Board's Audit Committee engaged PwC GmbH as external auditor, starting from the fiscal year 2018.

For services rendered by PwC GmbH (2017: KPMG AG Wirtschaftsprüfungsgesellschaft) and the worldwide member firms of PricewaterhouseCoopers International Limited (PwCIL) (2017: KPMG International), the following fees were recognized as an expense in the fiscal year:

PwC fees
€ mn

	PwCIL (2017: KPMG International)		thereof: PwC GmbH (2017: KPMG AG)	
	2018	2017	2018	2017
Audit services	39.6	41.0	11.5	12.9
Other attestation services	1.1	4.8	0.7	2.6
Tax services	5.6	1.4	0.2	0.9
Other services	11.5	10.6	4.8	7.5
Total	**57.8**	**57.9**	**17.3**	**23.9**

Audit services by PwC IL primarily relate to services rendered for the audit of the Allianz Group's consolidated financial statements, the audit of the statutory financial statements of Allianz SE and its subsidiaries, the audit of the Allianz Group's solvency balance sheet as well as the solvency balance sheets of Allianz SE and its subsidiaries. In addition, reviews of interim financial statements were performed.

Tax services primarily refer to tax compliance and personal tax compliance services.

Other services primarily refer to consulting services.

REMUNERATION FOR THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

As of 31 December 2018, the Board of Management is comprised of ten members. The following values reflect the full Board of Management active in the respective year.

The sum of the total remuneration of the Allianz SE Board of Management for 2018, excluding the notional accruals and payments of the MTB 2016 – 2018 as well as the pension service cost, amounts to € 27 mn (2017: € 24 mn).

The equity-related remuneration is comprised in 2018 of 63,942[1] (2017: 53,753[2]) Restricted Stock Units (RSUs).

RSUs with a total fair value of € 9.4 mn (2017: € 8.4 mn) were granted to the Board of Management for the year ended 31 December 2018.

In 2018, remuneration and other benefits totaling € 8 mn (2017: € 8 mn) were paid to former members of the Board of Management and dependents, while reserves for current pension obligations and accrued pension rights totaled € 152 mn (2017: € 137 mn).

The total remuneration for all Supervisory Board members, including attendance fees, amounted to € 2.7 mn (2017: € 2.2 mn).

Board of Management and Supervisory Board compensation by individual is included in the Remuneration Report. The information provided there is considered part of these consolidated financial statements.

42 _ Subsequent events

In March 2019, Allianz SE has started a new share buy-back program with a volume of up to € 1.5 bn. For further information, please refer to the section "Expected dividend development" of the chapter Outlook 2019 within the Group Management Report.

1_The relevant share price used to determine the final number of RSUs granted is only available after the sign-off of the Annual Report by the external auditors, thus numbers are based on a best estimate.
2_The disclosure in the Annual Report 2017 was based on a best estimate of the RSU grants. The figures shown here for 2017 now include the actual fair value as of the grant date (2 March 2018). The value therefore differs from the amount disclosed last year.

43 _ List of participations of the Allianz Group as of 31 December 2018 according to § 313 (2) HGB

	% owned[1]
GERMANY	
Consolidated affiliates	
abracar GmbH, Munich	100.0
ACP GmbH & Co. Beteiligungen KG II, Munich	0.0 [2]
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4, Munich	100.0
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4a, Munich	100.0
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4c, Munich	100.0
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4d, Munich	100.0
ADEUS Aktienregister-Service-GmbH, Munich	79.6
AGCS Infrastrukturfonds GmbH, Munich	100.0
AGCS-Argos 76 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AGCS-Argos 86 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
Alida Grundstücksgesellschaft mbH & Co. KG, Hamburg	94.8
Allianz AADB Fonds, Frankfurt am Main	100.0 [3]
Allianz AKR Fonds, Frankfurt am Main	100.0 [3]
Allianz ALD Fonds, Frankfurt am Main	100.0 [3]
Allianz APAV Fonds, Frankfurt am Main	100.0 [3]
Allianz Argos 14 GmbH, Munich	100.0
Allianz Asset Management GmbH, Munich	100.0
Allianz AZL Vermögensverwaltung GmbH & Co. KG, Munich	100.0
Allianz Beratungs- und Vertriebs-AG, Munich	100.0
Allianz Capital Partners GmbH, Munich	100.0 [4]
Allianz Capital Partners Verwaltungs GmbH, Munich	100.0
Allianz Climate Solutions GmbH, Munich	100.0
Allianz Deutschland AG, Munich	100.0
Allianz DLVR Fonds, Frankfurt am Main	100.0 [3]
Allianz EEE Fonds, Frankfurt am Main	100.0 [3]
Allianz EP GmbH, Munich	100.0
Allianz Esa cargo & logistics GmbH, Bad Friedrichshall	100.0
Allianz Esa EuroShip GmbH, Bad Friedrichshall	51.0
Allianz FAD Fonds, Frankfurt am Main	100.0 [3]
Allianz Finanzbeteiligungs GmbH, Munich	100.0
Allianz Global Corporate & Specialty SE, Munich	100.0
Allianz Global Health GmbH, Munich	100.0
Allianz Global Investors GmbH, Frankfurt am Main	100.0
Allianz GLR Fonds, Frankfurt am Main	100.0 [3]
Allianz GLRS Fonds, Frankfurt am Main	100.0 [3]
Allianz GLU Fonds, Frankfurt am Main	100.0 [3]
Allianz GRGB Fonds, Frankfurt am Main	100.0 [3]
Allianz Handwerker Services GmbH, Aschheim	100.0
Allianz Hirschgarten GmbH & Co. KG, Stuttgart	100.0
Allianz Investment Management SE, Munich	100.0 [4]
Allianz LAD Fonds, Frankfurt am Main	100.0 [3]
Allianz Leben Direkt Infrastruktur GmbH, Munich	100.0
Allianz Leben Infrastrukturfonds GmbH, Munich	100.0
Allianz Leben Private Equity Fonds 1998 GmbH, Munich	100.0

	% owned[1]
Allianz Leben Private Equity Fonds 2001 GmbH, Munich	100.0
Allianz Leben Private Equity Fonds 2008 GmbH, Munich	100.0
Allianz Leben Private Equity Fonds Plus GmbH, Munich	100.0
Allianz Lebensversicherungs-Aktiengesellschaft, Stuttgart	100.0
Allianz LFE Fonds, Frankfurt am Main	100.0 [3]
Allianz L-PD Fonds, Frankfurt am Main	100.0 [3]
Allianz of Asia-Pacific and Africa GmbH, Munich	100.0
Allianz OrtungsServices GmbH, Munich	100.0
Allianz Pension Direkt Infrastruktur GmbH, Munich	100.0
Allianz Pension Partners GmbH, Munich	100.0
Allianz Pension Service GmbH, Munich	100.0
Allianz Pensionsfonds Aktiengesellschaft, Stuttgart	100.0
Allianz Pensionskasse Aktiengesellschaft, Stuttgart	100.0
Allianz PK-PD Fonds, Frankfurt am Main	100.0 [3]
Allianz PKV-PD Fonds, Frankfurt am Main	100.0 [3]
Allianz Private Equity GmbH, Munich	100.0
Allianz Private Equity Partners Verwaltungs GmbH, Munich	100.0
Allianz Private Krankenversicherungs-Aktiengesellschaft, Munich	100.0
Allianz ProzessFinanz GmbH, Munich	100.0
Allianz PV 1 Fonds, Frankfurt am Main	100.0 [3]
Allianz PV WS Fonds, Frankfurt am Main	100.0 [3]
Allianz PV-RD Fonds, Frankfurt am Main	100.0 [3]
Allianz Re Asia, Frankfurt am Main	100.0 [3]
Allianz Real Estate Germany GmbH, Stuttgart	100.0
Allianz Real Estate GmbH, Munich	100.0
Allianz Rechtsschutz-Service GmbH, Munich	100.0
Allianz Renewable Energy Management GmbH, Sehestedt	100.0
Allianz Renewable Energy Subholding GmbH & Co. KG, Sehestedt	100.0
Allianz RFG Fonds, Frankfurt am Main	100.0 [3]
Allianz Risk Consulting GmbH, Munich	100.0
Allianz SDR Fonds, Frankfurt am Main	100.0 [3]
Allianz SE-PD Fonds, Frankfurt am Main	100.0 [3]
Allianz Service Center GmbH, Munich	100.0
Allianz SOA Fonds, Frankfurt am Main	100.0 [3]
Allianz Stromversorgungs-GmbH, Munich	100.0
Allianz Taunusanlage GbR, Stuttgart	99.5
Allianz Technology SE, Munich	100.0
Allianz Treuhand GmbH, Stuttgart	100.0
Allianz UGD 1 Fonds, Frankfurt am Main	100.0 [3]
Allianz VAE Fonds, Frankfurt am Main	100.0 [3]
Allianz Versicherungs-Aktiengesellschaft, Munich	100.0
Allianz VGI 1 Fonds, Frankfurt am Main	100.0 [3]
Allianz VGL Fonds, Frankfurt am Main	100.0 [3]
Allianz VKA Fonds, Frankfurt am Main	100.0 [3]
Allianz VKRD Fonds, Frankfurt am Main	100.0 [3]
Allianz V-PD Fonds, Frankfurt am Main	100.0 [3]
Allianz VSR Fonds, Frankfurt am Main	100.0 [3]
Allianz VW AV Fonds, Frankfurt am Main	100.0 [3]
Allianz Warranty GmbH, Unterföhring	100.0

	% owned[1]
Allianz X GmbH, Munich	100.0
AllSecur Deutschland AG, Munich	100.0
APK Infrastrukturfonds GmbH, Munich	100.0
APK-Argos 75 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
APK-Argos 85 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
APKV Direkt Infrastruktur GmbH, Munich	100.0
APKV Infrastrukturfonds GmbH, Munich	100.0
APKV Private Equity Fonds GmbH, Munich	100.0
APKV-Argos 74 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
APKV-Argos 84 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
ARE Funds APKV GmbH, Munich	100.0
ARE Funds AZL GmbH, Munich	100.0
ARE Funds AZV GmbH, Munich	100.0
AREF III GER 1 GmbH, Frankfurt am Main	100.0
AREF III GER 2 GmbH, Frankfurt am Main	100.0
AREF III GER GmbH & Co. KG, Frankfurt am Main	100.0
atpacvc Fund GmbH & Co. KG, Munich	100.0
atpacvc GmbH, Munich	100.0
atpacvc GP GmbH, Munich	100.0
Atropos Vermögensverwaltungsgesellschaft mbH, Munich	100.0
Auros II GmbH, Munich	100.0
AV28 GmbH, Munich	100.0
AWP Service Deutschland GmbH, Aschheim	100.0
AZ-Arges Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-Argos 41 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-Argos 56 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-Argos 71 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
AZL AI Nr. 1 GmbH, Munich	100.0
AZL PE Nr. 1 GmbH, Munich	100.0
AZL-Argos 73 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZL-Argos 83 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZRE AZD P&C Master Fund, Munich	100.0 [3]
AZS-Arges Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-SGD Classic Infrastrukturfonds GmbH, Munich	100.0
AZ-SGD Direkt Infrastruktur GmbH, Munich	100.0
AZ-SGD Infrastrukturfonds GmbH, Munich	100.0
AZ-SGD Private Equity Fonds 2 GmbH, Munich	100.0
AZ-SGD Private Equity Fonds GmbH, Munich	100.0
AZT Automotive GmbH, Ismaning	100.0
AZV-Argos 72 Vermögensverwaltungsgesellschaft mbH, Munich	100.0

	% owned[1]
AZV-Argos 77 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZV-Argos 82 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZV-Argos 87 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
BrahmsQ Objekt GmbH & Co. KG, Stuttgart	94.8
Deutsche Lebensversicherungs-Aktiengesellschaft, Berlin	100.0
Donator Beratungs GmbH, Munich	100.0
Donator Beteiligungsverwaltung GmbH, Munich	100.0
Euler Hermes Aktiengesellschaft, Hamburg	100.0
Euler Hermes Collections GmbH, Potsdam	100.0
Euler Hermes Rating Deutschland GmbH, Hamburg	95.0
GA Global Automotive Versicherungsservice GmbH, Halle (Saale)	100.0
IDS GmbH - Analysis and Reporting Services, Munich	100.0
inSphere GmbH, Munich	100.0
Kaiser X Labs GmbH, Munich	100.0
KomfortDynamik Sondervermögen, Frankfurt am Main	69.8 [3]
KVM ServicePlus - Kunden- und Vertriebsmanagement GmbH, Halle (Saale)	100.0
Lola Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
MAWISTA GmbH, Wendlingen am Neckar	100.0
META Finanz-Informationssysteme GmbH, Munich	100.0
MileBox UG (haftungsbeschränkt), Munich	100.0
Mondial Kundenservice GmbH, Nuremberg	100.0
Münchener & Magdeburger Agrar AG, Munich	100.0
My Finance Coach Stiftung GmbH, Munich	100.0
PIMCO Deutschland GmbH, Munich	100.0 [4]
REC Frankfurt Objekt GmbH & Co. KG, Hamburg	80.0
REC Frankfurt zweite Objektverwaltungsgesellschaft mbH, Hamburg	60.0
RehaCare GmbH, Munich	100.0
risklab GmbH, Munich	100.0
Roland Holding GmbH, Munich	75.6
Seine GmbH, Munich	100.0
Seine II GmbH, Munich	100.0
Signa 12 Verwaltungs GmbH, Düsseldorf	94.9
Spherion Beteiligungs GmbH & Co. KG, Stuttgart	94.9
Spherion Objekt GmbH & Co. KG, Stuttgart	100.0
UfS Beteiligungs-GmbH, Munich	100.0
Vivy GmbH, Berlin	70.0
VLS Versicherungslogistik GmbH, Berlin	100.0
Volkswagen Autoversicherung AG, Braunschweig	100.0
Volkswagen Autoversicherung Holding GmbH, Braunschweig	49.0 [2]
Windpark Aller-Leine-Tal GmbH & Co. KG, Sehestedt	100.0
Windpark Berge-Kleeste GmbH & Co. KG, Sehestedt	100.0
Windpark Büttel GmbH & Co. KG, Sehestedt	100.0
Windpark Calau GmbH & Co. KG, Sehestedt	100.0
Windpark Cottbuser See GmbH & Co. KG, Sehestedt	100.0
Windpark Dahme GmbH & Co. KG, Sehestedt	100.0
Windpark Eckolstädt GmbH & Co. KG, Sehestedt	100.0
Windpark Emmendorf GmbH & Co. KG, Sehestedt	100.0
Windpark Freyenstein-Halenbeck GmbH & Co. KG, Sehestedt	100.0
Windpark Kesfeld-Heckhuscheid GmbH & Co. KG, Sehestedt	100.0
Windpark Kirf GmbH & Co. KG, Sehestedt	100.0
Windpark Kittlitz GmbH & Co. KG, Sehestedt	100.0
Windpark Pröttlin GmbH & Co. KG, Sehestedt	100.0
Windpark Quitzow GmbH & Co. KG, Sehestedt	100.0
Windpark Redekin-Genthin GmbH & Co. KG, Sehestedt	100.0
Windpark Schönwalde GmbH & Co. KG, Sehestedt	100.0
Windpark Waltersdorf GmbH & Co. KG Renditefonds, Sehestedt	100.0
Windpark Werder Zinndorf GmbH & Co. KG, Sehestedt	100.0
Non-consolidated affiliates	
AERS Consortio Aktiengesellschaft, Stuttgart	55.3
Allianz Global Benefits GmbH, Stuttgart	100.0
Allianz Objektbeteiligungs-GmbH, Stuttgart	100.0
Allianz Pension Consult GmbH, Stuttgart	100.0
Allianz zweite Objektbeteiligungs-GmbH, Stuttgart	100.0
AZ Beteiligungs-Management GmbH, Munich	100.0
AZ Northside GmbH & Co. KG, Stuttgart	94.0
Grundstücksgesellschaft der Vereinten Versicherungen mbH, Munich	100.0
Infrastruktur Putlitz Ost GmbH & Co. KG, Husum	70.8
manroland AG, Offenbach am Main	100.0 [5,6]
manroland Vertrieb und Service GmbH, Mühlheim am Main	100.0 [6]
Joint ventures	
AQ Überseehaus GmbH & Co. KG, Hamburg	39.9 [7]
AQ Überseehaus Verwaltungs GmbH, Hamburg	50.0
Dealis Fund Operations GmbH, Frankfurt am Main	50.0
Die BrückenKöpfe X BKX GmbH & Co. Invest KG, Berlin	50.0 [3]
PNE WIND Infrastruktur Calau II GmbH, Cuxhaven	50.0
PNE WIND Park III GmbH & Co. KG, Cuxhaven	50.0
SPN Service Partner Netzwerk GmbH, Munich	30.0 [7]
Associates	
Arabesque S-Ray GmbH, Frankfurt am Main	16.2 [8]
Autobahn Tank & Rast Gruppe GmbH & Co. KG, Bonn	25.0
AV Packaging GmbH, Munich	51.0 [8]
DCSO Deutsche Cyber-Sicherheitsorganisation GmbH, Berlin	25.0
esa EuroShip GmbH & Co. KG Underwriting for Shipping, Bad Friedrichshall	40.0
HeavenHR GmbH, Berlin	16.6 [8]
InnoSolutas GmbH, Bad Friedrichshall	25.0
Instamotion Retail GmbH, Grünwald	28.6
Norsea Gas GmbH, Friedeburg-Etzel	28.0
T&R GP Management GmbH, Bonn	25.0
T&R MLP GmbH, Bonn	25.0
T&R Real Estate GmbH, Bonn	25.0
Umspannwerk Putlitz GmbH & Co. KG, Oldenburg	25.4
Verimi GmbH, Frankfurt am Main	14.8 [8]
Windkraft Kirf Infrastruktur GmbH, Neumagen-Dhron	50.0 [8]
FOREIGN ENTITIES	
Consolidated affiliates	
35° East SAS, Paris la Défense	100.0
490 Fulton JV LP, Wilmington, DE	96.5
490 Fulton REIT LP, Wilmington, DE	100.0
490 Lower Unit GP LLC, Wilmington, DE	100.0
490 Lower Unit LP, Wilmington, DE	100.0
Advanz Fundo de Investimento Renda Fixa Crédito Privado, São Paulo	100.0 [3]
Aero-Fonte S.r.l., Catania	100.0
AGA Insurance Broker (Thailand) Co. Ltd., Bangkok	100.0
AGA Service Company Corp., Richmond, VA	100.0
AGA Sigorta Aracilik Hizmetleri LS, Istanbul	100.0
AGCS International Holding B.V., Amsterdam	100.0
AGCS Marine Insurance Company, Chicago, IL	100.0
AGCS Resseguros Brasil S.A., São Paulo	100.0
AGF Benelux S.à r.l., Luxembourg	100.0
AGF FCR, Paris	100.0 [3]
AGF Holdings (UK) Limited, Guildford	100.0
AGF Inversiones S.A., Buenos Aires	100.0
AIM Equity Europe Cantons, Paris	100.0 [3]
AIM Equity PG Vie, Paris	100.0 [3]
AIM Equity US, Paris	100.0 [3]
AIM Singapore Pte Ltd., Singapore	100.0
AIM Underwriting Limited, Toronto, ON	100.0
Allianz (UK) Limited, Guildford	100.0
Allianz Actio France, Paris	77.7 [3]
Allianz Actions Aéquitas, Paris	64.2 [3]
Allianz Actions Emergentes, Paris	95.6 [3]
Allianz Actions Euro Convictions, Paris	64.7 [3]
Allianz Actions Euro, Paris	42.5 [2,3]
Allianz Actions France, Paris	55.0 [3]
Allianz Africa Financial Services S.à r.l., Casablanca	100.0
Allianz Africa S.A., Paris la Défense	100.0
Allianz Africa Services SA, Abidjan	100.0
Allianz Air France IFC, Paris	100.0 [3]
Allianz Alapkezelő Zrt., Budapest	100.0
Allianz Amerika Aandelen Fonds, Rotterdam	96.2 [3]
Allianz Annuity Company of Missouri, Clayton, MO	100.0
Allianz Argentina Compañía de Seguros Generales S.A., Buenos Aires	100.0
Allianz Argentina RE S.A., Buenos Aires	100.0
Allianz Asac Actions, Paris	100.0 [3]
Allianz Asset Management of America Holdings Inc., Dover, DE	100.0
Allianz Asset Management of America L.P., Dover, DE	100.0
Allianz Asset Management of America LLC, Dover, DE	100.0
Allianz Asset Management U.S. Holding II LLC, Dover, DE	100.0
Allianz Australia Claim Services Pty Limited, Sydney	100.0
Allianz Australia Employee Share Plan Pty Ltd., Sydney	100.0

	% owned[1]
Allianz Australia Insurance Limited, Sydney	100.0
Allianz Australia Life Insurance Holdings Limited, Sydney	100.0
Allianz Australia Life Insurance Limited, Sydney	100.0
Allianz Australia Limited, Sydney	100.0
Allianz Australia Partnership Services Pty Limited, Sydney	100.0
Allianz Australia Services Pty Limited, Sydney	100.0
Allianz Australia Workers Compensation (NSW) Limited, Sydney	100.0
Allianz Australia Workers Compensation (Victoria) Limited, Melbourne	100.0
Allianz Australian Real Estate Trust, Sydney	100.0 [3]
Allianz Aviation Managers LLC, Burbank, CA	100.0
Allianz Ayudhya Assurance Public Company Limited, Bangkok	62.6
Allianz Bank Bulgaria AD, Sofia	99.9
Allianz Bank Financial Advisors S.p.A., Milan	100.0
Allianz Banque S.A., Puteaux	100.0
Allianz Benelux S.A., Brussels	100.0
Allianz Bénin Assurances SA, Cotonou	83.5
Allianz Bonds Diversified Euro, Paris	100.0 [3]
Allianz Bonds Euro High Yield, Paris	100.0 [3]
Allianz Bulgaria Holding AD, Sofia	66.2
Allianz Burkina Assurances SA, Ouagadougou	58.3
Allianz Burkina Assurances Vie SA, Ouagadougou	71.9
Allianz Business Services Limited, Guildford	100.0
Allianz business services s.r.o., Bratislava	100.0
Allianz C.P. General Insurance Co. Ltd., Bangkok	100.0
Allianz Cameroun Assurances SA, Douala	75.4
Allianz Cameroun Assurances Vie SA, Douala	75.8
Allianz Capital Partners of America LLC, Dover, DE	100.0
Allianz Carbon Investments B.V., Amsterdam	100.0
Allianz Cash SAS, Paris la Défense	100.0
Allianz Centrafrique Assurances SA, Bangui	88.3
Allianz Chicago Private Reit LP, Wilmington, DE	100.0
Allianz China General Insurance Company Ltd., Guangzhou	50.0 [2]
Allianz China Life Insurance Co. Ltd., Shanghai	51.0
Allianz Colombia S.A., Bogotá D.C.	100.0
Allianz Combinatie Fonds, Rotterdam	93.9 [3]
Allianz Compañía de Seguros y Reaseguros S.A., Madrid	99.9
Allianz Congo Assurances SA, Brazzaville	100.0
Allianz Cornhill Information Services Private Ltd., Trivandrum	100.0
Allianz Côte d'Ivoire Assurances SA, Abidjan	74.1
Allianz Côte d'Ivoire Assurances Vie SA, Abidjan	71.0
Allianz Creactions 1, Paris	100.0 [3]
Allianz Creactions 2, Paris	100.0 [3]
Allianz Crowdfunding Fund I FPCI, Paris	100.0 [3]
Allianz Crowdlending FSPI, Paris	100.0 [3]
Allianz Debt Fund S.à r.l., Luxembourg	100.0
Allianz Debt Fund SCSp SICAV-SIF, Luxembourg	99.8
Allianz Defensief Mix Fonds, Rotterdam	100.0 [3]
Allianz do Brasil Participações Ltda., São Paulo	100.0
Allianz Duurzaam Wereld Aandelen Fonds, Rotterdam	76.6 [3]
Allianz Edukacja S.A., Warsaw	100.0
Allianz Egypt for Financial Investments Company S.A.E., New Cairo	100.0

	% owned[1]
Allianz Elementar Lebensversicherungs-Aktiengesellschaft, Vienna	100.0
Allianz Elementar Versicherungs-Aktiengesellschaft, Vienna	100.0
Allianz EM Loans S.C.S., Luxembourg	100.0
Allianz Engineering Inspection Services Limited, Guildford	100.0
Allianz Equity Emerging Markets 1, Paris	100.0 [3]
Allianz Equity Investments Ltd., Guildford	100.0
Allianz Equity Large Cap EMU, Paris	100.0 [3]
Allianz EURECO Equity, Paris	30.3 [2,3]
Allianz Euro Core Infrastructure Debt GP S.à r.l., Senningerberg	100.0
Allianz Europa Aandelen Fonds, Rotterdam	99.3 [3]
Allianz Europa Obligatie Fonds, Rotterdam	96.8 [3]
Allianz Europe B.V., Amsterdam	100.0
Allianz Europe Conviction Equity, Senningerberg	49.8 [2,3]
Allianz Europe Ltd., Amsterdam	100.0
Allianz Europe Mid Cap Equity, Senningerberg	28.0 [2,3]
Allianz Finance Corporation, Wilmington, DE	100.0
Allianz Finance II B.V., Amsterdam	100.0
Allianz Finance II Luxembourg S.à r.l., Luxembourg	100.0
Allianz Finance III B.V., Amsterdam	100.0
Allianz Finance IV Luxembourg S.à r.l., Luxembourg	100.0
Allianz Finance IX Luxembourg S.A., Luxembourg	100.0
Allianz Finance Pty Ltd., Sydney	100.0
Allianz Finance VII Luxembourg S.A., Luxembourg	100.0
Allianz Finance VIII Luxembourg S.A., Luxembourg	100.0
Allianz FinanzPlan 2055, Senningerberg	52.4 [3]
Allianz Fire and Marine Insurance Japan Ltd., Tokyo	100.0
Allianz Fixed Income Macro Fund, London	99.0 [3]
Allianz Foglalkoztatói Nyugdíjszolgáltató Zrt., Budapest	100.0
Allianz France Favart I, Paris	100.0 [3]
Allianz France Investissement OPCI, Paris la Défense	100.0
Allianz France Real Estate Invest SPPICAV, Paris la Défense	100.0
Allianz France Richelieu 1 S.A.S., Paris la Défense	100.0
Allianz France S.A., Paris la Défense	100.0
Allianz France US REIT GP LLC, Wilmington, DE	100.0
Allianz France US REIT LP, Wilmington, DE	100.0
Allianz Fund Administration and Management B.V., Rotterdam	100.0
Allianz Fund Investments 2 S.A. (Compartment), Luxembourg	100.0
Allianz Fund Investments Inc., Wilmington, DE	100.0
Allianz Fund Investments S.A., Luxembourg	100.0
Allianz Garantie Fonds 3 %, Rotterdam	100.0 [3]
Allianz Garantie Fonds 4,75 %, Rotterdam	99.6 [3]
Allianz Garantiefonds 3,35 %, Rotterdam	100.0 [3]
Allianz Garantiefonds 5 %, Rotterdam	100.0 [3]
Allianz Geldmarkt Fonds, Rotterdam	100.0 [3]
Allianz General Insurance Company (Malaysia) Berhad p.l.c., Kuala Lumpur	100.0
Allianz General Laos Ltd., Vientiane	51.0
Allianz Global AC Equity Insights Fund, London	98.0 [3]
Allianz Global Aggregate Bond, Senningerberg	99.3 [3]

	% owned[1]
Allianz Global Corporate & Specialty do Brasil Participações Ltda., Rio de Janeiro	100.0
Allianz Global Corporate & Specialty of Africa (Proprietary) Ltd., Johannesburg	100.0
Allianz Global Corporate & Specialty of Bermuda Ltd., Hamilton	100.0
Allianz Global Corporate & Specialty South Africa Ltd., Johannesburg	100.0
Allianz Global Emerging Markets Equity Dividend, Senningerberg	62.0 [3]
Allianz Global Fundamental Strategy, Senningerberg	41.5 [2,3]
Allianz Global Government Bond, Senningerberg	89.7 [3]
Allianz Global Investors (Shanghai) Limited, Shanghai	100.0
Allianz Global Investors Asia Pacific Ltd., Hong Kong	100.0
Allianz Global Investors Distributors LLC, Dover, DE	100.0
Allianz Global Investors Holdings Ltd., London	100.0
Allianz Global Investors Ireland Ltd., Dublin	100.0
Allianz Global Investors Japan Co. Ltd., Tokyo	100.0
Allianz Global Investors Nominee Services Ltd., George Town	100.0
Allianz Global Investors Overseas Asset Management (Shanghai) Limited, Shanghai	100.0
Allianz Global Investors Schweiz AG, Zurich	100.0
Allianz Global Investors Singapore Ltd., Singapore	100.0
Allianz Global Investors Taiwan Ltd., Taipei	100.0
Allianz Global Investors U.S. Holdings LLC, Dover, DE	100.0
Allianz Global Investors U.S. LLC, Dover, DE	100.0
Allianz Global Investors UK Limited, London	100.0
Allianz Global Life dac, Dublin	100.0
Allianz Global Risks US Insurance Company Corp., Chicago, IL	100.0
Allianz Global Water, Senningerberg	60.8 [3]
Allianz Groen Rente Fonds, Rotterdam	100.0 [3]
Allianz Hayat ve Emeklilik A.S., Istanbul	89.0
Allianz Hellas Insurance Company S.A., Athens	100.0
Allianz Hold Co Real Estate S.à r.l., Luxembourg	100.0
Allianz Holding eins GmbH, Vienna	100.0
Allianz Holding France SAS, Paris la Défense	100.0
Allianz Holdings p.l.c., Dublin	100.0
Allianz Holdings plc, Guildford	100.0
Allianz Hospitaliers Euro, Paris	100.0 [3]
Allianz Hospitaliers Valeurs Durables, Paris	100.0 [3]
Allianz Hungária Biztosító Zrt., Budapest	100.0
Allianz HY Investor GP LLC, Wilmington, DE	100.0
Allianz HY Investor LP, Wilmington, DE	100.0
Allianz IARD S.A., Paris la Défense	100.0
Allianz IARD Vintage, Paris	100.0 [3]
Allianz IndexManagement Balance, Senningerberg	100.0 [3]
Allianz IndexManagement Chance, Senningerberg	100.0 [3]
Allianz IndexManagement Substanz, Senningerberg	100.0 [3]
Allianz IndexManagement Wachstum, Senningerberg	100.0 [3]
Allianz Individual Insurance Group LLC, Minneapolis, MN	100.0
Allianz Informatique G.I.E., Paris la Défense	100.0
Allianz Infrastructure Czech HoldCo I S.à r.l., Luxembourg	100.0

	% owned[1]
Allianz Infrastructure Czech HoldCo II S.à r.l., Luxembourg	100.0
Allianz Infrastructure Fund S.A., Senningerberg	100.0
Allianz Infrastructure Luxembourg Holdco I S.A., Luxembourg	100.0
Allianz Infrastructure Luxembourg Holdco II S.A., Luxembourg	100.0
Allianz Infrastructure Luxembourg Holdco III S.A., Luxembourg	100.0
Allianz Infrastructure Luxembourg Holdco IV S.A., Luxembourg	100.0
Allianz Infrastructure Luxembourg I S.à r.l., Luxembourg	100.0
Allianz Infrastructure Norway Holdco I S.à r.l., Luxembourg	100.0
Allianz Infrastructure Spain Holdco I S.à r.l., Luxembourg	100.0
Allianz Infrastructure Spain Holdco II S.à r.l., Luxembourg	100.0
Allianz Insurance Company of Ghana Limited, Accra	100.0
Allianz Insurance Company of Kenya Limited, Nairobi	100.0
Allianz Insurance Company-Egypt S.A.E., New Cairo	95.0
Allianz Insurance Lanka Limited, Colombo	100.0
Allianz Insurance plc, Guildford	100.0
Allianz International Ltd., Guildford	100.0
Allianz Inversiones S.A., Bogotá D.C.	100.0
Allianz Invest 10 Division S/U, Vienna	100.0 [3]
Allianz Invest 11 Division Leben/Kranken, Vienna	100.0 [3]
Allianz Invest 12 Division Leben/Kranken, Vienna	100.0 [3]
Allianz Invest 50, Vienna	100.0 [3]
Allianz Invest Cash, Vienna	78.9 [3]
Allianz Invest d.o.o., Zagreb	100.0
Allianz Invest Kapitalanlagegesellschaft mbH, Vienna	100.0
Allianz Invest Ostrent, Vienna	79.8 [3]
Allianz Invest Spezial 3, Vienna	100.0 [3]
Allianz Investment Management LLC, Minneapolis, MN	100.0
Allianz Investmentbank Aktiengesellschaft, Vienna	100.0
Allianz Investments I Luxembourg S.à r.l., Luxembourg	100.0
Allianz Investments II Luxembourg S.à r.l., Luxembourg	100.0
Allianz Investments III Luxembourg S.A., Luxembourg	100.0
Allianz Jewel Fund ICAV, Dublin	100.0
Allianz kontakt s.r.o., Prague	100.0
Allianz Langlopend Obligatie Fonds, Rotterdam	100.0 [3]
Allianz Leasing Bulgaria AD, Sofia	51.0
Allianz Leben Real Estate Holding I S.à r.l., Luxembourg	100.0
Allianz Leben Real Estate Holding II S.à r.l., Luxembourg	100.0
Allianz Life (Bermuda) Ltd., Hamilton	100.0
Allianz Life Assurance Company-Egypt S.A.E., New Cairo	100.0
Allianz Life Financial Services LLC, Minneapolis, MN	100.0
Allianz Life Insurance Company Ltd., Moscow	100.0
Allianz Life Insurance Company of Ghana Limited, Accra	100.0
Allianz Life Insurance Company of Missouri, Clayton, MO	100.0

	% owned[1]
Allianz Life Insurance Company of New York, New York, NY	100.0
Allianz Life Insurance Company of North America, Minneapolis, MN	100.0
Allianz Life Insurance Japan Ltd., Tokyo	100.0
Allianz Life Insurance Lanka Ltd., Colombo	100.0
Allianz Life Insurance Malaysia Berhad p.l.c., Kuala Lumpur	100.0
Allianz Life Luxembourg S.A., Luxembourg	100.0
Allianz Madagascar Assurances SA, Antananarivo	100.0
Allianz Malaysia Berhad p.l.c., Kuala Lumpur	75.0
Allianz Mali Assurances SA, Bamako	77.1
Allianz Management Services Limited, Guildford	100.0
Allianz Marine & Transit Underwriting Agency Pty Ltd., Sydney	75.0
Allianz Marine (UK) Ltd., Ipswich	100.0
Allianz Maroc S.A., Casablanca	98.9
Allianz Mena Holding Bermuda Ltd., Hamilton	99.9
Allianz México S.A. Compañía de Seguros, Mexico City	100.0
Allianz Mid Cap Loans FCT, Paris	100.0 [3]
Allianz Multi Croissance, Paris	75.0 [3]
Allianz Multi Dynamisme, Paris	86.3 [3]
Allianz Multi Equilibre, Paris	98.1 [3]
Allianz Multi Harmonie, Paris	99.7 [3]
Allianz Multi Horizon 2021-2023, Paris	74.4 [3]
Allianz Multi Horizon 2024-2026, Paris	60.1 [3]
Allianz Multi Horizon 2027-2029, Paris	62.1 [3]
Allianz Multi Horizon 2033-2035, Paris	100.0 [3]
Allianz Multi Horizon 2036-2038, Paris	100.0 [3]
Allianz Multi Horizon 2039-2041, Paris	100.0 [3]
Allianz Multi Horizon Court Terme, Paris	74.1 [3]
Allianz Multi Horizon Long Terme, Paris	43.6 [2,3]
Allianz Multi Opportunités, Paris	89.9 [3]
Allianz Multi Rendement Réel, Paris	88.2 [3]
Allianz Mutual Funds Management Company S.A., Athens	100.0
Allianz Nederland Groep N.V., Rotterdam	100.0
Allianz Nederland Levensverzekering N.V., Rotterdam	100.0
Allianz New Europe Holding GmbH, Vienna	100.0
Allianz New Zealand Limited, Auckland	100.0
Allianz Nigeria Insurance plc, Lagos	99.1
Allianz Obligations Internationales, Paris	85.3 [3]
Allianz of America Inc., Wilmington, DE	100.0
Allianz Offensief Mix Fonds, Rotterdam	100.0 [3]
Allianz One Beacon GP LLC, Wilmington, DE	100.0
Allianz One Beacon LP, Wilmington, DE	100.0
Allianz Opéra, Paris	100.0 [3]
Allianz p.l.c., Dublin	100.0
Allianz Pacific Aandelen Fonds, Rotterdam	94.7 [3]
Allianz Partners S.A.S., Saint-Ouen	100.0
Allianz Pension Fund Trustees Ltd., Guildford	100.0
Allianz Pensionskasse Aktiengesellschaft, Vienna	100.0
Allianz penzijní spolecnost a.s., Prague	100.0
Allianz Pimco Corporate, Vienna	95.2 [3]
Allianz Pimco Mortgage, Vienna	82.4 [3]
Allianz PNB Life Insurance Inc., Makati City	51.0
Allianz pojistovna a.s., Prague	100.0
Allianz Polska Services Sp. z o.o., Warsaw	100.0

	% owned[1]
Allianz Popular Asset Management SGIIC S.A., Madrid	100.0
Allianz Popular Pensiones EGFP S.A., Madrid	100.0
Allianz Popular S.L., Madrid	60.0
Allianz Popular Vida Compañía de Seguros y Reaseguros S.A., Madrid	100.0
Allianz Presse Infra GP S.à r.l., Luxembourg	100.0
Allianz Presse Infra S.C.S., Luxembourg	100.0
Allianz Presse US REIT GP LLC, Wilmington, DE	100.0
Allianz Presse US REIT LP, Wilmington, DE	100.0
Allianz Private Equity Partners Europa II, Milan	92.0 [3]
Allianz Private Equity Partners Europa III, Milan	99.6 [3]
Allianz Private Equity Partners IV, Milan	100.0 [3]
Allianz Private Equity Partners V, Milan	100.0 [3]
Allianz Properties Limited, Guildford	100.0
Allianz Re Dublin dac, Dublin	100.0
Allianz Real Estate France SAS, Paris	100.0
Allianz Real Estate Investment S.A., Luxembourg	100.0
Allianz Real Estate of America LLC, New York, NY	100.0
Allianz Real Estate Trust II (1), Sydney	98.7 [3]
Allianz Real Estate Trust II (2), Sydney	98.7 [3]
Allianz Reinsurance America Inc., Los Angeles, CA	100.0
Allianz Renewable Energy Fund III GP SCSp, Senningerberg	100.0
Allianz Renewable Energy Fund III Lux GP S.à r.l., Senningerberg	100.0
Allianz Renewable Energy Fund Management 1 Ltd., London	100.0
Allianz Renewable Energy Management AT GmbH, Pottenbrunn	100.0
Allianz Renewable Energy Management AT II GmbH, Pottenbrunn	100.0
Allianz Renewable Energy Partners I LP, London	100.0
Allianz Renewable Energy Partners II Limited, London	100.0
Allianz Renewable Energy Partners III LP, London	98.8
Allianz Renewable Energy Partners IV Limited, London	98.8
Allianz Renewable Energy Partners IX Limited, London	98.7
Allianz Renewable Energy Partners of America 2 LLC, Wilmington, DE	100.0
Allianz Renewable Energy Partners of America 3 LLC, Wilmington, DE	100.0
Allianz Renewable Energy Partners of America LLC, Wilmington, DE	100.0
Allianz Renewable Energy Partners V plc., London	100.0
Allianz Renewable Energy Partners VI Limited, London	100.0
Allianz Renewable Energy Partners VII LP, London	100.0
Allianz Renewable Energy Partners VIII Limited, London	100.0
Allianz Resilient Credit Euro Fund GP S.à r.l., Senningerberg	100.0
Allianz Resilient Credit UK GP Limited, London	100.0
Allianz Risk Consultants Inc., Los Angeles, CA	100.0
Allianz Risk Transfer (Bermuda) Ltd., Hamilton	100.0
Allianz Risk Transfer (UK) Limited, London	100.0
Allianz Risk Transfer AG, Schaan	100.0
Allianz Risk Transfer Inc., New York, NY	100.0
Allianz S.A. de C.V., Mexico City	100.0

	% owned[1]
Allianz S.p.A., Trieste	100.0
Allianz Saint Marc CL, Paris	100.0 [3]
Allianz SAS S.A.S., Bogotá D.C.	100.0
Allianz Saúde S.A., São Paulo	100.0
Allianz Saudi Fransi Cooperative Insurance Company, Riyadh	51.0
Allianz Secteur Euro Immobilier, Paris	95.0 [3]
Allianz Secteur Europe Immobilier, Paris	89.6 [3]
Allianz Sécurité, Paris	75.7 [3]
Allianz Seguros de Vida S.A., Bogotá D.C.	100.0
Allianz Seguros S.A., Bogotá D.C.	100.0
Allianz Seguros S.A., São Paulo	100.0
Allianz Selectie Fonds, Rotterdam	100.0 [3]
Allianz Selection Alternative, Senningerberg	100.0 [3]
Allianz Selection Fixed Income, Senningerberg	100.0 [3]
Allianz Selection Small and Midcap Equity, Senningerberg	100.0 [3]
Allianz Sénégal Assurances SA, Dakar	83.2
Allianz Sénégal Assurances Vie SA, Dakar	96.8
Allianz Services (UK) Limited, London	100.0
Allianz Sigorta A.S., Istanbul	96.2
Allianz SNA s.a.l., Beirut	100.0
Allianz Sociedad Anónima A.S. Agencia de Seguros, Barcelona	100.0
Allianz Sociedade Gestora de Fundos de Pensões S.A., Lisbon	88.6
Allianz Société Financière S.à r.l., Luxembourg	100.0
Allianz South America Holding B.V., Amsterdam	100.0
Allianz Special Opportunities Alternative Fund, Milan	100.0 [3]
Allianz Strategic Investments S.à r.l., Luxembourg	100.0
Allianz Strategy Select 50, Senningerberg	50.0 [2,3]
Allianz Suisse Immobilien AG, Wallisellen	100.0
Allianz Suisse Lebensversicherungs-Gesellschaft AG, Wallisellen	100.0
Allianz Suisse Versicherungs-Gesellschaft AG, Wallisellen	100.0
Allianz Taiwan Life Insurance Co. Ltd., Taipei	99.7
Allianz Team Formule 1, Paris	99.5 [3]
Allianz Team, Paris	88.3 [3]
Allianz Technology B.V., Rotterdam	100.0
Allianz Technology (Thailand) Co. Ltd., Bangkok	100.0
Allianz Technology AG, Wallisellen	100.0
Allianz Technology GmbH, Vienna	100.0
Allianz Technology International B.V., Amsterdam	100.0
Allianz Technology of America Inc., Wilmington, DE	100.0
Allianz Technology S.C.p.A., Milan	100.0
Allianz Technology S.L., Barcelona	100.0
Allianz Technology S.p.A., Rome	100.0
Allianz Technology SAS, Paris	100.0
Allianz Tiriac Asigurari SA, Bucharest	52.2
Allianz Tiriac Pensii Private Societate de administrare a fondurilor de pensii private S.A., Bucharest	100.0
Allianz Togo Assurances SA, Lomé	97.9
Allianz UK Credit Fund, Paris	100.0 [3]
Allianz UK Infrastructure Debt GP 2 Limited, London	100.0
Allianz UK Infrastructure Debt GP Limited, London	100.0
Allianz Ukraine LLC, Kiev	100.0
Allianz Underwriters Insurance Company Corp., Burbank, CA	100.0
Allianz US Investment GP LLC, Wilmington, DE	100.0
Allianz US Investment LP, Wilmington, DE	100.0
Allianz US Private Credit Solutions GP LLC, Wilmington, DE	100.0
Allianz US Private REIT GP LLC, Wilmington, DE	100.0
Allianz US Private REIT LP, Wilmington, DE	100.0
Allianz Valeurs Durables, Paris	43.9 [2,3]
Allianz Value S.r.l., Trieste	100.0
Allianz Vermogen B.V., Rotterdam	100.0
Allianz Vie S.A., Paris la Défense	100.0
Allianz Vie Sub Sovereign Debt FCP, Paris	100.0 [3]
Allianz Vorsorgekasse AG, Vienna	100.0
Allianz Worldwide Partners (Hong Kong) Ltd., Hong Kong	100.0
Allianz X Euler Hermes Co-Investments S.à r.l., Luxembourg	100.0
Allianz Yasam ve Emeklilik A.S., Istanbul	80.0
Allianz Zagreb d.d., Zagreb	83.2
Allianz ZB d.o.o. Company for the Management of Obligatory Pension Funds, Zagreb	51.0
AllianzGI Core Bond Fund, Boston, MA	85.1 [3]
AllianzGI Core Plus Bond Fund, Boston, MA	98.6 [3]
AllianzGI Global High Yield Fund, Boston, MA	92.3 [3]
AllianzGI Global Small-Cap Opportunity Portfolio, Boston, MA	100.0 [3]
AllianzGI Green Bond Fund, Boston, MA	99.8 [3]
AllianzGI Preferred Securities and Income Fund, Boston, MA	83.0 [3]
AllianzGI Real Estate Debt Fund, Boston, MA	66.2 [3]
AllianzGI Renewable Energy Infrastructure Fund III (US) GP LLC, Wilmington, DE	100.0
AllianzGI Short Term Bond Fund, Boston, MA	80.8 [3]
AllianzGI Structured Alpha Large Cap Equity 350 GP LLC, Wilmington, DE	100.0
AllianzGI US Private Credit Solutions GP II LLC, Wilmington, DE	100.0
Allianz-Slovenská DSS a.s., Bratislava	100.0
Allianz-Slovenská poist'ovna a.s., Bratislava	99.6
American Automobile Insurance Company Corp., Earth City, MO	100.0
American Financial Marketing Inc., Minneapolis, MN	100.0
Ann Arbor Annuity Exchange Inc., Ann Arbor, MI	100.0
APEH Europe VI, Paris	99.6 [3]
APK US Investment GP LLC, Wilmington, DE	100.0
APK US Investment LP, Wilmington, DE	100.0
APKV US Private REIT GP LLC, Wilmington, DE	100.0
APKV US Private REIT LP, Wilmington, DE	100.0
APP Broker S.r.l., Trieste	100.0
Appia Investments S.r.l., Milan	57.6
Arcalis Retraite S.A., Paris la Défense	100.0
Arges Investments I N.V., Amsterdam	100.0
Arges Investments II N.V., Amsterdam	100.0
Asit Services S.R.L., Bucharest	100.0
Assistance Courtage d'Assurance et de Réassurance S.A., Courbevoie	100.0
Associated Indemnity Corporation, Los Angeles, CA	100.0
Assurances Médicales SA, Metz	100.0
atpacvc LLC, Wilmington, DE	100.0
atpacvc Ltd., London	100.0
Avip Actions 60, Paris	98.5 [3]
Avip Top Croissance, Paris	99.3 [3]
Avip Top Harmonie, Paris	97.8 [3]
Avip Top Tempéré, Paris	99.5 [3]
AWP Argentina S.A., Buenos Aires	100.0
AWP Assistance (India) Private Limited, Gurgaon	100.0
AWP Assistance Ireland Limited, Dublin	100.0
AWP Assistance Service España S.A., Madrid	100.0
AWP Assistance UK Ltd., London	100.0
AWP Australia Holdings Pty Ltd., Toowong	100.0
AWP Australia Pty Ltd., Toowong	100.0
AWP Austria GmbH, Vienna	100.0
AWP Brokers & Services Hellas S.A., Athens	100.0
AWP Business Services Co. Ltd., Beijing	100.0
AWP Chile Limitada, Santiago	100.0
AWP Colombia SAS, Bogotá D.C.	100.0
AWP Contact Center Italia S.r.l., Milan	100.0
AWP France SAS, Saint-Ouen	95.0
AWP Health & Life S.A., Saint-Ouen	100.0
AWP Health & Life Services Limited, Dublin	100.0
AWP Indian Ocean LLC, Ebene	100.0
AWP Japan Co. Ltd., Tokyo	100.0
AWP MEA Holdings Co. W.L.L., Manama	100.0
AWP Mexico S.A. de C.V., Mexico City	100.0
AWP P&C S.A., Saint-Ouen	100.0
AWP Polska Sp. z o.o., Warsaw	100.0
AWP Réunion SAS, Saint-Denis	100.0
AWP RUS LLC, Moscow	100.0
AWP Service Brasil Ltda., São Bernardo do Campo	100.0
AWP Services (India) Private Limited, Gurgaon	100.0
AWP Services (Thailand) Co. Ltd., Bangkok	97.6
AWP Services Belgium S.A., Brussels	100.0
AWP Services New Zealand Limited, Auckland	100.0
AWP Services NL B.V., Amsterdam	100.0
AWP Services Sdn. Bhd., Kuala Lumpur	100.0
AWP Services Singapore Pte. Ltd., Singapore	100.0
AWP Servicios Mexico S.A. de C.V., Mexico City	100.0
AWP Servis Hizmetleri A.S., Istanbul	97.0
AWP Solutions CR a SR s.r.o., Prague	100.0
AWP Ticket Guard Small Amount & Short Term Insurance Co. Ltd., Tokyo	100.0
AWP USA Inc., Richmond, VA	100.0
AZ Euro Investments II S.à r.l., Luxembourg	100.0
AZ Euro Investments S.A., Luxembourg	100.0
AZ Jupiter 10 B.V., Amsterdam	100.0
AZ Jupiter 11 B.V., Amsterdam	97.6
AZ Jupiter 8 B.V., Amsterdam	100.0
AZ Jupiter 9 B.V., Amsterdam	100.0
AZ Real Estate GP LLC, New York, NY	100.0
AZ Servisni centar d.o.o., Zagreb	100.0
AZ Vers US Private REIT GP LLC, Wilmington, DE	100.0
AZ Vers US Private REIT LP, Wilmington, DE	100.0
AZGA Insurance Agency Canada Ltd., Kitchener, ON	100.0
AZGA Service Canada Inc., Kitchener, ON	55.0
AZL PF Investments Inc., Minneapolis, MN	100.0
AZOA Services Corporation, New York, NY	100.0
AZWP Services Portugal Lda., Lisbon	100.0
Beleggingsmaatschappij Willemsbruggen B.V., Rotterdam	100.0

	% owned[1]
Beykoz Gayrimenkul Yatirim Insaat Turizm Sanayi ve Ticaret A.S., Ankara	100.0
Bilan Services S.N.C., Nanterre	66.0
Biuro Informacji Gospodarczej Euler Hermes S.A., Warsaw	100.0
Borgo San Felice S.r.l., Castelnuovo Berardenga	100.0
BPS Brindisi 211 S.r.l., Lecce	100.0
BPS Brindisi 213 S.r.l., Lecce	100.0
BPS Brindisi 222 S.r.l., Lecce	100.0
BPS Mesagne 214 S.r.l., Lecce	100.0
BPS Mesagne 215 S.r.l., Lecce	100.0
BPS Mesagne 216 S.r.l., Lecce	100.0
BPS Mesagne 223 S.r.l., Lecce	100.0
BPS Mesagne 224 S.r.l., Lecce	100.0
Brasil de Imóveis e Participações Ltda., São Paulo	100.0
BRAVO II CIV LLC, Wilmington, DE	100.0
BRAVO III CIV LLC, Wilmington, DE	100.0
British Reserve Insurance Co. Ltd., Guildford	100.0
Brobacken Nät AB, Stockholm	100.0
BSMC (Thailand) Limited, Bangkok	100.0
Calobra Investments Sp. z o.o., Warsaw	100.0
Calypso S.A., Paris la Défense	100.0
CAP Rechtsschutz-Versicherungsgesellschaft AG, Wallisellen	100.0
Caroline Berlin S.C.S., Luxembourg	93.2
Central Shopping Center a.s., Bratislava	100.0
Centrale Photovoltaique de Saint Marcel sur aude SAS, Paris	100.0
Centrale Photovoltaique de Valensole SAS, Paris	100.0
CEPE de Bajouve S.à r.l., Versailles	100.0
CEPE de Haut Chemin S.à r.l., Versailles	100.0
CEPE de la Baume S.à r.l., Versailles	100.0
CEPE de la Forterre S.à r.l., Versailles	100.0
CEPE de Langres Sud S.à r.l., Versailles	100.0
CEPE de Mont Gimont S.à r.l., Versailles	100.0
CEPE de Sambres S.à r.l., Versailles	100.0
CEPE de Vieille Carrière S.à r.l., Versailles	100.0
CEPE des Portes de la Côte d'Or S.à r.l., Versailles	100.0
CEPE du Blaiseron S.à r.l., Versailles	100.0
CEPE du Bois de la Serre S.à r.l., Versailles	100.0
Chicago Insurance Company Corp., Chicago, IL	100.0
CIC Allianz Insurance Ltd., Sydney	100.0
Climmolux Holding SA, Luxembourg	100.0
Club Marine Limited, Sydney	100.0
COF II CIV LLC, Wilmington, DE	100.0
Companhia de Seguros Allianz Portugal S.A., Lisbon	64.8
Compañía Colombiana de Servicio Automotriz S.A., Bogotá D.C.	100.0
Consultatio Renta Mixta F.C.I., Buenos Aires	100.0 [3]
Corn Investment Ltd., London	100.0
Corsetec Assessoria e Corretagem de Seguros Ltda., São Paulo	100.0
Cova Beijing Zpark Investment Pte. Ltd., Singapore	98.0
CPRN Thailand Ltd., Bangkok	100.0
Creactif Allocation, Paris	100.0 [3]
CreditRas Assicurazioni S.p.A., Milan	50.0 [2]
CreditRas Vita S.p.A., Milan	50.0 [2]
Darta Saving Life Assurance dac, Dublin	100.0
Deeside Investments Inc., Wilmington, DE	50.1

	% owned[1]
Delta Technical Services Ltd., London	100.0
Diamond Point a.s., Prague	100.0
Dresdner Kleinwort Pfandbriefe Investments II Inc., Minneapolis, MN	100.0
EF Solutions LLC, Wilmington, DE	100.0
Eiger Institutional Fund, Basel	100.0 [3]
ELVIA eInvest AG, Wallisellen	100.0
Energie Eolienne Lusanger S.à r.l., Versailles	100.0
Eolica Erchie S.r.l., Lecce	100.0
EP Tactical GP LLC, Wilmington, DE	100.0
Etablissements J. Moneger SA, Dakar	100.0
Euler Hermes 39 Ouest, Paris la Défense	100.0 [3]
Euler Hermes Acmar SA, Casablanca	55.0
Euler Hermes Acmar Services SARL, Casablanca	100.0
Euler Hermes Asset Management France S.A., Paris la Défense	100.0
Euler Hermes Australia Pty Limited, Sydney	100.0
Euler Hermes Canada Services Inc., Montreal, QC	100.0
Euler Hermes Collections North America Company, Owings Mills, MD	100.0
Euler Hermes Collections Sp. z o.o., Warsaw	100.0
Euler Hermes Consulting (Shanghai) Co. Ltd., Shanghai	100.0
Euler Hermes Crédit France S.A.S., Paris la Défense	100.0
Euler Hermes Digital Ventures OPCVM, Paris la Défense	100.0 [3]
Euler Hermes Emporiki Services Ltd., Athens	100.0
Euler Hermes Excess North America LLC, Owings Mills, MD	100.0
Euler Hermes Group SA, Paris la Défense	100.0
Euler Hermes Hong Kong Service Limited, Hong Kong	100.0
Euler Hermes Intermediary Agency S.r.l., Milan	100.0
Euler Hermes Japan Services Ltd., Tokyo	100.0
Euler Hermes Korea Non-life Broker Company Limited, Seoul	100.0
Euler Hermes Luxembourg Holding S.à r.l., Luxembourg	100.0
Euler Hermes Magyar Követeleskezelö Kft., Budapest	100.0
Euler Hermes New Zealand Limited, Auckland	100.0
Euler Hermes North America Holding Inc., Owings Mills, MD	100.0
Euler Hermes North America Insurance Company Inc., Owings Mills, MD	100.0
Euler Hermes Patrimonia SA, Brussels	100.0
Euler Hermes Ré SA, Luxembourg	100.0
Euler Hermes Real Estate SPPICAV, Paris la Défense	60.0
Euler Hermes Recouvrement France S.A.S., Paris la Défense	100.0
Euler Hermes Reinsurance AG, Wallisellen	100.0
Euler Hermes Risk Yönetimi A.S., Istanbul	100.0
Euler Hermes S.A., Brussels	100.0
Euler Hermes Seguros de Crédito S.A., São Paulo	100.0
Euler Hermes Service AB, Stockholm	100.0
Euler Hermes Services B.V., 's-Hertogenbosch	100.0
Euler Hermes Services Belgium S.A., Brussels	100.0
Euler Hermes Services Bulgaria EOOD, Sofia	100.0
Euler Hermes Services Ceská republika s.r.o., Prague	100.0
Euler Hermes Services G.C.C. Limited, Dubai	100.0

	% owned[1]
Euler Hermes Services India Private Limited, Mumbai	100.0
Euler Hermes Services Ireland Limited, Dublin	100.0
Euler Hermes Services Italia S.r.l., Rome	100.0
Euler Hermes Services North America LLC, Owings Mills, MD	100.0
Euler Hermes Services Romania S.R.L., Bucharest	100.0
Euler Hermes Services S.A.S., Paris la Défense	100.0
Euler Hermes Services Schweiz AG, Wallisellen	100.0
Euler Hermes Services Slovensko s.r.o., Bratislava	100.0
Euler Hermes Services South Africa Ltd., Johannesburg	100.0
Euler Hermes Services Tunisia S.à r.l., Tunis	100.0
Euler Hermes Services UK Limited, London	100.0
Euler Hermes Serviços de Gestão de Riscos Ltda., São Paulo	100.0
Euler Hermes Sigorta A.S., Istanbul	100.0
Euler Hermes Singapore Services Pte. Ltd., Singapore	100.0
Euler Hermes South Express S.A., Brussels	100.0
Euler Hermes Taiwan Services Limited, Taipei	100.0
Euler Hermes World Agency SASU, Paris la Défense	100.0
Euler Hermes, Mierzejewska-Kancelaria Prawna Sp.k, Warsaw	100.0
Eurl 20/22 Le Peletier, Paris la Défense	100.0
Eurosol Invest S.r.l., Udine	100.0
FCP LBPAM IDR, Paris	100.0 [3]
FCPI InnovAllianz 2, Paris	100.0 [3]
FCT CIMU 92, Pantin	100.0 [3]
FCT Rocade L2 Marseille, Paris	100.0 [3]
Fénix Directo Compañía de Seguros y Reaseguros S.A., Madrid	100.0
Ferme Eolienne de Villemur-sur-Tarn S.à r.l., Versailles	100.0
Ferme Eolienne des Jaladeaux S.à r.l., Versailles	100.0
Financière Callisto SAS, Paris la Défense	100.0
Fireman's Fund Financial Services LLC, Dallas, TX	100.0
Fireman's Fund Indemnity Corporation, Liberty Corner, NJ	100.0
Fireman's Fund Insurance Company Corp., Los Angeles, CA	100.0
Flying Desire Limited, Hong Kong	100.0
Fondo Chiuso Allianz Infrastructure Partners I, Milan	100.0 [3]
FPCI APEH Europe VII, Paris	100.0 [3]
Fragonard Assurance S.A., Paris	100.0
Franklin S.C.S., Luxembourg	94.5
Friederike MLP S.à r.l., Luxembourg	100.0
Fu An Management Consulting Co. Ltd., Beijing	1.0 [2]
Fusion Company Inc., Richmond, VA	100.0
Gaipare Action, Paris	100.0 [3]
GamePlan Financial Marketing LLC, Woodstock, GA	100.0
Generation Vie S.A., Courbevoie	52.5
Genialloyd S.p.A., Milan	100.0
Gestion de Téléassistance et de Services S.A., Chatillon	100.0
GIE Euler Hermes SFAC Services, Paris la Défense	100.0
Glärnisch Institutional Fund, Basel	100.0 [3]
Global Transport & Automotive Insurance Solutions Pty Limited, Sydney	81.0

	% owned[1]
Hauteville Insurance Company Limited, St Peter Port	100.0
Havelaar & van Stolk B.V., Rotterdam	100.0
Helviass Verzekeringen B.V., Rotterdam	100.0
Home & Legacy Insurance Services Limited, Guildford	100.0
Humble Bright Limited, Hong Kong	100.0
Hunter Premium Funding Ltd., Sydney	100.0
ICON Immobilien GmbH & Co. KG, Vienna	100.0
ICON Inter GmbH & Co. KG, Vienna	100.0
IEELV GP S.à r.l., Luxembourg	100.0
Immovalor Gestion S.A., Paris la Défense	100.0
ImWind AO GmbH & Co. KG, Pottenbrunn	100.0
ImWind GHW GmbH & Co. KG, Pottenbrunn	100.0
ImWind Loidesthal GmbH & Co. KG, Pottenbrunn	100.0
ImWind PDV GmbH & Co. KG, Pottenbrunn	100.0
ImWind PL GmbH & Co. KG, Pottenbrunn	100.0
Inforce Solutions LLC, Woodstock, GA	100.0
InnovAllianz, Paris	99.6 [3]
Insurance CJSC "Medexpress", Saint Petersburg	100.0
Intermediass S.r.l., Milan	100.0
Interstate Fire & Casualty Company, Chicago, IL	100.0
Investitori Logistic Fund, Milan	100.0
Investitori Real Estate Fund, Milan	100.0
Investitori SGR S.p.A., Milan	100.0
Järvsö Sörby Vindkraft AB, Danderyd	100.0
JCR Intertrade Ltd., Bangkok	40.0 [2]
Jefferson Insurance Company Corp., New York, NY	100.0
Joukhaisselän Tuulipuisto Oy, Oulu	100.0
Jouttikallio Wind Oy, Kotka	100.0
JSC Insurance Company Allianz, Moscow	100.0
JUSTIS GmbH, Etoy	100.0
KAIGO Hi-Tech Development (Beijing) Co. Ltd., Beijing	100.0
KaiLong Greater China Real Estate Fund II S.C.Sp., Luxembourg	100.0
Ken Tame & Associates Pty Ltd., Sydney	100.0
Kensington Fund, Milan	100.0
Keyeast Pte. Ltd., Singapore	100.0
Kiinteistöosakeyhtiö Eteläesplanadi 2 Oy, Helsinki	100.0
KLGCREF II Holdco Pte. Ltd., Singapore	100.0
Kohlenberg & Ruppert Premium Properties S.à r.l., Luxembourg	100.0
Kuolavaara-Keulakkopään Tuulipuisto Oy, Oulu	100.0
La Rurale SA, Courbevoie	99.9
LAD Energy GmbH & Co. KG, Pottenbrunn	100.0
Lincoln Infrastructure USA Inc., Wilmington, DE	100.0
LLC "IC Euler Hermes Ru", Moscow	100.0
LLC "Medexpress-service", Saint Petersburg	100.0
LLC "Progress-Med", Moscow	100.0
LLC "Risk Audit", Moscow	100.0
Lloyd Adriatico Holding S.p.A., Trieste	99.9
Maevaara Vind 2 AB, Stockholm	100.0
Maevaara Vind AB, Stockholm	100.0
MAF SALP SAS, Saint-Ouen	100.0
Medi24 AG, Bern	100.0
Medicount (Private) Limited, Islamabad	100.0
MediCount Global Ltd., Ebene	99.9
Medicount Healthcare Private Limited, Bangalore	100.0

	% owned[1]
Mombyasen Wind Farm AB, Halmstad	100.0
Mondial Protection Corretora de Seguros Ltda., São Bernardo do Campo	100.0
Morningchapter S.A., Grandaços	100.0
National Surety Corporation, Chicago, IL	100.0
Neoasistencia Manoteras S.L., Madrid	100.0
Nextcare Bahrain Ancillary Services Company B.S.C., Manama	100.0
NEXtCARE Claims Management LLC, Dubai	100.0
NEXtCARE Egypt LLC, New Cairo	100.0
NEXtCARE Lebanon SAL, Beirut	100.0
NEXtCARE Tunisie LLC, Tunis	100.0
Northstar Mezzanine Partners VI U.S. Feeder II L.P., Dover, DE	100.0 [3]
Ontario Limited, Toronto, ON	100.0
OOO Euler Hermes Credit Management, Moscow	100.0
OPCI Allianz France Angel, Paris la Défense	100.0
Orione PV S.r.l., Milan	100.0
Orsa Maggiore PV S.r.l., Milan	100.0
Orsa Minore PV S.r.l., Milan	100.0
Pacific Investment Management Company LLC, Dover, DE	95.7
Parc Eolien de Bonneuil S.à r.l., Versailles	100.0
Parc Eolien de Bruyère Grande SAS, Versailles	100.0
Parc Eolien de Chaourse SAS, Versailles	100.0
Parc Eolien de Chateau Garnier SAS, Versailles	100.0
Parc Eolien de Croquettes SAS, Versailles	100.0
Parc Eolien de Dyé SAS, Versailles	100.0
Parc Eolien de Fontfroide SAS, Versailles	100.0
Parc Eolien de Forge SAS, Paris	100.0
Parc Eolien de la Sole du Bois SAS, Paris	100.0
Parc Eolien de Longchamps SAS, Versailles	100.0
Parc Eolien de Ly-Fontaine SAS, Versailles	100.0
Parc Eolien de Pliboux SAS, Versailles	100.0
Parc Eolien de Remigny SAS, Versailles	100.0
Parc Eolien des Barbes d´Or SAS, Versailles	100.0
Parc Eolien des Joyeuses SAS, Versailles	100.0
Parc Eolien des Mistandines SAS, Paris	100.0
Parc Eolien des Quatre Buissons SAS, Paris	100.0
Parc Eolien du Bois Guillaume SAS, Paris	100.0
Parc Eolien Les Treize SAS, Paris	100.0
Pet Plan Ltd., Guildford	100.0
PFP Holdings Inc., Dover, DE	100.0
PGA Global Services LLC, Dover, DE	100.0
PGREF V 1301 Sixth Investors I LLC, Wilmington, DE	100.0
PGREF V 1301 Sixth Investors I LP, Wilmington, DE	100.0
PIMCO (Schweiz) GmbH, Zurich	100.0
PIMCO Asia Ltd., Hong Kong	100.0
PIMCO Asia Pte Ltd., Singapore	100.0
PIMCO Australia Management Limited, Sydney	100.0
PIMCO Australia Pty Ltd., Sydney	100.0
PIMCO BRAVO III Offshore GP L.P., George Town	100.0
PIMCO BRAVO III Offshore GP Ltd., George Town	100.0
PIMCO Canada Corp., Toronto, ON	100.0
PIMCO Cayman Japan CorePLUS Strategy Segregated Portfolio, George Town	42.2 [2,3]
PIMCO COF II LLC, Wilmington, DE	100.0
PIMCO Emerging Markets Bond Fund III, George Town	62.1 [3]

	% owned[1]
PIMCO Europe Ltd., London	100.0
PIMCO Flexible Bond Fundo de Investimento Em Cotas de Fundo de Investimento Multimercado Investimento no Exterior, Rio de Janeiro	100.0 [3]
PIMCO Global Advisors (Ireland) Ltd., Dublin	100.0
PIMCO Global Advisors (Luxembourg) S.A., Luxembourg	100.0
PIMCO Global Advisors (Resources) LLC, Dover, DE	100.0
PIMCO Global Advisors LLC, Dover, DE	100.0
PIMCO Global Financials Credit FIC FIM IE, Rio de Janeiro	59.7 [3]
PIMCO Global Holdings LLC, Dover, DE	100.0
PIMCO GP I Canada Corporation, Toronto, ON	100.0
PIMCO GP I LLC, Wilmington, DE	100.0
PIMCO GP II S.à r.l., Luxembourg	100.0
PIMCO GP III LLC, Wilmington, DE	100.0
PIMCO GP III S.à r.l., Luxembourg	100.0
PIMCO GP IX LLC, Wilmington, DE	100.0
PIMCO GP S.à r.l., Luxembourg	100.0
PIMCO GP V LLC, Wilmington, DE	100.0
PIMCO GP VII LLC, Wilmington, DE	100.0
PIMCO GP X LLC, Wilmington, DE	100.0
PIMCO GP XI LLC, Wilmington, DE	100.0
PIMCO GP XII LLC, Wilmington, DE	100.0
PIMCO GP XIII LLC, Wilmington, DE	100.0
PIMCO GP XIV LLC, Wilmington, DE	100.0
PIMCO GP XIX LLC, Wilmington, DE	100.0
PIMCO GP XV LLC, Wilmington, DE	100.0
PIMCO GP XVI LLC, Wilmington, DE	100.0
PIMCO GP XVII LLC, Wilmington, DE	100.0
PIMCO GP XVIII LLC, Wilmington, DE	100.0
PIMCO GP XX LLC, Wilmington, DE	100.0
PIMCO GP XXI-C LLC, Wilmington, DE	100.0
PIMCO GP XXII LLC, Wilmington, DE	100.0
PIMCO GP XXIII Ltd., George Town	100.0
PIMCO GP XXIV LLC, Wilmington, DE	100.0
PIMCO GP XXIX LLC, Wilmington, DE	100.0
PIMCO GP XXV LLC, Wilmington, DE	100.0
PIMCO GP XXVI LLC, Wilmington, DE	100.0
PIMCO GP XXVII LLC, Wilmington, DE	100.0
PIMCO GP XXVIII LLC, Wilmington, DE	100.0
PIMCO Investment Management (Shanghai) Limited, Shanghai	100.0
PIMCO Investments LLC, Dover, DE	100.0
PIMCO Japan Ltd., Road Town	100.0
PIMCO Latin America Administradora de Carteiras Ltda., Rio de Janeiro	100.0
PIMCO Mortgage Income Trust Inc., Baltimore, MD	100.0
PIMCO Private Strategies LLC, Dover, DE	100.0
PIMCO RAE Fundamental Global Equities Plus Fundo de Investimento Multimercado Investimento no Exterior, Rio de Janeiro	100.0 [3]
PIMCO RAE Fundamental US Fund, Dublin	86.5 [3]
PIMCO RAFI Dynamic Multi-Factor Emerging Markets Equity Fund, Dublin	100.0 [3]
PIMCO RAFI Dynamic Multi-Factor Europe Equity Fund, Dublin	100.0 [3]
PIMCO RAFI Dynamic Multi-Factor Global Developed Equity Fund, Dublin	100.0 [3]
PIMCO RAFI Dynamic Multi-Factor U.S. Equity Fund, Dublin	100.0 [3]
PIMCO RealPath 2055 Fund, Boston, MA	60.4 [3]

	% owned[1]
PIMCO REIT Management LLC, Wilmington, DE	100.0
PIMCO Taiwan Ltd., Taipei	100.0
PIMCO-World Bank Gemloc Fund S.A., Luxembourg	100.0 [3]
POD Allianz Bulgaria AD, Sofia	65.9
Primacy Underwriting Management Limited, Wellington	100.0
Primacy Underwriting Management Pty Ltd., Melbourne	100.0
Prosperaz Fundo de Investimento Renda Fixa Crédito Privado, São Paulo	100.0 [3]
Protexia France S.A., Paris la Défense	100.0
PT Asuransi Allianz Life Indonesia p.l.c., Jakarta	99.8
PT Asuransi Allianz Utama Indonesia Ltd., Jakarta	97.8
PT Blue Dot Services, Jakarta	100.0
PTE Allianz Polska S.A., Warsaw	100.0
Q 207 GP S.à r.l., Luxembourg	100.0
Q207 S.C.S., Luxembourg	94.0
Quality 1 AG, Bubikon	100.0
Questar Agency Inc., Minneapolis, MN	100.0
Questar Asset Management Inc., Ann Arbor, MI	100.0
Questar Capital Corporation, Minneapolis, MN	100.0
Quintet Properties Ltd., Dublin	100.0
RAS Antares, Milan	100.0 [3]
RB Fiduciaria S.p.A., Milan	100.0
RE-AA SA, Abidjan	98.5
Real Faubourg Haussmann SAS, Paris la Défense	100.0
Real FR Haussmann SAS, Paris la Défense	100.0
Redoma 2 S.A., Luxembourg	100.0
Redoma S.à r.l., Luxembourg	100.0
Risikomanagement und Softwareentwicklung GmbH, Vienna	100.0
Rivage Richelieu 1 FCP, Paris	100.0 [3]
SA Carène Assurance, Paris	100.0
SA Vignobles de Larose, Saint-Laurent-Médoc	100.0
Saarenkylä Tuulipuisto Oy, Oulu	100.0
Saint-Barth Assurances S.à r.l., Saint Barthelemy	100.0
SAS 20 pompidou, Paris la Défense	100.0
SAS Allianz Etoile, Paris la Défense	100.0
SAS Allianz Forum Seine, Paris la Défense	100.0
SAS Allianz Logistique, Paris la Défense	100.0
SAS Allianz Platine, Paris la Défense	100.0
SAS Allianz Prony, Paris la Défense	100.0
SAS Allianz Rivoli, Paris la Défense	100.0
SAS Allianz Serbie, Paris la Défense	100.0
SAS Angel Shopping Centre, Paris la Défense	90.0
SAS Boutique Vignoble de Larose, Saint-Laurent-Médoc	100.0
SAS Madeleine Opéra, Paris la Défense	100.0
SAS Passage des princes, Paris la Défense	100.0
SAS Société d'Exploitation du Parc Eolien de Nélausa, Paris	100.0
Sättravallen Wind Power AB, Strömstad	100.0
Saudi NEXtCARE LLC, Al Khobar	68.0
SC Tour Michelet, Paris la Défense	100.0
SCI 46 Desmoulins, Paris la Défense	100.0
SCI Allianz ARC de Seine, Paris la Défense	100.0
SCI Allianz Immobilier Durable, Paris la Défense	100.0
SCI Allianz Invest Pierre, Paris la Défense	100.0
SCI Allianz Messine, Paris la Défense	100.0

	% owned[1]
SCI Allianz Value Pierre, Paris la Défense	79.9
SCI AVIP SCPI Selection, Courbevoie	100.0
SCI ESQ, Paris la Défense	75.0
SCI Stratus, Courbevoie	100.0
SCI Via Pierre 1, Paris la Défense	100.0
SCI Volnay, Paris la Défense	100.0
SDIII Energy GmbH & Co. KG, Pottenbrunn	100.0
Servicios Compartidos Multiasistencia S.L., Madrid	100.0
SIFCOM Assur S.A., Abidjan	60.0
Silex Gas Management AS, Oslo	100.0
Silex Gas Norway AS, Oslo	100.0
Sirius S.A., Luxembourg	94.8
SLC "Allianz Life Ukraine", Kiev	100.0
Società Agricola San Felice S.p.A., Milan	100.0
Société de Production D'électricité D'harcourt Moulaine SAS, Versailles	100.0
Société d'Energie Eolien Cambon SAS, Versailles	100.0
Société d'Exploitation du Parc Eolien d'Aussac Vadalle SAS, Paris	100.0
Société Européenne de Protection et de Services d'Assistance à Domicile S.A., Paris	56.0
Société Foncière Européenne B.V., Amsterdam	100.0
Société Nationale Foncière S.A.L., Beirut	66.0
SOFE One Ltd., Bangkok	100.0
SOFE Two Ltd., Bangkok	100.0
Sofiholding S.A., Brussels	100.0
South City Office Broodthaers SA, Brussels	100.0
SpaceCo S.A., Paris	100.0
Stam Fem Gångaren 11 AB, Stockholm	100.0
StocksPLUS Management Inc., Dover, DE	100.0
Téléservices et Sécurité "TEL2S" SARL, Chatillon	99.9
TFI Allianz Polska S.A., Warsaw	100.0
The American Insurance Company Corp., Cincinnati, OH	100.0
The Annuity Store Financial & Insurance Services LLC, Sacramento, CA	100.0
The MI Group Limited, Guildford	99.4
Three Pillars Business Solutions Limited, Guildford	100.0
Tihama Investments B.V., Amsterdam	100.0
Top Immo A GmbH & Co. KG, Vienna	100.0
Top Immo Besitzgesellschaft B GmbH & Co. KG, Vienna	100.0
Top Logistikwerkstatt Assistance GmbH, Vienna	100.0
Top Versicherungsservice GmbH, Vienna	100.0
Top Vorsorge-Management GmbH, Vienna	75.0
Towarzystwo Ubezpieczen Euler Hermes S.A., Warsaw	100.0
Trafalgar Insurance Public Limited Company, Guildford	100.0
TruChoice Financial Group LLC, Minneapolis, MN	100.0
TU Allianz Polska S.A., Warsaw	100.0
TU Allianz Zycie Polska S.A., Warsaw	100.0
UK Logistics GP S.à r.l., Luxembourg	100.0
UK Logistics PropCo I S.à r.l., Luxembourg	100.0
UK Logistics PropCo II S.à r.l., Luxembourg	100.0
UK Logistics PropCo III S.à r.l., Luxembourg	100.0
UK Logistics S.C.Sp., Luxembourg	100.0
UP 36 SA, Brussels	100.0
Valderrama S.A., Luxembourg	100.0
Vanilla Capital Markets S.A., Luxembourg	100.0

	% owned[1]
VertBois S.à r.l., Luxembourg	100.0
Vet Envoy Limited, Colwyn Bay	100.0
Vigny Depierre Conseils SAS, Archamps	100.0
Viveole SAS, Versailles	100.0
Volta, Paris	100.0 [3]
Vordere Zollamtsstraße 13 GmbH, Vienna	100.0
WFC Investments Sp. z o.o., Warsaw	87.5
Windpark AO GmbH, Pottenbrunn	100.0
Windpark EDM GmbH, Pottenbrunn	100.0
Windpark GHW GmbH, Pottenbrunn	100.0
Windpark Ladendorf GmbH, Vienna	100.0
Windpark Les Cent Jalois SAS, Versailles	100.0
Windpark LOI GmbH, Pottenbrunn	100.0
Windpark PDV GmbH, Pottenbrunn	100.0
Windpark PL GmbH, Pottenbrunn	100.0
Windpark Scharndorf GmbH, Pottenbrunn	100.0
Windpark Zistersdorf GmbH, Pottenbrunn	100.0
Wm. H McGee & Co. (Bermuda) Ltd., Hamilton	100.0
Wm. H McGee & Co. Inc., New York, NY	100.0
YAO NEWREP Investments S.A., Luxembourg	93.2
Yorktown Financial Companies Inc., Minneapolis, MN	100.0
ZAD Allianz Bulgaria Zhivot, Sofia	99.0
ZAD Allianz Bulgaria, Sofia	87.4
ZAD Energia, Sofia	51.0
ZiOst Energy GmbH & Co. KG, Pottenbrunn	100.0
Non-consolidated affiliates	
AGF Pension Trustees Ltd., Guildford	100.0
Allianz Financial Services S.A., Athens	100.0
Allianz Global Corporate & Specialty SE Escritório de Representação no Brasil Ltda., Rio de Janeiro	100.0
Allianz Insurance Services Ltd., Athens	100.0
Allianz Northern Ireland Limited, Belfast	100.0
Assurance France Aviation S.A., Paris	100.0
business lounge GmbH, Vienna	100.0
COGAR S.à r.l., Paris	100.0
Finos Technology Holding Pte. Ltd., Singapore	100.0
Gesellschaft für Vorsorgeberatung AG, Wallisellen	100.0
Knightsbridge Allianz LP, Bartlesville, OK	99.5 [3]
SCI Vilaje, Courbevoie	100.0
Top Versicherungs-Vermittler Service GmbH, Vienna	100.0
Joint ventures	
114 Venture LP, Wilmington, DE	49.5 [7]
1515 Broadway Realty LP, Dover, DE	49.6 [7]
1800 M Street Venture LP, Wilmington, DE	42.8 [7]
53 State JV L.P., Wilmington, DE	49.0 [7]
A&A Centri Commerciali S.r.l., Milan	50.0
Allee-Center Kft., Budapest	50.0
AMLI-Allianz Investment LP, Wilmington, DE	75.0 [7]
AS Gasinfrastruktur Beteiligung GmbH, Vienna	55.6 [7]
Austin West Campus Student Housing LP, Wilmington, DE	44.7 [7]
AZ/JH Co-Investment Venture (DC) LP, Wilmington, DE	80.0 [7]
AZ/JH Co-Investment Venture (IL) LP, Wilmington, DE	80.0 [7]
Bajaj Allianz Financial Distributors Limited, Pune	50.0

	% owned[1]
Castle Field Limited, Hong Kong	50.0
Chapter Master Limited Partnership, London	45.5 [7]
Columbia REIT - 333 Market Street LP, Wilmington, DE	44.7 [7]
Columbia REIT-University Circle LP, Wilmington, DE	44.7 [7]
Companhia de Seguro de Créditos S.A., Lisbon	50.0
CPIC Fund Management Co. Ltd., Shanghai	49.0 [7]
CPPIC Euler Hermes Insurance Sales Co. Ltd., Shanghai	49.0 [7]
Dundrum Car Park GP Limited, Dublin	50.0
Dundrum Car Park Limited Partnership, Dublin	50.0
Dundrum Retail GP Designated Activity Company, Dublin	50.0
Dundrum Retail Limited Partnership, Dublin	50.0
Elite Prize Limited, Hong Kong	50.0
Elton Investments S.à r.l., Luxembourg	41.4 [7]
Enhanzed Reinsurance Ltd., Hamilton	24.9 [7]
ESR India Logistics Fund Pte. Ltd., Singapore	50.0
Euromarkt Center d.o.o., Ljubljana	50.0
Fiumaranuova S.r.l., Genoa	50.1 [7]
Galore Expert Limited, Hong Kong	50.0
Hudson One Ferry JV L.P., Wilmington, DE	45.0 [7]
Israel Credit Insurance Company Ltd., Tel Aviv	50.0
Italian Shopping Centre Investment S.r.l., Milan	50.0
LBA IV-PPI Venture LLC, Dover, DE	45.0 [7]
LBA IV-PPII-Office Venture LLC, Dover, DE	45.0 [7]
LBA IV-PPII-Retail Venture LLC, Dover, DE	45.0 [7]
NET4GAS Holdings s.r.o., Prague	50.0
NeuConnect Britain Ltd., London	26.2 [3,7]
NRF (Finland) AB, Västeras	50.0
Podium Fund HY REIT Owner LP, Wilmington, DE	44.3 [7]
Porterbrook Holdings I Limited, London	30.0 [7]
Previndustria - Fiduciaria Previdenza Imprenditori S.p.A., Milan	50.0
PT IndoAlliz Perkasa Sukses, Jakarta	49.0 [7]
Queenspoint S.L., Madrid	50.0
RMPA Holdings Limited, Colchester	56.0 [7]
SC Holding SAS, Paris	50.0
SCI Docks V3, Paris la Défense	50.0
SES Shopping Center AT1 GmbH, Salzburg	50.0
SES Shopping Center FP 1 GmbH, Salzburg	50.0
Shanghai BaiAn Information Technology Co. Ltd., Shanghai	20.0 [7]
Solunion Compañía Internacional de Seguros y Reaseguros SA, Madrid	50.0
Spanish Gas Distribution Investments S.à r.l., Luxembourg	40.0 [7]
SPREF II Pte. Ltd., Singapore	50.0
Terminal Venture LP, Wilmington, DE	28.9 [7]
The FIZZ Student Housing Fund S.C.S., Luxembourg	49.5 [7]
The State-Whitehall Company LP, Dover, DE	49.9 [7]
Tokio Marine Rogge Asset Management Ltd., London	50.0
TopTorony Ingatlanhasznosító Zrt., Budapest	50.0
Triskelion Property Holding Designated Activity Company, Dublin	50.0

	% owned[1]
Vailog Hong Kong DC17 Limited, Hong Kong	50.0
Vailog Hong Kong DC19 Limited, Hong Kong	50.0
Valley (III) Pte. Ltd., Singapore	41.5 [7]
VGP European Logistics S.à r.l., Senningerberg	50.0
VISION (III) Pte Ltd., Singapore	30.0 [7]
Waterford Blue Lagoon LP, Wilmington, DE	49.0 [7]
Associates	
Allianz EFU Health Insurance Ltd., Karachi	49.0
Allianz Euribor, Paris	33.6 [3]
Allianz Fóndika S.A. de C.V., Mexico City	26.8
Allianz France Investissement IV, Paris	73.3 [3,8]
Allianz Invest Vorsorgefonds, Vienna	27.5 [3]
Alpha Asia Macro Trends Fund III Private Limited, Singapore	20.2 [3]
Archstone Multifamily Partners AC JV LP, Wilmington, DE	40.0
Archstone Multifamily Partners AC LP, Wilmington, DE	28.6
Areim Fastigheter 2 AB, Stockholm	23.3
Areim Fastigheter 3 AB, Stockholm	31.6
Assurcard N.V., Haasrode	20.0
Autoelektro tehnicki pregledi d.o.o., Vojnić	49.0
AWP Insurance Brokerage (Beijing) Co. Ltd., Beijing	100.0 [8]
Bajaj Allianz General Insurance Company Ltd., Pune	26.0
Bajaj Allianz Life Insurance Company Ltd., Pune	26.0
Bazalgette Equity Ltd., London	34.3
Beacon Platform Incorporated, Wilmington, DE	26.9
Berkshire Hathaway Services India Private Limited, New Delhi	20.0
Berkshire India Private Limited, New Delhi	20.0
Best Regain Limited, Hong Kong	16.4 [8]
Blue Vista Student Housing Select Strategies Fund L.P., Dover, DE	24.9
Broker on-line de Productores de Seguros S.A., Buenos Aires	30.0
Brunei National Insurance Company Berhad Ltd., Bandar Seri Begawan	25.0
Carlyle China Realty L.P., George Town	50.0 [3,8]
Carlyle China Rome Logistics L.P., George Town	38.3 [3]
Chicago Parking Meters LLC, Wilmington, DE	49.9
CPIC Allianz Health Insurance Co. Ltd., Shanghai	22.9
Daiwater Investment Limited, London	36.6
Data Quest SAL, Beirut	36.0
Delgaz Grid S.A., Târgu Mures	30.0
Delong Limited, Hong Kong	16.4 [8]
Douglas Emmett Partnership X LP, Wilmington, DE	28.6
ERES APAC II (GP) S.à r.l., Luxembourg	30.7 [3]
European Outlet Mall Fund FCP-FIS, Luxembourg	25.8 [3]
Four Oaks Place LP, Wilmington, DE	49.0
Global Stream Limited, Hong Kong	16.4 [8]
Glory Basic Limited, Hong Kong	16.4 [8]
Helios Silesia Holding B.V., Amsterdam	45.0
IndInfravit Trust, Chennai	25.0

	% owned[1]
Jumble Succeed Limited, Hong Kong	16.4 [8]
Lennar Multifamily Venture LP, Wilmington, DE	11.3 [8]
Link (LRM) Limited, Hong Kong	16.4 [8]
Liverpool Victoria General Insurance Group Limited, Bournemouth	49.0
Long Coast Limited, Hong Kong	16.4 [8]
Luxary Gain Limited, Hong Kong	16.4 [8]
Medgulf Takaful B.S.C.(c), Manama	25.0
MFM Holding Ltd., London	38.4
Milvik AB, Stockholm	34.1
Modern Diamond Limited, Hong Kong	16.4 [8]
MTech Capital Fund (EU) SCSp, Luxembourg	33.3
New Path S.A., Buenos Aires	40.0
New Try Limited, Hong Kong	16.4 [8]
NGI Group Holdings LLC, Wilmington, DE	30.0
Ocean Properties LLP, Singapore	20.0
OeKB EH Beteiligungs- und Management AG, Vienna	49.0
OVS Opel VersicherungsService GmbH, Vienna	40.0
Praise Creator Limited, Hong Kong	16.4 [8]
Prime Space Limited, Hong Kong	16.4 [8]
Professional Agencies Reinsurance Limited, Hamilton	14.3 [8]
Quadgas Holdings Topco Limited, Saint Helier	16.7 [8]
Redwood Japan Logistics Fund II LP, Singapore	38.3 [3]
Residenze CYL S.p.A., Milan	33.3
SAS Alta Gramont, Paris	49.0
Scape Investment Operating Company No. 2 Pty Ltd., Sydney	50.0 [8]
Scape Investment Trust No. 2, Sydney	50.0 [3,8]
SCI Bercy Village, Paris	49.0
Sino Phil Limited, Hong Kong	16.4 [8]
SK Versicherung AG, Vienna	25.8
SNC Alta CRP Gennevilliers, Paris	49.0
SNC Alta CRP La Valette, Paris	49.0
SNC Société d'aménagement de la Gare de l'Est, Paris	49.0
Solveig Gas Holdco AS, Oslo	30.0
Strategic Fintech Investments S.A., Luxembourg	12.4 [8]
Summer Blaze Limited, Hong Kong	16.4 [8]
Supreme Cosmo Limited, Hong Kong	16.4 [8]
Sure Rainbow Limited, Hong Kong	16.4 [8]
UK Outlet Mall Partnership LP, Edinburgh	19.5 [8]
Wildlife Works Carbon LLC, San Francisco, CA	10.0 [8]

1_Percentage includes equity participations held by dependent entities in full, even if the Allianz Group's share in the dependent entity is below 100 %.
2_Controlled by the Allianz Group.
3_Investment fund.
4_Releasing impact according to § 264 (3) HGB through the Allianz Group's consolidated financial statements.
5_Group share through indirect holder Roland Holding GmbH, Munich: 75.6 %.
6_Insolvent.
7_Classified as joint venture according to IFRS 11.
8_Classified as associate according to IAS 28.

The Allianz Group refrains from disclosure of participations which are not included in one of the above categories, as they are of minor importance for giving a true and fair view of the assets, liabilities, financial position, and profit or loss of the Allianz Group.

FURTHER INFORMATION

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RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the material opportunities and risks associated with the expected development of the group.

Munich, 12 February 2019

Allianz SE
The Board of Management

Oliver Bäte

Sergio Balbinot

Jacqueline Hunt

Dr. Helga Jung

Dr. Christof Mascher

Niran Peiris

Iván de la Sota

Giulio Terzariol

Dr. Günther Thallinger

Dr. Axel Theis

INDEPENDENT AUDITOR'S REPORT

To Allianz SE, Munich

Report on the audit of the consolidated financial statements and of the group management report

AUDIT OPINIONS

We have audited the consolidated financial statements of Allianz SE, Munich, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Allianz SE, for the financial year from 1 January to 31 December 2018. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315e Abs. (paragraph) 1 HGB (Handelsgesetzbuch: German Commercial Code) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2018, and of its financial performance for the financial year from 1 January to 31 December 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

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

BASIS FOR THE AUDIT OPINIONS

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

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

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

- Measurement of certain financial instruments (Level 3) at fair value,
- Measurement of certain technical assets and liabilities in life and health insurance,
- Measurement of certain technical provisions in property-casualty insurance.

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

- Matter and issue,
- Audit approach and findings,
- Reference to further information.

Hereinafter we present the key audit matters:

MEASUREMENT OF CERTAIN FINANCIAL INSTRUMENTS (LEVEL 3) AT FAIR VALUE

Matter and issue

In the consolidated financial statements of the Company fair value measured financial instruments amounting to € 51,180 mn (5.7% of consolidated total assets) are reported that are classified as Level 3 of the fair value hierarchy according to the requirements of IFRS 13. Of this amount, € 40,107 mn is attributable to financial assets and € 11,073 mn to financial liabilities. These financial instruments are assigned to Level 3 of the fair value hierarchy as for the measurement in the underlying valuation models sufficient observable market data was not available and therefore unobservable inputs had to be used instead. These inputs may include data derived from approximations using, inter alia, historical data.

In this context, financial instruments measured using models are subject to an increased valuation risk due to lower objectivity and the underlying judgments, estimates and assumptions of the executive directors. This applies in particular to complex financial instruments. Since the estimates and assumptions, in particular with regard to interest rates and cash flows, as well as the valuation methods applied could materially affect the measurement of these financial instruments and the assets, liabilities and financial performance of the Group, this matter was of particular significance in the context of our audit.

Audit approach and findings

As part of our audit, we analyzed in particular the financial instruments measured using models, with the focus on instruments which were subject to increased measurement uncertainties (Level 3). We assessed the appropriateness of the relevant controls for the measurement of the financial instruments and the model validation. Therewith, we evaluated, among other things, the integrity of the underlying data and the process for arriving at the assumptions and estimates used in the valuation.

With the support of our internal financial mathematics specialists, we also assessed the appropriateness of the methods used by the executive directors to test the assets for impairment and the inputs used for that purpose. We have compared the methods and assumptions used to calculate valuation adjustments in the financial year with recognized practices and industry standards and examined to what extent these are suitable for determining an appropriate fair value in accordance with IFRS 13.

Based on our audit procedures, we were able to satisfy ourselves that the methods and assumptions used by the executive directors are appropriate overall for measuring certain financial instruments (fair value hierarchy Level 3).

Reference to further information

The Company's disclosures on the fair value measurement of certain financial instruments (Level 3) are included in sections 2 and 34 of the notes to the consolidated financial statements.

MEASUREMENT OF CERTAIN TECHNICAL ASSETS AND LIABILITIES IN LIFE AND HEALTH INSURANCE

Matter and issue

In the consolidated financial statements of the Company, assets and liabilities of the Life and Health Insurance business segment amounting to € 22,912 mn or € 515,537 million (2.6% or 57.4% of consolidated total assets) are reported under the "Deferred acquisition costs" and "Reserves for insurance and investment contracts" balance sheet items, respectively.

These assets and liabilities are measured using complex actuarial methods and models based on a comprehensive process for arriving at assumptions about future developments relating to the insurance portfolios to be measured. The methods used and the actuarial assumptions determined in connection with interest rates, investment yields, mortality, invalidity, longevity, costs and future behavior of policyholders could materially affect the measurement of these technical assets and liabilities.

Due to the material significance of the amounts for the assets, liabilities and financial performance of the Group and the complex process for determining the underlying assumptions of the executive directors, the measurement of these technical assets and liabilities of the Life and Health Insurance business segment was of particular significance in the context of our audit.

Audit approach and findings

As part of our audit, we assessed the appropriateness of selected controls established by the Company for the purpose of selecting actuarial methods, determining assumptions and making estimates for the measurement of certain technical assets and liabilities in life and health insurance.

With the support of our internal life and health insurance valuation specialists, we have compared the respective actuarial methods applied and the material assumptions with generally recognized actuarial practices and industry standards and examined to what extent these are appropriate for the valuation. A focal point of our audit was the assessment of the liability adequacy test and the evaluation of the expected gross margins/profits, which are used, among other things, as the basis for amortizing the deferred acquisition costs. Our audit also included an evaluation of the plausibility and integrity of the data and assumptions used in the valuation and of the Group's Actuarial department's reporting to the Group Reserve Committee.

Based on our audit procedures, we were able to satisfy ourselves that the methods and assumptions used by the executive directors are appropriate overall for measuring certain technical life and health insurance assets and liabilities.

Reference to further information

The Company's disclosures on the measurement of certain technical assets and liabilities in life and health insurance are included in sections 2 and 15 of the notes to the consolidated financial statements.

MEASUREMENT OF CERTAIN TECHNICAL PROVISIONS IN PROPERTY-CASUALTY INSURANCE

Matter and issue

In the consolidated financial statements of the Company, technical provisions (so called "claims provisions") amounting to € 73,054 mn (8.1% of consolidated total assets) are reported under the Reserves for loss and loss adjustment expenses balance sheet item. Of this amount, € 61,442 mn is attributable to the Property-Casualty Insurance business segment.

Reserves for loss and loss adjustment expenses in property-casualty insurance represent the Company's expectations regarding future payments for known and unknown claims including associated expenses. The Company uses various methods to estimate these obligations. Furthermore, the measurement of these provisions requires a significant degree of judgment by the executive directors of the Company with regard to the assumptions made, such as inflation, loss developments and regulatory changes. In particular, the lines of products with low loss frequency, high individual losses or long claims settlement periods are usually subject to increased estimation uncertainties.

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

Audit approach and findings

As part of our audit, we evaluated the appropriateness of selected controls established by the Company for the purpose of selecting actuarial methods, determining assumptions and making estimates for the measurement of certain technical provisions in property-casualty insurance.

With the support of our property-casualty insurance valuation specialists, we have compared the respective actuarial methods applied and the material assumptions with generally recognized actuarial practices and industry standards and examined to what extent these are appropriate for the valuation. Our audit also included an evaluation of the plausibility and integrity of the data and assumptions used in the valuation and a reconstruction of the claims settlement processes. Furthermore, we recalculated the amount of the provisions for selected lines of products, in particular lines of products with large reserves or increased estimation uncertainties. For these lines of products we compared the recalculated provisions with the provisions calculated by the Company and evaluated any differences. We also examined whether any adjustments to estimates in loss reserves at Group level were adequately documented and substantiated. Our audit also included an evaluation of the Group's Actuarial department's reporting to the Group Reserve Committee.

Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are appropriate overall for measuring the technical provisions in property-casualty insurance.

Reference to further information

The Company's disclosures on the measurement of the provisions for claims outstanding in property-casualty insurance are included in section 2 of the notes to the consolidated financial statements.

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Other Parts of the Group Management Report" of the group management report
- the separate non-financial report pursuant to § 289b Abs. 3 HGB und § 315b Abs. 3 HGB

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

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

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

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to §315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

Other legal and regulatory requirements

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the supervisory board on 8 March 2018. We were engaged by the audit committee of the supervisory board on 14 May 2018. We have been the group auditor of the Allianz SE, Munich, without interruption since the financial year 2018.

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

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Richard Burger.

Munich, 25 February 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Richard Burger	Julia Unkel
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

INDEPENDENT PRACTITIONER'S REPORT

To Allianz SE, Munich

Report on a limited and reasonable assurance engagement on non-financial reporting

We have performed an assurance engagement on the information included in the combined separate non-financial report pursuant to §§289b (3) and 315b (3) HGB (Handelsgesetzbuch: German Commercial Code) of Allianz SE, Munich, (hereinafter the "Company") for the period from 1 January to 31 December 2018 (hereinafter the "Non-financial Report"). In accordance with our engagement the level of assurance to be provided by us has been split up into

- limited assurance on the environmental indicators "greenhouse gas (GHG) emissions per employee" and "% of green electricity" of Allianz Group and Allianz SE (hereinafter the "Environmental Indicators") disclosed in section "Environmental Matters" of the Non-Financial Report and
- reasonable assurance on all information other than the Environmental Indicators in the Non-financial Report.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§315b and 315c in conjunction with 289b to 289e HGB.

This responsibility of the Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

INDEPENDENCE AND QUALITY CONTROL OF THE AUDIT FIRM

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

PRACTITIONER´S RESPONSIBILITY FOR THE ASSURANCE ENGAGEMENT

Our responsibility is to express a limited assurance conclusion on the Environmental Indicators disclosed in section "Environmental Matters" and a reasonable assurance conclusion on all information other than the Environmental Indicators in the Non-financial Report based on the respective procedures we have performed.

Within the scope of our engagement we did not perform any procedures on external sources of information or expert opinions, referred to in the Non-financial Report. Furthermore, we did not evaluate the data process regarding the key performance indicators "Inclusive Meritocracy Index" and "Net Promoter Score" performed by external service providers.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB.

This Standard requires that we plan and perform the assurance engagement to allow us

- to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Environmental Indicators disclosed in section "Environmental Matters" of the Company's Non-financial Report for the period from 1 January to 31 December 2018 have not been prepared, in all material aspects, in accordance with §§315b and 315c in conjunction with 289b to 289e HGB and
- to obtain reasonable assurance whether all information other than the Environmental Indicators in the Non-financial Report for the period from 1 January to 31 December 2018 has been prepared, in all material aspects, in accordance with §§315b and 315c in conjunction with 289b to 289e HGB.

For the part of our work engaged to provide limited assurance the assurance procedures are less in extent than for the part of our work engaged to provide reasonable assurance, and therefore a substantially lower level of assurance is obtained.

The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement.
- Inquiries of personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report.
- Evaluation of the internal control system regarding the preparation process of the Non-financial Report.
- Performance of site visits as part of the inspection of processes for collecting, analyzing and aggregating selected data:

    - Allianz Deutschland AG in Munich, Germany,
    - Allianz Lebensversicherungs-AG in Munich, Germany,
    - Allianz Technology SE in Munich, Germany,
    - Allianz France S.A. in Paris, France,
    - Allianz Partners S.A.S. in Paris, France,
    - Euler Hermes S.A. in Paris, France, and
    - Allianz Benelux S.A. in Brussels, Belgium.

- Identification of the likely risks of material misstatement of the Non-financial Report.
- Analytical evaluation of selected disclosures in the Non-financial Report.
- Obtaining an understanding of the work of external experts providing data as well as evaluation of competence, capabilities and objectivity of these external experts.
- Evaluation of the presentation of the non-financial information.

CONCLUSION

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Environmental Indicators disclosed in section "Environmental Matters" of the Company's Non-financial Report for the period from 1 January to 31 December 2018 have not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

In our opinion all information other than the Environmental Indicators in the Non-financial Report for the period from 1 January to 31 December 2018 has been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

INTENDED USE OF THE ASSURANCE REPORT

We issue this report on the basis of the engagement agreed with the Company. The reasonable assurance engagement and the limited assurance engagement have been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the reasonable assurance engagement and the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Munich, 25 February 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Hendrik Fink	ppa. Annette Daschner
Wirtschaftsprüfer	
(German public auditor)	

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Orientation

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ORIENTATION GUIDE

This sign indicates where to find additional information in this Annual Report or on the internet.

Further Allianz publications

ALLIANZ SUSTAINABILITY REPORT 2018

The Allianz Group Sustainability Report "Shaping our sustainable future" covers our contribution to the environment, society and economy. It provides full details of our sustainability strategy, approach and progress in 2018 as well as an outlook for 2019.
Date of publication: 11 April 2019. www.allianz.com/sustainability

ALLIANZ PEOPLE FACT BOOK 2018

The People Fact Book is the official and most comprehensive report on our workforce facts and figures, highlighting major HR achievements over the past year and revealing the outlook for 2019.
Date of publication: 18 March 2019. www.allianz.com/hrfactbook

GUIDELINE ON ALTERNATIVE PERFORMANCE MEASURES

Further information on the definition of our Alternative Performance Measures and their components, as well as the basis of calculation adopted: www.allianz.com/results

Financial calendar

Important dates for shareholders and analysts[1]

Annual General Meeting	8 May 2019
Financial Results 1Q	14 May 2019
Financial Results 2Q/Interim Report 6M	2 August 2019
Financial Results 3Q	8 November 2019
Financial Results 2019	21 February 2020
Annual Report 2019	6 March 2020
Annual General Meeting	6 May 2020

1 — The German Securities Trading Act ("Wertpapierhandelsgesetz") obliges issuers to announce immediately any information which may have a substantial price impact. Therefore we cannot exclude that we have to announce key figures related to quarterly and fiscal year results ahead of the dates mentioned above. As we can never rule out changes of dates, we recommend checking them on the internet at www.allianz.com/financialcalendar.

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