

SE

Allianz SE
Annual Report 2012

Allianz 

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Allianz SE at a glance

ANNUAL RESULTS

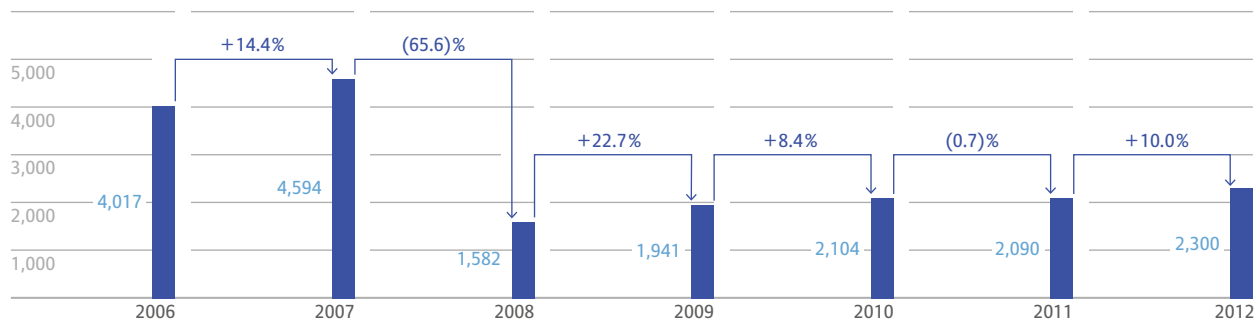
		2012	Change from previous year	2011	2010	2009	2008	2007	2006	More details on page
Gross premiums written	€ MN	3,673	2.3%	3,590	3,854	3,811	3,449	3,533	4,386	25
Retention	%	86.0	(2.2) pts	88.2	81.1	82.9	83.0	67.8	65.5	
Loss ratio (net) Property-Casualty	%	63.9	(16.3) pts	80.2	68.2	63.4	61.6	57.8	60.7	19
Expense ratio (net) Property-Casualty	%	27.7	0.6 pts	27.1	27.6	26.7	29.3	28.4	27.6	20
Combined ratio (net) Property-Casualty	%	91.6	(15.7) pts	107.3	95.8	90.1	90.9	86.2	88.3	25
Net underwriting result	€ MN	213	n/a	(163)	161	325	187	278	315	20
Net technical result	€ MN	50	(13.8)%	58	101	679	(68)	388	365	20
Non-technical result	€ MN	1,734	2.9%	1,685	1,451	983	1,069	3,684	2,687	20
Net operating income	€ MN	1,784	2.4%	1,743	1,552	1,662	1,001	4,072	3,052	
Extraordinary result	€ MN	(27)		(2)	178	–	–	–	–	21
Taxes	€ MN	543	55.6%	349	374	279	581	522	965	21
Net income	€ MN	2,300	10.0%	2,090	2,104	1,941	1,582	4,594	4,017	21
Investments	€ MN	96,206	5.0%	91,626	88,337	87,442	87,018	84,782	84,624	27
Shareholders' equity	€ MN	42,860	0.7%	42,546	42,404	42,309	41,882	42,525	36,649	28
Insurance reserves	€ MN	10,795	2.5%	10,527	9,999	9,780	9,850	9,384	10,486	107
Dividend per share	€	4.50 ¹	–	4.50	4.50	4.10	3.50	5.50	3.80	21
Total dividend	€ MN	2,052 ^{1,2}	0.7%	2,037	2,032	1,850	1,580	2,472	1,642	21
Share price as of 31 December	€	104.80	41.8%	73.91	88.93	87.15	75.00	147.95	154.76	
Market capitalization as of 31 December	€ MN	47,784	42.0%	33,651	40,419	39,557	33,979	66,600	66,880	

1 – Proposal.

2 – Dividend sum based on total amount of shares. Actual dividend payment will be reduced by the dividend amount attributable to treasury shares.

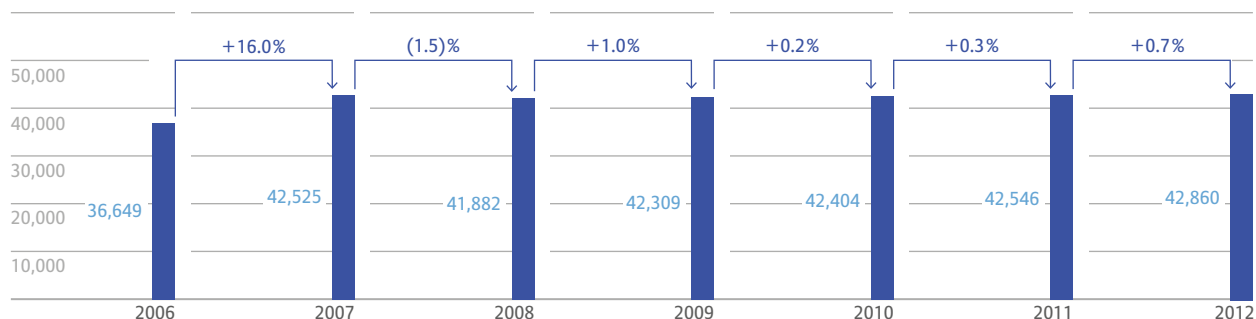
NET INCOME

€ MN



SHAREHOLDERS' EQUITY

€ MN



Navigation help



Additional
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Multichannel reporting



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TO OUR INVESTORS

Pages 1–16



Supervisory Board Report



Ladies and Gentlemen,

During the 2012 fiscal year, the Supervisory Board fulfilled its duties and obligations as laid out in the company Statutes and applicable law. We monitored the management of the company and advised the Board of Management regarding the conduct of business. The Supervisory Board was directly involved in all major company decisions.

OVERVIEW

Within the framework of our monitoring and advisory activities, the Board of Management informed us on a regular basis, and in a timely and comprehensive manner, both verbally and in writing, on the course of business, as well as on the economic and financial development of Allianz Group and Allianz SE, including deviations in actual business developments from existing plans. Further key areas the Board of Management reported on were the business strategy, capital adequacy, the effects of the ongoing sovereign debt crisis in Europe, international discussions surrounding the systemic relevance of major financial institutions as well as the status of implementation of the Solvency II Directive. In addition, we were extensively involved in the Board of Management's planning for both the 2013 fiscal year and the medium term.

The Board of Management's reports on the business situation and other topics were supplemented by presentations and documents which members of the Supervisory Board received in preparation for each meeting. Likewise, the annual financial statements of Allianz SE, the consolidated financial statements and the auditor's reports were available to us in time for the meeting. The half-yearly and quarterly financial reports as well as the results of the auditor's review were provided in advance to members of the Audit Committee. Where activities by the Board of Management were subject to approval by the Supervisory Board or one of its committees, the respective resolution was adopted.

In the 2012 fiscal year, the Supervisory Board held five meetings and one telephone conference. The regular meetings took place in March, May, September and December. There was also an inaugural meeting following the election of the Supervisory Board at the Annual General Meeting (AGM) in 2012. Additionally, following the meeting of the Audit Committee in February 2012, a telephone conference was held regarding the Board of Management's dividend recommendation. After Dr. Cromme's resignation from the Supervisory Board and the court's appointment of Ms. Bosse as a member of the Supervisory Board in August 2012, Dr. Bernotat was appointed Deputy Chairman of the Supervisory Board and committees were newly constituted by way of written procedure.

The Board of Management also informed us in writing of important events that occurred between meetings. The Chairmen of the Supervisory Board and the Board of Management also held regular discussions about major developments and decisions. With two exceptions, all of the Supervisory Board's meetings were attended by every member. Mr. Landau and Mr. Sutherland were absent with a valid excuse from the inaugural meeting on 9 May 2012, as was Mr. Landau from the meeting on 12 December 2012. On both occasions, the absent members participated in resolutions by written vote. No conflicts of interest occurred in 2012 that must be disclosed to the Supervisory Board and reported to the AGM.

ISSUES DISCUSSED IN THE SUPERVISORY BOARD PLENARY SESSIONS

In all of the Supervisory Board's regular 2012 meetings, the Board of Management reported on Group revenues and results, as well as the capital and financial situation. The Board also reported on developments in individual business divisions. We were regularly informed by the Board of Management about the impact of natural catastrophes, the status of major legal disputes and other essential developments.

Over the course of the past fiscal year, the effects of the sovereign debt crisis in Europe and its consequences for our risk strategy and risk management formed a key aspect of our work on the Supervisory Board.

In our 22 March 2012 meeting, the Supervisory Board adopted a resolution regarding the extension of the appointments of Mr. Bäte, Dr. Mascher and Mr. Ralph as members of the Board of Management until 31 December 2017. We also reviewed the extent to which individual members of the Board of Management had achieved their targets, and set their variable remuneration accordingly. During this meeting the Supervisory Board particularly focused on the annual Allianz SE and consolidated financial statements and the Board of Management's recommendation for the appropriation of profits for the 2011 fiscal year. The commissioned audit firm, KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG), Munich, reported on key results from their audit. The Supervisory Board also dealt with the agenda for the 2012 AGM of Allianz SE and approved our proposals to be submitted to it for resolution. In addition, we resolved to appoint KPMG as auditor for the individual and consolidated financial statements for the 2012 fiscal year as well as for the auditor's review of the half-yearly interim report. With a presentation prepared by the Board of Management, the Supervisory Board was also informed in detail on the impact of the sovereign debt crisis in Europe and on the measures taken by Allianz in this respect.

On 9 May 2012, just before the AGM, the Board of Management briefed us on first quarter 2012 performance and on the Group's current situation. In this context, we were also updated on current cooperation and investment projects. We further used this meeting to prepare for the subsequent AGM. Given the imminent elections to the Supervisory Board, we also expressed our thanks to outgoing members for their work and participation on the Supervisory Board.

After the elections to the Supervisory Board at the 2012 AGM, we used the inaugural meeting on 9 May 2012, to appoint Dr. Perlet as Chairman of the Supervisory Board and Dr. Cromme and Mr. Zimmermann as Deputy Chairmen. We also held elections for Board committees and appointed Dr. Bernotat and Mr. Landau as the independent financial experts in the meaning of § 100 (5) of the German Stock Corporation Act ("Aktiengesetz"). The Supervisory Board further agreed to increase the frequency of meetings from four to six in the 2013 fiscal year.

Following the resignation of Dr. Cromme from the Supervisory Board effective 14 August 2012, as well as the court appointment of Ms. Bosse effective from 15 August 2012, the Supervisory Board appointed Dr. Bernotat Deputy Chairman and elected the committees by written procedure.

In our meeting on 13 September 2012, we first dealt extensively with the strategy of the Allianz Group, including its risk strategy and the realignment of life insurance business in a low interest-rate environment. The Board of Management then reported on the business performance and financial position of the Group. The Supervisory Board welcomed the Board of Management's decision to give Allianz Group employees in 21 countries the opportunity to buy Allianz shares under favorable conditions. The Standing Committee approved the use of Authorized Capital 2010/II to issue these shares to employees. In the executive session, we dealt with changes to the German Corporate Governance Code (Code) and with the preparation for the efficiency review.

At the 12 December 2012 meeting, the Board of Management informed us of the third-quarter results, further business developments and the situation of the Allianz Group. We also received reports on the impact of Storm Sandy and the impact of the U.S. drought on crop insurance. We then discussed planning for the 2013 fiscal year and the three-year period 2013-2015, as well as the remuneration structures within the Allianz Group and the Declaration of Conformity with the Code. We further reviewed and approved the appropriateness of the remuneration of the Board of Management by a vertical and horizontal comparison. Based on a recommendation from the Personnel Committee, the Supervisory Board adopted a resolution to set yearly premiums for pension schemes for members of the Board of Management for the year 2013 and set targets for the variable remuneration of Board of Management members for 2013 as well as for the 2013-2015 Mid-term bonus. We also approved the revised objectives for the composition of the Supervisory Board following the changes to the Code. We carried out the regular review of efficiency of the Supervisory Board and adopted a resolution transferring responsibility for monitoring the effectiveness of the risk management system from the Audit Committee to the Risk Committee of the Supervisory Board. The meeting was followed by a separate information session in which members of the Board of Management gave presentations on current topics.

DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

The Supervisory Board dealt with the new version of the Code dated 15 May 2012. Necessary changes to the Supervisory Board's rules of procedure as well as new objectives for the composition of the Board were resolved at the December meeting.

On 12 December 2012, 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 all recommendations of the German Corporate Governance Code Commission made in the Code’s version of 15 May 2012. The exception in the Declaration of Conformity dated 14 December 2011 whereby, in deviation from no. 5.4.6 paragraph 2 sentence 1 of the Code (version 26 May 2010), Supervisory Board remuneration as resolved at the 4 May 2011 AGM and as regulated in the Statutes contains no performance-based component, is repealed. The recommendation for performance-related remuneration for members of the Supervisory Board is no longer part of the Code in its new version.

Further explanations of corporate governance in the Allianz Group can be found in the “Corporate Governance Report” starting on page 61 and the “Statement on Corporate Management pursuant to § 289a of the HGB” starting on page 67. More information on corporate governance can also be found on the Allianz website at www.allianz.com/corporate-governance.

COMMITTEE ACTIVITIES

The Supervisory Board has formed various committees in order to perform its duties efficiently: the Standing Committee, the Personnel Committee, the Audit Committee, the Risk Committee and the Nomination Committee. The committees prepare the discussion and adoption of resolutions in the plenary sessions. Furthermore, in appropriate cases, the authority to adopt resolutions has been delegated to the committees. There is no Conciliation Committee because the German Co-Determination Act (“Mitbestimmungsgesetz”), which provides for such a committee, does not apply to Allianz SE. Please find the composition of the committees at the end of the reporting period on page 9.

The *Standing Committee* held three regular meetings in 2012. These related primarily to corporate governance issues, preparations for the AGM, the Employee Stock Purchase Plan and a review of the Supervisory Board’s efficiency. The committee passed resolutions requiring approval on the use of Authorized Capital 2010/II for the issue of shares to employees and to approve loans to senior executives.

The *Personnel Committee* met three times. The committee dealt with personnel matters for both active and former members of the Board of Management. The committee prepared the review of the Board of Management’s remuneration system, including the setting of targets for variable remuneration. The committee also dealt with the structure of targets for members of the Board of Management in 2013 and reviewed the current achievement of targets by Board of Management members for the 2010-2012 Mid-term bonus. In addition, the committee dealt with the mandates held by Board

of Management members in the interests of Allianz Group. In relation to this, resolutions were also adopted in May and August 2012 by written procedure.

The *Audit Committee* held five meetings in the 2012 fiscal year. In the presence of the auditors, it discussed the Allianz SE and Allianz Group consolidated financial statements, management reports and auditor's reports. In addition, the committee checked the half-yearly and quarterly financial reports and, together with the auditors, went through the details of the auditor's review of these financial statements. After carrying out these checks, the Audit Committee saw no reason to raise any objections. The committee also reviewed the auditor's engagement and established priorities for the annual audit. In addition, assignments to the auditors for services not connected to the audit itself were discussed. In July, a written resolution granted approval to issue a mandate to the auditor for a project in connection with the U.S. Foreign Account Tax Compliance Act. The committee also dealt with the risk management and risk monitoring system, the compliance system, the internal auditing system as well as the accounting process and internal financial reporting control mechanisms – including the appropriateness of the respective systems and processes. The committee received regular reports from the Head of Group Audit, from the General Counsel and from the Chief Compliance Officer on material audit results and their status as well as on legal and compliance issues. In the February meeting, the committee also discussed the merger of the Legal and Compliance divisions into a single Group Legal & Compliance division. In its November 2012 meeting, the committee approved the audit plan by Group Audit for 2013.

The *Risk Committee* held two meetings in 2012. The committee continued the efficiency review which had begun in the previous year and dealt in particular with the allocation of tasks between the Risk and the Audit Committee. In both meetings, the committee discussed the current risk situation of the Allianz Group with the Board of Management and received reports on the progress of preparations for the risk-oriented development of statutory capital requirements for insurance companies ("Solvency II"). The committee again dealt extensively with the consequences of the sovereign debt crisis in Europe and with measures for risk reduction. The risk report, as well as other risk-related statements in Allianz SE, consolidated financial statements and management and group management reports, were preliminarily reviewed by the auditor and the Audit Committee was informed of the result. The appropriateness of the early risk recognition system in Allianz was also discussed.

The *Nomination Committee* met once during the year. The meeting was convened to prepare the Supervisory Board's resolution on the amendment of the objectives for the composition of the Supervisory Board. The amendment was necessary due to changes in the Code.

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

Chair and committees of the Supervisory Board – as of 31 December 2012

Chairman of the Supervisory Board – Dr. Helmut Perlet

Deputy Chairmen – Dr. Wulf Bernotat, Rolf Zimmermann

Standing Committee – Dr. Helmut Perlet (Chairman), Dr. Wulf Bernotat, Prof. Dr. Renate Köcher, Gabriele Burkhardt-Berg, Rolf Zimmermann

Personnel Committee – Dr. Helmut Perlet (Chairman), Christine Bosse, Rolf Zimmermann

Audit Committee – Dr. Wulf Bernotat (Chairman), Igor Landau, Dr. Helmut Perlet, Jean-Jacques Cette, Ira Gloe-Semler

Risk Committee – Dr. Helmut Perlet (Chairman), Christine Bosse, Peter Denis Sutherland, Dante Barban, Franz Heiß

Nomination Committee – Dr. Helmut Perlet (Chairman), Prof. Dr. Renate Köcher, Peter Denis Sutherland

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 and not by the AGM. The Supervisory Board has appointed KPMG as statutory auditor for the annual accounts and the consolidated financial statements as well as for the review of the half-yearly financial report. KPMG audited the financial statements of Allianz SE and Allianz Group as well as the respective management reports. They issued an audit opinion without any reservations. The consolidated financial statements were prepared on the basis of the international financial reporting standards (IFRS), as applied in the European Union. KPMG performed a review of the half-yearly and quarterly financial reports.

All Supervisory Board members received the documentation relating to the annual financial statements and the auditor's reports from KPMG for the 2012 fiscal year on schedule. The provisional financial statements and KPMG's audit results were discussed in the Audit Committee on 19 February 2013 and in the plenary session of the Supervisory Board on 20 February 2013. The final financial statements and KPMG's audit reports were reviewed on 14 March 2013 by the Audit Committee and in the Supervisory Board plenary session. The auditors participated in these discussions and presented the main results from the audit. 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.

On the basis of our own reviews of the annual Allianz SE and consolidated financial statements, the management and group management reports and the recommendation for appropriation of earnings, we raised no objections and agreed with the results of the KPMG audit. We approved the annual Allianz SE and consolidated financial statements prepared by the Board of Management. The company's financial statements are therefore adopted. We agree 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 efforts over the past year.

MEMBERS OF THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

The term of the Supervisory Board expired following the AGM on 9 May 2012. Therefore, the Supervisory Board was newly elected at the general meeting of 2012. The six employee representatives on the Supervisory Board were elected on the basis of proposals from employees. The general meeting was bound by these proposals in accordance with company Statutes. The Supervisory Board mandates of Dr. Henning Schulte-Noelle, Godfrey Robert Hayward, Peter Kossubek, and Jörg Reinbrecht ended following the AGM on 9 May 2012. The Supervisory Board would like to thank all members for their valuable and faithful work.

Dr. Helmut Perlet was newly elected to the Supervisory Board of Allianz SE as a shareholder representative. The following persons were newly elected to the Supervisory Board of Allianz SE as employee representatives: Gabriele Burkhardt-Berg, Ira Gloe-Semler and Dante Barban. Otherwise, the general meeting affirmed all other members of the Supervisory Board in their previous posts. Therefore, Prof. Dr. Renate Köcher and Dr. Wulf H. Bernotat, Dr. Gerhard Cromme, Igor Landau, Dr. Helmut Perlet and Peter Denis Sutherland became shareholder representatives on the Supervisory Board of Allianz SE. The employee representatives on the Supervisory Board are Gabriele Burkhardt-Berg, Ira Gloe-Semler, Dante Barban, Jean-Jacques Cette, Franz Heiß and Rolf Zimmermann. In accordance with the distribution of seats pursuant to the agreement on the participation of employees in Allianz SE dated 20 September 2006, there are again four employee representatives from Germany and one representative each from Italy and France – Mr. Barban and Mr. Cette. The current term of the Supervisory Board will expire following the 2017 AGM.

The newly elected Supervisory Board appointed Dr. Helmut Perlet as Chairman. Two Deputy Chairmen were appointed. These were Dr. Gerhard Cromme, based on the proposal of shareholder representatives, and Rolf Zimmermann based on the proposal of employee representatives.

Effective 14 August 2012, Dr. Gerhard Cromme resigned as a member of the Supervisory Board of Allianz SE. By order of the Munich District Court, Christine Bosse was appointed to the Supervisory Board of Allianz SE effective as of 15 August 2012 until the conclusion of the 2013 AGM. Therefore, an election to the Supervisory Board will be held in the AGM in 2013. Based on the proposal from shareholder representatives, Dr. Wulf H. Bernotat was appointed successor to Dr. Cromme as Deputy Chairman of the Supervisory Board of Allianz SE.

There was also a change on the Board of Management of Allianz SE. Dr. Paul Achleitner resigned effective 31 May 2012. In December 2011, the Supervisory Board had already appointed Dr. Maximilian Zimmerer as his successor on the Board of Management of Allianz SE as of 1 June 2012.

The Supervisory Board was informed by the Board of Management of the responsibilities of the individual members of the Board of Management and offered its advice in this regard.

Munich, 14 March 2013

For the Supervisory Board:



Dr. Helmut Perlet
Chairman

Supervisory Board



DR. HELMUT PERLET

since 9 May 2012

Chairman

Former Member of the Board of Management of Allianz SE

DR. HENNING SCHULTE-NOELLE

until 9 May 2012

Chairman

Former Chairman of the Board of Management of Allianz AG

DR. WULF BERNOTAT

Vice Chairman (since 15 August 2012)

Former Chairman of the Board of Management of E.ON AG

DR. GERHARD CROMME

until 14 August 2012

Vice Chairman

Chairman of the Supervisory Board of ThyssenKrupp AG

ROLF ZIMMERMANN

Vice Chairman

Employee of Allianz Deutschland AG

DANTE BARBAN

since 9 May 2012

Employee of Allianz S.p.A.

CHRISTINE BOSSE

since 15 August 2012

Former Group Chief Executive Officer of the Executive Management of Tryg

GABRIELE BURKHARDT-BERG

since 9 May 2012

Chairwoman of the Group Works Council of Allianz SE

JEAN-JACQUES CETTE

Chairman of the Group Works Council of Allianz France S.A.

IRA GLOE-SEMLER

since 9 May 2012

Chairwoman of the federal insurance group of ver.di Germany

GODFREY ROBERT HAYWARD

until 9 May 2012

Employee of Allianz Insurance plc

FRANZ HEISS

Employee of Allianz Beratungs- und Vertriebs-AG

PROF. DR. RENATE KÖCHER

Head of Institut für Demoskopie Allensbach (Allensbach Institute)

PETER KOSSUBEK

until 9 May 2012

Employee of Allianz Deutschland AG

IGOR LANDAU

Member of the Board of Directors of Sanofi S.A.

JÖRG REINBRECHT

until 9 May 2012

Union Secretary of ver.di Bezirk Hannover

PETER DENIS SUTHERLAND

Chairman of Goldman Sachs International

Board of Management

MICHAEL DIEKMANN
Chairman of the Board of Management

JAY RALPH
Asset Management Worldwide

DR. PAUL ACHLEITNER
Finance
until 31 May 2012

DR. DIETER WEMMER
Insurance Western & Southern Europe
until 31 December 2012
Finance, Controlling, Risk
since 1 January 2013

OLIVER BÄTE
Controlling, Reporting, Risk
until 31 December 2012
Insurance Western & Southern Europe
since 1 January 2013

DR. WERNER ZEDELIUS
Insurance German Speaking Countries,
Human Resources

MANUEL BAUER
Insurance Growth Markets

DR. MAXIMILIAN ZIMMERER
Investments
since 1 June 2012

GARY BHOJWANI
Insurance USA

CLEMENT BOOTH
Global Insurance Lines & Anglo Markets

DR. HELGA JUNG
Insurance Iberia & Latin America,
Legal & Compliance, M&A

DR. CHRISTOF MASCHER
Operations



Board of Management



from left to right

DR. HELGA JUNG
MICHAEL DIEKMANN
CLEMENT BOOTH

DR. WERNER ZEDELIUS
GARY BHOJWANI

from left to right





from left to right

MANUEL BAUER

OLIVER BÄTE

DR. MAXIMILIAN ZIMMERER

DR. DIETER WEMMER
DR. CHRISTOF MASCHER
JAY RALPH

from left to right



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Executive Summary and Outlook

- Net underwriting result of €213 MN (2011: €(163) MN) due to lower negative impact from natural catastrophes in 2012.
- Net income increased from €2,090 MN to €2,300 MN.
- Proposed dividend of €4.50 per share.

Earnings summary

CONDENSED INCOME STATEMENT

€ MN	2012	2011
Gross premiums written	3,673	3,590
Premiums earned (net)	3,192	3,219
Claims (net)	(2,173)	(2,622)
Underwriting expenses (net)	(872)	(895)
Other technical reserves (net)	66	135
Net underwriting result	213	(163)
Change in claims equalization and similar reserves	(163)	221
Net technical result	50	58
Investment result	2,874	2,784
Allocated interest return	(142)	(136)
Other non-technical result	(998)	(963)
Non-technical result	1,734	1,685
Net operating income	1,784	1,743
Extraordinary result	(27)	(2)
Taxes	543	349
Net income	2,300	2,090

NET UNDERWRITING RESULT

In 2012, Allianz SE continued to follow its selective and prudent underwriting approach as in previous years.

Gross premiums written grew by 2.3% to €3,673 MN (2011: €3,590 MN), of which €3,242 MN (2011: €3,210 MN) are attributable to Property-Casualty reinsurance and €431 MN (2011: €380 MN) were contributed from Life/Health reinsurance. Premium revenue from fire reinsurance rose by 8.3% – mainly due to rate increases in natural catastrophe covers. This growth was partially offset by the selective renewal of business interruption reinsurance in the Asia-Pacific re-

gion. The gross premiums written by our Life/Health reinsurance business increased by 13.2% as a result of several new capital management transactions.

Higher retrocession was placed externally to mitigate part of the natural catastrophe risk exposure. The *premiums earned (net)* declined to €3,192 MN (2011: €3,219 MN).

The accident year loss ratio (net) in Property-Casualty reinsurance decreased significantly to 64.6% (2011: 88.5%) as a result of lower negative impact from natural catastrophes. In total, natural catastrophe losses including Storm Sandy and several windstorms in Germany amounted to €93 MN for the calendar year 2012 (2011: €753 MN), representing a negative impact on the accident year loss ratio of 3.3 percentage points (2011: 26.5 percentage points).

NATURAL CATASTROPHE EVENTS

€ MN	Loss for Allianz SE
Major Events in 2012	
Storm Sandy, USA	51
Windstorm Lisa, Germany	10
Drought USA	9
Windstorm Mina & Nadine, Germany	8
Earthquake Italy	5
Other	10
Total	93
Major Events in 2011	
Earthquake New Zealand (February)	233
Flood Thailand	200
Earthquake Japan	121
Storms Germany	63
Flood Brisbane/Toowoomba, Australia	43
Other	93
Total	753

In combination with a positive run-off result of €20 MN (2011: €236 MN) mainly in credit and bond reinsurance, the calendar year loss ratio (net) in Property-Casualty reinsurance amounted to 63.9% (2011: 80.2%).

The expense ratio (net) in Property-Casualty reinsurance increased slightly to 27.7% (2011: 27.1%). This was driven by a rise in the commission ratio by 0.3 percentage points to 25.1% (2011: 24.8%) and in the administrative expense ratio by 0.3 percentage points to 2.6% (2011: 2.3%).

The *net underwriting result* of €213 MN (2011: €(163) MN) is better than in the previous year, mainly because of lower negative impact from natural catastrophes.

NET TECHNICAL RESULT

In 2012, the positive result triggered an increase in the *change in claims equalization and similar reserves* and led to growth of €163 MN. This was mainly caused by the fire line of business, which recorded far below-average claims due to the low losses incurred from natural catastrophes. In 2011, these reserves decreased by €221 MN, primarily driven by far above-average claims in fire and 'other reinsurance lines' due to higher losses from natural catastrophes.

The *net technical result* amounted to €50 MN (2011: €58 MN).

NON-TECHNICAL RESULT

Investment result

€ MN	2012	2011	Change
Investment income			
Income from profit transfer agreements	1,658	1,392	266
Income from affiliated enterprises and participations	962	2,929	(1,967)
Income from other investments	632	618	14
Realized gains	1,968	646	1,322
Income from reversal of impairments	47	43	4
Subtotal	5,267	5,628	(361)
Investment expenses			
Expenses for the management of investments, interest and other investment-related expenses	(1,539)	(1,439)	(100)
Depreciation and impairments of investments	(293)	(1,097)	804
Realized losses	(228)	(123)	(105)
Expenses for losses taken over	(333)	(185)	(148)
Subtotal	(2,393)	(2,844)	451
Investment result	2,874	2,784	90

The *investment result* increased by €90 MN to €2,874 MN.

Income from profit transfer agreements rose by €266 MN to €1,658 MN, primarily due to higher profit transfers from Allianz Deutschland AG and Allianz Global Corporate and Specialty AG, which grew by €165 MN to €1,101 MN and by €122 MN to €309 MN, respectively.

Income from affiliated enterprises and participations declined as expected by €1,967 MN to €962 MN. On the one hand this was because dividend payments from Allianz of America, Inc. went down by €1,325 MN to €523 MN after the planned extraordinarily high level in 2011. The decrease also takes into account the fact that the 2012 dividend reflects only partial-year earnings due to a mid-year contribution of our shares in Allianz of America, Inc. to Allianz Europe B.V. On the other hand, no 2012 dividend was collected from Allianz Europe B.V. (2011: €1,029 MN) as the targeted investment result for 2012 was mainly achieved by higher realized gains as described below.

This decrease was at least partly compensated for by a first-time dividend payment from Allianz Holding Eins GmbH amounting to €380 MN.

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Income from other investments rose slightly by €14 MN to €632 MN.

Realized gains increased significantly by €1,322 MN to €1,968 MN. These mainly resulted from the reorganization of holding structures concerning our subsidiary Allianz of America, Inc. (€1,723 MN), the sale of bonds (€107 MN) as well as the sale of listed shares (€59 MN).

Expenses for the management of investments, interest and other investment-related expenses grew by €100 MN to €1,539 MN primarily due to higher interest expenses as a result of new subordinated bonds issued by Allianz SE in 2012 and its subsidiary Allianz Finance II B.V. in 2011.

Depreciation and impairments of investments decreased by €804 MN to €293 MN. The impairments in 2012 were particularly attributable to an indirect investment in Banco Popular Espanol S.A. through our subsidiary Allianz Participations B.V. (€174 MN) and our bond portfolio (€70 MN).

Realized losses rose by €105 MN to €228 MN and mainly stemmed from the intra-group sale of shares in the real estate fund DEGI International (€180 MN) and the sale of bonds (€39 MN).

Expenses for losses taken over increased by €148 MN to €333 MN. This was due to higher losses taken over from our service provider Allianz Managed Operations & Services SE, which grew by €193 MN to €254 MN. This increase was partly compensated for by lower losses taken over from several other affiliated enterprises.

Other non-technical result

The *other non-technical result* declined slightly from €(963) MN to €(998) MN.

EXTRAORDINARY RESULT

The outstanding amount of the conversion expenses for the pension provisions of Allianz SE resulting from the first-time application of the German Accounting Law Modernization Act (“Bilanzrechtsmodernisierungsgesetz” – BilMoG) was recognized completely in 2012. This led to an *extraordinary expense* of €27 MN. For more details see note 24 of our financial statements.

TAXES AND NET INCOME

As far as legally permissible, Allianz SE acts as the controlling company (“Organträger”) of the German tax group to which most German subsidiaries belong, the notable exception being Allianz Lebensversicherungs-AG. As controlling company Allianz SE is liable for the income taxes of this German tax group.

Allianz SE received a tax allocation of €630 MN in 2012 (2011: €441 MN) by Allianz SE tax group companies that recorded taxable income in 2012. After offsetting against tax losses, the current tax charge of Allianz SE amounts to €89 MN.

Including the positive tax result, *net income* totaled €2,300 MN (2011: €2,090 MN).

Proposal for allocation of profits

The Board of Management and the Supervisory Board propose that the available net earnings (“Bilanzgewinn”) of Allianz SE of €2,312,520,269.84 for the 2012 fiscal year shall be appropriated as follows:

- Distribution of a dividend of €4.50 per no-par share entitled to a dividend: €2,039,354,635.50
- Unappropriated earnings carried forward: €273,165,634.34

The proposal for appropriation of net earnings reflects the 2,760,081 treasury shares held directly and indirectly by the Company at the time of the publication of the convocation of the Annual General Meeting in the Federal Gazette. Such treasury shares are not entitled to the dividend pursuant to §71b of the German Stock Corporation Act (AktG)¹. 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 €4.50 on each share entitled to dividend.

¹ The provisions of the German Stock Corporation Act (“Aktengesetz”) apply to the Company pursuant to Art. 9 (1) lit. c) ii), Art. 10 of the Council Regulation (EC) No. 2157/2001 dated 8 October 2001 on the Statute for a European company (SE) (hereinafter “SE-Regulation” or “SE-VO”), insofar as nothing else is stipulated in special rules of the SE-Regulation.

Economic outlook¹

WORLD ECONOMY TO REGAIN SOME MOMENTUM

Following a subdued economic performance in the winter of 2012/2013, the world economy is likely to regain some momentum as the year progresses. This view is supported, inter alia, by the improvement in leading economic indicators, such as purchasing managers' indices in both industrialized and emerging markets. Global output is expected to grow moderately by 2.6% in 2013 and by 3.2% in 2014 (2012: 2.3%). On both sides of the Atlantic, public and private sector efforts to adjust to high debt levels will continue to restrain economic activity. Monetary policy, however, is still very accommodative in the United States, Japan and Europe and generally favorable financing conditions are providing economic impetus for both private households and the corporate sector. Emerging markets remain a key driver of global growth, although future GDP growth rates will be lower than in the years before 2008. We expect these markets to grow by 5.3% in 2013 and 5.4% in 2014 (2012: 4.5%). Given modest worldwide growth prospects and taking into account the problematic unemployment situation in many industrialized countries, which dampens wage pressure, inflation should remain subdued on a global level both in 2013 and 2014.

Given the need to rein in the federal budget deficit, U.S. annual economic growth will probably remain moderate in 2013 and 2014, at 1.8% and 2.4%, respectively. In the Eurozone, we expect to see a stabilization in 2013 and modest growth in 2014. The arguments in favor of recovery include, first and foremost, the political progress in addressing the crisis, which has boosted confidence levels among economic players. The second reason is the substantial support provided by the European Central Bank's monetary policy and the low interest rate environment. Nevertheless, budgetary consolidation will continue to exert a drag on the Eurozone's economy. In addition, economic conditions still vary considerably from country to country. Real GDP in the Eurozone as a whole is expected to grow by a paltry 0.2% in 2013 and a more respectable 1.5% in 2014. The German economy will continue to outperform the Eurozone average, thanks to robust domestic demand, a fairly stable labor market and relatively low public sector consolidation needs. Following an estimated real GDP growth of 1.2% in 2013, we expect a 2.2% increase in 2014.

Political risks still linger – especially in countries with upcoming elections – which could trigger fluctuations in the financial markets. However, we consider it unlikely that the European debt crisis will continue to keep the markets on edge on the scale it has done to date, assuming Southern Europe continues with its reforms. With the debt crisis gradually receding, the flight into the “safe havens” of German and U.S. government bonds is likely to ease, pushing up yields in these markets moderately. However, both the Federal Reserve Bank and the European Central Bank can be expected to stick to their loose policy stance, above all leaving key rates unchanged. With short-term rates close to zero, there are limited prospects of a sharp rise in yields on longer-term bonds. We expect yields on 10-year German and U.S. government bonds to climb merely into a range of 2.0–2.5%.

Besides a possible renewed escalation of the sovereign debt crisis, there are other risks that could severely dampen the economic outlook. This holds true, in particular, for the political situation in North Africa and the Middle East regions, where we assume no dramatic escalation, although the political situation will remain tense.

Insurance industry outlook

Over the next two years, global economic activity is set to improve, albeit only slightly. In particular, the expected slow recovery in Europe should be positive for the insurance industry. World premium growth should accelerate modestly, with fairly robust growth in emerging markets outpacing that of advanced markets – although growth will be not as strong as in the years prior to the financial crisis. At the same time, interest rates are expected to stay at low levels to support fragile economies and financial markets are likely to remain volatile. Against this backdrop, we forecast a muted earnings growth outlook for the industry – especially in the life sector – which is likely to be impacted by further expected investment derisking. While balance sheets for the most part should remain relatively strong, they will continue to be affected by financial market volatility. However, in the longer term there is the potential for growth and improved earnings, should interest rates and yields increase.

¹ – The information presented in the sections Economic outlook and Insurance industry outlook is based on our own estimates.

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In the *property-casualty* sector, we anticipate slightly higher premium growth in 2013 and 2014 as the uptick in economic activity bolsters demand for insurance coverage. In particular, there are no signs that strong growth in emerging markets will slow down: robust economic advances, rising incomes and heightened risk awareness will drive stronger premium growth for the foreseeable future. However, premium rates, after modestly increasing in 2011 and 2012, may broadly flatten out in 2013 – despite the need for further rises to offset the impact of low investment yields. As a result, we expect global premium revenue to rise in the 4.0–6.0% range per annum in 2013 and 2014.

Overall profitability for the property-casualty sector is expected to remain stable in the next two years, with low yields working their way through to earnings, prices increasing only modestly and reserve releases dwindling somewhat but helped by the benign inflationary environment.

In the *life* sector, we expect premium growth to recover somewhat. In mature markets, low interest rates might continue to limit sales and profitability, but growth in emerging markets is likely to accelerate considerably as China and India finally come to grips with regulatory changes passed in 2010 and 2011. All in all, we expect that global premium revenue will rise in the 4.5–6.5% range per annum in 2013 and 2014.

Competition with banks in the short-term savings market is expected to persist – to the detriment of bancassurance life sales. If interest rates remain at their depressed levels, we envisage that the life business mix will move further in the direction of unit-linked and protection business. This structural shift in the business mix is also being accelerated by higher capital and reserve requirements, which is putting the life insurance products with guarantees under further pressure. As this shift occurs we expect new business profitability and the quality of earnings to gradually improve on a risk-adjusted basis. Return on equity therefore could rise above the 2012 range, possibly to 10.0–12.0%.

Business outlook

Our outlook is based on the following assumptions:

- Moderate global economic growth
- Interest rates remain low
- No dramatic interest rate movements
- No severe disruptions of the capital markets
- No disruptive fiscal or regulatory interference
- Level of claims from natural catastrophes returning to more expected average levels
- Average U.S. Dollar to Euro exchange rate of 1.25

Allianz SE provides a broad range of *reinsurance coverage*, primarily to Allianz insurance entities (Group internal business) but also to third-party customers (external business). This includes Property-Casualty as well as Life/Health business on both a proportional and non-proportional basis. Due to the wide spread of exposures underwritten by types of business and geography, Allianz SE's portfolio is well diversified.

Allianz SE and its subsidiaries (the Allianz Group) use Allianz SE in particular as a vehicle for actively managing their overall exposures to natural catastrophes. Within a Group-wide risk management framework, each operating entity is responsible for controlling its exposures to individual catastrophes and defining its local reinsurance requirements based on its local risk appetite and capital position. The respective cover is then written by Allianz SE or one of its subsidiaries. At Group level, the Allianz SE Board approves the risk appetite. The reinsurance division is then responsible for designing and implementing Group catastrophe protections within given exposure limits. These covers take various forms and aim to protect the Group against excess losses from major natural catastrophes. However, there is still the potential for unexpected frequency and/or severity of catastrophic events in any one year to materially impact the results of Allianz SE. The top five residual risk exposures at the Group level are summarized on page 52.

Results from the renewal of reinsurance contracts for 2013 vary by region and line of business, with rates and conditions remaining stable overall. We anticipate slightly lower *gross premiums written and a lower net underwriting result*

for 2013. We expect moderate growth in premiums and results for 2014. It should be noted that, in extreme cases, the actual result may vary significantly as the reinsurance business is, by nature, volatile in terms of the frequency and severity of losses.

For 2013 and 2014 we expect an increasing investment result. However, we do not plan impairments on our strategic investments.

For 2013 and beyond we expect an increase in other non-technical results. However, we do not envisage foreign exchange gains or losses and results on derivatives. These can significantly affect the net income of Allianz SE in a positive or negative way.

Despite the planned increase in net operating income for 2013 and 2014, Allianz SE is anticipating a negative taxable result in each period. On the one hand, significant parts of the income are tax-exempt dividends and, on the other, the expenses are fully tax deductible. Therefore, tax receivables from entities in the tax group will produce a tax income.

In 2012, our net income rose by 10% – from €2.1 BN to €2.3 BN – compared to 2011. As has been seen in the past, given the volatility in capital markets, a precise prediction of net income for the year 2013 and beyond is not possible. We do, however, expect net income to increase in 2013 and 2014, except in the case of huge deviations from the assumptions stated here. Overall, we believe that the results and financial position of Allianz SE will continue to progress well in the coming years.

Cautionary note regarding forward-looking statements

The statements contained herein may include prospects, statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied in such forward-looking statements.

Such deviations may arise due to, without limitation, (i) changes of the general economic conditions and competitive situation, particularly in the Allianz Group's core business and core markets, (ii) performance of financial markets (particularly market volatility, liquidity and credit events) (iii) frequency and severity of insured loss events, including from natural catastrophes, and the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) particularly in the banking business, the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the Euro/U.S. Dollar exchange rate, (ix) changes in laws and regulations, including tax regulations, (x) the impact of acquisitions, including related integration issues, and reorganization measures, and (xi) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

No duty to update

The company assumes no obligation to update any information or forward-looking statement contained herein, save for any information required to be disclosed by law.

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Operations by Reinsurance Lines of Business

Gross premiums written grew by 2.3% to €3,673 MN (2011: €3,590 MN). This was mainly due to increased business volume from Life/Health reinsurance and fire reinsurance that more than compensated the lower premiums written in business interruption reinsurance.

All in all, premiums written originated primarily from the Allianz Group's internal business. In addition, Allianz SE writes business from selected external partners in order to diversify the internal portfolio.

GROSS PREMIUMS WRITTEN AND NET TECHNICAL RESULT BY REINSURANCE LINES OF BUSINESS

	Gross premiums written			Combined ratio Property-Casualty		Change in claims equalization and similar reserves		Net technical result	
	2012	2011	Change	2012	2011	2012	2011	2012	2011
	€ MN	€ MN	% ¹	%	%	€ MN	€ MN	€ MN	€ MN
Fire and property reinsurance	1,271	1,207	5.3	76.2	124.2	(140)	194	89	(39)
thereof:									
Fire	451	417	8.3	55.1	182.5	(140)	194	(8)	(27)
Household and homeowner	191	168	14.0	87.6	92.5	–	–	17	8
Engineering	160	166	(3.7)	105.5	83.5	–	–	(8)	26
Business interruption	63	105	(40.0)	116.9	149.6	–	–	(12)	(48)
Other property reinsurance	406	351	15.6	68.2	99.1	–	–	100	2
Motor	623	601	3.6	108.6	106.0	6	1	(42)	(19)
Life	365	324	12.5	n/a	n/a	–	–	(9)	26
Personal accident	282	285	(1.2)	93.1	99.6	(7)	–	8	17
Credit and bond	277	263	5.4	87.9	59.3	(51)	(89)	(29)	4
Liability	270	276	(2.2)	98.7	79.8	(2)	(10)	2	40
Marine and aviation	97	108	(10.0)	78.8	75.5	16	24	35	49
Legal expenses	73	72	1.6	89.9	102.0	(4)	3	3	1
Health	66	56	17.6	n/a	n/a	–	–	2	–
Other lines	349	398	(12.4)	107.2	131.3	19	98	(8)	(21)
Total	3,673	3,590	2.3	91.6	107.3	(163)	221	50	58

¹ – for lines of business on the basis of the accurate, non-rounded amount.

The *fire reinsurance* portfolio increased its gross premiums written to €451 MN (2011: €417 MN). The combined ratio of 55.1% (2011: 182.5%) was due to the significantly lower negative impact from natural catastrophes. As a result, €140 MN of equalization and similar reserves were strengthened, scaling down the net technical result to €(8) MN (2011: €(27) MN).

The *household and homeowner reinsurance* portfolio grew with premiums written of €191 MN (2011: €168 MN) and a slightly better combined ratio of 87.6% (2011: 92.5%). This was despite €5 MN in losses incurred by several windstorms in Germany.

Engineering reinsurance premiums written remained stable at €160 MN – similar to the previous year's level (2011: €166 MN). Better accident year claims were more than offset by the negative run-off resulting from the latest loss estimates for the 2011 Thailand floods. As a result, the combined ratio deteriorated to 105.5% (2011: 83.5%) and the net technical result to €(8) MN (2011: €26 MN).

Premium revenue from *business interruption reinsurance* decreased to €63 MN (2011: €105 MN) mainly due to less business written in the Asia-Pacific region. While the combined ratio improved to 116.9% (2011: 149.6%), this line of business was adversely affected by negative run-off from the flooding in Thailand and several other accident year major losses.

Other property reinsurance includes extended coverage for fire and business interruption as well as hail, storm, water damage, livestock, burglary and glass reinsurance. Premiums written grew from €351 MN in 2011 to €406 MN in 2012, mainly following a higher volume in extended fire coverage and storm reinsurance. This line of business experienced significantly lower losses from natural catastrophes. As a result, in 2012 the combined ratio improved to 68.2% in 2012 (2011: 99.1%) and the net technical result increased to €100 MN (2011: €2 MN).

Premiums written in *motor reinsurance* increased by 3.6% to €623 MN (2011: €601 MN), mainly driven by more business written in Germany and the Asia-Pacific region. The combined ratio worsened slightly to 108.6% (2011: 106.0%) as results continued to suffer from a high level of accident year claims in Germany, including €6 MN losses caused by a series of windstorms. The net technical result dropped to €(42) MN (2011: €(19) MN).

In *life reinsurance*, the premium revenue grew to €365 MN (2011: €324 MN) primarily due to several new capital management transactions in the Asia-Pacific region and a growing volume from the All Net business. All Net is a network of Allianz Life companies and external insurers providing employee benefit programs to international clients around the world for life, disability, medical, accident and pension risks. The net technical result turned negative to €(9) MN (2011: €26 MN) mainly because of non-deferrable expenses from the capital management transactions and the strengthening of reserves undertaken for disability loss in the Netherlands.

The portfolio of *personal accident reinsurance* remained stable at €282 MN (2011: €285 MN) premium revenue and is dominated by business ceded from Allianz Versicherungs-AG.

Gross premiums written in *credit and bond reinsurance* grew by €14 MN to €277 MN (2011: €263 MN). Due to a series of large claims from both internal and external cedents the combined ratio deteriorated to 87.9% (2011: 59.3%) and the net technical result to €(29) MN (2011: €4 MN).

Premiums written for *liability reinsurance* was almost unchanged at €270 MN (2011: €276 MN) with Group internal clients in Germany as major cedents. The combined ratio deteriorated to 98.7% (2011: 79.8%) mainly due to reserve strengthening for previous years. This was partially offset by a better accident year loss development.

The premium revenue in *marine and aviation reinsurance* dropped by €11 MN to €97 MN (2011: €108 MN). The combined ratio increased to 78.8% (2011: 75.5%), mainly driven by fewer premiums written in the Asia-Pacific region.

Gross premiums written for *legal expenses reinsurance* remained almost unchanged at €73 MN (2011: €72 MN) while the combined ratio improved to 89.9% (2011: 102.0%). This was mainly driven by lower losses ceded from Allianz Versicherungs-AG.

The premium revenue of *health reinsurance* increased to €66 MN (2011: €56 MN). The net technical result of this line of business increased to €2 MN (2011: €0 MN) mainly due to lower acquisition costs.

In *other reinsurance lines* premium revenue decreased by €49 MN to €349 MN (2011: €398 MN), including a drop of €46 MN in other property-damage reinsurance. This was driven mainly by the selective renewal of the Singapore branch business. While the combined ratio recovered by 24.1 percentage points to 107.2% (2011: 131.3%), the portfolio was continually affected by losses incurred from natural catastrophes during the current or previous year – mostly in the United States and the Asia-Pacific region. For 2012, these included €51 MN for Storm Sandy and €9 MN for the United States drought. For 2011, they included €35 MN for the floods in Thailand and €13 MN for a series of events in Australia. Therefore, the net technical result remained negative but improved to €(8) MN (2011: €(21) MN) after a release in equalization reserves of €19 MN.

Other reinsurance lines include:

- Emergency assistance
- Fidelity & political risk
- Motor extended warranty
- Other property and casualty business

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Balance Sheet Review

– Slight increase of shareholders' equity to €42.9 BN.

Condensed balance sheet

€ MN	2012	2011
ASSETS		
Intangible assets	327	448
Investments	96,206	91,626
Receivables	3,292	4,362
Other assets	223	261
Deferred charges and prepaid expenses	384	279
Total assets	100,432	96,976
EQUITY AND LIABILITIES		
Shareholders' equity	42,860	42,546
Subordinated liabilities	11,356	9,060
Insurance reserves net	10,795	10,527
Other provisions	5,005	4,862
Funds held with reinsurance business ceded	62	85
Payables on reinsurance business	351	480
Other financial liabilities	29,993	29,386
Deferred income	10	30
Total equity and liabilities	100,432	96,976

Investments

€ MN	2012	2011
Real estate	302	299
Investments in affiliated enterprises and participations	70,592	70,628
Other investments	21,243	16,698
Funds held by others under reinsurance business assumed	4,069	4,001
Investments	96,206	91,626

The book value of *investments in affiliated enterprises and participations* remained unchanged at €70.6 BN. A decrease in the book value of shares in affiliated enterprises (€0.8 BN) and participations (€0.3 BN) was offset by a rise in intra-group loans (€1.1 BN). More details regarding this position are explained in note 4 of our financial statements.

Other investments went up from €16.7 BN to €21.2 BN, mainly due to an increase in investments in debt securities (€4.5 BN). An additional increase in investments in loans (€1.5 BN) was compensated for by a decline in deposits with banks (€1.4 BN) and miscellaneous investments (€0.1 BN).

At the end of 2012, €16.1 BN of the total other investments were invested in fixed income securities, of which €7.0 BN were government bonds. As of 31 December 2012, Italian government bonds amounting to €0.3 BN represented our total exposure to sovereign borrowers affected by uncertainties surrounding the European sovereign debt crisis.

Funds held by others under reinsurance business assumed slightly increased to €4.1 BN (2011: €4.0 BN).

As of 31 December 2012, the fair value of investments amounted to €105.0 BN (2011: €98.1 BN), compared to a carrying amount of €96.2 BN (2011: €91.6 BN).

Receivables

Receivables fell from €4.4 BN to €3.3 BN, driven by a decrease in other receivables (€1.0 BN) and accounts receivables on reinsurance business (€0.1 BN). The decrease in other receivables mainly resulted from lower receivables from dividends (€1.0 BN), cashpool (€0.3 BN) and tax (€0.1 BN). This was partly offset by an increase in receivables from profit transfer agreements of €0.5 BN.

Shareholders' equity

As of 31 December 2012 our shareholders' equity amounted to €42.9 BN (2011: €42.5 BN). The advance of €0.4 BN was primarily due to the fact that the net income in 2012 was higher than the dividend paid in 2012.

For the Employee Stock Purchase Plan, 650,000 shares were issued in 2012, leading to an allocation of €2 MN to the issued capital and €50 MN to the additional paid-in capital.

The Board of Management proposes to use the net earnings of €2.313 MN less unappropriated earnings carried forward of €273 MN for dividend payments.

DEVELOPMENT OF SHAREHOLDERS' EQUITY AND OF ISSUED SHARES

	Issued shares Number	Issued capital € THOU	Mathematical value own shares € THOU	Additional paid-in capital € THOU	Revenue reserves € THOU	Net earnings € THOU	31 December € THOU
31 December 2011	455,300,000	1,165,568	(7,052)	27,599,874	11,739,041	2,048,850	42,546,281
Capital increase							
Employee Stock Purchase Plan	650,000	1,664	–	49,849	–	–	51,513
Own shares	–	–	(58)	–	(3,839)	–	(3,897)
Own shares: realized gains	–	–	–	2,851	–	–	2,851
Dividend payment for 2011	–	–	–	–	–	(2,036,534)	(2,036,534)
Unappropriated earnings carried forward	–	–	–	–	–	(12,316)	(12,316)
Net earnings	–	–	–	–	–	2,312,520	2,312,520
31 December 2012	455,950,000	1,167,232	(7,110)	27,652,574	11,735,202	2,312,520	42,860,418

Insurance reserves and other provisions

Please refer to notes 12 and 13 of our financial statements for information on *insurance reserves* and *other provisions*.

Financial liabilities

As of 31 December 2012, Allianz SE had the following outstanding *financial liabilities*:

FINANCIAL LIABILITIES

€ MN	2012	2011
Intra-group subordinated liabilities	5,934	5,934
Third-party subordinated liabilities	5,422	3,126
Subordinated liabilities	11,356	9,060
Bonds issued to Group companies	6,887	6,405
Liabilities to banks	775	1,187
Other intra-group financial liabilities	20,651	20,704
Other third-party financial liabilities	1,680	1,090
Other financial liabilities	29,993	29,386
Total financial liabilities	41,349	38,446

Of these financial liabilities, €33.5 BN (2011: €33.0 BN) were intra-group liabilities.

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Subordinated liabilities rose to €11.4 BN (2011: €9.1 BN). €5.4 BN (2011: €3.1 BN) were external subordinated liabilities resulting from bonds issued by Allianz SE directly. The increase in 2012 resulted from the issuance of two new subordinated bonds with volumes of €1.5 BN and US-Dollar 1.0 BN (€0.8 BN), respectively.

In addition, intra-group subordinated liabilities amounting to €5.9 BN (2011: €5.9 BN) resulted from subordinated bonds issued by Allianz Finance II B.V., Amsterdam, an affiliated enterprise that usually transfers the proceeds from these issues to Allianz SE via intra-group loans.

Liabilities from bonds issued to Group companies grew by €0.5 BN to €6.9 BN. The redemption of matured bonds totaling €0.7 BN was more than compensated for by the issue of new bonds amounting to €1.2 BN.

Due to the repayment of loans, *liabilities to banks* declined by €0.4 BN to €0.8 BN.

Other intra-group financial liabilities remained unchanged at €20.7 BN and were composed of the following positions:

OTHER INTRA-GROUP FINANCIAL LIABILITIES		
€ MN	2012	2011
Intra-group loans	13,050	15,428
Cash pool liabilities	6,249	4,264
Miscellaneous	1,352	1,012
Other intra-group financial liabilities	20,651	20,704

While intra-group loans went down by €2.4 BN to €13.1 BN, short-term liabilities from intra-group cash pooling rose by €2.0 BN to €6.2 BN and miscellaneous liabilities increased by €0.4 BN to €1.4 BN.

In 2012, *other third-party financial liabilities* climbed by €0.6 BN to €1.7 BN. This increase was mainly due to a €0.4 BN rise in short-term liabilities from unsettled security transactions and higher short-term funding through European commercial papers, which went up by €0.1 BN to €1.0 BN.

Liquidity and Funding Resources

Liquidity management and funding of Allianz SE

Allianz SE is responsible for managing the funding needs of the Group, maximizing access to liquidity sources and minimizing borrowing costs.

LIQUIDITY RESOURCES AND USES

Allianz SE ensures adequate access to liquidity and capital for its operating subsidiaries. The main sources of liquidity available for Allianz SE are dividends and funds received from subsidiaries as well as funding provided by capital markets. We define liquidity resources as assets that are readily available – namely cash, money-market investments as well as highly liquid government bonds. The major uses of funds include paying interest expenses on our debt funding, operating costs, internal and external growth investments as well as 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 as well as credit ratings and credit capacity. The financial resources available to Allianz SE are both equity and debt funding. Equity can be raised by issuing ordinary shares. The issuance of debt in various maturities as well as Group-wide liquidity management are the main sources of our debt funding.

Equity Funding

As of 31 December 2012, the issued capital registered in the Commercial Register was €1,167,232,000, divided into 455,950,000 registered shares with restricted transferability. As of 31 December 2012, Allianz SE held 2,777,438 (2011: 2,754,556) own shares.

Allianz SE has the option to increase its equity capital base according to authorizations provided by our shareholders. For further details on Allianz SE's capital authorizations, please refer to note 10 of our financial statements.

Debt Funding

As of 31 December 2012, Allianz SE had a total of €41.3 BN in subordinated liabilities and other financial liabilities (2011: €38.4 BN). Of these financial liabilities, €33.5 BN (2011: €33.0 BN) are intra-group.

Further potential sources of funding allowing Allianz SE to fine tune its capital structure are letter of credit facilities and bank credit lines.

In 2012, we had steady access to external and internal funding sources enabling us to maintain strong financial flexibility. For further details on Allianz SE's financial liabilities, please refer to notes 11 and 14 of our financial statements.

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Risk Report

- The Allianz risk management approach is designed to add value by focusing on both risk and return.
- The Allianz Group is well capitalized and its solvency ratios are resilient.

Allianz risk profile and management assessment

RISK PROFILE

Allianz is exposed to a variety of risks through its core insurance and asset management activities. These include financial market, credit, insurance, operational, business and strategic risks. The three largest risks in terms of their contribution to Allianz's internal model risk capital results are:

- Financial market risk, especially interest rate risk driven by the duration mismatch between assets and liabilities for long-term savings products;
- Credit and credit spread risk, again driven by the assets backing long-term savings products;
- Property & Casualty premium risk, which is driven by natural and man-made catastrophes as well as accident year claims uncertainty.

Allianz's risk profile is relatively stable over time, being driven by Allianz's risk appetite and steered by our risk management practices and limits – which are described in greater detail later in this report.

However, in 2012 Allianz continued to be exposed to two external forces which adversely affected our risk profile and would not normally be associated with our core operating activities: the European sovereign debt crisis and regulatory developments – especially the European solvency directive, Solvency II.

In the following sections, we provide an overview of the Allianz capital and risk management frameworks, which allow the Allianz Group to effectively manage its risks and protect the assets of Allianz SE.

The European sovereign debt crisis

The financial repression caused by the European sovereign debt crisis continued and has led to an increase in financial market volatility and risk premia as well as to lower risk free interest rates. Although the situation had stabilized by the end of 2012, many of the root causes of the crisis remain unresolved and markets could fluctuate widely again in the future. The heightened market volatility and low interest rate environment may continue to have adverse implications for Allianz's risk profile through our business development, asset values and the value of our liabilities.

In addition to continuously monitoring these developments, our management has responded decisively to these external events. During 2012, we executed a derisking program focused primarily on our peripheral sovereign exposures and our exposure to financial institutions. Furthermore, we developed and implemented operational contingency planning for Allianz SE and its operating entities. Finally, we made adjustments to our product design and pricing in the Life/Health segment with respect to guarantees and surrender conditions. Looking forward, our robust action to deal with the Euro crisis has bolstered our financial and operational resilience to strong shock scenarios. Continuous monitoring remains a priority to ensure the sustained effectiveness of our contingency measures.

Regulatory developments

Although details of future regulatory requirements, especially Solvency II and those defining systemically relevant financial institutions, are becoming clearer, the final rules are still evolving. As well as leading to delays in the introduction of the Solvency II framework, the lack of final rules for both Solvency II and systemically relevant financial institutions creates uncertainties for our business and in terms of the ultimate capital requirements for Allianz.

In addition, due to the market value balance sheet approach, the Solvency II regime is expected to lead to higher volatility in regulatory capital requirements compared to Solvency I,

specifically with regard to long-term asset accumulation and savings products in the life insurance segment. Therefore, product design, investment strategies and hedging programs will likely need to be adapted throughout the industry to mitigate this volatility.

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 the challenges of a rapidly changing environment as well as day-to-day business needs. This confidence is based on several factors which are outlined in more detail in the sections that follow and which are summarized here:

- The Allianz Group is well capitalized and is comfortably meeting its internal and regulatory solvency targets as of 31 December 2012. Standard & Poor's affirmed our AA ratings in January 2012, while reducing the outlook to "negative" due to the impact of capital market developments in the second half of 2011. Nonetheless, with this rating, Allianz remains one of the highest-rated insurance groups in terms of its creditworthiness.
- The Group's management also believes that Allianz is well positioned to deal with potential future adverse events, in part due to our internal limit framework defined by the Group's risk appetite and risk management practices. The Group's management is confident that, through our risk appetite and management practices, we have achieved an appropriate balance between potential earnings, earnings volatility and solvency considerations.
- The Group has a conservative investment profile and disciplined business practices in the Property-Casualty, Life/Health and Asset Management 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 products.

Capitalization

For the benefit of shareholders and policyholders alike, our aim is to ensure that the Allianz Group is adequately capitalized at all times and that all operating entities meet their respective capital requirements. Furthermore, risk capital and cost of capital are important aspects for making business decisions.

Our internal risk capital model plays a significant role in the management of capital. In addition, we take into account the external 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. These capital requirements are imposed at the level of the Allianz Group's operating entities and the Group as a whole.

We closely monitor the capital positions of the Group and operating entities and apply regular stress tests based on standard adverse scenarios. This allows us to take appropriate measures to ensure our continued capital and solvency strength.

As a consequence of our effective capital management, the Allianz Group is well capitalized and met its internal and regulatory solvency targets as of 31 December 2012.

The capital management framework is supplemented by an effective liquidity management framework, which is designed to retain our financial flexibility by maintaining a strong liquidity position and access to a range of capital markets.¹

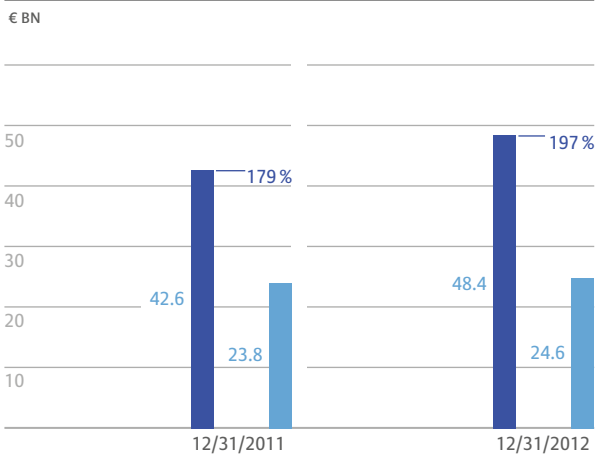
REGULATORY CAPITAL ADEQUACY

The Allianz Group is a financial conglomerate within the scope of the E.U. Financial Conglomerates Directive and the related German law in force since 1 January 2005. The law requires that a financial conglomerate calculates the capital available to meet its solvency requirements on a consolidated basis, which we refer to as "eligible capital". Currently, the requirements for our insurance business with regard to conglomerate solvency are based on Solvency I. These capital requirements, as well as the definition and calculation of eligible capital, will be replaced by the Solvency II rules, once the new regulation becomes binding.

¹ – For detailed information regarding liquidity management, please refer to Other risks – Liquidity risks on page 55 and the chapter Liquidity and Funding Resources on page 30.

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CONGLOMERATE SOLVENCY¹



Solvency ratio ■ Eligible capital ■ Requirement

¹ – Off-balance sheet reserves are included in the calculation but accepted by the authorities as eligible capital only upon request. Allianz SE has not submitted an application so far. Excluding off-balance sheet reserves, the solvency ratio would be 188% (2011: 170%; 2010: 164%).

The conglomerate solvency ratio has increased by 18 percentage points. This was caused by an increase in eligible capital mainly due to net income (net of proposed dividends) and the placement of subordinated bonds. To a smaller extent our solvency requirement is higher as well caused by higher aggregate policy reserves in the Life/Health segment.

The conglomerate solvency ratio decreased by approximately 17 percentage points as of 1 January 2013 due to amended IAS 19.

EXTERNAL RATING AGENCY CAPITAL ADEQUACY

Rating agencies apply their own models to evaluate the relationship between the required risk capital of a company and its available capital resources. An assessment of capital adequacy is usually an integral part of the rating process. Meeting rating agencies’ capital requirements and maintaining strong credit ratings are strategic business objectives of the Allianz Group.

Following a review in January 2012, the Allianz Group’s AA rating was affirmed by Standard & Poor’s. However, as a result of the rating actions against numerous Eurozone governments in December 2011, Standard & Poor’s placed the ratings of various European insurers, among them Allianz Group, under credit watch with negative implications. In June 2012 A.M. Best affirmed its A+ Financial Strength Rating and withdrew its review with negative implications. Allianz Group still has one of the highest ratings amongst its peers. The following table provides evidence of the sustainable financial strength of Allianz SE and our ability to meet ongoing obligations.

INSURER FINANCIAL STRENGTH RATINGS OF ALLIANZ SE

	STANDARD & POOR’S	MOODY’S	A.M. BEST
2012	AA Negative outlook	Aa3 Negative outlook	A+
2011	AA Credit watch negative	Aa3 Stable outlook	A+ Under review with negative implications
2010 back to 2007	AA Stable outlook	Aa3 Stable outlook	A+ Stable outlook
2006	AA- Positive outlook	Aa3 Stable outlook	A+ Stable outlook

In addition to its long-term financial strength rating, Standard & Poor’s has a separate rating for “Enterprise Risk Management” (ERM). In September 2011, Standard & Poor’s assigned Allianz a “strong” rating for the ERM capabilities of our insurance operations. This rating indicates that Standard & Poor’s regards it as “unlikely that Allianz Group will experience major losses outside its risk tolerance”. Standard & Poor’s stated that the assessment is based on the Allianz Group’s strong risk management culture, strong controls for the majority of key risks and strong strategic risk management. In addition, for the ERM score, Standard & Poor’s reviewed Allianz’s internal economic capital model (ECM) in 2012 and is giving further credit to the capital position of the Allianz Group from 4Q 2012 onwards.

The overview below presents the ratings for the Group, assigned to Allianz SE by major rating agencies.

RATINGS OF ALLIANZ SE

RATINGS ¹	STANDARD & POOR'S	MOODY'S	A.M. BEST
Insurer financial strength rating	AA Negative outlook (outlook changed 27 January 2012)	Aa3 Negative outlook (outlook changed 16 February 2012)	A+ (affirmed 6 June 2012)
Counterparty credit rating	AA Negative outlook (outlook changed 27 January 2012)	Not rated	aa- (affirmed 6 June 2012)
Senior unsecured debt rating	AA Negative outlook (outlook changed 27 January 2012)	Aa3 negative outlook (outlook changed 16 February 2012)	aa- (affirmed 6 June 2012)
Subordinated debt rating	A+/A ² Negative outlook (outlook changed 27 January 2012)	A2/A3 ² negative outlook (outlook changed 16 February 2012)	a+ ² (affirmed 6 June 2012)
Commercial paper (short-term) rating	A-1+ (affirmed 26 Sept. 2011)	Prime-1 (affirmed 22 Dec. 2011)	Not rated

¹ — Includes ratings for securities issued by Allianz Finance II B.V. and Allianz Finance Corporation.

² — Final ratings vary on the basis of the terms.

INTERNAL CAPITAL ADEQUACY

The Allianz Group's available capital is based on shareholders' equity adjusted to reflect the full economic capital base available to absorb unexpected economic losses.¹ For example, hybrid capital and the present value of future profits of in-force business in the Life/Health segment are added to shareholders' equity, whereas goodwill and other intangible assets are subtracted and the reserves of Property-Casualty business are discounted to obtain the economic capital base.

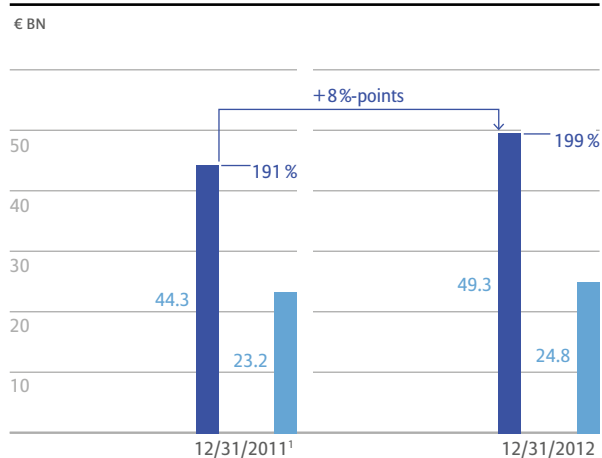
We updated our internal risk capital model in 2012 and present in the following sections all 2011 internal risk capital results based on the updated model. More details regarding these updates and their impact on available and internal risk capital are provided in the section Model updates in 2012.

Our objective is to maintain available capital at the Group level that is significantly above the minimum indicated

¹ — Available capital is calculated under consideration of liquidity premium and yield curve extension as described in Yield curve and liquidity premium assumptions on page 36.

requirements. These minimum requirements are determined by our internal risk capital model according to a 99.5% confidence level over a holding period of one year – the anticipated parameterization of Solvency II. To allow for a consistent measurement and steering of risks, we benchmark our operating entities to similar internal capital requirements.

AVAILABLE CAPITAL AND INTERNAL RISK CAPITAL



Capital ratio ■ Available capital ■ Internal risk capital

¹ — Recalculated based on model updated in 2012. For further information please refer to Model updates in 2012 from page 40 onwards.

Overall, our internal model solvency ratio rose from 191% to 199%. This was due to two factors: First, a strong increase in available capital – which was mainly driven by a growth in operating profit and tighter credit spreads. Second, partially offsetting the increase in available capital, internal risk capital grew mostly driven by the continuing decline in interest rates and higher fixed income exposures due to tightening credit spreads predominantly impacting market risk.

This Risk Report provides both pre-diversified and Group-diversified internal risk capital results. Pre-diversified internal risk capital reflects the diversification effect within each risk category (i.e. market, credit, underwriting, business and operational risk) but does not include the diversification effect across categories. Group-diversified internal risk capital captures the total diversification effect across all risk categories and regions. Pre-diversified internal risk capital is used to measure concentration risks.

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As of 31 December 2012, the Group-diversified internal risk capital before non-controlling interests of €24.8 BN represented a diversification benefit of approximately 45.1% across risk categories and regions. Pre-diversified and Group-diversified internal risk capital are broken down as follows:

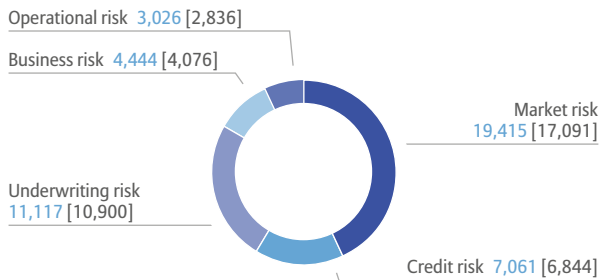
ALLOCATED INTERNAL RISK CAPITAL (TOTAL PORTFOLIO BEFORE NON-CONTROLLING INTERESTS) AS OF 31 DECEMBER 2012 [31 DECEMBER 2011¹]

€ MN

BY RISK CATEGORY

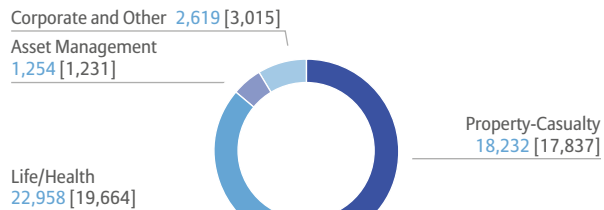
Pre-diversified before tax

Total Group internal risk capital: 45,063 [41,747]

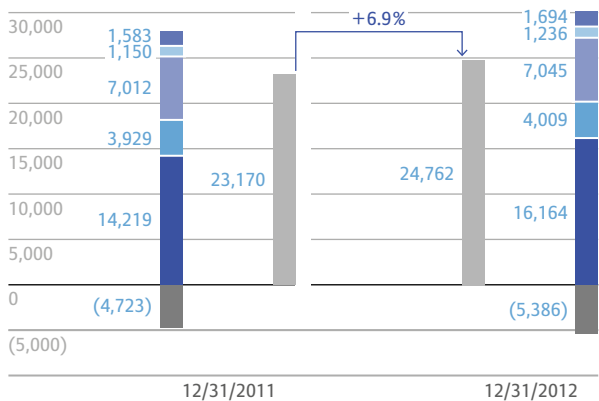


BY BUSINESS SEGMENT

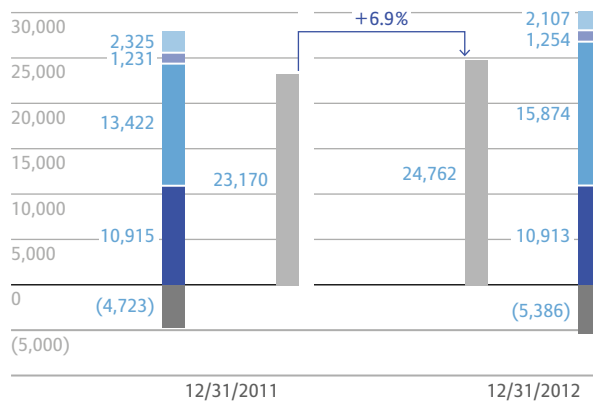
Pre-diversified before tax



Group-diversified



Group-diversified



■ Market risk ■ Credit risk ■ Underwriting risk ■ Business risk ■ Operational risk
 ■ Property-Casualty ■ Life/Health ■ Asset Management ■ Corporate and Other
 ■ Tax impact ■ Total after tax

1 – 2011 figures recalculated based on model updates in 2012.

Detailed discussions of risk capital movements are provided in the sections that follow.

Internal risk capital framework

We define internal risk capital as the capital required to protect us against unexpected, extreme economic losses. On a quarterly basis, we calculate and aggregate internal risk capital across all business segments – providing a common standard for measuring and comparing risks across the wide range of different activities that we undertake as an integrated financial services provider.

GENERAL APPROACH

We apply an internal risk capital model for the management of our risk and solvency position and are working towards meeting the forthcoming Solvency II internal model requirements. Our model is based on a best practice technical platform with an up-to-date methodology covering all modeled sources of quantifiable risks. This forms the integral part of our internal risk capital framework.

The implementation of this framework incorporates our internal approach towards managing risks while aiming at following the Solvency II standards. The model framework is being assessed by European regulators in the course of the internal model pre-application process and will be adjusted in accordance with the final Solvency II rules. The updates to the model that were implemented during 2012 are described in the section Model updates in 2012.

INTERNAL RISK CAPITAL MODEL

Our internal risk capital model is based on a Value-at-Risk (VaR) approach using the Monte Carlo simulation. Following this approach, we determine the maximum loss in the portfolio value of our businesses in the scope of the model within a specified timeframe (“holding period”) and probability of occurrence (“confidence level”). We assume a confidence level of 99.5% following the anticipated Solvency II parameterization. We apply a holding period of one year because it is generally assumed that it may take up to one year to identify a counterparty to which we can transfer the assets and liabilities in our portfolio – an assumption consistent with the anticipated Solvency II rules.

Using a Monte Carlo simulation based on 50,000 scenarios we consider market, credit, insurance and other business events (“sources of risk”) and calculate the portfolio value based on the net fair value of assets and liabilities under potentially adverse conditions. This determines the portfolio value distribution taking the holding period into account.

The required internal risk capital is defined as the difference between the current portfolio value and the portfolio value under adverse conditions dependent on the 99.5% confidence level. Because we consider the impact of a negative event on all sources of risks and covered businesses at the same time, all diversification effects across sources of risk 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. In addition, for market risks we analyze several pre-defined stress scenarios either based on historically observed market movements or based on hypothetical market movement assumptions.

Our internal risk capital model makes use of various quantitative methods which require a significant number of assumptions applied to risk and financial data, derived internally and externally. We use four specific sets of assumptions which are discussed below in more detail.

Yield curve and liquidity premium assumptions

When calculating the fair values of assets and liabilities, the assumptions regarding the underlying risk-free yield curve are crucial in determining future cash flows and how to discount them. We apply the same methodology as provided by the European Insurance and Occupational Pensions Authority (EIOPA) in the fifth quantitative impact study (QIS 5) – except for the Euro yield curve where we follow their latest guidance on Solvency II.

In addition we adjust the risk-free yield curves for the Life/Health segment to make allowance for a liquidity premium consistent with QIS 5.

Valuation assumption: Replicating portfolios

Since efficient valuation and advanced, timely analysis is desired, we use a replicating portfolio technique to represent the liabilities of our Life/Health insurance business via standard financial instruments. Using the replicating portfolio we determine and revalue these liabilities under 50,000 potentially adverse Monte Carlo scenarios, including guarantees embedded in these products.

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Diversification and correlation assumptions

Our internal risk capital model considers concentration and correlation effects when aggregating results at the Group level, in order to reflect the fact that not all potential worst case losses are likely to materialize at the same time. This effect is known as diversification and forms a central element of our risk management framework.

We strive to diversify the risks to which we are exposed in order to limit the impact of any single source of risk and help ensure that the positive developments of some businesses neutralize the possibly negative developments of others. The degree to which diversification can be realized depends in part on the level of relative concentration of those risks. The greatest diversification is generally obtained in a balanced portfolio without any disproportionately large exposures to only a few risks. In addition, the diversification effect depends on the joint movement of sources of risks. One measure of the degree of the joint movement of two sources of risk is linear correlation, characterized by a value between “-1” and “+1”.

Where possible, we derive correlation parameters for each pair of market risks through statistical analysis of historical market data, considering weekly observations over several years. In case historical market data or other portfolio-specific observations are insufficient or not available, we rely on the professional judgment of experts for the respective risk categories. In general, 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 approach, to determine the dependency structure of quantifiable sources of risk within the applied Monte Carlo simulation.

We complement our diversification strategy with a comprehensive framework of limits for risks which can accumulate. This framework limits our reliance on diversification or correlation assumptions (see section on concentrations of risk).

Non-market assumptions

Our internal risk capital model also includes non-market assumptions such as claims trends, inflation, mortality, longevity, morbidity, policyholder behavior, expense, etc. To the extent available, we use our own internal historical data for non-market assumptions and also consider recommendations from supervisory authorities and actuarial associations.

Assessment of assumptions

We consider the assumptions made for our calculations to be appropriate and adequate taking into account the potential impact on our internal risk capital. Comprehensive controls exist within our internal risk capital and financial reporting frameworks for analyzing the assumptions we make.¹

¹ — For additional information regarding our internal controls over financial reporting, please refer to the chapter Internal controls over financial reporting from page 89 onwards.

SCOPE

By design, our internal risk capital model takes into account the following sources of risk, classified as risk categories per segment:

INTERNAL RISK CAPITAL MODEL

RISK CATEGORY	INSURANCE	ASSET MANAGE- MENT	CORPORATE AND OTHER	DESCRIPTION	EXAMPLE MANAGEMENT LEVERS
Market risk		■		Possible losses caused by changes in interest rates, equity prices and real estate values or their volatilities as well as by changes in credit spreads and foreign exchange rates.	Strategic asset allocation benchmarks, equity and interest rate sensitivity limits
– interest rate including volatility	■		■		
– credit spread	■		■		
– equity including volatility	■		■		
– real estate including volatility	■		■		
– currency	■		■		
Credit risk	■ ¹	■	■	Possible losses in the market value of the portfolio due to deterioration in the credit quality of counterparties including their failure to meet payment obligations or due to non-performance of instruments (i. e. overdue payment).	Country limits, single counterparty concentration limits
Underwriting risk				Unexpected financial losses due to the inadequacy of premiums for natural catastrophe, terror and non-catastrophe risks, due to the inadequacy of reserves or due to the unpredictability of mortality, disability, morbidity or longevity.	Minimum underwriting standards, natural catastrophe limits, reinsurance programs
– premium natural catastrophe	■				
– premium terror	■				
– premium non-catastrophe	■				
– reserve	■		■		
– biometric	■				
Business risk				Possible losses resulting from unexpected changes in business assumptions and unanticipated earnings fluctuations due to a decline in income without corresponding decrease in expenses, as well as changes in policyholder behavior related to early termination of contracts and unanticipated use of options such as renewals and annuitization.	Internal controls, business continuity management, adequate product design
– cost	■		■		
– lapse	■				
Operational risk	■	■	■	Possible losses resulting from inadequate or failed internal processes, from personnel and systems, or from external events such as interruption of business operations due to a breakdown of electricity or a flood, damage caused by employee fraud or the losses caused by court cases; includes legal and compliance risk	Internal controls, business continuity management, adequate product design

¹ – The premium risk which our credit insurance entity Euler Hermes is exposed to due to its business model is also covered here, as this type of risk is a special form of credit risk.

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Our internal risk capital model covers:

- All of our major insurance operations.
- Our assets (including bonds, mortgages, investment funds, loans, equities and real estate) and liabilities (including the cash flow profile of all technical reserves as well as deposits and issued securities);
- For the Life/Health segment, the interaction between assets and liabilities is driven by local management decisions – such as investment strategies and policyholder participation rules. Traditional Life/Health products sold in Western Europe generally feature policyholder participation in the profits (or losses), subject to management discretion and typically floored at a minimum guaranteed crediting rate. The majority of our Life/Health contracts in Western Europe comprise a significant level of policyholder participation, thereby reducing major sources of risk, including market, credit, underwriting and cost risks;
- Almost all of our derivatives, such as options, swaps and futures, in particular if they are part of the operating entity's regular business model (e.g. at Allianz Life Insurance Company of North America) or if they have a significant impact on the resulting internal risk capital (e.g. in the Life/Health segment, if material obligations to policyholders are hedged through financial derivatives). In general, embedded derivatives contained in a host contract are also included;

For our Asset Management segment we assign internal risk capital requirements based on the sectoral regulatory capital requirements in accordance with the current approach in Solvency II. We allocate these requirements to the risk categories of our internal risk capital model, thereby allowing us to consistently aggregate internal risk capital for all segments at the Group level. Approximately 99.8% of the investments managed by the Asset Management operating entities are held for the benefit of third parties or Allianz Group insurance entities and, therefore, do not result in a significant additional market and credit risk for the segment. However, the assessment of market risk and credit risk on the account of third parties is an integral part of the risk management process of our local operating entities.

The capital requirements of smaller insurance operating entities, that have an immaterial impact on the Group's risk profile, are either based on local regulatory requirements or on a risk factor based model. We allocate these to the risk categories of our internal risk capital model. This allows us to consistently aggregate internal risk capital for all segments at the Group level.

Internal risk capital related to our European banking operations is allocated to the Corporate and Other segment, based on the approach applied by banks under the Basel II standards. It represents an insignificant amount of approximately 1.6% of total pre-diversified internal risk capital. Therefore, risk management with respect to banking operations is not further discussed.

LIMITATIONS

Our internal risk capital model expresses the potential "worst case" amount in economic value that we might lose at a certain confidence level. However, there is a statistically low probability of 0.5% that actual losses could exceed this threshold at 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 too difficult to predict. In order to mitigate reliance on historical data we complement our VaR analysis with stress testing. Our ability to back-test the model's accuracy is limited because of the high confidence level of 99.5%, the one-year holding period as well as only limited data for some insurance risk events – such as natural catastrophes – being available. Furthermore, as historical data is used where possible to calibrate the model, it cannot be used for validation. Instead, we validate the model and parameters through sensitivity analyses, independent internal peer reviews and validation and, where appropriate, external reviews by independent consulting firms focusing on methods for selecting parameters and control processes. Overall, we believe that our validation efforts are effective and that our model adequately assesses the risks to which we are exposed.

As described previously, insurance liability values are derived from replicated portfolios of standard financial market instruments in order to allow for effective risk management. However, for life portfolios with embedded guarantees, the available replicating instruments may be too simple or too restrictive to capture all factors affecting the change in value of insurance liabilities. Therefore, the optimal replicating portfolio, which is used to calculate internal risk capital, is subject to the set of available replicating instruments. Its value and behavior under market movements may deviate from the actual liabilities' characteristics. Nevertheless, we believe that the liabilities are adequately represented by the replicating portfolios due to our stringent data and process quality controls.

Since internal risk capital takes into account the change in the economic fair value of our assets and liabilities, it is crucial to accurately estimate the fair market value of each item. For some assets and liabilities, it may be difficult, if not impossible – notably in distressed financial markets – to obtain either a current market price or to apply a meaningful mark-to-market approach. For certain assets and liabilities, where a market price for that instrument or similar instruments is currently not available, we apply a mark-to-model approach. For some of our liabilities, the accuracy of fair values depends on the quality of the actuarial cash flow estimates. Despite these limitations, we believe the estimated fair values are appropriately assessed.

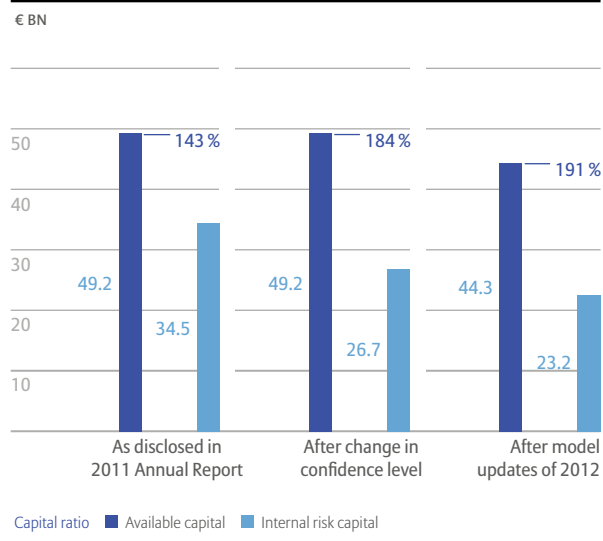
The internal risk capital model used for most of our major insurance operations only allows for the modeling of common derivatives such as equity calls, puts, forwards and interest rate swaps and options. For internal risk capital calculations, non-standardized instruments – such as derivatives embedded in structured financial products – are represented by the most comparable standard derivative types, because the volume of non-standard instruments is not material at either the local or the Group level. A more precise modeling of these instruments might change the fair value and resulting internal risk capital for these derivatives. However we also believe that any such change would not be material.

MODEL UPDATES IN 2012

In 2012, we also updated our internal model. Our general practice was to apply changes in areas where the final Solvency II regulation is clear but take our own economic view where uncertainty about the final regulation still prevails. The following section briefly summarizes the most important model updates implemented during 2012 that

affect both our available capital and internal capital models. In order to provide an isolated view of the impact, we recalculated our 2011 disclosed figures, taking only these updates into account.

AVAILABLE CAPITAL AND INTERNAL RISK CAPITAL
AS OF 31 DECEMBER 2011 BY COMPARISON



The change in the confidence level from 99.97% to 99.5% accounts for a €7.8 BN decrease in risk capital as of 2011 year-end. To compensate for the resulting higher solvency ratio, we increased our internal solvency targets accordingly. Additional model updates improved our internal model solvency ratio, based on a 99.5% confidence level, from 184% to 191%. This was driven by a reduction in required capital of €3.5 BN and a decrease in available capital of €4.9 BN. In the following section we present a breakdown of the model updates and their impacts in more detail.

Impact on available capital

With respect to the recognition of available capital, we are now reporting our available capital including a conservative recognition of restrictions on transferability and fungibility as expected to be introduced by Solvency II, acknowledging that final regulation might apply deviating and potentially less conservative rules. The net impact of these restrictions has been partially offset by other model updates, including a change in the yield curve modeling following latest guidance of Solvency II.

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Impact on internal risk capital

Confidence level

The forthcoming capital requirement imposed by Solvency II is designed to represent the worst-case loss within a 99.5% confidence level. In order to align ourselves with this standard, we now disclose the results of our internal risk capital model based on the 99.5% confidence level, as opposed to the 99.97% we used before. The change from a 99.97% to a 99.5% confidence level leads to a decrease in our internal risk capital by €7.8 BN (from €34.5 BN to €26.7 BN).

Further internal capital model updates

With respect to our internal risk capital model, the aggregate impact of all other model changes leads to an additional reduction in risk capital at the 99.5% confidence level of €3.5 BN – from €26.7 BN to €23.2 BN – based on 2011 year-end. The reduction can be allocated to risk categories as follows:

Business risk and operational risk model

Business risk and operational risk were the areas most affected by the model changes, with a net reduction in internal risk capital of €3.1 BN. This is primarily due to the full integration of our internal operational risk model (represented now as a separate risk category) taking diversification into account. This is in contrast to the past where we applied a conservative undiversified add-on in line with the requirements of the current Solvency II standard model.

In addition and in line with the forthcoming Solvency II framework we changed our risk allowance for Asset Management. We integrate Asset Management now on the basis of the sectoral regulatory capital requirement and allocate it to market, credit and operational risk based on an internal exposure assessment (previously allocated to business risk).

In the Life/Health segment, we have implemented a new life non-market risk framework which introduces clearer segmentation of risks in both business and underwriting modules. The inclusion of previously non-modeled business risks such as cost inflation and mass lapse partially compensated the impacts above.

Market risk model

Changes to our market risk models contributed €1.3 BN to the decrease in our internal risk capital. In particular, we included a change in the yield curve modeling, following the latest guidance of Solvency II, which was more than offset by the recognition of the risk mitigating effects of the Counter-Cyclical Premium for our life business affecting

spread risk of fixed income positions. This approach is based on the fact that the cash flows of our insurance liabilities are to a large degree predictable. This limits the risk that we will be forced to sell these bonds prior to maturity at a loss and allows us to keep the bonds as a long-term investor till the maturity date.

Underwriting risk models

The new life non-market risk framework models mortality, longevity, and morbidity risks as independent risk types instead of bundling them into a single source of risk in the past. The increase in risk capital due to these new methods has been compensated by parameter changes in other underwriting risk types. In total, the internal risk capital has decreased by €0.1 BN.

Credit risk model

Credit risk capital increased by €0.6 BN due to some updates of parameters and models. The main methodology updates are related to Exposure-at-Default calculations for derivatives and reinsurance that now include potential future exposure (PFE) in addition to the current exposure, and refinements in rating assessments.

Tax impact

The tax impact decreased by €0.4 BN as a direct consequence of the model changes (i.e. a lower risk capital before tax).

GROUP-DIVERSIFIED ALLOCATED INTERNAL RISK CAPITAL BY RISK CATEGORY AND BUSINESS SEGMENT (TOTAL PORTFOLIO BEFORE NON-CONTROLLING INTERESTS)

€ MN			
as of 31 December 2011	Under internal model as used in 2011		Under internal model after 2012 updates
Confidence level	99.97%	99.5%	99.5%
BY RISK CATEGORY			
Market risk	16,790	15,555	14,219
Credit risk	6,498	3,322	3,929
Underwriting risk	10,756	7,160	7,012
Business risk	6,374	2,336	1,150
Operational risk	–	3,461	1,583
Tax impact	(5,913)	(5,141)	(4,723)
Total Group	34,505	26,693	23,170
BY BUSINESS SEGMENT			
Property-Casualty	17,122	12,456	10,915
Life/Health	17,364	13,885	13,422
Asset Management	2,648	2,648	1,231
Corporate and Other	3,284	2,845	2,325
Tax impact	(5,913)	(5,141)	(4,723)
Total Group	34,505	26,693	23,170

Internal risk assessment

CONCENTRATION OF RISKS

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 helps us manage our risks efficiently by limiting the economic impact of any single event and by contributing to relatively stable results and risk profile in general. As discussed in the Diversification and correlation assumptions section, the degree to which diversification can be realized depends not only on the correlation between risks but also on the relative concentration level of those risks. Therefore, our aim is to maintain a balanced risk profile without any disproportionately large risks.

At the Group level, we identify and measure concentration risks consistently across business segments in terms of pre-diversified internal risk capital and in line with the risk categories covered by our internal risk capital model. Within the individual categories, we use supplementary approaches to manage concentration risks, which are described in the remainder of this section. In the subsequent sections, all risks are presented on a pre-diversified and Group-diversified basis and concentrations of single sources of risk are discussed accordingly.

With respect to investments, top-down indicators – such as strategic asset allocation benchmarks – are defined and closely monitored to ensure balanced investment portfolios. Financial VaR limits are in place for the Life/Health and Property-Casualty segments at the Group level. They are based on the internal risk capital model, complemented by standalone interest rate and equity sensitivity limits, in order to protect the economic capital position and manage peak risks.

To avoid disproportionately large risks that might accumulate and have the potential to cause substantial losses (e.g. natural catastrophes or credit events) we closely monitor those risks on a standalone basis (i.e. before the diversification effect) within a global limit framework.

For example, the Management Board of Allianz SE has implemented a framework of natural catastrophe limits at both operating entity and Group levels in an effort to reduce potential earnings volatility and restrict potential losses from single events as well as on an annual aggregate basis. The limits are defined on a net basis and on an occurrence

probability of 0.4% – which corresponds to a frequency of one in 250 years. They are subject to an annual review. Traditional reinsurance coverage and dedicated financial transactions at Group level are examples of two instruments to mitigate the peak risks and limit the potential adverse impact on our financial results and shareholders' equity (e.g. severe natural catastrophe losses). In 2012, for example, we renewed the risk swaps by which we exchange European windstorm, U.S. hurricane and earthquake risks – which are among our largest natural catastrophe exposures – for Japanese typhoon and earthquake risks, to which we have less exposure as our Property-Casualty operations are smaller in this region. In addition, we have in place a number of catastrophe bonds, protecting us against U.S. hurricane and earthquake risks.

For credit risk concentration, we run a Group-wide country and obligor group limit management framework (CRisP¹), which is based on data used by the investment and risk experts at the Group and the operating entity levels. It forms the basis for discussions on credit actions and provides notification services for a quick and broad communication of credit-related decisions across the Group.

By implementing and performing clearly-defined processes we ensure that exposure concentrations and uses of limits are appropriately monitored and managed. The limit framework covers counterparty concentration risk that is related to credit and equity exposures.

It is the ultimate responsibility of the Board of Management to decide upon maximum country and obligor exposure limits from the Group's perspective (i.e. the maximum concentration limit). This limit takes into account the Allianz Group's portfolio size and structure as well as our overall risk strategy.

In order to assess and monitor concentration risk, standardized CRisP reports are provided quarterly to senior management of the Group and operating entities. These present the top 100 obligor group concentrations and their contribution to the credit risk of the respective portfolio.

The Board of Management delegates authorities for limit setting and modification to the Group Risk Committee and Group CRO by clearly defining maximum limit amounts. All limits are subject to annual review and approval according to the delegated authorities.

¹ – Credit Risk Platform.

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QUANTIFIABLE RISKS

The following table shows an overview of Group-diversified risk capital figures by risk category.

GROUP-DIVERSIFIED INTERNAL RISK CAPITAL BY RISK CATEGORY (TOTAL PORTFOLIO BEFORE TAX AND NON-CONTROLLING INTERESTS)¹

as of 31 December	Market risk		Credit risk		Underwriting risk		Business risk		Operational risk		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
GROUP-DIVERSIFIED												
Property-Casualty	2,723	3,020	1,135	902	6,271	6,277	218	177	566	539	10,913	10,915
Life/Health	11,503	9,240	2,212	2,088	727	671	1,018	973	414	450	15,874	13,422
Asset Management	559	562	119	119	–	–	–	–	576	550	1,254	1,231
Corporate and Other	1,379	1,397	543	820	47	64	–	–	138	44	2,107	2,325

¹ – 2011 figures recalculated based on model updates in 2012.

Market risk

As part of our insurance operations, we collect premiums from our customers and invest them in a wide variety of assets. Therefore, the Allianz Group holds and uses many different financial instruments. The resulting investment portfolios ultimately cover the future claims and benefits to our customers. In addition we invest shareholders' capital, which is required to support the risks underwritten. As the fair values of our investment portfolios depend on financial markets, which may change over time, we are exposed to market risks. For example, an unexpected overall increase in interest rates or an unanticipated drop in equity markets may result in a devaluation of portfolios.

Movements in financial markets also have an impact on the fair value of our insurance liabilities. Therefore, our exposure to market risks is ultimately determined by the net positions between assets and liabilities.

In order to limit the impact of any of these financial market changes, to ensure that assets adequately back policyholder liabilities and that they provide investment income in line with policyholders' expectations, we have a limit system in place. The limit system is defined at the Group level separately for the Life/Health and the Property-Casualty segments and is based on a variety of different risk measures including Financial VaR, equity and interest rate sensitivities as well as investment limits around a benchmark portfolio approved by the Board of Management.

Furthermore, we have put in place standards for hedging activities due to exposures to fair value options embedded in life insurance products. Life/Health operating entities carrying these exposures are required to follow these standards, including making a conscious decision on the amount of hedging.

Regional diversification also helps mitigate market risks across individual market places.

The Allianz Group's internal market risk capital model is an integral part of the overall internal risk capital framework. It is centrally developed, parameterized and controlled.

In the following table, we present our Group-wide internal risk capital related to market risks:

**ALLOCATED INTERNAL MARKET RISK CAPITAL BY BUSINESS SEGMENT AND SOURCE OF RISK
(TOTAL PORTFOLIO BEFORE TAX AND NON-CONTROLLING INTERESTS)¹**

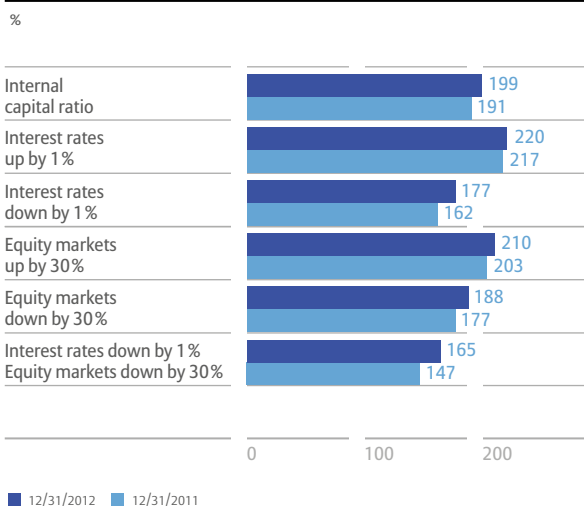
€ MN												
	Interest rate		Credit spread		Equity		Real estate		Currency		Total	
as of 31 December	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
PRE-DIVERSIFIED												
Property-Casualty	402	424	1,309	859	768	1,399	880	789	574	729	3,933	4,200
Life/Health	5,227	4,516	2,795	1,433	3,570	3,198	765	658	1,047	960	13,404	10,765
Asset Management	16	16	–	–	66	67	5	5	472	474	559	562
Corporate and Other	216	233	259	247	607	914	197	120	240	50	1,519	1,564
Total Group	5,861	5,189	4,363	2,539	5,011	5,578	1,847	1,572	2,333	2,213	19,415	17,091
Share of total Group-internal risk capital in %											43.1	40.9
GROUP-DIVERSIFIED												
Property-Casualty	321	351	940	687	561	1,027	681	640	220	315	2,723	3,020
Life/Health	4,485	3,902	2,542	1,340	2,983	2,677	728	609	765	712	11,503	9,240
Asset Management	16	16	–	–	66	67	5	5	472	474	559	562
Corporate and Other	205	224	263	248	537	775	190	113	184	37	1,379	1,397
Total Group	5,027	4,493	3,745	2,275	4,147	4,546	1,604	1,367	1,641	1,538	16,164	14,219

¹ – 2011 figures recalculated based on model updates in 2012.

Total Group-diversified internal market risk capital increased mostly due to the impact of changed market conditions in the Life/Health segment. The rise was driven by a higher sensitivity of options and guarantees due to the continuing decline in the interest rate environment affecting most of the market risk types. In addition, higher fixed income exposures caused by tightened spreads led to an even more pronounced increase in credit spread risk.

The following chart presents the sensitivity of the internal solvency ratio under certain standard financial scenarios, which are defined by reasonably possible individual movements in key market parameters while keeping all other parameters constant with the effects impacting both the available capital and internal risk capital.

IMPACT OF STANDARD FINANCIAL SCENARIOS ON INTERNAL CAPITAL RATIOS (TOTAL PORTFOLIO BEFORE NON-CONTROLLING INTERESTS AND AFTER TAX AND GROUP DIVERSIFICATION)¹



¹ – 2011 figures recalculated based on model updates in 2012.

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Interest rate risk

Due to our insurance business model, interest rate risk is highly relevant for the Life/Health segment, bearing in mind that our life insurance entities – for example in Germany, France, Italy, the United States and South Korea – typically offer long-term asset accumulation and savings products subject to minimum guaranteed crediting rates. However, many local fixed income asset markets are not sufficiently liquid to adequately match our long-term life insurance obligations which gives rise to re-investment risk.

As interest rates may fall below the guaranteed rates in those markets, we are specifically exposed to interest rate risk when we have to reinvest maturing assets prior to the maturity of life contracts. This interaction of investment strategy and obligations to policyholders forms an integral part of our internal risk capital model. In addition, our asset liability management approach is closely linked to the internal risk capital framework and designed to achieve investment returns over the long term in excess of the obligations related to insurance and investment contracts.

These risks are reflected in the internal risk capital results and managed by interest rate sensitivity limits. A significant part of the Life/Health segment's pre-diversified internal risk capital for interest rate risk lies in Western Europe – 79.8% as of 31 December 2012 – mainly to cover traditional life insurance products with guarantees.

We manage interest rate risk from a comprehensive corporate perspective: While the potential payments related to our liabilities in the Property-Casualty segment are typically shorter in maturity than the financial assets backing them, the opposite usually holds true for our Life/Health segment due to the long-term life insurance contracts. This provides us with a natural hedge on an economic basis at the Group level.

Due to the fact that we manage our net interest rate risk exposure from a Group perspective, including securities issued to fund the capital requirements of the Allianz Group, the assets and liabilities of the Corporate and Other segment are not necessarily matched in terms of interest rate duration.

Equity risk

The Allianz Group's insurance operating entities hold investments usually to diversify their portfolios and take advantage of attractive long-term returns. Strategic asset allocation benchmarks and investment limits are used to manage and monitor these exposures. In addition, they fall within the scope of the Group-wide country and obligor group limit management framework (CRisP) to avoid a disproportionately large concentration of risk. 93.1% of the pre-diversified internal risk capital allocated to the Property-Casualty and Life/Health segments for equity risk arises from our entities operating locally in Germany, Italy, France and the United States.

The Corporate and Other segment contains the equity investments of Allianz SE and its finance subsidiary holding companies.

Real estate risk

Because of our diversified real estate portfolio, real estate risk is currently of less relevance for the Allianz Group. About 4.1% of the total pre-diversified internal risk capital is related to real estate exposures.

Currency risk

In addition to any local regulatory requirements, the Group's policy is to require each operating entity to match liabilities in congruent currencies with assets and keep local currency risk within limit boundaries. Based on a foreign exchange management limit framework, currency risk is monitored and managed with the support of Group Treasury and Corporate Finance at operating entity and Group levels.

The major part of foreign currency risk results from the economic value of our non-Euro operating entities. If non-Euro foreign exchange rates decline against the Euro, from a Group perspective the Euro equivalent net asset values also decline. This risk is allocated to the respective business segments.

In addition, limited exposures to non-Euro denominated assets and liabilities are held at the Corporate and Other segment level.

Credit spread risk

Our internal model framework fully acknowledges the risk of declining market values for our fixed income assets – such as bonds – due to the widening of credit spreads. However, for internal risk management and appetite, we take into account the underlying economics of our business model – for example, the fact that the cash flows of our insurance liabilities are to a large degree predictable, limiting to a large extent the risk that we are forced to sell these bonds prior to maturity at a loss and allowing us to keep the bonds as a long-term investor till the maturity date. As a consequence, we reflect this in our model using a Counter Cyclical Premium approach and view the more relevant risk to be credit default rather than credit spread.

Credit risk

The Allianz Group monitors and manages credit risk exposures and concentrations with the aim of ensuring that it is able to meet policyholder obligations when they are due, and to maintain adequate capital and solvency positions for the operating entities and the Group as a whole. This objective is supported by the internal credit risk model and the Group-wide country and obligor group limit management framework (CRisP) as described under Concentration of risks.

The Allianz Group's internal credit risk capital model is an integral part of the overall internal risk capital framework. It measures credit risk as the potential economic loss in the value of our portfolio due to changes in the credit quality of our counterparts ("migration risk") or the inability or unwillingness of the counterparty to fulfill contractual obligations ("default risk"). The model is centrally developed, parameterized and controlled. Group-wide credit data is collected following a centralized process and using standard obligor and obligor group mappings.

Our internal credit risk capital model covers counterparty risk and country risk. Counterparty risk arises from our fixed income investments, cash positions, derivatives, structured transactions, receivables from Allianz agents and other debtors – as well as reinsurance recoverables and credit insurance.¹ Country risk exposure is calculated as cross-border exposure to all obligors domiciled abroad from each operating entity perspective.

The internal credit risk capital model is a state-of-the-art tool which provides bottom-up analysis. The major drivers of credit risk for each instrument are exposure at default, ratings, 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 which is based on long-term ratings from rating agencies. It is dynamically adjusted using market implied ratings and the most recent information.

The loss profile of a given portfolio is obtained through a Monte-Carlo simulation taking into account interdependencies and exposure concentrations per obligor or segment. To reflect portfolio specific-diversification effects, the loss profiles are calculated at different levels of the Allianz Group structure (pre-diversified). They are then fed into the overall internal risk capital model for further aggregation across sources of risk to derive Group-diversified internal credit risk capital.

For the Life/Health segment, credit risk is typically linked to fixed income securities, whereas the Property-Casualty segment has a significant exposure to reinsurance counterparts as well. In the life business, policyholder participation plays a significant role for credit risk assessment since potential losses from credit events can be shared to a certain extent with the policyholder. The credit insurance business of Euler Hermes is integrated in the Allianz Group model to capture the concentration and diversification effects. Cash positions and strategic partnerships are main drivers for the credit risk of the Corporate and Other segment. Credit risk related to our banking operations is not considered to be significant at the Group level.

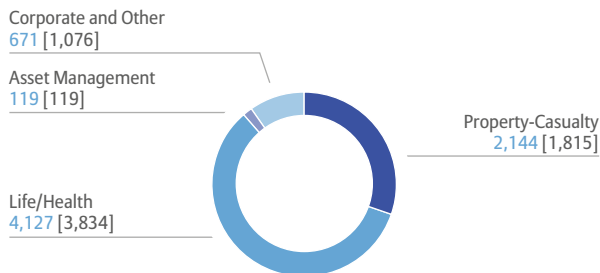
¹ – Exposures to the national governments of OECD and EEA states are modeled as risk free in the credit risk internal model, if the exposure is issued in the local currency of the government. This is in line with the EIOPA's advice on Level 2 Implementation Measures on Solvency II.

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ALLOCATED INTERNAL CREDIT RISK CAPITAL BY BUSINESS SEGMENT, (TOTAL PORTFOLIO BEFORE TAX AND NON-CONTROLLING INTERESTS) AS OF 31 DECEMBER 2012 [31 DECEMBER 2011¹]

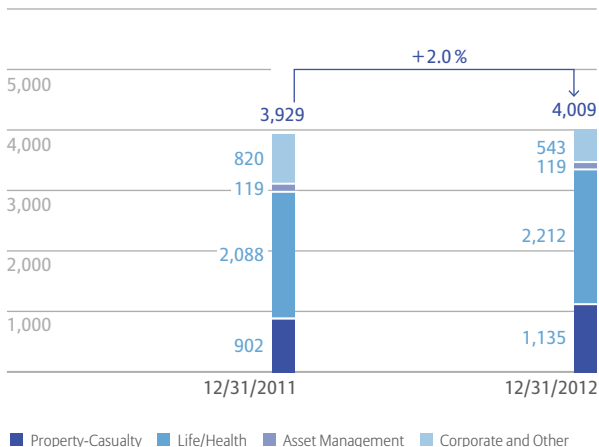
Pre-diversified

Total Group internal credit risk capital: 7,061 [6,844]
Share of total Group internal risk capital: 15.7% [16.4%]
€ MN



Group-diversified

€ MN



1 – 2011 figures recalculated based on model updates in 2012.

Credit risk capital for the Group remained mostly stable. Small increases in Life/Health and Property-Casualty are due to the continued financial repression caused by the European sovereign debt crisis impacting credit markets and ratings. For Life/Health the impact is mainly driven by long term investments and for Property-Casualty segment it can be attributed mostly to Euler Hermes credit insurance. The decline in credit risk for the Corporate and Other segment is primarily due to divestment of some concentrated exposures.

The following table displays the sensitivities of credit risk capital to certain scenarios: deterioration of credit quality measured by issuer rating¹ downgrades and the decline of recovery rates in the event of a default (Loss-Given-Default, LGD). The sensitivities are calculated by applying each scenario to all exposures individually but keeping all other parameters constant.²

IMPACT OF SELECTED CREDIT SCENARIOS ON INTERNAL CREDIT RISK CAPITAL (PRE-DIVERSIFIED)¹

€ MN	Total	
	2012	2011 ²
as of 31 December		
Base case	7,061	6,844
Rating down by 1 notch	8,349	7,969
Rating down by 2 notches	9,879	9,384
LGD up by 10 %	7,597	7,333

1 – A notch is referred to rating sub-classes, such as AA+, AA, AA- at S & P scale or Aa1, Aa2, Aa3 at Moody's scale.

2 – 2011 figures recalculated based on model updates in 2012.

Most of the credit risk capital requirements and impact of the sensitivities in the above table can be attributed to senior unsecured and lower investment grade borrowers.

Different sources of Allianz credit risk exposure are described in the table below:

1 – Credit risk capital calculations are based on issuer (borrower) ratings as opposed to issue (instrument) ratings. The difference between issue and issuer ratings is primarily due to collateralization and seniority and is reflected in loss-given-default (LGD).

2 – Scenarios are applied only to investment and reinsurance exposure positions in portfolios of Allianz operating entities.

ALLIANZ COMPONENTS OF CREDIT RISK EXPOSURE

ALLIANZ COMPONENTS OF CREDIT RISK	DESCRIPTION
INVESTMENT PORTFOLIO	Premiums collected from our customers and shareholders' capital, which is required to support the risks underwritten, are invested to a great extent in fixed income instruments. These investment portfolios ultimately cover the future claims to our customers. However, for certain life insurance products, losses due to credit events can be shared with the policyholder, as described in the context of market risks.
REINSURANCE PORTFOLIO	Credit risk to external reinsurers appears when insurance risk exposures are transferred by us to external reinsurance companies to mitigate insurance risk. Potential losses can arise either due to non-recoverability of reinsurance receivables already present at the as-of date or default on benefits that are under reinsurance treaties in-force.
CREDIT INSURANCE PORTFOLIO	Credit risk arises from potential claim payments on limits granted by Euler Hermes to its policyholders. Euler Hermes protects its policyholders (partially) 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 then Euler Hermes indemnifies the loss to the policyholder.

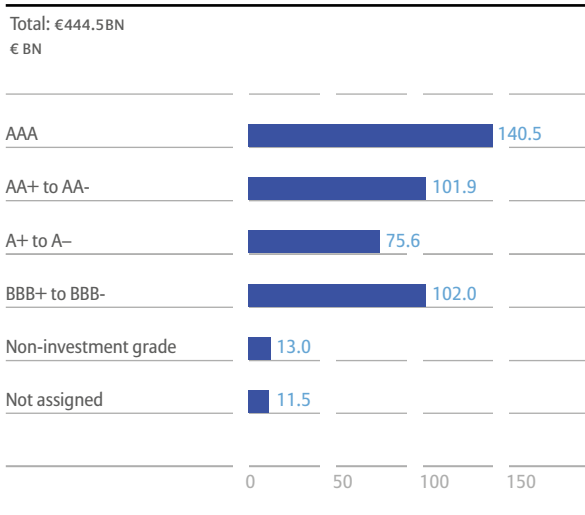
Credit risk – investment

As of 31 December 2012, 83.4% of our total Group pre-diversified internal credit risk capital was allocated to investment exposures of the Property-Casualty, Life/Health as well as Corporate and Other segments – 55.5% of which was related to issuers and counterparties in the United States and Germany. We limit the credit risk of our fixed income investments by setting high requirements on the credit-worthiness of our issuers, by diversifying our investments and by setting obligor concentration limits.

As of 31 December 2012, approximately 94.5% (2011: 93.8%) of the fixed income investment portfolio (€444.5 BN) of the insurance companies of the Allianz Group had an investment grade rating and approximately 71.6% (2011: 80.6%) of the fixed income investments were distributed among obligors that had been assigned at least an A rating by Standard & Poor's.

In the Life/Health segment these assets tend to be long term to cover long-term liabilities. Typical investments are government bonds, senior corporate bonds, covered bonds and also self-originated mortgages and loans. The premiums for traditional life products typically contain a savings component, which makes the fixed income investments the largest credit exposure for Allianz. Due to the nature of the business, the fixed income securities in the Property-Casualty segment tends to be short to mid term. Additional asset classes like cash or derivatives fall within the scope of our credit risk model, but contribute only marginally to the credit risk at the Allianz Group level.¹

FIXED INCOME INVESTMENTS BY RATING CLASS AS OF 31 DECEMBER 2012 – FAIR VALUES



¹ – Additionally 4.1% of our total Group pre-diversified internal credit risk capital is allocated to receivables and potential future exposure for derivatives and reinsurance.

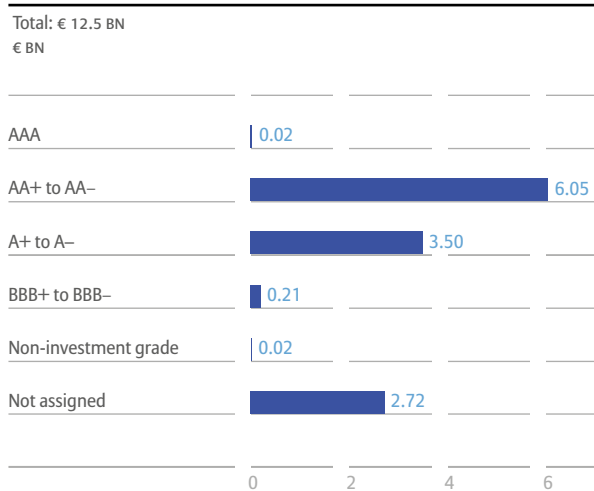
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Credit risk – reinsurance

As of 31 December 2012, 2.1% of our total Group pre-diversified internal credit risk capital was allocated to reinsurance exposures – 57.5% of which was related to reinsurance counterparties in the United States and Germany.

A dedicated team selects our reinsurance partners focusing on companies with strong credit profiles. We may also require letters of credit, cash deposits or other financial measures to further mitigate our exposure to credit risk. As of 31 December 2012, 76.4% (2011: 77.6%) of the Allianz Group’s reinsurance recoverables were distributed among reinsurers that had been assigned at least an A rating by Standard & Poor’s. Non-rated reinsurance recoverables represented 21.7% (2011: 21.6%) of the total reinsurance recoverables as of 31 December 2012. Reinsurance recoverables without Standard & Poor’s rating include exposures to brokers, companies in run-off and pools – where no rating is available – as well as companies rated by A.M. Best.

REINSURANCE RECOVERABLES BY RATING CLASS¹
AS OF 31 DECEMBER 2012



¹ – Represents gross exposure broken down by reinsurer.

Credit risk – credit insurance

Our credit insurance portfolio is modeled by Euler Hermes based on a proprietary model reviewed by Allianz Group Risk. The result is integrated into the Group’s internal credit risk model to capture the concentration and diversification effects. As of 31 December 2012, 10.4% of our total Group pre-diversified internal credit risk capital was allocated to Euler Hermes credit insurance exposures.

Underwriting risk

Underwriting risks consist of premium and reserve risks in the Property-Casualty segment as well as biometric risks in our Life/Health segment. For the Asset Management segment and our banking operations, underwriting risks are not relevant. Risks transferred by internal reinsurance to the Group are generally allocated to the Property-Casualty or the Life/Health segment. However the Corporate and Other segment provides a “Keep Well Commitment” that transfers small parts of the underwriting risk from Fireman’s Fund Insurance Co.

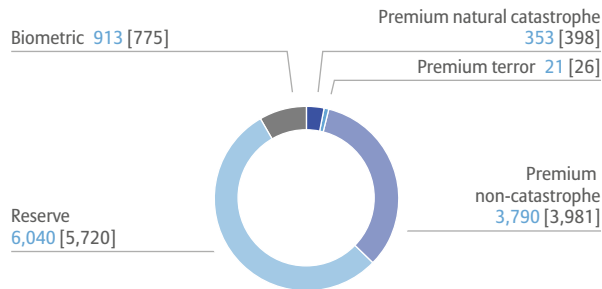
ALLOCATED INTERNAL UNDERWRITING RISK CAPITAL (TOTAL PORTFOLIO BEFORE TAX AND NON-CONTROLLING INTERESTS)
AS OF 31 DECEMBER 2012 [31 DECEMBER 2011¹]

€ MN

BY SOURCE OF RISK²

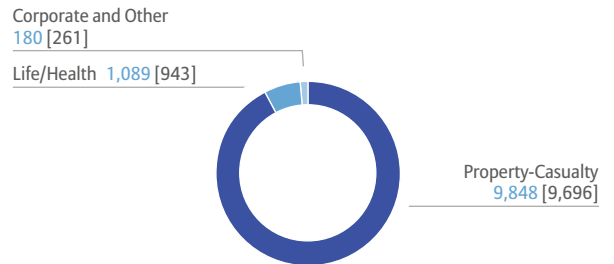
Pre-diversified

Total Group internal underwriting risk capital: 11,117 [10,900]
Share of total Group internal risk capital: 24.7% [26.1%]

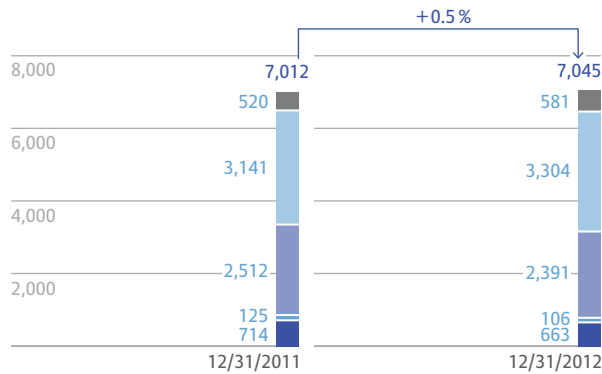


BY BUSINESS SEGMENT³

Pre-diversified

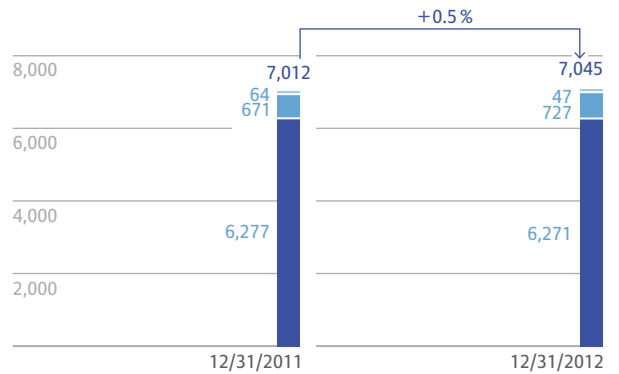


Group-diversified



■ Premium natural catastrophe ■ Premium terror ■ Premium non-catastrophe
■ Reserve ■ Biometric

Group-diversified



■ Property-Casualty ■ Life/Health ■ Corporate and Other

1 — 2011 figures recalculated based on model updates in 2012.

2 — As risks are measured by an integrated approach on an economic basis, internal risk capital takes reinsurance effects into account.

3 — As risks are measured by an integrated approach on an economic basis, internal risk capital takes reinsurance effects into account. Allowing for a defined deductible, there are contingent liabilities of up to u.s. Dollar 184 MN in connection with certain insurance reserves of Fireman's Fund Insurance Co., Novato, allocated to the Corporate and Other segment.

Total Group-diversified internal underwriting risk capital remained stable throughout the year based on a close to unchanged exposure in 2012.

The table below presents the average internal risk capital calculated for underwriting risks over the four quarters of 2012 and 2011, as well as the high and low quarterly internal risk capital amounts calculated in both years.

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AVERAGE, HIGH AND LOW ALLOCATED INTERNAL UNDERWRITING RISK CAPITAL BY SOURCE OF RISK (TOTAL PORTFOLIO BEFORE NON-CONTROLLING INTERESTS AND AFTER GROUP DIVERSIFICATION)¹

€ MN	Premium natural catastrophe		Premium terror		Premium non-catastrophe		Reserve		Biometric		Total Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	QUARTERLY RESULTS											
Average	685	681	106	129	2,315	2,532	3,157	2,920	593	476	6,856	6,738
High	718	714	111	146	2,391	2,633	3,304	3,337	734	606	7,258	7,436
Low	647	641	100	105	2,242	2,417	3,034	2,494	443	374	6,466	6,031

¹ – 2011 figures recalculated based on model updates in 2012.

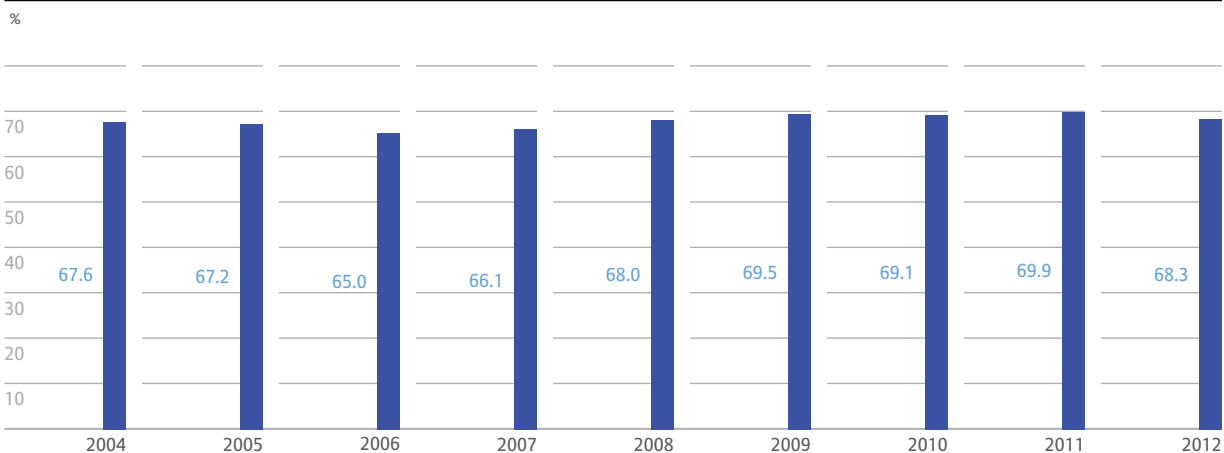
Our Property-Casualty insurance businesses are exposed to premium risk related to the current year’s new and renewed business as well as reserve risks related to the business in force. A substantial portion of the Property-Casualty segment’s pre-diversified internal underwriting risk capital arises from our entities operating locally in Germany, Italy, France and the United States (about 41%) as well as from our global operating entities AGCS, Allianz Re and Euler Hermes (about 34%) as of 31 December 2012.

Premium risk

As part of our Property-Casualty business operations, we receive premiums from our customers and provide insurance protection in return. Changes in profitability over time are measured based on loss ratios and their fluctuations.

We face the risk that underwriting profitability is lower than expected. The volatility of the underwriting profitability measured over one year defines our premium risk.

PROPERTY-CASUALTY LOSS RATIOS¹ FOR THE PAST NINE YEARS



¹ – Represents claims and insurance benefits incurred (net) divided by premiums earned (net).

Premium risk is subdivided into natural catastrophe risk (“premium NatCat risk”), terror risk (“premium terror risk”) and non-catastrophe risk (“premium non-cat risk”). We calculate premium risk based on actuarial models that are used to derive loss distributions.

Premium risk is actively managed by the Allianz Group and its local operating entities. Assessing the risks as part of the underwriting process is a key element of our risk management framework. There are clear underwriting limits and restrictions are centrally defined and in place across the Group. Specialty lines risk carriers such as Allianz Global Corporate & Specialty pool specific risks which require expert knowledge. In addition to the centrally defined underwriting limits, the local operating entities have limits in place that take into account their business environments.

Premium risk relative to the underlying exposures is positively affected by the diversification effect between different lines of business at the local operating entity level, or different markets at the Group level. In addition, risks are mitigated by external reinsurance agreements.

Natural disasters, such as earthquakes, storms and floods, represent a significant challenge for risk management due to their accumulation potential and occurrence volatility. In order to measure such risks and better estimate the potential effects of natural disasters, we use special modeling techniques in which we combine data about our portfolio (such as the geographic distribution and 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 (e. g. flood risk in Italy), we use deterministic scenario-based approaches to estimate probable losses.

The Group's net exposure to natural catastrophes remained within our risk appetite in 2012. About 30% of the pre-diversified internal premium risk capital allocated to natural catastrophe risk was borne by our top five perils: Europe Windstorm, U.S. Hurricane, Germany Flood, Germany Earthquake and Germany Hail as of December 2012. Our largest exposures to natural catastrophes are provided in the following table.

**THE FIVE LARGEST SINGLE ACCUMULATION SCENARIOS:
LOSS POTENTIAL NET OF REINSURANCE FOR INDIVIDUAL EVENTS,
MEASURED AT A PROBABILITY LEVEL OF ONE LOSS IN 250 YEARS
(99.6% CONFIDENCE LEVEL)**

€ MN	Loss potential ¹
As of 31 December 2012	
Europe Windstorm	756
U.S. Hurricane	653
Germany Flood	528
Germany Earthquake	520
Germany Hail	520

¹ — Based on most recent estimates, exposures are calculated using either vendor or proprietary models developed by in-house experts. All models are subject to uncertainty arising from scientific assumptions and underlying data.

Reserve risk

We estimate and hold reserves for past claims that have not yet been settled. If the reserves are not sufficient to cover claims to be settled in the future due to unexpected changes, we would experience losses. The volatility of past claims measured over a one-year time horizon defines our reserve risk. An indicator for this coverage is the amount of net surplus¹ compared to the initial reserves.

The future uncertainty regarding potential losses is significantly driven by the risks underwritten. In general, our operating entities constantly monitor the development of reserves for insurance claims on a line of business level. Results are discussed by local reserve committees at least on a quarterly basis. If necessary, we re-estimate reserves in line with actuarial standards. In addition, the operating entities generally conduct annual reserve uncertainty analyses. The approaches applied are similar to the 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. Similar to premium risk, reserve risk at the Group level is positively affected by the diversification effect between different lines of business at the local level and different markets at the Group level.

¹ — Net surplus represents the cumulative surplus from re-estimating the reserves for loss and loss adjustment expenses for previous years' claims and includes foreign currency translation adjustments.

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Biometric risk

Biometric risks associated with life and health insurance include mortality, disability, morbidity, and longevity risks.

- Mortality, disability, and morbidity risks are risks associated with the death or disability of policyholders' or when medical claims are higher than expected.
- Longevity risk is the risk that policyholders live longer than expected. For modeling these risks within our internal risk capital model, we distinguish level, trend volatility, and calamity risks. Biometric assumptions, such as life expectancy, play a significant role.

Due to product design, the offsetting effects of mortality risk, morbidity risk and longevity risk inherent in the combined portfolios of life insurance and annuity products, as

well as because of our geographically diverse portfolio, our Life/Health segment did not have significant concentrations of biometric risk as of 31 December 2012.

Business risk

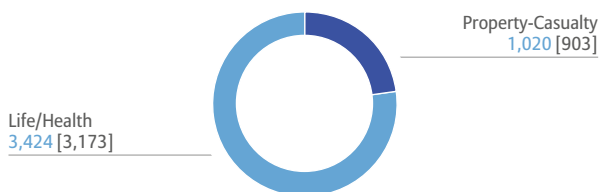
Business risks consist of cost risks and policyholder behavior risks. Cost risks consist of unexpected changes in business assumptions and unanticipated fluctuations in earnings arising from a decline in income without a corresponding decrease in expenses. They include the risk that expenses incurred in acquiring and administering policies are higher than expected as a result of inflation, lower revenues or higher costs than budgeted.

Policyholder behavior risks are risks related to the early termination of contracts as well as risks that policyholders' actions – such as withdrawals, renewals and annuitization – are more adverse than assumed.

ALLOCATED INTERNAL BUSINESS RISK CAPITAL BY BUSINESS SEGMENT (TOTAL PORTFOLIO BEFORE TAX AND NON-CONTROLLING INTERESTS) AS OF 31 DECEMBER 2012 [31 DECEMBER 2011¹]

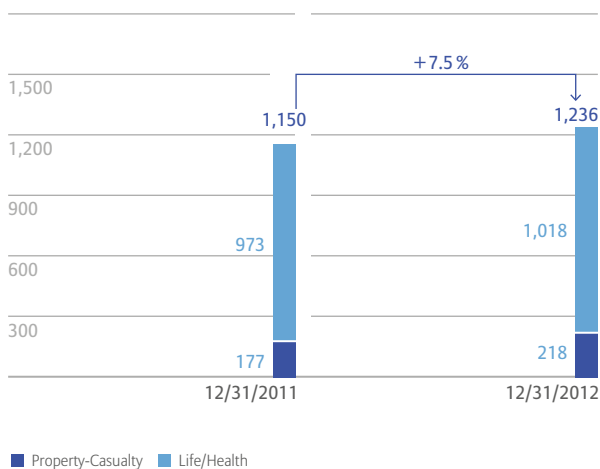
Pre-diversified

Total Group internal business risk capital: 4,444 [4,076]
Share of total Group internal risk capital: 9.9% [9.8%]
€ MN



Group-diversified

€ MN



¹ – Recalculated based on model updates in 2012.

Business risk remained mostly stable in the course of 2012. Small changes specifically in the Life/Health segment, were mostly driven by changes in business volume.

Operational risk

Operational risks represent losses resulting from inadequate or failed internal processes, from personnel and systems, or from external events such as interruption of business operations due to an electricity breakdown or flooding, damage caused by employee fraud or losses caused by court cases – as operational risks also include legal risk. For example, insurance companies are faced with the continued trend towards consumer protection, especially in the realms of transparency, sales practices and suitability for life insurance products.

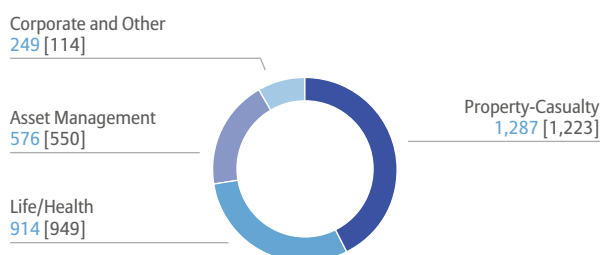
Operational risk remained mostly stable in the course of 2012. Small changes were driven by refinements in exposure coverage.

Allianz has developed a Group-wide operational risk management framework that focuses on the early recognition and proactive management of operational risks. The framework defines roles and responsibilities, risk processes and methods and has been implemented at our major operating entities. Local risk managers ensure this framework is implemented in their respective operating entities. The operating entities identify and evaluate relevant operational risks and control weaknesses via a structured self-assessment. Furthermore, operational risk losses are collected in a central loss database. An analysis of the causes of significant losses is carried out to enable the operating entities to implement measures aimed at avoiding or reducing future losses. The measures adopted may include revising processes, improving failed or inappropriate controls, installing comprehensive security systems and strengthening emergency plans. This reporting is designed to provide comprehensive and timely information to senior management of the Allianz Group and the relevant local operating entities.

ALLOCATED INTERNAL OPERATIONAL RISK CAPITAL BY BUSINESS SEGMENT (TOTAL PORTFOLIO BEFORE TAX AND NON-CONTROLLING INTERESTS) AS OF 31 DECEMBER 2012 [31 DECEMBER 2011¹]

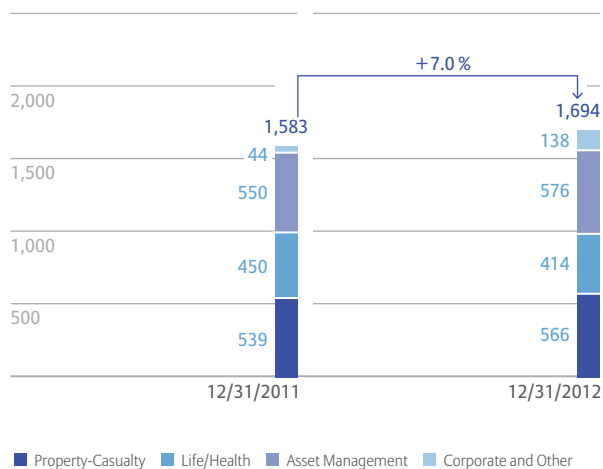
Pre-diversified

Total Group internal business risk capital: 3,026 [2,836]
Share of total Group internal risk capital: 6.7% [6.8%]
€ MN



Group-diversified

€ MN



¹ – Recalculated based on model updates in 2012.

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Major failures and disasters which could cause a severe disruption to our working environment, facilities and personnel, represent significant operational risks for the Allianz Group and its operating entities. Our Business Continuity Management (BCM) framework strives to protect critical business functions from these shocks and enables them to carry out their core tasks on time and at the highest standard. Regularly enhanced, BCM activities and knowledge are embedded in the company's culture.

Dedicated minimum-security standards are in place for IT systems across the Allianz Group to ensure the proper use and protection of the Group's information assets. With respect to financial statements, our internal control system is designed to mitigate operational risks.¹ In general, we aim to reduce process failures by clearly documenting and sharing relevant methods, procedures, structures and processes across the Group. Comprehensive and timely documentation across the Group is one of the fundamental principles of the Allianz Group Risk Policy.

As described under Risk governance structure, the Group's Legal and Compliance department seeks to mitigate legal and regulatory risks with the support of other departments.

OTHER RISKS

There are certain risks that cannot be fully quantified across the Group using our internal risk capital model. For these risks, we also pursue a systematic approach with respect to identification, analysis, assessment and monitoring. In general, the risk assessment is based on qualitative criteria or scenario analyses. The most important of these other risks include strategic, liquidity and reputational risk.

Strategic risk

Strategic risk is the risk of an unexpected negative change in the company's value, arising from the adverse effect of management decisions regarding business strategies and their implementation. This risk reflects the compatibility between strategic goals, the business strategies and the resources deployed to achieve those goals. Strategic risk also includes the risk of management failing to effectively analyze and react to external factors (e.g. market conditions), which could affect the future direction of the relevant operating entity or the Group as a whole.

These risks are evaluated and analyzed quarterly in the same way as reputational risk as described below. The Board of Management of Allianz SE formulates the business objectives. Strategic goals are translated into a three-year business plan, which is approved by the Supervisory Board of Allianz SE. To ensure proper implementation of these goals, strategic controls are carried out by monitoring respective business targets. We also constantly monitor market and competitive conditions, capital market requirements, regulatory conditions, etc. to decide whether to make strategic adjustments. In addition, strategic decisions are discussed in various Board of Management level committees (e. g. Group Capital Committee, Group Risk Committee, Group Finance Committee). The assessment of the associated risks is a fundamental element of these discussions. For example, merger and acquisition transactions are subject to review by the Group Finance Committee if the size exceeds the defined thresholds set for the type of transaction.

Liquidity risk

Liquidity risk has two aspects: the risk that short-term current or future payment obligations cannot be met or can only be met on the basis of altered conditions, and the risk that in the event of a company liquidity crisis, refinancing is only possible at higher interest rates or by liquidating assets at a discount. Liquidity risk can arise primarily if there are mismatches in the timing of cash payments and funding obligations. However, it does not include the risk of a change in market prices due to a worsening of the market liquidity of assets, as this is a component of market risk analyzed through our internal risk capital model (e. g. the assumed volatility of real estate investments takes historical observations into account). Funding risk, a particular form of liquidity risk, arises when the necessary liquidity to fund illiquid asset positions cannot be obtained at the expected terms and when required.

At the Group level, liquidity risks arise mainly from the capital requirements of subsidiaries and the necessary refinancing of expiring financial liabilities.

¹ – For additional information regarding our internal control over financial reporting please refer to the chapter Internal controls over financial reporting from page 89 onwards.

The main goal of planning and managing Allianz SE's liquidity position is to ensure that we are always able to meet payment obligations. To comply with this objective, the liquidity position of Allianz SE is monitored and forecasted on a daily basis. Strategic liquidity planning over time horizons of 12 months and 3 years is reported to the Board of Management regularly. The main tools to meet unforeseen liquidity requirements are committed credit lines from banks, commercial paper facilities, medium-term debt issuance programs, a centrally managed, highly-liquid bond portfolio with direct access to the market of sale and repurchase agreements (the so-called "Repo market"), as well as internal resources in the form of intra-group loans and an international cash pooling infrastructure.

The accumulated short-term liquidity forecast is updated daily and is subject to an absolute minimum strategic cushion amount and an absolute minimum liquidity target. Both are defined for the Allianz SE cash pool in order to be protected against short-term liquidity crises. As part of our strategic planning, contingent liquidity requirements and sources of liquidity are taken into account to ensure that Allianz SE is able to meet any future payment obligations even under adverse conditions. Major contingent liquidity requirements include non-availability of external capital markets, combined market and catastrophe risk scenarios for subsidiaries as well as lower than expected profits and dividends from subsidiaries.

Liquidity risk relating to our banking operations is deemed to be insignificant at the Group level. This is because of the small size and defensive risk profile of Allianz banks reflected in risk-weighted assets and total assets (as of 31 December 2012, €9.3 BN and €21.5 BN, respectively).

Our insurance operating entities manage liquidity risk locally, using asset-liability management systems designed to ensure that assets and liabilities are adequately matched. This decentralized approach ensures sufficient flexibility in providing liquidity.

Liquidity risk in our Property-casualty and Life/Health segments is a secondary risk following external events, such as natural disasters, lapse, renewal rates, or costs that are generally reflected in our internal risk capital model. Therefore, limiting and monitoring the associated primary risks (such as through the use of reinsurance) also helps limit our liquidity risk related to such events.

The local investment strategies particularly focus on the quality of investments and ensure a significant portion of liquid assets (e. g. government bonds or covered bonds) in the portfolios. This helps us to meet high liquidity requirements in the case of unlikely events.

Furthermore, in the case of an extraordinary event, a portion of the applicable payments may be made with a certain time lag, which reduces the risk that short-term current payment obligations cannot be met.

We employ actuarial methods for estimating our liabilities arising from insurance contracts. In the course of standard liquidity planning we reconcile the cash flows from our investment portfolio with the estimated liability cash flows. These analyses are performed at the operating entity level and aggregated at the Group level.

Regarding our Asset Management business, forecasting and managing liquidity is a regular process, designed to meet both regulatory requirements and Group standards. This process is supported by the liquidity management framework implemented in Allianz Asset Management.

Reputational risk

Allianz's reputation rests on 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 Allianz's share price, the value of the in-force business or the value of future business caused by a decline in the reputation of Allianz. Direct reputational risk can be caused by any Allianz behavior which might have a negative impact on the perception of Allianz by important stakeholders. Indirect reputational risk is caused by a risk event in one of the other major risk categories (i.e. operational, strategic, cost, insurance, liquidity, credit or market risk), which could trigger an additional loss in Allianz's value due to the damage to our reputation.

With the support of Group Communications, Group Risk defines sensitive business areas and applicable risk guidelines, for example for defense-related activities, which are mandatory for all our operating entities. The guidelines are regularly updated and are aligned with the Allianz ESG

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Board¹ as applicable. As stakeholder perceptions differ between markets, operating entities complement the Group guidelines with locally-sensitive business areas and guidelines, which take into account specifics such as product portfolios and the cultural environment.

All affected Group and operating entity functions, such as the business, communications, compliance and risk departments, closely cooperate in the identification of reputational risk. A uniform qualitative rating approach is used in all operating entities for the assessment of the reputational risk. Single reputational risk management decisions are integrated in the overall risk management framework in the following way: Reputational risk identification and assessment is an important part of the quarterly “Top Risk Assessment”, in which senior management decides about a proposed risk strategy and related actions. In addition, reputational risk is managed on a case-by-case basis. Single cases which might endanger the reputation of other operating entities or the Allianz Group have to be reported to Allianz SE for pre-approval.

Risk governance

RISK MANAGEMENT FRAMEWORK

As a provider of financial services, we consider risk management to be one of our core competencies. It is therefore an integral part of our business process. The key elements of our risk management framework are:

- Promotion of a strong risk management culture supported by a robust risk governance structure.
- Consistent application of an integrated risk capital framework across the Group to protect our capital base and to support effective capital management.
- Integration of risk considerations and capital needs into management and decision-making processes through the attribution of risk and allocation of capital to the various segments.

This comprehensive framework ensures that risks are identified, analyzed and assessed in a consistent manner across the Group (“Top Risk Assessment”). The Group’s risk

appetite is defined by a clear risk strategy and limit structure. Close risk monitoring and reporting allows us to detect potential deviations from our risk tolerance at an early stage at both the Group and operating entity levels.

For the benefit of shareholders and policyholders alike, our risk management framework adds value to Allianz SE and its operating entities through the following four primary components:

Risk underwriting and identification: A sound risk underwriting and identification framework forms the foundation for adequate risk taking and management decisions such as individual transaction approvals, new product approvals and strategic or tactical asset allocations. The framework includes risk assessments, risk standards, valuation methods and clear minimum standards for underwriting.

Risk reporting and monitoring: Our comprehensive qualitative and quantitative risk reporting and monitoring framework provides senior management with the transparency and risk indicators to help them decide our overall risk profile and whether it falls within delegated limits and authorities. For example, risk dashboards, internal risk capital allocation and limit consumption reports are regularly prepared, communicated and monitored.

Risk strategy and risk appetite: Our risk strategy clearly defines our risk appetite. It ensures that rewards are appropriate for the risks taken and that the delegated authorities are in line with our overall risk-bearing capacity. The risk-return profile is improved through the integration of risk considerations and capital needs into decision-making processes. This also keeps risk strategy and business objectives consistent with each other and allows us to take opportunities within our risk tolerance.²

Communication and transparency: Finally, transparent and robust risk disclosure provides the basis for communicating this strategy to our internal and external stakeholders, ensuring a sustainable positive impact on valuation and financing.

¹ – The Allianz ESG Board is constituted as an 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 of Allianz Group.

² – For additional information regarding opportunities, please refer to the chapter Executive Summary and Outlook from page 19 onwards.

Examples

Property-Casualty underwriting framework

Our sound Group-wide underwriting framework forms the basis for adequate risk taking and management decisions and helps us limit potentially significant individual risks, including reputational risks. The framework defines common minimum requirements for our underwriting activities in the international corporate and commercial Property-Casualty insurance business, both for direct and reinsurance business.

There are clear underwriting limits, minimum standards and restrictions to protect Allianz from taking unwanted or excessive risks. They determine prohibited and restricted (subject to special approval) coverage and define clear approval requirements at different levels of the Allianz Group. In particular, they specify all activities that require approval by or reporting to the Group Underwriting Committee – which is a Group Committee of Allianz SE for Property-Casualty underwriting related topics, established by the Allianz SE Board of Management. These standards also document delegated underwriting authorities and establish mandatory rules for individual policies. Exceptions require approval by different bodies, for example the Group Underwriting Committee, the local Chief Underwriting Officer, and, where necessary, the Group Chief Risk Officer – as well as reporting to the Group Risk Committee.

Life product management framework

According to our Life product management framework, product development and approval are local processes overseen by the operating entities. However, there are Group review requirements for new high-risk products or product features to ensure that the operating entities are aware of the associated risks. Alternative risk-mitigating product features are considered in the design phase and material real world assumptions are explicitly acknowledged as a core component of the business model. The framework also defines profitability standards, while at the same time allowing for individual exceptions approved for competitive reasons in the light of local market characteristics. The profitability of new and existing business is closely monitored and regularly reported to the Board of Management of Allianz SE.

RISK GOVERNANCE STRUCTURE

As a key element of our risk management framework, Allianz's approach to risk governance enables integrated management of our local and global risks and ensures that our risk profile remains consistent with our risk strategy and our capacity to bear risks.

Supervisory Board and Board of Management

Within our risk governance system the Supervisory Board and Board of Management of Allianz SE have both Allianz SE and Group-wide responsibilities and have set up committees to provide them with support. Examples include:

Supervisory Board

- The Audit Committee supervises the effectiveness of the Allianz risk management and monitoring framework.
- The Risk Committee focuses on the Allianz Group's overall risk profile and monitors risk-related developments as well as general risks and specific risk exposures.

Board of Management

The Board of Management formulates business objectives and a corresponding, consistent risk strategy. The core elements of the risk framework are set out in the Allianz Group Risk Policy, which is approved by the Board of Management.

- The Group Capital Committee supports the Board of Management with recommendations regarding risk strategy, capital and limit allocation.
- The Group Risk Committee defines risk standards and forms the major limit setting authority within the framework set by the Board of Management.
- The Group Finance Committee is authorized by the Board of Management to oversee investment and financing activities, including the approval of significant transactions of Allianz SE and Allianz Group companies.

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, written policies, limit systems, documentation and reporting. These standards ensure the accurate and timely flow of risk-related information, as well as a disciplined approach towards decision-making and execution at both the global and local level.

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As a general principle, the “first line of defense” rests with business managers in the local operating entities and Allianz Investment Management units. They are responsible in the first instance for both the risks and returns of their decisions. Our “second line of defense” is made up of our independent, global oversight functions such as Risk, Compliance and Legal. Audit forms the “third line of defense”. On a periodic basis, Group Audit independently reviews risk governance implementation, performs quality reviews of risk processes and tests adherence to business standards.

Group Risk

Group Risk is headed by the Group Chief Risk Officer (Group CRO) and reports to the Board member responsible for Finance, Controlling and Risk. Group Risk supports the afore-mentioned Allianz Group committees responsible for risk oversight, through (i) the analysis and communication of risk management related information and (ii) by facilitating the communication and implementation of committee decisions.

For example, Group Risk is operationally responsible for monitoring limits and accumulation of specific types of risks across business lines, such as natural disasters and exposures to financial markets and counterparties.

In addition, Group Risk independently supports the adequacy of the operating entity risk management (i) through the development of a common risk management framework and (ii) by monitoring adherence to Group minimum requirements for methods and processes.

Group Risk strengthens and maintains the Group’s risk network through regular and close interaction with the operating entities’ management and key areas such as the local finance, risk, actuarial and investment departments. A strong risk network across the Group allows us to identify risks early and bring them to the attention of management.

Operating entities

Operating entities are responsible for their own risk management, including adherence to both external requirements (for example, those imposed by local regulators) and internal Group-wide minimum standards.

The operating entities’ Board of Management is responsible for (i) setting and approving an OE risk strategy during the annual Strategic and Planning Dialogues with the Group and (ii) ensuring operating entity adherence to this risk strategy.

All business line management functions with a direct profit and loss responsibility (i.e. first line of defense, or “risk taking units”) are in charge of active risk-return management through adherence to delegated limits and the OE policy framework. They also support, where applicable, the risk assessment and management activities carried out by the second and third lines of defense.

A risk function that is independent from the business line management has to be established by the operating entity. This function operates under the direction of the operating entity CRO who is responsible for overseeing the risk function. In addition, a local Risk Committee supports both the operating entity Board of Management and the CRO by acting as the primary risk controlling body. Group Risk is also represented on the local Risk Committees to enhance the risk dialogue between the Group and the operating entities.

Other functions and bodies

In addition to Group Risk and the OE Risk function, Actuarial, Legal and Compliance functions have been established at both the Group and OE level, constituting additional components of the second line of defense.

Group Legal and Compliance seeks to mitigate legal risks with support from other departments. Legal risks include legislative changes, major litigation and disputes, regulatory proceedings and contractual clauses that are unclear or construed differently by the courts. The objectives of Group Legal and Compliance 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. Group Legal and Compliance is in addition responsible for integrity management – which aims to protect the Allianz Group, our operating entities and employees from regulatory risks.

In order to adapt to a continually changing environment, the Global Issues Forum (GIF) supports the Group in the assessment of long-term trends changes in the risk landscape on a timely basis. This includes activities such as desk research, interviews with internal and external experts and workshops to evaluate potential impacts on our company and propose necessary actions to take. The process is jointly coordinated by Group Risk, the Group Risk Committee and the Group Underwriting Committee.

As an active participant of the Emerging Risk Initiative of the Chief Risk Officer Forum, we monitor with other chief risk officers of major European insurance companies and financial conglomerates the industry-wide risk landscape and raise awareness of major risks for the insurance industry.

Our third priority is to continue our preparations for the Solvency II internal model application process. To this end, we will continue to provide constructive feedback to EIOPA in order to influence a business-friendly final outcome and we will be participating in the Long Term Guarantee Impact Assessment in the first half of 2013. In addition, we will continue to actively participate in the voluntary pre-approval process for Solvency II with the relevant European supervisors. Finally, given the remaining uncertainty surrounding the final implementation measures and their interpretation, we will need to adapt our internal risk capital framework and risk processes as necessary to comply with the evolving Solvency II standards.

Risk management priorities for 2013

In addition to maintaining our high standards and practices in day-to-day risk control and risk management, the risk function has set three priorities for 2013.

Our first priority is to continue to refine and improve our operational business steering frameworks in light of the lessons learned from the recent financial market uncertainty – in particular associated with sovereign debt, including risk measurement and limits.

Secondly, we plan to take advantage of the delay in the implementation of Solvency II to finalize the industrialization of our internal risk capital model and Market Value Balance Sheet reporting processes. More specifically, after several years of project work and experience using our reporting systems infrastructure, we plan to meet our “Target Closing Process” for the internal risk capital model and Market Value Balance Sheet by the end of 2013. The target closing process will lead to shorter timelines, greater efficiency and greater controls. As a by-product, it will also allow the risk function to continue to move more from risk control to risk management, thereby supporting good risk/return decisions across the company on a daily basis.

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Corporate Governance Report

Good corporate governance is essential for sustainable business performance. That is why the Board of Management and the Supervisory Board attach great importance to complying with the recommendations of the German Corporate Governance Code (referred to hereinafter as the “Code”). Allianz SE complies with all of the current Code’s recommendations and suggestions. The Declaration of Conformity issued by the Board of Management and Supervisory Board on 12 December 2012 and the company’s position regarding the Code’s suggestions can be found in the Statement on Corporate Management pursuant to § 289a of the HGB starting on page 67.

Corporate Constitution of the European Company

As a European Company, Allianz SE is subject to special European SE regulations and the German law implementing the European Company in addition to German stock corporation law. The main features of the company’s existing corporate constitution – 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. For further details on the differences between a German stock corporation and a European Company with a registered office in Germany, please refer to www.allianz.com/allianz-se.

Function of the Board of Management

The Board of Management manages Allianz SE and the Allianz Group. It currently comprises eleven members from several countries. Its responsibilities include setting business objectives and the strategic direction, coordinating and supervising the operating entities, as well as implementing and overseeing an efficient risk management system. In this context, the Board of Management is responsible for monitoring adherence to statutory provisions and official regulations. The Board of Management also prepares the quarterly and half-yearly financial reports, as well as the consolidated Annual Report of the Group and the Annual Report of Allianz SE.

The members of the Board of Management are jointly responsible for overall management. Notwithstanding the overall responsibility of all members of the Board of Management, the individual members of the Board head the departments they have been assigned independently and at their own responsibility. There are divisional responsibilities for business segments as well as functional responsibilities. The latter include the Chairman’s division, the Finance-, Risk Management- and Controlling-Function, Investments, Operations, Human Resources, and Legal and Compliance. Business division responsibilities focus on geographic regions or operating segments, such as Asset Management. Rules of Procedure specify in more detail the work of the Board of Management. Such rules set out the specific responsibilities of Board members, matters reserved for the whole Board and other procedures necessary to pass resolutions.

The Board of Management meets regularly and meetings are convened by its Chairman, who coordinates the Board’s activities. Each member of the Board may request a meeting providing notification of the proposed resolution. The Board takes decisions by ordinary resolution of participating members. In the event of a tie, the Chairman casts the deciding vote. The Chairman can also veto decisions. However, he cannot impose any decisions against the majority vote of the Board of Management.

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BOARD OF MANAGEMENT AND GROUP COMMITTEES

Members of the Board of Management's committees – the Group Capital Committee, the Group Finance Committee, the Group IT Committee and the Group Risk Committee – are elected from within the Board itself.

BOARD COMMITTEES

BOARD COMMITTEES	RESPONSIBILITIES
GROUP CAPITAL COMMITTEE Michael Diekmann (Chairman), Dr. Paul Achleitner until 31 May 2012, Oliver Bäte until 31 December 2012, Dr. Dieter Wemmer from 1 January 2013, Dr. Maximilian Zimmerer from 1 June 2012	Proposals to the Board of Management concerning risk strategy, strategic asset allocation and risk capital allocation within the Group.
GROUP FINANCE COMMITTEE Dr. Paul Achleitner (Chairman) until 31 May 2012, Dr. Maximilian Zimmerer (Chairman) from 1 June 2012, Oliver Bäte until 31 December 2012, Dr. Helga Jung from 1 February 2012, Jay Ralph from 1 January 2012, Dr. Dieter Wemmer from 1 January 2013, Dr. Werner Zedelius	Deciding on material investments, preparing and monitoring the Group's investment policy, financing and capital management.
GROUP IT COMMITTEE Dr. Christof Mascher (Chairman), Oliver Bäte until 31 December 2012, Jay Ralph, Dr. Dieter Wemmer from 1 January 2013, Dr. Werner Zedelius	Developing, implementing and monitoring the Group-wide IT strategy, approval of relevant IT investments.
GROUP RISK COMMITTEE Oliver Bäte (Chairman) until 31 December 2012, Dr. Dieter Wemmer (Chairman) from 1 January 2013, Dr. Paul Achleitner until 31 May 2012, Clement Booth, Jay Ralph, Dr. Maximilian Zimmerer from 1 June 2012	Establishing and overseeing a Group-wide risk management and monitoring system.

as of 31 December 2012 (and subsequent changes)

The Board has also set up the Group Compensation Committee, the Group Underwriting Committee and the International Executive Committee as permanent Group committees. These Group committees prepare decisions for the Board of Management of Allianz SE, submit proposals for resolutions and ensure the smooth flow of information within the Group.

GROUP COMMITTEES

GROUP COMMITTEES	RESPONSIBILITIES
GROUP COMPENSATION COMMITTEE Board members and executives reporting to the Allianz SE Board of Management	Designing, monitoring and improving compensation systems, annual submission of a report on the results of its monitoring, along with proposals for improvements.
GROUP UNDERWRITING COMMITTEE Members of the Board of Management, executives below Allianz SE Board level and Chief Underwriting Officers of Group companies	Monitoring of the underwriting business and its risk management, developing an underwriting policy and strategy.
INTERNATIONAL EXECUTIVE COMMITTEE All members of the Board of Management of Allianz SE and Managing Directors of the largest subsidiaries of Allianz Group	Discussion of overall strategic issues for the Allianz Group.

The responsibilities and composition of Board of Management and Group committees are set out in the respective Rules of Procedure, which require the approval of the Board of Management.

The Allianz Group runs its operating entities and business segments via an integrated management and control process. The Holding and the operating entities first define the business strategies and goals. On this basis, joint plans are then prepared for the Supervisory Board's consideration when setting targets for performance-based remuneration of the members of the Board of Management (for details, please see the Remuneration Report starting on page 69). When filling managerial positions, the Board of Management takes diversity into consideration and, in particular, aims for an appropriate representation of women. In particular, 30% of managerial positions in Germany are to be filled by women by 2015.

The Board of Management reports regularly and comprehensively to the Supervisory Board on business development, the financial position and earnings, budgeting and achievement of objectives, business strategy and risk exposure. In line with the Code's recommendation, the Supervisory Board has issued reporting guidance which more clearly defines the information and reporting requirements of the Board of Management.

Certain important decisions of the Board of Management require approval by the Supervisory Board. Some of these requirements are stipulated by law or by decisions of the Annual General Meeting (AGM). These include approval for

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the Board of Management to increase the share capital (Authorized Capital), acquire treasury shares or issue convertible bonds or bonds with warrants. In addition, the Statutes also provide approval requirements for certain transactions, such as intercompany agreements and the launch of new business segments or the closure of existing ones, insofar as such actions are material to the Group. Approval is also required to acquire companies and holdings in companies as well as divestments of Group companies which exceed certain threshold levels. The Agreement concerning the Participation of Employees in Allianz SE 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). The size and composition of the Supervisory Board are instead determined by general European SE regulations. These regulations are implemented in the Statutes and by the Agreement concerning the Participation of Employees in Allianz SE dated 20 September 2006. The agreement can be found on our website at www.allianz.com/allianz-se.

The Supervisory Board comprises twelve members appointed by the AGM. Six of these twelve members are appointed on the basis of proposals from employees, which the AGM is bound to accept.

In accordance with the Agreement concerning the Participation of Employees in Allianz SE, the seats for the six employee representatives are 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 Italy. The last election of the Supervisory Board took place in May 2012 for a term lasting until the end of the ordinary AGM in 2017.

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 remuneration and reviewing

Allianz SE’s and the Allianz Group’s annual financial statements. The Supervisory Board’s activities in the 2012 fiscal year are described in the Supervisory Board Report starting on page 3.

In the fiscal year 2012, the Supervisory Board held four regular meetings and one inaugural meeting. Starting with the 2013 fiscal year, the Supervisory Board will meet three times each half calendar year. Extraordinary meetings may be convened as needed. The committees also hold regular meetings. The Supervisory Board takes all decisions based on a simple majority. The special requirements for appointing members to the Board of Management contained in the German Co-Determination Act and the requirement for a Conciliation Committee no longer apply to an SE. In the event of a tie, the casting vote lies with the Chairman of the Supervisory Board, who must be a shareholder representative. If the Chairman is not present in the event of a tie, the casting vote lies with the deputy chairperson from the shareholder side. A second deputy chairperson is elected on the proposal of the employee representatives, but has no casting vote.

The Supervisory Board regularly reviews the efficiency of its activities. The plenary Supervisory Board discusses recommendations for improvements and adopts appropriate measures on the basis of recommendations from the Standing Committee.

SUPERVISORY BOARD COMMITTEES

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

SUPERVISORY BOARD COMMITTEES

SUPERVISORY BOARD COMMITTEES	RESPONSIBILITIES
<p>STANDING COMMITTEE 5 members</p> <ul style="list-style-type: none"> – Chairman: Chairman of the Supervisory Board (Dr. Helmut Perlet) – Two further shareholder representatives (Prof. Dr. Renate Köcher, Dr. Wulf Bernotat) – Two employee representatives (Gabriele Burkhardt-Berg, Rolf Zimmermann) 	<ul style="list-style-type: none"> – Approval of certain transactions which require approval of the Supervisory Board, e.g. capital increases, acquisitions and disposals of participations – Preparation of the Declaration of Conformity pursuant to § 161 Aktiengesetz (German Stock Corporation Act) and control of corporate governance – Preparation of the self-evaluation of the Supervisory Board
<p>AUDIT COMMITTEE 5 members</p> <ul style="list-style-type: none"> – Chairman: appointed by the Supervisory Board (Dr. Wulf Bernotat) – Three shareholder representatives (Dr. Wulf Bernotat, Igor Landau, Dr. Helmut Perlet) – Two employee representatives (Ira Gloe-Semler, Jean-Jacques Cette) – Independent members with expert knowledge of accounting/auditing: Dr. Wulf Bernotat, Igor Landau 	<ul style="list-style-type: none"> – Initial review of the annual Allianz SE and consolidated financial statements, management reports (incl. risk report) and the dividend proposal, review of half-yearly and quarterly financial reports – 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 discussion of key issues related to the external audit
<p>RISK COMMITTEE 5 members</p> <ul style="list-style-type: none"> – Chairman: appointed by the Supervisory Board (Dr. Helmut Perlet) – Three shareholder representatives (Christine Bosse, Dr. Helmut Perlet, Peter Denis Sutherland) – Two employee representatives (Dante Barban, Franz Heiß) 	<ul style="list-style-type: none"> – Monitoring of the risk situation and special risk developments – 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 on the results of such reviews
<p>PERSONNEL COMMITTEE 3 members</p> <ul style="list-style-type: none"> – Chairman: Chairman of the Supervisory Board (Dr. Helmut Perlet) – One further shareholder representative (Christine Bosse) – One employee representative (Rolf Zimmermann) 	<ul style="list-style-type: none"> – 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, taking diversity into account and, in particular, aiming for an adequate representation of women – Approval of the assumption of other mandates by Board of Management members
<p>NOMINATION COMMITTEE 3 members</p> <ul style="list-style-type: none"> – Chairman: Chairman of the Supervisory Board (Dr. Helmut Perlet) – Two further shareholder representatives (Prof. Dr. Renate Köcher, Peter Denis Sutherland) 	<ul style="list-style-type: none"> – 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 the election to the Supervisory Board as shareholder representatives

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OBJECTIVES OF THE SUPERVISORY BOARD REGARDING ITS COMPOSITION

In order to implement a recommendation of the Code, the Supervisory Board specified the following objectives for its composition at its meeting on 12 December 2012:

OBJECTIVES OF THE 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. To promote additional cooperation among Supervisory Board members, care should be taken in selecting the candidates to ensure that adequate attention is paid to ensuring diversity in occupational backgrounds, professional expertise and experience.

Employee representation within Allianz SE, as provided for by the SE Agreement concerning the Participation of Employees dated 20 September 2006, contributes to diversity of work experience and cultural background. Pursuant to § 6 (2) sentence 2 of the Act on the Participation of Employees in a European Company (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:¹

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

1. General selection criteria

- Managerial or operational experience
- General knowledge of the insurance and financial services business
- Willingness and ability to make sufficient commitments in time and substance
- Fulfillment of the regulatory requirements:
 - Reliability
 - Knowledge of the field of corporate governance and supervisory law¹
 - Knowledge of the main features of accounting and risk management¹
- Compliance with the limitation on the number of mandates as recommended by the German Corporate Governance Code and required by § 7 a (4) of the German Insurance Supervision Act ("Versicherungsaufsichtsgesetz – VAG").

2. Independence

At least eight members of the Supervisory Board should be independent within the meaning of No. 5.4.2 of the Corporate Governance Code, i.e. they may in particular 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 interests. In case shareholder representatives and employee representatives are viewed separately, at least four members should be independent within the meaning of No. 5.4.2 of the Corporate Governance Code, respectively. Regarding employee representatives, however, the mere fact of employee representation and the existence of a working relationship with the company shall not itself affect independence.

In addition, at least one member must be independent within the meaning of § 100 (5) of the German Stock Corporation Act.

It must be taken into account that the possible emergence of conflicts of interest in individual cases cannot, as a general rule, be excluded. Potential conflicts of interest must be disclosed to the Chairman of the Supervisory Board and will be resolved by appropriate measures.

3. Retirement age

According to the Supervisory Board's Rules of Procedure, its members may not, in general, be older than 70 years of age.

II. Requirements relating to the composition of the board as a whole

1. Specialist knowledge

- At least one member must have considerable experience in the insurance and financial services fields
- At least one member must have expert knowledge of accounting and auditing within the meaning of § 100 (5) of the German Stock Corporation Act
- Specialist knowledge of, or experience in, other economic sectors.

2. International character

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. Since the establishment of Allianz SE as a Societas Europaea (European Company), Allianz employees from different Member States of the EU are considered in the distribution of Supervisory Board seats for employee representatives, according to the Agreement concerning the Participation of Employees in Allianz SE dated 20 September 2006.

3. Diversity and appropriate representation of women

The members of the Supervisory Board shall appoint new members taking into account their background, professional experience and specialist knowledge, in order to provide the Supervisory Board with the most diverse sources of experience and specialist knowledge possible.

The aim is for at least 25% of the Supervisory Board members to be women. The representation of women is considered to be the joint responsibility of the shareholder and employee representatives."

¹ — See the BaFin notice on the monitoring of members of administrative and supervisory bodies pursuant to the German Banking Act (KWG) and the German Insurance Supervision Act (VAG) dated 3 December 2012.

In accordance with these objectives, currently four people with an international background and four women are on the Supervisory Board. This is in line with our objectives regarding international character and the representation of women. The current composition of the Supervisory Board and its committees is described on page 9.

Shares held by members of the Board of Management and the Supervisory Board

The total holdings of members of the Board of Management and the Supervisory Board of Allianz SE amounted to less than 1% of the company's issued shares as of 31 December 2012.

Directors' dealings

Members of the Board of Management and the Supervisory Board are obliged by the German Securities Trading Act to disclose any transactions involving shares of Allianz SE or financial instruments based on them to both Allianz SE and the German Federal Financial Supervisory Authority should the value of the shares acquired or divested by the member, or a person closely associated to the member, amount to five thousand Euro or more within a calendar year. Such disclosures are published on our website at www.allianz.com/management-board and www.allianz.com/supervisory-board.

Annual general meeting

Shareholders exercise their rights at the AGM. When adopting resolutions, each share carries one vote. In order to facilitate the exercise of shareholders' rights, Allianz allows shareholders to follow the AGM's proceedings on the internet and be represented by proxies appointed by Allianz SE. These proxies exercise voting rights exclusively on the basis of instructions given by the shareholder. Shareholders are also able to cast their votes by postal vote. This option is also available via the internet in the form of online voting. Allianz SE regularly promotes the use of email and internet services.

The AGM elects the members 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 and the approval of intercompany agreements, as well as the remuneration of the Supervisory Board and changes to the company's Statutes. Changes to the Statutes require the backing of at least half of the share capital or a two-thirds majority of votes cast in accordance with European regulations and the Statutes. Each year, an ordinary AGM takes place at which the Board of Management and 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 policies and audit of financial statements

The Allianz Group prepares its accounts according to § 315a of the German Commercial Code ("Handelsgesetzbuch – HGB"), on the basis of IFRS international accounting standards as applied within the European Union. The financial statements of Allianz SE are prepared in accordance with German law, in particular, the HGB.

In compliance with special legal provisions applying to insurance companies, the auditor of the annual financial statements and of the half-yearly financial report is appointed by the Supervisory Board and 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 of the company's situation on a regular basis and in a timely fashion. The annual financial statements of Allianz SE, the Allianz Group's consolidated annual financial statements and the management reports are published within 90 days after the end of each financial year. Additional information is provided in the Allianz Group's quarterly and half-yearly financial reports, which are reviewed by the auditor. Information is also made available at the AGM, at press conferences and analysts' meetings, as well as 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, quarterly and half-yearly financial reports and AGMs.

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Statement on Corporate Management pursuant to § 289a of the HGB

The Statement on Corporate Management pursuant to § 289a of the German Commercial Code (“Handelsgesetzbuch – HGB”) forms part of the Group Management Report. According to § 317 (2), sentence 3 of the HGB, this Statement does not have to be included within the scope of the audit.

Declaration of conformity with the German Corporate Governance Code

On 12 December 2012, the Board of Management and the Supervisory Board issued the following Declaration of Compliance of Allianz SE with the German Corporate Governance Code:

DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

“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)

- Allianz SE fully complies and will continue to fully comply with the recommendations of the German Corporate Governance Code Commission in the version of 15 May 2012, published by the Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger).
- Since the last Declaration of Conformity as of 14 December 2011, Allianz SE has complied with the recommendations of the Code in the version of 26 May 2010 with the exception to No. 5.4.6 para. 2 sentence 1 of the Code (the compensation rules for the Supervisory Board of Allianz SE do not provide for any performance-related components. The company believes fair fixed remuneration is more suitable to the control function of the Supervisory Board irrespective of success of the company). Since the German Corporate Governance Code in the version of 15 May 2012 does not contain a recommendation for performance-related compensation components for the Supervisory Board anymore, there will be no deviation in this regard in the future.

Munich, 12 December 2012
Allianz SE

For the Board of Management:
Signed Michael Diekmann Signed Dr. Helga Jung

For the Supervisory Board:
Signed Dr. Helmut Perlet”

In addition, Allianz SE follows all the suggestions of the German Corporate Governance Code Commission in its 15 May 2012 version. The suggestions in the previous version of 26 May 2010 were followed with the exception of the suggestion in No. 5.4.6 para. 2 sentence 2 (performance-related remuneration of the Supervisory Board based on the long-term performance of the company).

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

The listed Group company Oldenburgische Landesbank AG issued its own Declaration of Conformity in December 2012, which states that Oldenburgische Landesbank AG complies with all of the recommendations of the German Corporate Governance Code in its version of 15 May 2012.

Corporate governance practices

INTERNAL CONTROL SYSTEMS

Effective internal control systems for our internal and external financial reporting are essential in order to gain the confidence of the capital market, our customers and the public. Consequently, Allianz Group has implemented a comprehensive risk management system that involves regular assessments of the effectiveness of internal controls as well as a quantitative limit system that helps the company avoid unwanted risks. The internal requirements regarding the control of financial reporting refer to accounting, the reporting of Market Consistent Embedded Value (MCEV), and risk capital. For further information on the risk organization and risk principles, please refer to page 57. (For further information on the internal controls over financial reporting and risk capital, please refer to page 89).

The quality of the internal control systems is assessed by Allianz Group internal audit staff who are independent of the activities which are audited. Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve our organization’s operations. It helps us to accomplish our objectives by introducing a systematic, disciplined approach and thus contributing 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 as well as further assist in strengthening its governance processes and structures.

COMPLIANCE AND ANTI-MONEY LAUNDERING PROGRAM

The sustained success of the Allianz Group is based on the responsible behavior of all Group employees, who embody trust, respect and integrity. By means of the compliance and anti-money laundering program coordinated by its independent central compliance department, Allianz supports and follows internationally and nationally recognized guidelines and standards for rules-compliant and value-based corporate governance. These include the UN Global Compact Program, the OECD Guidelines for Multinational Enterprises, embargo regulations and the recommendations of the Financial Action Task Force on Money Laundering (FATF). Allianz manages the risk of infringements against statutory provisions and requirements (compliance risk) through its support for and adherence to these international and national principles. At the same time, it integrates sustainability and social responsibility in its corporate conduct. The independent central compliance department is responsible, in close cooperation with local compliance departments, for ensuring the effective implementation and monitoring of the compliance and anti-money laundering program within Allianz as well as for the investigation of any suspected infringement.

The standards of conduct established by the Allianz Group's Code of Conduct for Business Ethics and Compliance serve to implement these guidelines and principles and are obligatory for all employees worldwide. The Code of Conduct is available on our website at www.allianz.com/corporate-governance.

The Code of Conduct and the internal guidelines derived from it provide all employees with clear guidance on behavior that lives up to the values of the Allianz Group. In order to transmit the principles of the Code of Conduct and other compliance guidelines and controls effectively and on a sustained basis, Allianz has implemented interactive training programs around the world. These provide practical guidelines which enable employees to come to their own decisions and avoid potential conflicts of interest. The Code of Conduct also forms the basis for guidelines and controls to ensure fair dealings with Allianz Group customers (sales compliance).

There are legal provisions against corruption and bribery in almost all countries in which Allianz has a presence. For this reason, a global Anti-Corruption Program was established in the summer of 2009, which provides for the continuous monitoring and improvement of the internal anti-corruption controls.


A major component of the Allianz Group's compliance program is a whistleblower system that allows employees to alert the relevant compliance department confidentially about irregularities. Employees who voice concerns about irregularities in good faith should not fear retribution in any form, even if the concerns turn out to be unfounded at a later date.

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 9 and 12 of the Annual Report. On page 13, reference is made to the composition of the Board of Management and a description of the composition of the Board of Management's committees can be found on page 62 of the Corporate Governance Report. The information can also be found 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 61 and on our website at www.allianz.com/corporate-governance.

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Remuneration Report

This report comprises three sections covering the remuneration arrangements for the:

- Board of Management
- Executives below the Board of Management
- Supervisory Board

Board of Management remuneration

GOVERNANCE SYSTEM

The remuneration of the Board of Management is set by the full Supervisory Board. Meetings are prepared by the Personnel Committee, while Group HR and other corporate functions provide internal support as requested or required. Outside advice is sought from time-to-time from external consultants. The Personnel Committee and Supervisory Board consult with the Chairman of the Board of Management as appropriate in assessing the performance and remuneration of members of the Board of Management. 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 section. The remuneration system for the Board of Management was presented and approved at the 2010 Annual General Meeting.

REMUNERATION PRINCIPLES AND MARKET POSITIONING

Remuneration is designed to be competitive compared to peers given the Group's scale of business activities, operating environment, general economic conditions and performance. While structured to attract and retain highly qualified executives, the overall goal is to support and encourage sustained value-oriented management. The key principles of Board of Management remuneration are as follows:

- **Support for the Group's strategy:** Performance targets reflect the Allianz Group's business strategy.
- **Alignment of pay and performance:** A significant performance-based, variable component.
- **Variable remuneration focused on sustainability:** Two thirds of the variable remuneration reflect sustained performance. Thereof, 50% is subject to a multi-year tar-

get achievement and sustainability assessment with a deferred payout after three years. The remaining 50% rewards sustained performance through share price development with a deferred payout after five years.

- **Alignment with shareholder interests:** 25% of total target remuneration is dependent upon share price performance.
- **Integration and balance:** Incentives complement each other and represent an appropriate balance of opportunity and managed risk that is effective over varying performance scenarios and consistent with good governance.

The structure, weighting and level of remuneration is discussed by the Supervisory Board. Survey data is provided by external consultants. The peer group consists primarily of other DAX 30 companies. Compensation levels are usually around the median or third quartile of this group. The structure of Allianz's total remuneration is more strongly weighted to variable, longer-term components. Remuneration and benefit arrangements are also periodically compared with best practices. Board of Management remuneration relative to remuneration levels within the Group is also taken into account when the Supervisory Board determines the need for any adjustments.

REMUNERATION STRUCTURE AND COMPONENTS

There are four main remuneration components. Each has approximately the same weighting within annual target remuneration: Base salary, Annual bonus, annualized Three-year bonus and Equity-related remuneration. In addition, Allianz offers pensions/similar benefits and perquisites.

Base salary

Base salary is the fixed remuneration component and is expressed as an annual cash sum, paid in twelve monthly installments.

Variable remuneration

Variable remuneration aims for balance between short-term performance, longer-term success and sustained value creation. It is designed to balance risk and opportunity to achieve an appropriate level of remuneration in different performance scenarios and business circumstances. The grant of variable remuneration components is related

to performance and can vary between 0% and 165% of the respective target values. All variable awards are made under the rules and conditions of the “Allianz Sustained Performance Plan” (ASPP) which consists of the following equally-weighted components:

- Annual bonus (short-term): A cash payment which rewards annual achievement of targets.
- Three-year bonus (mid-term): A deferred award subject to a multi-year sustainability assessment.
- Equity-related remuneration (long-term): A virtual share award, known as Restricted Stock Units (RSU). Annual achievement of targets is the basis for the initial grant value. The longer-term performance of the Group is reflected in Allianz’s stock price development over the

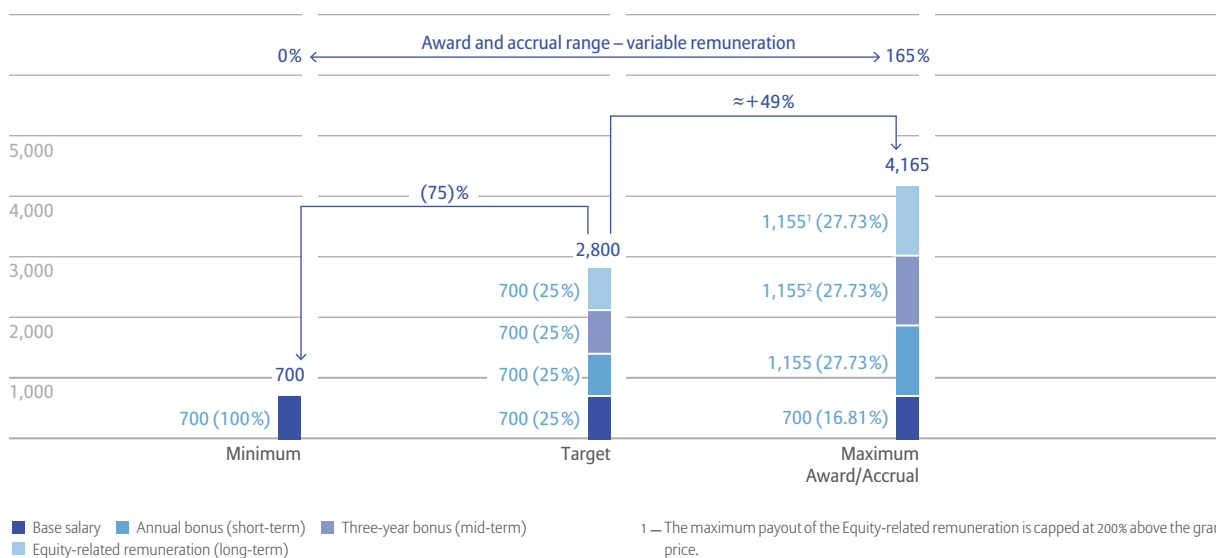
four-year vesting period following the grant. The RSU payout is limited to an increase of the grant price by 200% (cap).

Variable remuneration components may not be paid, or payment may be restricted in the case of a breach of the Allianz Code of Conduct, risk limits or compliance requirements. Additionally, a reduction of variable remuneration may occur if the state supervisory authority requires this in accordance with its statutory powers.

The following chart illustrates the potential value of the variable remuneration – excluding pension and perquisites – according to different performance outcomes (minimum, target and maximum). In addition, it shows the proportions delivered through fixed and variable remuneration.

VALUE OF ANNUAL OFFER IN VARIOUS PERFORMANCE ACHIEVEMENT SCENARIOS

Example: Regular member of the Board of Management with €700 THOU fixed and €2,100 THOU target variable remuneration
€ THOU



- 1 – The maximum payout of the Equity-related remuneration is capped at 200% above the grant price.
- 2 – The annual accrual of the mid-term (Three-year bonus) amount only indicates the assumed progress based on annual performance. The final assessment and payout is determined by the Supervisory Board at the end of the three-year performance period.

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Pensions and similar benefits

The purpose is to provide competitive and cost-effective retirement and disability benefits using risk-appropriate vehicles. Board members participate in a contribution-based system covering Board service from 1 January 2005. Prior to 2005, Board members participated in a defined benefit plan that 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 participate in the Allianz Versorgungskasse VVaG (AVK), a contribution-based pension plan and the Allianz Pensionsverein e.V. (APV), which provide pension benefits for salaries up to the German social security ceiling.

Company contributions to the current pension plan depend on the years of service on the Board of Management. They are invested in a fund with a guaranteed minimum interest rate per year. On retirement the accumulated capital is converted to a lifetime annuity. Each year the Supervisory Board decides whether and to what extent a budget is provided. Independent from this decision, an additional risk premium is paid to cover death and disability. The earliest age a pension can be drawn is 60, except for cases of occupational or general disability for medical reasons. In these cases it may become payable earlier on. In the case of death, a pension may be paid to dependents. Surviving dependents normally receive 60% (surviving partner) and 20% (per child) of the original Board member's pension, with the aggregate not to exceed 100%. Should Board membership cease prior to retirement age for other reasons, the accrued pension rights are maintained if vesting requirements are met.

Perquisites

Members of the Board of Management also receive certain perquisites. These mainly consist of contributions to accident and liability insurances and the provision of a company car. Where applicable, expenses are paid for the maintenance of two households and in some cases security measures are provided. Perquisites are not linked to performance. Each member of the Board of Management is responsible for the income tax on these perquisites. The Supervisory Board reviews the level of perquisites.

TARGET SETTING AND PERFORMANCE ASSESSMENT FOR VARIABLE REMUNERATION

Each year, the Supervisory Board agrees on performance targets for the variable remuneration with the members of the Board of Management. These are documented for the upcoming financial year and, every three years, for the respective mid-term period.

TARGET CATEGORIES FOR VARIABLE SHORT AND MID TERM REMUNERATION IN 2012

			Business division/Function	Corporate Center Functions
ANNUAL BONUS (SHORT-TERM)	Quantitative targets	75%		
	Group targets	50%	Equal split between – Annual operating profit – Annual net income attributable to shareholders	
	Targets of the business divisions/ Corporate center functions	25%	Operating profit of the respective business division	Controlling, reporting, risk – Solvency I ratio – Dividend capability Finance – Investment performance – Cash flow generation Operations – Efficiency – Operating profit of Travel/Assistance ¹
	Qualitative targets	25%	Specific individual priorities for 2012 per member of the Board of Management out of the five categories that are essential to the 2010–2012 Group strategy – “Partner of Choice” for stakeholders (customers, employees, investors, general public) – Profitable growth – Strengthening of competitiveness – Development of market management (e.g. sales channels, customer segments and profitable customer base growth) – Protection of shareholders’ equity	
The performance achievement of the Chairman is determined by the average target achievement of the other Board of Management members and can be adjusted by the Supervisory Board based on the Chairman’s personal performance.				
THREE-YEAR BONUS (MID-TERM)	Portfolio development		Group level – 2010–2012 average growth – 2012 return on capital Business division level – 2010–2012 average growth – 2012 return on capital	
	Sustainability assessment qualitative criteria		– Actual growth versus expectations – Profitability development – Comparison with peers – Extraordinary events – Capital situation against internal risk capital model – Additional sustainability criteria (e.g. customer/employee satisfaction)	

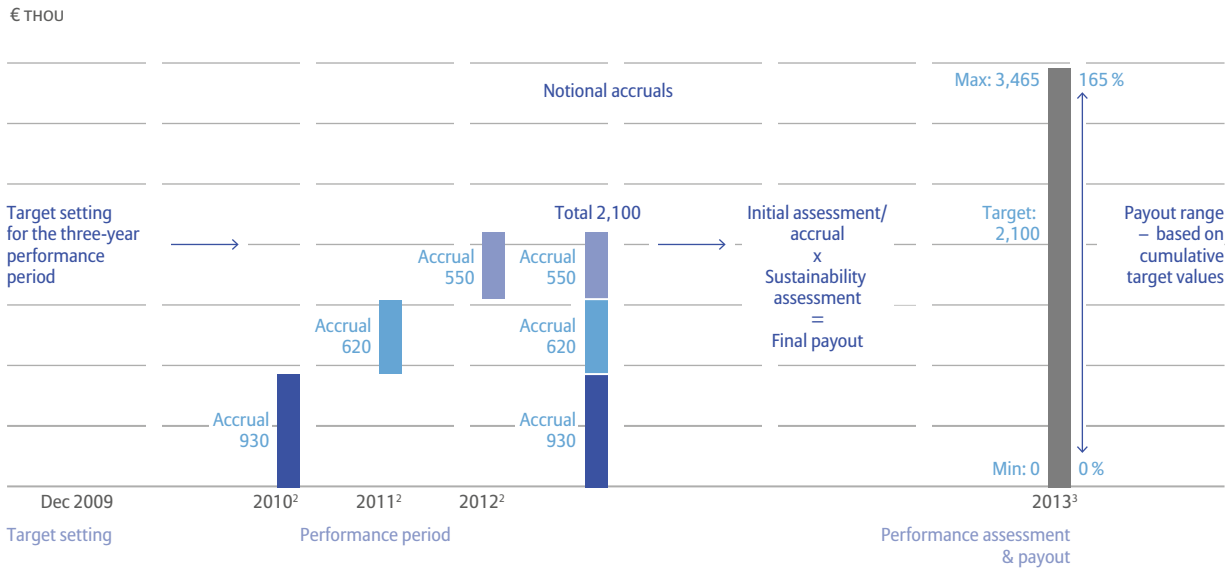
¹ – Operating profit targets were set for Dr. Christof Mascher for overseeing Allianz Global Assistance.

The *Annual bonus* award depends on the achievement of quantitative and qualitative targets for the respective financial year. These targets are set in order to achieve an appropriate return on capital, as approved by the Supervisory Board. The Supervisory Board may adjust the award to reflect overall business results and individual performance achievements.

The *Three-year bonus* reflects the achievement of the annual target by accruing an amount identical to the Annual bonus. To recognize sustainability, the final award is subject to a subsequent (retrospective) assessment of the portfolio development by the Supervisory Board. It considers both growth and return on capital to ensure that the final award not only depends on accounting profits but also on profitable growth over the three-year period. This is supported by a review of qualitative criteria and may lead to an adjustment of the award within the range of 0% to 165%.

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ILLUSTRATION OF THE PROCESS AND THE UNDERLYING TIMELINE OF THE THREE-YEAR BONUS CYCLE, FROM TARGET SETTING TO FINAL PERFORMANCE ASSESSMENT¹



■ Year 1 ■ Year 2 ■ Year 3

1 – Example based on at target values of a regular member of the Board of Management with an annual target of €700 THOU for the Three-year bonus.
 2 – Actual accrual for the Three-year bonus (mid-term) usually equals the Annual bonus payout

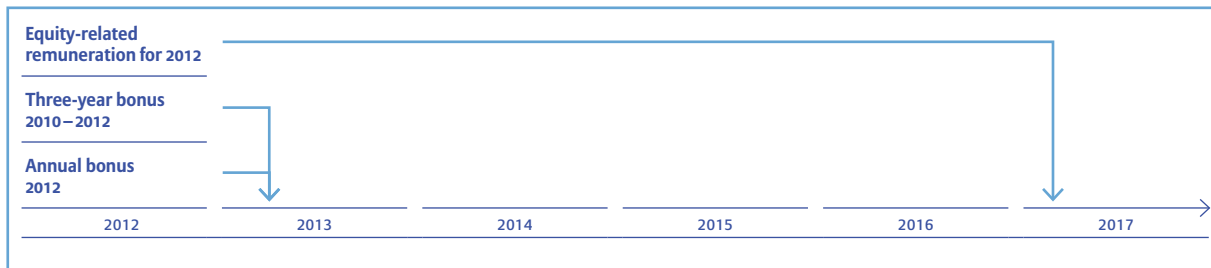
of the respective financial year. Since the performance assessment and the final payout occur after completion of the performance cycle this value is only a notional indication.
 3 – Final payout is subject to the sustainability assessment of the Supervisory Board and may vary within the full range between 0%–165% of the cumulative target values independent of the notional accruals.

Equity-related remuneration is granted after the end of the financial year, with the Annual bonus performance of plan participants determining the value of the equity grant. The number of RSU granted results from dividing this value by the calculated market value of an RSU at the time of grant. Following the end of the four-year vesting period, the company makes a payment based on the market price of the Allianz share at that time. In this way the ultimate value is driven by our share performance, thereby providing an alignment with shareholder interests. To avoid extreme

payouts, the RSU payout is capped at 200% above grant price. Outstanding holdings are forfeited in accordance with the plan rules should executives leave at their own request or would be terminated for cause.

Annual performance drives the value of the Annual bonus and also influences the mid- and long-term components. However, the values delivered under the three-year and equity components ultimately depend on sustained performance over longer periods.

PAYOUT OF VARIABLE REMUNERATION



2012 REMUNERATION AND LINK TO PERFORMANCE

Total remuneration¹: The following table shows individual remuneration for 2012 and 2011, including fixed and variable remuneration and the pension service cost. For the Three-year bonus 2010–2012, the individualized remuneration table

shows the 2012 annual allocation per member of the Board of Management to provide information on the individual remuneration components in a way which is comparable to previous years; the actual settlement is disclosed below the table.

INDIVIDUAL REMUNERATION – 2012 AND 2011

Total might not sum up due to rounding
€ THOU

		Fixed		Variable			Total	Pensions	Total incl. Pensions
		Base salary	Perquisites	Annual bonus (short-term) ¹	Three-year bonus (mid-term)	Fair value of RSU award at date of grant (long-term)			
Board members									
Michael Diekmann (Chairman)	2012	1,280	23	1,498	1,498	1,498	5,798	904	6,702
	2011	1,200	31	1,062	1,062	1,062	4,417	865	5,282
Dr. Paul Achleitner ²	2012	356	25	447	447	447	1,723	342	2,065
	2011	800	57	640	640	640	2,777	1,331 ³	4,108
Oliver Bäte	2012	750	58	946	946	946	3,646	285	3,931
	2011	700	50	688	688	688	2,814	274	3,088
Manuel Bauer	2012	700	16	899	899	899	3,412	287	3,699
	2011	700	13	511	511	511	2,246	295	2,541
Gary Bhojwani	2012	350 ⁴	4	397 ⁵	397 ⁵	397 ⁵	1,544	– ⁶	1,544
	2011	–	–	–	–	–	–	–	–
Clement Booth	2012	750	137	877	926	926	3,616	393	4,009
	2011	750	144	451	499	499	2,343	412	2,755
Dr. Helga Jung	2012	700	11	857	857	857	3,281	270	3,551
	2011	–	–	–	–	–	–	–	–
Dr. Christof Mascher	2012	700	23	841	841	841	3,247	274	3,521
	2011	700	29	595	595	595	2,514	359	2,873
Jay Ralph	2012	700	36	943	943	943	3,566	237	3,803
	2011	700	54	525	525	525	2,329	245	2,574
Dr. Dieter Wemmer	2012	700	18	958	958	958	3,592	246	3,838
	2011	–	–	–	–	–	–	–	–
Dr. Werner Zedelius	2012	750	172 ⁷	896	896	896	3,611	530	4,141
	2011	750	16	559	559	559	2,443	635	3,078
Dr. Maximilian Zimmerer ⁸	2012	408	8	543	543	543	2,044	257	2,301
	2011	–	–	–	–	–	–	–	–
Total	2012	8,145	531	10,102	10,151	10,151	39,080	4,025	43,105
	2011 ⁹	7,546	482	6,313	5,730	6,361	26,432	4,902	31,334
Change from previous year⁹		7.9%	10.2%	60.0%	77.1%	59.6%	47.8%	(17.9)%	37.6%
Change from previous year in total variable⁹					65.2%				

1 – Actual bonus paid in 2013 for fiscal year 2012 and in 2012 for fiscal year 2011.

2 – Dr. Paul Achleitner left the Board of Management effective 31 May 2012. Based on his contract he receives a pro-rated Base salary, a pro-rated Annual bonus and a pro-rated Three-year bonus in accordance with the normal process and timeline. Instead of RSU he receives a pro-rated cash payment whereby the amount equals the respective 2012 Annual bonus.

3 – According to his contract Dr. Paul Achleitner receives a transition payment of €1,027.5 THOU after leaving the Board of Management. The payment is calculated based on six months of the latest Base salary and a final lump-sum payment of 25% of the target variable remuneration. This amount is included in Total for 2011.

4 – Gary Bhojwani's Base salary (€350 THOU) is denominated in USD and equals USD 471,768.50. The amount of €350 THOU was derived by applying the contractually agreed USD/EUR exchange rate of 1.347910 (2011 fourth quarter average).

5 – Gary Bhojwani's variable remuneration is denominated in USD. The Supervisory Board approved an Annual bonus of USD 534 THOU. The amount of €397 THOU was derived by applying the contractually agreed USD/EUR exchange rate of 1.347910 (2011 fourth quarter average).

6 – Gary Bhojwani does not receive pension contributions into the Allianz SE pension plans but only under his Allianz of America employment agreement.

7 – Dr. Werner Zedelius received an anniversary payment of €156 THOU.

8 – Dr. Maximilian Zimmerer joined the Board of Management on 1 June 2012 and receives a pro-rated remuneration.

9 – The total remuneration and the percentage change between 2011 and 2012 reflect the remuneration of the full Board of Management in the respective year. Enrico Cucchiani left the Board of Management on 21 December 2011 and Dr. Joachim Faber retired from the Board of Management on effective 31 December 2011.

1 – Due to the roles of some Board of Management Members their remuneration may be split between Allianz SE and other companies they oversee – as approved by the Supervisory Board. For example, in 2012 the split for Gary Bhojwani was 50% Allianz SE and 50% Allianz of America.

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Below we discuss the 2012 remuneration results and the link to performance against targets for all key remuneration elements and in particular for the payment of the Three-year bonus 2010 – 2012 and the total remuneration of each member of the Board of Management.

- **Base salary:** The Supervisory Board approved in December 2011 Base salary adjustments for those members of the Board of Management who had not received an increase since 2008. The Base salaries were increased: Michael Diekmann by €80 THOU, Dr. Paul Achleitner by €55 THOU and Oliver Bäte by €50 THOU. This led to the following Base salary levels as of 1 January 2012: Michael Diekmann €1,280 THOU, Dr. Paul Achleitner €855 THOU and Oliver Bäte €750 THOU. For the new Board members (Dr. Helga Jung, Dr. Dieter Wemmer and Dr. Maximilian Zimmerer) a Base salary of €700 THOU and for Gary Bhojwani a Base salary of €350 THOU was approved. For all other Board members Base salaries for 2012 were maintained at their existing levels.
- **Annual bonus:** The 2012 target achievement for the Group, the business division/corporate functions and the qualitative performance was on average assessed at 128% and ranged between 113% and 137%. Consequently, total Annual bonus awards ranged between 113% and 137% of target with an average bonus award of 128% of target. This represents 78% of the maximum payout.
- **Three-year bonus:** Following the final performance and sustainability assessment of the Three-year bonus plan 2010 – 2012, a total payout of €21,911 THOU was approved by the Supervisory Board. The Supervisory Board conducted the sustainability assessment in accordance with the agreed criteria. This analysis concluded that the years 2010 – 2012 represented a period of solid and sustainable performance for Allianz. On this basis, the final distributions made under the Three-year bonus plan were confirmed in line with the cumulated award values of the three-year performance period.

Regulation also requires the disclosure of the final cash payout on an individual level. The following Three-year bonus 2010 – 2012 payments per member of the Board of Management¹ were made:

Michael Diekmann €4,104 THOU
 Dr. Paul Achleitner €2,162 THOU
 Oliver Bäte €2,582 THOU
 Manuel Bauer €1,410 THOU
 Gary Bhojwani² €397 THOU
 Clement Booth €2,417 THOU
 Dr. Helga Jung €857 THOU
 Dr. Christof Mascher €1,877 THOU
 Jay Ralph €2,313 THOU
 Dr. Dieter Wemmer €958 THOU
 Dr. Werner Zedelius €2,292 THOU
 Dr. Maximilian Zimmerer €543 THOU

- **Equity-related remuneration:** In accordance with the approach described earlier, a number of RSU were granted to each Board member in March 2013. At the time of grant, each award had the same “fair value” as the award for the 2012 Annual bonus.

¹ – For joining or leaving members of the Board only the pro-rated Three-year bonus relating to their service as Board members is disclosed.

² – Gary Bhojwani’s Three-year bonus is denominated in USD. The Supervisory Board approved a payment of USD 1,068 THOU. The amount of €397 THOU was derived by applying the contractually agreed USD/EUR exchange rate of 1.347910 (2011 fourth quarter average).

GRANTS, OUTSTANDING HOLDINGS AND EQUITY COMPENSATION EXPENSE UNDER THE ALLIANZ EQUITY PROGRAM¹

	RSU ²		SAR ³	
	Number of RSU granted on 3/7/2013 ⁴	Number of RSU held at 12/31/2012	Number of SAR held at 12/31/2012	Strike Price Range €
Board members				
Michael Diekmann (Chairman)	17,699	55,356	75,246	51.95 – 160.13
Dr. Paul Achleitner ⁵	–	27,440	50,389	51.95 – 160.13
Oliver Bäte	11,175	33,880	26,362	51.95 – 117.38
Manuel Bauer	10,617	15,403	17,844	51.95 – 160.13
Gary Bhojwani ⁶	4,864	17,116	13,218	51.95 – 160.13
Clement Booth	10,935	34,064	50,464	51.95 – 160.13
Dr. Helga Jung	10,120	9,105	11,720	51.95 – 160.13
Dr. Christof Mascher	9,938	29,094	28,330	51.95 – 160.13
Jay Ralph	11,141	29,953	25,449	51.95 – 117.38
Dr. Dieter Wemmer	11,317	–	–	–
Dr. Werner Zedelius	10,588	40,634	66,549	51.95 – 160.13
Dr. Maximilian Zimmerer ⁷	6,412	19,385	28,678	51.95 – 160.13
Total	114,806	328,546	407,467	–

1 – The Equity-related remuneration that applied before 2010 consisted of two vehicles, virtual stock awards known as RSU and virtual stock options known as Stock Appreciation Rights (SAR). Only RSU have been awarded as of 2010. The remuneration system valid until December 2009 is disclosed in the Annual Report 2009 (starting on page 55).

2 – As disclosed in the Annual Report 2011 the Equity-related grant in 2012 was made to participants as part of their 2011 remuneration. The disclosure in the Annual Report 2011 was based on a best estimate of the RSU grants. The actual grants, as of 8 March 2012, deviate from the estimated values and have to be disclosed accordingly. The actual grants as of 8 March 2012 under the Allianz equity program in the form of RSU are as follows: Michael Diekmann: 14,939, Oliver Bäte: 9,675, Manuel Bauer: 7,188, Clement Booth: 7,019, Dr. Joachim Faber: 9,161, Dr. Christof Mascher: 8,374, Jay Ralph 7,385, Dr. Werner Zedelius: 7,857.

3 – SAR are released to plan participants upon expiry of the vesting period, assuming all other exercise hurdles are met. For SAR granted until and including 2008, the vesting period was two years. For SAR granted from 2009, the vesting period is four years. SAR can be exercised

on condition that the price of Allianz SE stock is at least 20% above their strike price at the time of grant. Additionally, the price of the Allianz SE stock must have exceeded the Dow Jones EURO STOXX Price Index (600) over a period of five consecutive trading days at least once during the plan period.

4 – The relevant share price used to determine the final number of RSU granted is only available after sign-off by the external auditors, thus numbers are based on a best estimate.

5 – For the financial year 2011 and 2012 the Equity-related remuneration for Dr. Paul Achleitner will be delivered in cash. As a result he did not receive an RSU grant on 8 March 2012. Neither will he receive an RSU grant on 7 March 2013.

6 – Gary Bhojwani's RSU grant will be based on his Annual bonus amount of USD534 THOU. The number of RSU will be calculated in line with the process for other USD participants by application of the 2012 fourth quarter USD/EUR exchange rate of 1.29706.

7 – Dr. Maximilian Zimmerer joined the Board of Management on 1 June 2012 and receives a pro rated grant.

– **Pensions:** Company contributions in the current plan are 28.35% of Base salary, increasing to 35.44% after five years and to 42.53% after ten years service on the Board of Management. These are invested in a fund and have a minimum guaranteed interest rate of 2.75% each year. If the net annual return of the AVK exceeds 2.75%, the full increase in value is credited in the same year. For members with pension rights in the frozen plan, the above contribution rates are reduced by an amount equivalent to 19% of the expected annual pension from that plan.

The Allianz Group paid €4 MN (2011: €5 MN) to increase reserves for pensions and similar benefits for active members of the Board of Management. As of 31 December 2012, reserves for pensions and similar benefits for active members of the Board of Management amounted to €31 MN (2011: €35 MN).

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INDIVIDUAL PENSIONS: 2012 AND 2011

€ THOU													
		Assumed retirement age	Defined Benefit Pension Plan (frozen)			Current Pension Plan		AVK/APV ¹		Transition payment ²		Total	
			Annual pension payment ³	SC ⁴	DBO ⁵	SC ⁴	DBO ⁶	SC ⁷	DBO ⁸	SC ⁴	DBO ⁶	SC ⁴	DBO ⁹
Board members													
Michael Diekmann	2012	60	337	305	5,440	565	3,861	3	115	31	995	904	10,411
(Chairman)	2011	60	337	265	4,929	539	3,173	4	106	57	908	865	9,116
Dr. Paul Achleitner	2012	60	196	209	- ¹⁰	132	- ¹⁰	1	48 ¹⁰	-	- ¹⁰	342	- ¹⁰
	2011	60	344	333	3,673	335	1,896	4	68	659	1,028 ⁷	1,331	6,665
Oliver Bäte	2012	60	-	-	-	257	1,367	2	16	26	130	285	1,513
	2011	60	-	-	-	243	1,068	4	12	27	98	274	1,178
Manuel Bauer	2012	60	57	62	907	222	970	3	90	-	1	287	1,968
	2011	60	57	55	817	236	722	4	97	-	1	295	1,637
Gary Bhojwani ¹¹	2012	-	-	-	-	-	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-	-	-	-	-	-
Clement Booth	2012	60	-	-	-	314	2,101	2	22	77	562	393	2,685
	2011	60	-	-	-	324	1,722	4	18	84	457	412	2,197
Dr. Helga Jung	2012	60	62	35	526	232	824	3	85	-	-	270	1,435
	2011	-	-	-	-	-	-	-	-	-	-	-	-
Dr. Christof Mascher	2012	60	-	-	-	237	1,618	2	21	35	242	274	1,881
	2011	60	-	-	-	242	1,331	4	17	113	195	359	1,543
Jay Ralph	2012	60	-	-	-	235	766	2	9	-	-	237	775
	2011	60	-	-	-	241	511	4	6	-	-	245	517
Dr. Dieter Wemmer	2012	60	-	-	-	245	245	-	-	1	1	246	246
	2011	-	-	-	-	-	-	-	-	-	-	-	-
Dr. Werner Zedelius	2012	60	225	181	2,857	330	2,287	3	119	16	449	530	5,712
	2011	60	225	159	2,589	340	1,885	4	109	132	410	635	4,993
Dr. Maximilian Zimmerer	2012	60	161	54	1,879	99	1,511	2	115	102	420	257	3,925
	2011	-	-	-	-	-	-	-	-	-	-	-	-

1 – Following Allianz's founding of the APV in 1998 the 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 1998 both Allianz and the plan participants were contributing to the AVK.

2 – For details on the transition payment, see section Termination of Service.

3 – Expected annual pension payment at assumed retirement age, excluding current pension plan.

4 – SC = Current Service Cost.

5 – Total settlement amount of the offset liabilities – as the effect of the first-time application of the German Accounting Law Modernization Act in fiscal year 2010 is spread across 15 years, the following values apply in the German GAAP balance sheet: Michael Diekmann: €4,882 THOU, Manuel Bauer: €738 THOU, Dr. Helga Jung: €486 THOU, Dr. Werner Zedelius: €2,310 THOU, Dr. Maximilian Zimmerer: 1,879 THOU.

6 – Total settlement amount of the offset liabilities (Defined Benefit Obligation), end of year.

7 – Contribution.

8 – AVK/APV are indirect pension promises which are off German GAAP balance sheet, i. e. the amount is €0. For transparency reasons the premium reserve is shown in the table.

9 – Total settlement amount of the offset liabilities – the total amount in the German GAAP balance sheet is: Michael Diekmann: €9,738 THOU, Oliver Bäte: €1,497 THOU, Manuel Bauer: €1,709 THOU, Clement Booth: €2,663 THOU, Dr. Helga Jung: €1,310 THOU, Dr. Christof Mascher: €1,860 THOU, Jay Ralph: €766 THOU, Dr. Dieter Wemmer: 246 THOU, Dr. Werner Zedelius: €5,046 THOU, Dr. Maximilian Zimmerer: 3,810 THOU.

10 – As Dr. Paul Achleitner left Allianz on 31 May 2012, his DBO of €7,107 THOU (thereof 4,050 THOU for the frozen DB-Pension Plan, €2,101 THOU for the Current Pension Plan and €956 THOU for the transition payment) is covered under former Board members.

11 – As the pension plans of Gary Bhojwani are covered in the USA, he receives no pension from Allianz SE.

In 2012, remuneration and other benefits totaling €7 MN (2011: €6 MN) were paid to retired members of the Board of Management and dependents. Reserves for current pensions and accrued pension rights totaled €82 MN (2011: €66 MN). The increase is mainly caused by the retirement of Dr. Paul Achleitner and Dr. Joachim Faber as well as the decrease of the discount rate.

- **Perquisites:** For 2012 the total value of the perquisites amounted to €0.5 MN (2011: €0.5 MN).
- **Total remuneration:** We disclose below the total remuneration per member of the Board of Management for 2012 and 2011. The total remuneration for 2012 includes the payout of the Three-year bonus for 2010 – 2012 but excludes the pension service cost. The figures for 2011 (in parentheses) exclude the notional annual accruals of the Three-year bonus for 2010 to 2012:

Michael Diekmann €8,404 (3,355) THOU
 Dr. Paul Achleitner €3,437¹ (3,165)² THOU
 Oliver Bäte €5,282 (2,126) THOU
 Manuel Bauer €3,923 (1,735) THOU
 Gary Bhojwani³ €1,544 (-) THOU
 Clement Booth €5,155 (1,844) THOU
 Dr. Helga Jung €3,281 (-) THOU
 Dr. Christof Mascher €4,283 (1,919) THOU
 Jay Ralph €4,936 (1,804) THOU
 Dr. Dieter Wemmer €3,592 (-) THOU
 Dr. Werner Zedelius €5,007 (1,884) THOU
 Dr. Maximilian Zimmerer €2,044 (-) THOU

The sum of total remuneration of the Allianz SE Board of Management for 2012, including the payment of the Three-year bonus, amounts to €51 MN (2011 excluding the notional accruals for the Three-year bonus: €22 MN²). The corresponding amount including pension service cost equals €55 MN (2011 excluding the notional accruals for the Three-year bonus: €26 MN²).

LOANS TO MEMBERS OF THE BOARD OF MANAGEMENT

As of 31 December 2012, there were no outstanding loans granted by Allianz Group companies to members of the Board of Management. When granted, loans and overdrafts are provided according to standard market conditions or the conditions prevailing for Allianz employees. They carry no more than normal risks of repayment and do not provide any other favorable features.

1 – Dr. Paul Achleitner left the Board of Management effective 31 May 2012 and receives a pro-rated remuneration. Instead of RSU he receives a pro-rated cash payment, whereby the amount equals the respective 2012 Annual bonus.

2 – According to his contract Dr. Paul Achleitner receives a transition payment of €1,027.5 THOU after leaving the Board of Management. This amount is included in the total for 2011.

3 – A portion of Gary Bhojwani's total remuneration is denominated in USD. The amount of €1,544 THOU was derived by applying the contractually agreed USD/EUR exchange rate of 1.347910 (2011 fourth quarter average).

TERMINATION OF SERVICE

Board of Management contracts are set for a maximum period of five years. In compliance with the German Corporate Governance Code, for new appointments the maximum service period of five years is not the rule.

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 term of at least 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, also compliant with the German Corporate Governance Code, apply if service is terminated as a result of a 'change of control'. A change of control requires that a shareholder of Allianz SE, acting alone or together with other shareholders, holds more than 50% of voting rights in Allianz SE. Termination as a result of a change of control occurs within twelve months if
 - a. the Management Board appointment is unilaterally revoked by the Supervisory Board, or
 - b. the Board member resigned due to a substantial decrease in managerial responsibilities and without giving cause for termination, or
 - c. a Management Board appointment is terminated by mutual agreement

or where the appointment is not extended within two years of the change of control.

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

Board members who were appointed before 1 January 2011 are eligible to use a company car for a period of twelve months after their retirement.

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TERMINATION OF SERVICE – DETAILS OF THE PAYMENT ARRANGEMENTS AND ILLUSTRATIVE EXAMPLES

Examples in € THOU

TRANSITION PAYMENT (APPOINTMENT BEFORE 1 JANUARY 2010)

Board members receiving a transition payment are subject to a six-months non-compete clause.

The payment is calculated based on the last Base salary and 25% of the target variable remuneration at the date when notice is given.

An Allianz pension, where immediately payable, is taken into account in adjusting transition payment amounts.

A regular Board member with last Base salary of 700 and target variable remuneration of 2,100

Base Salary for 6 months (350)
+ 25% of the total variable remuneration at target (525)
= 875

SEVERANCE PAYMENT CAP

Payments to Board members for early termination with a remaining term of contract of more than two years are capped at two years compensation:

Whereby the annual compensation

- a. is calculated on the basis of the previous year's annual Base salary plus 50% of the target variable remuneration (Annual bonus + annualized Three-year bonus + Equity-related remuneration); and
- b. shall not exceed the latest year's actual total compensation.

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

A regular Board member with last year Base salary of 700 and target variable remuneration of 2,100

Two years compensation:

Base Salary (1,400)
+ 50% of the total variable remuneration at target (2,100)
= 3,500

Assumption: Last year's actual total compensation at 2,800 = 5,600

Based on the example from above (severance payment cap at 3,500) and assuming a remaining term of contract of only half a year:

Severance payment cap (3,500) prorated to half a year = 875

Severance payment cap: the lower of 3,500 or 5,600

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 years' compensation (yearly compensation as defined above) and shall not exceed

150% of the severance payment cap.

Consequently, the payout is less than two years total remuneration at target.

Based on the example from above:

150% of the severance payment cap (3,500) = 5,250

MISCELLANEOUS

Internal and external Board appointments

When a member of the Board of Management holds an appointment in another company within the Allianz Group, the full remuneration amount is transferred to Allianz SE. In recognition of the benefits to the organization, Board of Management members are supported if they 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. A Board member retains the full remuneration only when the Supervisory Board qualifies the appointment as a personal one. Remuneration paid by external organizations is shown in the Annual Reports of the companies concerned. The remuneration relating to the external appointment is set by the governing body of the relevant organization.

OUTLOOK FOR 2013

On 12 December 2012 the Supervisory Board agreed the new targets. The fundamental structure used in 2012 and set out in the target setting table was validated as highly sound and will continue to form the basis of our 2013 remuneration structure, with the following adaptations:

- For the divisional targets, a new split was introduced: 10% annual IFRS operating profit, 10% IFRS net income and 5% dividend distribution.
- The Mid-term bonus¹ (MTB) 2013 – 2015 will provide an even stronger focus on sustainability. The sustainability assessment includes:
 - Adjusted capital growth vs. plan development
 - Balance sheet strength
 - Comparison with peers
 - “Partner of choice” for stakeholders
 - Extraordinary events

¹ – Mid-term bonus is the former Three-year bonus.

The pension contributions as a percentage of Base salary paid by the company to the contribution-based pension plan are as follows:

PENSION CONTRIBUTIONS		
% of the base salary		
Allianz SE Board member service	Current contribution level	Contribution level from 2013
Less than 5 years	28.35	27.98
After 5 years	35.44	34.98
After 10 years	42.53	41.98

Executive remuneration below the Board of Management

For the purpose of this report, senior executives are defined as Allianz employees who may either have a material impact on the company's financial or risk positions, or lead critical operations of the Group. In general, the same principles and governance standards described for the Board of Management apply to the remuneration of senior executives. However, executives below the Board of Management are more directly responsible for specific lines of business or product groups. Consequently, their remuneration is more closely aligned with their specific business, country and/or regional operating environments. The general objective for all Allianz remuneration structures is to offer competitive reward in terms of components, structures and levels, which allows Allianz to attract, motivate and retain high-performing employees without encouraging excessive risk-taking.

GOVERNANCE SYSTEM

Allianz operates an effective system of Compensation Committees at the business, regional, country and operating entity levels. They periodically review and decide on remuneration guidelines and practices below the Board of Management level. Based on the specific nature, scale and scope of each business, the Board of Management has defined the appropriate level of Compensation Committee oversight. A Group-wide framework governs Compensation Committee operations and ensures consistent adherence to both Allianz minimum standards and regulatory requirements.

The duties of the Group Compensation Committee (GCC) are to assist the Allianz SE Board of Management in dealing with all compensation matters relating to the Chief Execu-

tive Officers, Board members of the International Executive Committee (IEC) companies and the heads of the major functions of Allianz SE. In addition, the committee and representatives of companies classified as significant according to the VersVergV¹ have identified and approved a list of other key executives for additional review. The membership of the GCC is approved by the Allianz SE Board of Management and reflects the nature of the principal Allianz businesses and the breadth and depth of expertise required for Group oversight to comply with VersVergV. Cross-representation on different committees (i.e. Compensation, Risk, Finance and Capital Committees) supports effective information flows.

The responsibilities of Compensation Committees below the GCC level are similar regarding compensation systems and oversight of their respective/relevant executives. Local Compensation Committees are typically comprised of regional Chief Executive Officers, Business Division Heads, Chief Financial Officers or Chief Operating Officers, a representative of the legal and/or compliance function and the Head of Human Resources. Beyond local Compensation Committee oversight, the GCC must be informed quarterly of payments or individual agreements exceeding certain thresholds.

FRAMEWORK AND MINIMUM STANDARDS

Allianz's global governance frameworks and minimum standards are centrally managed. This ensures global consistency and allows for timely updates to reflect changing business needs and evolving regulatory requirements. It also supports continuous improvement in sustainable reward and performance management and exemplary governance principles.

Allianz conducted its annual remuneration risk assessment in companies classified as significant according to VersVergV to confirm that the remuneration structures for senior executives were appropriate to their role, transparent and aligned with the sustainable development principles of the company. The aim of this review was to develop recommendations for improving risk mitigation and aligning pay with performance and, ultimately, to confirm compliance with regulation. The results of these analyses were incorporated in the required internal Compensation Report

¹ — In accordance with the VersVergV, Compensation Committee membership in Allianz generally does not solely consist of Board members and managing directors but also includes representatives of the business as well as representatives of HR and control functions. In order to avoid potential conflicts of interest, each Compensation Committee comprises members whose own remuneration is not covered by its remit.

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to the Board of Management. The Board of Management provided the Supervisory Board with a summary of the analyses, recommendations for improvements in the remuneration and governance systems, and an overall assurance of compliance with regulations.

REMUNERATION PRINCIPLES

Remuneration structures and incentives are designed to encourage sustainable value-creating activities for Allianz. As a result, we deploy a number of different remuneration structures and strategies across the Group which take into account the particular roles of executives, business activities, and local remuneration and regulatory environments. The key additional principles of our executive remuneration strategy are to:

- Align pay with both the performance of individuals and the achievement of the Allianz Group's financial and strategic goals in a way that is consistent with shareholder interests.
- Vary the mix and weight of fixed versus variable remuneration and short-term versus long-term incentives to reflect the executive's influence on the results of the Group, business division or operating entity.
- Deliver total rewards that are competitive in relevant markets.

REMUNERATION COMPONENTS

The primary model is that of the Allianz insurance businesses. Most executives are covered by the Allianz Sustained Performance Plan (ASPP). The model provides for a balance of fixed and variable remuneration components with a stronger focus on the longer-term realization of results in determining the final value of total remuneration. For the majority of operations, the following components set the remuneration structure for senior executives to comply with applicable regulations, although not everyone receives all of them, or has the same mix of components:

- Base salary
- Variable remuneration, including:
 - Short- and, where applicable, mid-term incentives
 - Long-term incentives in the form of Equity-related remuneration

The outline below discusses the component's purpose, performance link and operation.

Base salary

Annual adjustments also take account of sustained performance in the past, the performance of the company, general economic conditions and the level of increases awarded elsewhere in the Group. The proportion of the fixed component within total remuneration is designed to balance performance incentives to avoid excessive risk-taking. Base salary is expressed as an annual cash sum paid in monthly installments.

Variable remuneration

Variable remuneration is designed to encourage and reward achievement of both annual performance goals and the sustainable success of the Group and local companies. It is structured to align with Allianz's risk positioning strategy and to reward personal contributions. Annual targets and, where applicable, multi-year targets are set, communicated and documented in advance of the performance period and generally conform with SMART (specific, measurable, attainable, relevant and time-bound) principles. In the case of breaches of the Allianz's Code of Conduct, compliance or other relevant criteria, payout can be reduced partially or in full.

For operations that represent either asset management or alternative investment business for Allianz or third-party assets, incentive programs and remuneration structures are consistent with the risk positions and competitive markets in which they operate. These may deviate from the general Allianz variable remuneration program descriptions and may include profit sharing, co-investment, carry and other cash-based incentive plans. These businesses use appropriate risk control measures. Oversight is performed by their respective Compensation Committees.

Additionally, depending on the specific country or operating entity, Allianz operates a number of pension and flexible benefit plans, in particular deferred compensation schemes – which may provide participants with other opportunities to accumulate retirement income.

2012 REMUNERATION

For senior executives who assume positions of high risk in the sense of the VersVergV, we disclose aggregate percentages of the 2012 target remuneration. The number of functions across the Group identified for analysis was 14 (2011: 16), as outlined above. For 2012 the split for senior executives is 27% fixed and 73% variable target remuneration.¹

¹ – Figures excluding pensions and perquisites; including Members of the Board of Management.

OUTLOOK FOR 2013

As part of ongoing regular reviews of compensation practices, the Allianz Board of Management approved a revised global Reward and Performance framework for 2013. This outlines the common minimum standards to be applied across Group companies while still ensuring flexibility to reflect Allianz's diverse business, and includes the introduction of a new grading system and methodology to further enhance consistency and comparability of senior executive roles across Group companies. This new system will support the Group's ability to consistently benchmark compensation levels and structures as well as to facilitate internal mobility and talent management. Another key development is the introduction of an adapted, more consistent performance management standard for senior executives across the Group which reflects market best practice in target setting and performance assessment and further supports the Group's culture of performance and meritocracy.

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 respect to German, European and international corporate governance recommendations and regulations.

REMUNERATION PRINCIPLES

- Set total remuneration at a level aligned with the scale and scope of the Supervisory Board duties and appropriate to the Company's activities, business and financial situation.
- Set a remuneration structure that takes into account the individual functions and responsibilities of Supervisory Board members, such as chair, vice-chair or committee mandates.
- Set a remuneration structure to allow for proper oversight of business as well as for adequate decisions on executive personnel and remuneration.

REMUNERATION STRUCTURE AND COMPONENTS

The Supervisory Board discussed changes to the remuneration structure during the second half of 2010, considering a review of market practices and developments by Kienbaum Management Consultants. The new remuneration structure, which comprises fixed and committee-related remuneration only, was approved by the Annual General Meeting 2011 and is laid down in the Statutes of Allianz SE. It became effective for the financial year 2011.

Fixed annual remuneration

The remuneration of a member of the Supervisory Board consists of a fixed cash amount paid after the end of each business year to a Supervisory Board member for services rendered over that period. A regular Supervisory Board member receives a fixed remuneration of €100 THOU per year; each deputy Chairperson receives €150 THOU and the Chairperson €200 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	Chair	Member
Personnel Committee, Standing Committee, Risk Committee	40	20
Audit Committee	80	40
Nomination Committee	0	0

Attendance fees and expenses

In addition to the fixed and committee-related remuneration, members of the Supervisory Board receive an attendance fee of €750 for each Supervisory Board or committee meeting they attend in person. Should several meetings be held on the same or on consecutive days, the attendance fee will be paid only once. Allianz SE reimburses the members of the Supervisory Board for their out-of-pocket expenses and the VAT payable on their Supervisory Board activity. For the performance of his duties, the Chairman of the Supervisory Board is furthermore entitled to an office with secretarial support and use of the Allianz carpool service. In the financial year 2012, Allianz SE reimbursed expenses totaling €42,873.

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REMUNERATION FOR 2012

The total remuneration for all Supervisory Board members, including attendance fees, amounted to €2,089 THOU in 2012 (€2,009 THOU in 2011). The following table shows the individual remuneration for 2012 and 2011.

Remuneration for mandates in other Allianz companies and for other functions

As remuneration for their membership in the Supervisory Board of Allianz Deutschland AG, Mrs. Gabriele Burkhardt-Berg received €60 THOU and Mr. Franz Heiß received €17 THOU for the financial year 2012. Mr. Jörg Reinbrecht, who was a member of the Supervisory Board of Allianz SE until 9 May 2012, received a remuneration of €40 THOU for his membership in the Allianz Deutschland AG Supervisory Board in 2012. All current employee representatives of the Supervisory Board except for Mrs. Ira Gloe-Semler are employed by Allianz Group companies and receive remuneration at arms length for their services.

Loans to members of the Supervisory Board

On 31 December 2012, there was one outstanding loan granted by Allianz Group companies to members of the Supervisory Board of Allianz SE. One member received a mortgage loan of €80 THOU from Allianz Bank in 2010. The loan has a duration of 10 years and was granted at a normal market interest rate.

INDIVIDUAL REMUNERATION 2012-2011

Total might not sum up due to rounding
€ THOU

Members of the Supervisory Board	Committees ¹						Fixed remuneration	Committee remuneration	Attendance fees	Total remuneration
	A	N	P	R	S					
Dr. Helmut Perlet ² (Chairman)	M	C	C	C	C	2012	133.3	106.7	4.5	244.5
						2011	–	–	–	–
Dr. Henning Schulte-Noelle ³ (Chairman)	M	C	C	C	C	2012	83.3	66.7	2.2	152.2
	M	C	C	C	C	2011	200.0	160.0	6.8	366.8
Dr. Wulf Bernotat ⁵ (Vice Chairman)	C				M	2012	120.9	100.0	5.2	226.1
	C				M	2011	100.0	100.0	4.5	204.5
Dr. Gerhard Cromme ⁴ (Vice Chairman)		M	M		M	2012	100.0	26.7	1.5	128.2
		M	M		M	2011	150.0	40.0	3.8	193.8
Rolf Zimmermann (Vice Chairman)			M		M	2012	150.0	40.0	3.0	193.0
			M		M	2011	150.0	40.0	3.8	193.8
Dante Barban ²				M		2012	66.7	13.3	2.2	82.2
						2011	–	–	–	–
Christine Bosse ⁵			M	M		2012	41.7	16.7	1.5	59.9
						2011	–	–	–	–
Gabriele Burkhardt-Berg ²					M	2012	66.7	13.3	2.2	82.2
						2011	–	–	–	–
Jean-Jacques Cette	M					2012	100.0	40.0	5.2	145.2
	M					2011	100.0	40.0	4.5	144.5
Ira Gloe-Semler ²	M					2012	66.7	26.6	3.0	96.3
						2011	–	–	–	–
Geoff Hayward ³				M		2012	41.7	8.3	1.5	51.5
				M		2011	100.0	20.0	3.0	123.0
Franz Heiß				M		2012	100.0	20.0	3.0	123.0
				M		2011	100.0	20.0	3.0	123.0
Prof. Dr. Renate Köcher		M		M ⁴	M ⁵	2012	100.0	21.7	3.0	124.7
		M		M		2011	100.0	20.0	3.0	123.0
Peter Kossubek ³					M	2012	41.7	8.3	1.5	51.5
					M	2011	100.0	20.0	3.0	123.0
Igor Landau	M					2012	100.0	40.0	5.2	145.2
	M					2011	100.0	40.0	5.3	145.3
Jörg Reinbrecht ³	M					2012	41.7	16.7	1.5	59.9
	M					2011	100.0	40.0	5.3	145.3
Peter Denis Sutherland		M ⁵		M		2012	100.0	20.0	3.0	123.0
				M		2011	100.0	20.0	3.0	123.0
Total⁶						2012	1,454.0	585.0	49.7	2,088.7
						2011	1,400.0	560.0	48.8	2,008.8

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.

2 – Since 9 May 2012.

3 – Until 9 May 2012.

4 – Until 14 August 2012

5 – Since 15 August 2012.

6 – The total remuneration reflects the remuneration of the full Supervisory Board in the respective year.

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Other Information

Our employees¹

Our employees' exceptional commitment and ambition to provide excellent service to our customers are crucial to our success. We place great emphasis on fostering employee engagement, strong leadership and technical expertise among an increasingly diverse workforce.

Our human resources management covers key areas such as:

- Employee Engagement
- Diversity
- Talent Management
- Remuneration

THE SE WORKS COUNCIL

The *SE Works Council* represents the interests of employees of Allianz SE and its subsidiaries with registered offices in the E.U. member states, the European Economic Area and Switzerland in cross-border matters. The Works Council was informed and consulted on several items in its two regular sessions in 2012. Besides the business situation and prospects for Allianz in Europe, the items discussed included our cross-border operational strategy (e.g. Global Property-Casualty), cross-border activities in Europe (e.g. Agency Future Program and Global Allianz Antitrust Program) and other cross-border topics (e.g. digitalization). On several occasions, the SE Works Council's Executive Committee was also informed and consulted on an ad-hoc basis.

The constructive dialogue with the SE Works Council has helped us build a good mutual understanding of the challenges ahead and ensures productive cooperation between management and employee representatives at Allianz. One of the outcomes of this dialogue was the signing of pan-European agreements between Allianz SE and the SE Works Council on guidelines concerning work-related stress and lifelong learning.

Branches

In 2012, Allianz SE operated its reinsurance business from Munich and branch offices in Singapore, Labuan (Malaysia), Zurich and Dublin.

Events after the balance sheet date

ALLIANZ BANK CEASES BUSINESS

On 24 January 2013, it was announced that Allianz Bank is set to cease business operations on 30 June 2013. The bank's business activities for employees and agents, as Allianz Bank customers, will be continued by Oldenburgische Landesbank AG. As of today, the Allianz Group expects that closure-related expenses could approximate €100 MN.

LIFE INSURANCE DISTRIBUTION AGREEMENT IN TURKEY

On 28 January 2013, Allianz SE and HSBC Bank plc agreed to a 10-year exclusive bankassurance distribution agreement for life insurance in Turkey. Allianz life insurance and pension products will be distributed by HSBC in Turkey. The upfront cash consideration by Allianz amounts to €23 MN. This local bankassurance agreement, which is subject to regulatory approval, is expected to be completed in the first half of 2013.

ALLIANZ CAPITAL PARTNERS (ACP) SELLS SDU TO EDITIONS LEFEBVRE SARRUT (ELS)

Allianz Capital Partners (ACP) and AAC Capital Partners (AAC) reached an agreement with the French publishing company Editions Lefebvre Sarrut (ELS) to sell the Dutch publishing company Sdu. The transaction was completed on 31 January 2013. Sdu was jointly acquired by ACP and AAC in 2007 in a privatization from the Dutch State. The disposal did not have a material effect on Allianz Group's net income.

¹ – For the complete report on our employees, please refer to the Allianz Group's Annual Report 2012.

Takeover-related statements and explanations

(Statements pursuant to § 289 (4) of the German Commercial Code and explanatory report)

COMPOSITION OF SHARE CAPITAL

As of 31 December 2012, the share capital of Allianz SE was €1,167,232,000. It was divided into 455,950,000 registered and fully paid-up shares with no-par value and a corresponding share capital amount of €2.56 per share. 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. The Company may withhold a duly applied approval only if it deems this to be necessary in the interest of the Company 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 in principle subject to a one-year lock-up period. Outside Germany, the lock-up period may in some cases be up to five years. In some countries, in order to ensure that the lock-up period is observed, the employee shares are held throughout that period by a bank, another natural person or a legal entity acting as a trustee. Nevertheless, employees may instruct the trustee to exercise voting rights or have power-of-attorney granted to them to exercise such voting rights. Lock-up periods contribute to the Employee Stock Purchase Plan's aims of committing employees to the Company and letting them benefit from the performance of the stock price.

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

No direct or indirect interests in the share capital of Allianz SE that exceed 10% of the voting rights have been reported to Allianz SE; nor are we otherwise aware of any such interests.

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 (Article 9 (1), Article 39 (2) and Article 46 of the SE Regulation, §§ 84, 85 of the German Stock Corporation Act and § 5 (3) of the Statutes). Reappointments, in each case for a maximum of five years, 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 sentence 2 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 Deputy Chairperson shall have the casting vote, provided that he or she is a shareholder representative. A Deputy Chairperson who is an employee representative has no casting vote (§ 8 (3) of the Statutes). If a required member of the Board of Management is missing, in urgent cases the courts must appoint such member upon the application of an interested party (§ 85 of the German Stock Corporation Act). The Supervisory Board may dismiss members of the Board of Management if there is an important reason (§ 84 (3) of the German Stock Corporation Act).

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

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, more than two such mandates may be permitted by the supervisory authority if they are held within the same group (§§ 121a, 7a of the German Insurance Supervision Act ("Versicherungsaufsichtsgesetz", VAG)). The Federal Financial Services Supervisory Authority ("Bundesanstalt für Finanzdienstleistungsaufsicht") must be notified about the

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intention of appointing a Board of Management member pursuant to §§ 121a, 13d no. 1 of the German Insurance Supervision Act.

Amendments to the Statutes must be adopted by the General Meeting. § 13 (4) sentence 2 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 sentence 1 of the SE Implementation Act (“SE-Ausführungsgesetz”) which is based upon Article 59 (1) and (2) of the SE Regulation. A larger majority is, inter alia, required for a change in the corporate object or the relocation of the registered office to another E.U. member state (§ 51 sentence 2 of the SE Implementation Act). The Supervisory Board may alter the wording of the Statutes (§ 179 (1) sentence 2 of the German Stock Corporation Act 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 4 May 2015, 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 €550,000,000 (Authorized Capital 2010/I). The shareholders’ subscription rights for these shares can be excluded, 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, (iii) in the event of a capital increase against cash contribution of up to 10% if the issue price of the new shares is not significantly less than the stock market price, (iv) within certain limitations, if the shares are issued in connection with a listing of Allianz shares on a stock exchange in the People’s Republic of China, and (v) in the event of a capital increase against contributions in kind.
- Up to a total of €9,752,000 (Authorized Capital 2010/II). The shareholders’ subscription rights can be excluded in order to issue the new shares to employees of Allianz SE and its Group companies as well as for fractional amounts.

The Company’s share capital is conditionally increased by up to €250,000,000 (Conditional Capital 2010). This conditional capital increase will only be carried out to the extent that conversion or option rights resulting from bonds issued by Allianz SE or its subsidiaries on the basis of the authorization of the General Meeting of 5 May 2010 are exercised, or that conversion obligations tied to such bonds are fulfilled.

The Board of Management may buy back and use Allianz shares for other purposes until 4 May 2015 on the basis of the authorization of the General Meeting of 5 May 2010 (§ 71 (1) No. 8 of the German Stock Corporation Act). Together with other treasury shares that are held by Allianz SE or which are attributable to it under §§ 71a et seq. of the German Stock Corporation Act, 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, and 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 that such derivatives must 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) of the German Stock Corporation Act) under an authorization of the General Meeting valid until 4 May 2015. The total number of shares acquired thereunder, together with treasury shares held by Allianz SE or attributable to it under §§ 71a et seq. of the German Stock Corporation Act, 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 provision under which both parties to the contract have an extraordinary termination right in the case where the other party to the contract 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.

- The 10-year exclusive bancassurance distribution agreement between Allianz and HSBC for life insurance products in Asia (China, Indonesia, Malaysia, Australia, Sri Lanka, Taiwan, Brunei, Philippines), includes a provision under which both parties have an extraordinary termination right in case there is a change of control of the other party's ultimate holding company.
- 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 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 12 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 his or her office because the 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 limited, for the purpose hereof, to three years, in the form of a one-off payment. The one-off payment is based on the fixed remuneration plus 50% of the variable remuneration, however, this basis being limited to the amount paid for the last fiscal year. To the extent that the remaining term of the service contract is less than three years, the one-off payment is generally increased in line with a term of three years. This applies accordingly if, within two years of a change of control, a mandate in the Board of Management is coming 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 three-year period after the change of control. For further details please refer to the Remuneration Report starting on page 69.

Under the Allianz Sustained Performance Plan (ASPP), Restricted Stock Units (RSU) – i.e. virtual Allianz shares – are granted as a stock-based remuneration component to senior management of the Allianz Group worldwide. In addition, under the Group Equity Incentive (GEI) scheme, Stock Appreciation Rights (SAR) – i.e. virtual options on Allianz shares – were also granted until 2010. Some of these are still outstanding. The conditions for these RSU and SAR contain change of control clauses which apply if a majority of the voting share capital in Allianz SE is acquired, directly or indirectly, by one or more third parties which do not belong to the Allianz Group and which provide for an exception from the usual exercise periods. The RSU will be exercised, in line with their general conditions, by the Company for the relevant 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 be at least the price offered per Allianz share in a preceding tender offer. In case of a change of control as described above, SAR will be exercised, in line with their general conditions, by the Company for the relevant plan participants on the day of the change of control without observing any vesting period. By providing for the non-application of the blocking period in the event of a change of control, the terms take into account the fact that the conditions under which the share price moves are very different when there is a change in control.

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Internal controls over financial reporting

(Statements pursuant to § 289 (5) of the German Commercial Code and explanatory report)

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 financial statements. Our internal control system over financial reporting is based on the framework developed by the Committee of Sponsoring Organizations of the Treadway Commission and is regularly reviewed and updated.

INTERNAL CONTROL APPROACH

INTERNAL CONTROL APPROACH



Our approach can be summarized as follows:

- We use a top-down, risk-based approach to determine the accounts that should fall under the *scope of our internal control systems*. We do so by carrying out an annual, qualitative and quantitative analysis of our financial statements and disclosures.
- Then, we *identify risk scenarios* that could lead to material financial misstatements, taking into account the likelihood of a risk materializing and the potential impact of any resulting error.
- *Key controls* over the reporting process are put in place to ensure that if a potential risk materializes, the likelihood and potential impact of it resulting in a financial misstatement is reduced. In addition to these focused controls, we also establish controls with an emphasis on

the control environment, the effectiveness of information and communication flows, the risk assessment process and the ongoing monitoring of the internal control system. Given the heavy dependence of financial reporting processes upon IT systems, establishing controls over these is also vitally important.

- Finally, we focus on ensuring that controls are appropriately designed to mitigate risk, but also that they are effectively executed. We have set consistent documentation requirements for elements such as processes, related key controls and their execution. We conduct an annual *assessment* of our control system to continuously maintain and enhance its effectiveness. Group Audit ensures that the overall quality of our control system is kept under constant scrutiny.

Risk capital controls

We have a robust and comprehensive *risk governance structure* that is supported by audit, compliance and independent review functions similar to our financial reporting governance. However, since our internal risk capital calculations incorporate economic factors not fully reflected in accounting results, we have put in place additional controls within our management reporting processes to ensure that these additional estimates are adequately controlled.

These controls include the validation of models and assumptions by independent external reviews and continuous benchmarking to market and/or peer assumptions and practices. We benchmark and explain our non-market assumptions against practices in the industry, actuarial associations and guidance from supervisory authorities.

During 2012, we worked on further improving the internal control environment around the computation of our internal risk capital in anticipation of the future Solvency II regime. We will continue to make refinements as the Solvency II requirements evolve.

Overall, as with estimates and assumptions involving financial reporting, the management reporting processes that underpin our risk capital framework are well controlled, consistently applied and prudent.

FINANCIAL STATEMENTS OF ALLIANZ SE

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Financial Statements

BALANCE SHEET

BALANCE SHEET AS OF 31 DECEMBER

€ THOU	Note	2012	2012	2011
ASSETS				
A. Intangible assets	1, 2			
I. Self-produced industrial property rights and similar rights and assets		4,953		3,100
II. Licenses acquired against payment, industrial property rights and similar rights and assets as well as licenses for such rights and assets		312,226		431,509
III. Advance payments made		9,398		12,847
			326,577	447,456
B. Investments	1, 3 – 5			
I. Real estate		302,218		299,330
II. Investments in affiliated enterprises and participations		70,592,130		70,627,600
III. Other investments		21,243,194		16,697,951
IV. Funds held by others under reinsurance business assumed		4,068,839		4,000,963
			96,206,381	91,625,844
C. Receivables				
I. Accounts receivables on reinsurance business		388,437		457,992
thereof from affiliated enterprises: €182,571 THOU (2011: €150,802 THOU)				
participations ¹ : €6,752 THOU (2011: €7,577 THOU)				
II. Other receivables	6	2,903,128		3,904,304
thereof from affiliated enterprises: €2,159,712 THOU (2011: €3,024,396 THOU)				
participations ¹ : €1,774 THOU (2011: €1,656 THOU)				
			3,291,565	4,362,296
D. Other assets				
I. Tangible fixed assets and inventories		9,539		9,374
II. Cash with banks, checks and cash on hand		155,652		120,851
III. Miscellaneous assets	7	58,345		130,908
			223,536	261,133
E. Deferred charges and prepaid expenses	8			
I. Accrued interests and rent		292,345		192,226
II. Other deferred charges and prepaid expenses		91,567		86,825
			383,912	279,051
Total assets			100,431,971	96,975,780

1 – Companies in which we hold a participating interest.

€ THOU	Note	2012	2012	2012	2011
EQUITY AND LIABILITIES					
A. Shareholders' equity	10				
I. Issued capital		1,167,232			1,165,568
Less: mathematical value own shares		7,110			7,052
			1,160,122		1,158,516
II. Additional paid-in capital			27,652,574		27,599,874
III. Revenue reserves					
1. Statutory reserves		1,229			1,229
2. Other revenue reserves		11,733,973			11,737,812
			11,735,202		11,739,041
IV. Net earnings			2,312,520		2,048,850
				42,860,418	42,546,281
B. Subordinated liabilities	11, 14			11,356,479	9,060,066
C. Insurance reserves	12				
I. Unearned premiums					
1. Gross		514,872			562,143
2. Less: amounts ceded		52,838			64,203
			462,034		497,940
II. Aggregate policy reserves					
1. Gross		3,519,911			3,475,713
2. Less: amounts ceded		34,894			30,004
			3,485,017		3,445,709
III. Reserves for loss and loss adjustment expenses					
1. Gross		6,423,522			6,454,327
2. Less: amounts ceded		1,187,715			1,296,829
			5,235,807		5,157,498
IV. Reserves for premium refunds					
1. Gross		112,509			100,069
2. Less: amounts ceded		–			–
			112,509		100,069
V. Claims equalization and similar reserves			1,461,137		1,298,495
VI. Other insurance reserves					
1. Gross		37,782			27,259
2. Less: amounts ceded		3			–
			37,779		27,259
				10,794,283	10,526,970

€ THOU	Note	2012	2012	2012	2011
EQUITY AND LIABILITIES					
D. Other provisions	13			5,004,623	4,862,300
E. Funds held with reinsurance business ceded				61,867	84,739
F. Other liabilities					
I. Accounts payable on reinsurance business			351,288		479,698
thereof to					
affiliated enterprises: €300,000 THOU (2011: €364,481 THOU)					
participations ¹ : €3,605 THOU (2011: €892 THOU)					
II. Bonds	14		6,887,047		6,405,214
thereof to					
affiliated enterprises: €6,887,047 THOU (2011: €6,405,214 THOU)					
III. Liabilities to banks	14		775,187		1,186,461
IV. Miscellaneous liabilities	14		22,330,623		21,794,614
including taxes of: €27,856 THOU (2011: €26,483 THOU)					
thereof to					
affiliated enterprises: €20,650,710 THOU (2011: €20,704,464 THOU)					
participations ¹ : €1,212 THOU (2011: €1,358 THOU)					
				30,344,145	29,865,987
G. Deferred income				10,156	29,437
Total equity and liabilities				100,431,971	96,975,780

1 — Companies in which we hold a participating interest.

INCOME STATEMENT

INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER

€ THOU	Note	2012	2012	2012	2011
I. Technical account					
1. Premiums earned (net)					
a) Gross premiums written	16	3,672,479			3,590,572
b) Ceded premiums written		(515,503)			(425,200)
			3,156,976		3,165,372
c) Change in gross unearned premiums		45,930			109,257
d) Change in ceded unearned premiums		(10,882)			(55,368)
			35,048		53,889
Premiums earned (net)				3,192,024	3,219,261
2. Allocated interest return (net)	17			141,110	135,057
3. Other underwriting income (net)				1,048	1,303
4. Loss and loss adjustment expenses (net)	18				
a) Claims paid					
aa) Gross		(2,333,852)			(2,535,896)
bb) Amounts ceded in reinsurance		247,261			259,214
			(2,086,591)		(2,276,682)
b) Change in reserve for loss and loss adjustment expenses (net)					
aa) Gross		15,399			(304,257)
bb) Amounts ceded in reinsurance		(101,913)			(41,337)
			(86,514)		(345,594)
Loss and loss adjustment expenses (net)				(2,173,105)	(2,622,276)
5. Change in other insurance reserves (net)	19			(37,225)	27,191
6. Expenses for premium refunds (net)				(29,573)	(19,597)
7. Underwriting expenses (net)	20			(872,026)	(894,582)
8. Other underwriting expenses (net)				(9,596)	(9,343)
9. Subtotal (Net underwriting result)				212,657	(162,986)
10. Change in claims equalization and similar reserves				(162,642)	220,910
11. Net technical result				50,015	57,924
II. Non-technical account					
1. Investment income	21	5,266,411			5,627,415
2. Investment expenses	22	(2,392,686)			(2,843,781)
3. Investment result			2,873,725		2,783,634
4. Allocated interest return			(142,257)		(135,942)
				2,731,468	2,647,692
5. Other income			1,224,208		1,171,442
6. Other expenses			(2,221,874)		(2,134,410)
7. Other non-technical result	23			(997,666)	(962,968)
8. Non-technical result				1,733,802	1,684,724
9. Net operating income				1,783,817	1,742,648
10. Extraordinary expense			(26,854)		(2,318)
11. Extraordinary result	24			(26,854)	(2,318)
12. Income taxes	25	(89,032)			(84,057)
less amounts charged to other companies in the Group		630,038			440,567
			541,006		356,510
13. Other taxes			2,235		(7,057)
14. Taxes				543,241	349,453
15. Net income				2,300,204	2,089,783
16. Unappropriated earnings carried forward				12,316	12,974
17. Allocation to other revenue reserves				-	(53,907)
18. Net earnings	26			2,312,520	2,048,850

Notes to the Financial Statements

BASIS OF PREPARATION

The Financial Statements and the Management Report have been prepared in accordance with the regulations in the German Commercial Code (HGB), the German Stock Corporation Act (AktG), the Law on the Supervision of Insurance Enterprises (VAG) and the Government Order on the External Accounting Requirements of Insurance Enterprises (RechVersV).

All amounts in the financial statements are in thousands of Euros (€ THOU), unless otherwise stated.

ACCOUNTING, VALUATION AND CALCULATION METHODS

INTANGIBLE ASSETS

Intangible assets are recorded at acquisition or construction cost less depreciation. Internally generated intangible assets are capitalized and depreciated on a straight-line basis. The distribution right referred to in note 2 is depreciated on a straight-line basis until the first possible termination date. In the event of permanent impairment, an unscheduled depreciation is recognized.

REAL ESTATE, REAL ESTATE RIGHTS AND BUILDINGS, INCLUDING BUILDINGS ON LAND NOT OWNED BY ALLIANZ SE

These items are recorded at acquisition or construction cost less accumulated depreciation and impairments. Depreciation is measured according to ordinary useful life. In case of a permanent impairment, the values of these items are adjusted through unscheduled write-downs.

INVESTMENTS IN AFFILIATED ENTERPRISES AND PARTICIPATIONS

Shares in affiliated enterprises and participations

These are recorded at cost less impairments, in accordance with § 341b (1) of the German Commercial Code in conjunction with § 253 (3) sentence 3 of the German Commercial Code.

Impairments are measured either as the difference between acquisition cost and the respective value in accordance with HFA 10 in conjunction with IDW S1 or as the difference between acquisition cost and the lower share price as of 31 December 2012.

Where the market value at the balance sheet date was higher than the previous year's valuation, the value is written up to no more than the historical acquisition cost.

Loans in affiliated enterprises and participations

These items are normally recorded at cost less impairments in accordance with § 253 (3) sentence 3 of the German Commercial Code. However, when converting foreign currency loans into Euros at the reporting date the strict lower of cost or market value principle is applied.

OTHER INVESTMENTS

Stocks, interests in funds, debt securities and other fixed and variable income securities, miscellaneous investments

These items are normally valued in accordance with § 341b (2) of the German Commercial Code in conjunction with § 253 (1), (4) and (5) of the German Commercial Code using the acquisition cost or the lower stock exchange or market value on the balance sheet date. We calculate an average acquisition cost for securities of the same type acquired at different cost. Long-term investments in mutual funds are valued according to the regulations that apply to investments pursuant to § 341b (2) of the German Commercial Code in conjunction with § 253 (1) and (3) of the German Commercial Code using the moderate lower of cost or market value principle.

Registered bonds, debentures and loans

These items are recorded at cost less impairments in accordance with § 253 (3) sentence 3 of the German Commercial Code. In accordance with § 341c of the German Commercial Code, amortized cost accounting is applied and the difference between acquisition cost and redemption amount is amortized over the remaining period based on the effective interest method.

Securities to meet liabilities resulting from retirement provision commitments

The securities are valued at fair value in accordance with § 253 (1) of the German Commercial Code and offset against the liabilities in accordance with § 246 (2) of the German Commercial Code. Pension plan reinsurance contracts are recorded at asset value.

TANGIBLE FIXED ASSETS, INVENTORIES AND OTHER ASSETS

These items are recorded at acquisition cost less cumulative depreciation. Low-value assets worth up to €150 are written off immediately. A compound item for tax purposes formed in accordance with § 6 (2a) of the German Income Tax Act (EStG) for assets from €150 to €1,000 is depreciated by one fifth each year.

REMAINING ASSETS

These consist of the following:

- Funds held by others under reinsurance business assumed
- Bank deposits
- Accounts receivables on reinsurance business
- Other receivables
- Cash with banks and cash on hand
- Accrued interest and rents

These items are recorded at face value less repayments and impairments.

OWN SHARES

Own shares are offset in equity, irrespective of the purpose of acquiring them. In accordance with § 272 (1a) of the German Commercial Code, the mathematical value of acquired own shares is deducted from the issued capital. The difference between the mathematical value and acquisition cost of own shares is offset against the unappropriated reserves. The offsetting is carried out against the other revenue reserves. Incidental acquisition costs are expenses of the financial year. The proceeds from selling own shares increase equity.

INSURANCE RESERVES

These consist of the following:

- Unearned premiums
- Aggregate policy reserves
- Reserves for loss and loss adjustment expenses

- Reserves for premium refunds
- Claims equalization and similar reserves
- Other insurance reserves

Insurance reserves are set up according to the German Commercial Code and RechVersV requirements. The primary goal is to ensure in all cases our ongoing ability to satisfy reinsurance contract liabilities. Generally, the reinsurance reserves are booked according to the cedent's statements. For claims incurred but not yet or not sufficiently reported, additional reserves are calculated using actuarial techniques.

Insurance reserves in the ceded reinsurance business are calculated according to the terms of the retrocession contracts.

Written premiums for future periods are accrued in unearned premiums.

Aggregate policy reserves for Life/Health reinsurance and personal accident reinsurance are generally recorded according to the amounts in the cedent's statements.

Reserves for loss and loss adjustment expenses are established for the payment of losses and loss adjustment expenses 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 yet or not sufficiently reported losses.

For Property-Casualty reinsurance the equalization reserve, the reserve for nuclear plants, the product liability reserve for major pharmaceutical risks, and reserves for risks relating to terrorist attacks are calculated according to § 341h of the German Commercial Code in conjunction with § 29 and § 30 RechVersV. The reserves are set up to moderate substantial fluctuations in the claims of individual lines of business. In cases where above-average or below-average claims occur, changes in the reserves mitigate the technical result for the individual lines of business.

OTHER PROVISIONS

Pension provisions are calculated on the basis of actuarial principles. The conversion expenses resulting from the first-time application of the BilMoG in 2010 could be distributed according to Article 67 (1) sentence 1 EGHGB over a period of up to fifteen years. In fiscal years 2010 and 2011

Allianz SE made use of this option and essentially recognized one fifteenth of this amount as an extraordinary expense. In 2012 the whole outstanding amount of the conversion expenses was recognized as an extraordinary expense.

The provisions for jubilee payments and phased-in early retirement benefits are also calculated on the basis of actuarial principles and are recognized as a liability in total.

With respect to the discount rate, the simplification option set out in § 253 (2) sentence 2 of the German Commercial Code has been applied (duration of fifteen years). The effect resulting from the change in the discount rate is reported under other non-technical result.

More information regarding the accounting for pensions and other personnel obligations starts on page 108.

Remaining other provisions are recognized at the settlement amount; long-term provisions are discounted applying the net approach.

REMAINING LIABILITIES

These consist of the following:

- Subordinated liabilities
- Funds held with reinsurance business ceded
- Other liabilities

These items are valued at the settlement amount. Annuities are recorded at present value.

PREPAID EXPENSES AND DEFERRED INCOME

Accrued interest and rent are valued at nominal amounts. Premiums and discounts carried forward as prepaid income and expenses are amortized over the remaining life of the related financial instruments.

CURRENCY TRANSLATION

Transactions are generally recorded in the original currency and converted into Euro at the relevant daily rate (middle forex spot rate).

Loans to affiliated enterprises denominated in foreign currencies are converted into Euro with the middle forex spot rate as of the reporting date and applying the strict lower of cost or market value principle.

The valuation of foreign currency shares in affiliated enterprises and participations, stocks, interests in funds and

other variable and fixed income securities is based on converting the value in original currency into Euro using middle forex spot rate as of the reporting date.

Comparing the acquisition cost in Euro with the value in Euro as described above, the moderate lower-value principle is applied for affiliated enterprises and participations. For other investments, the strict lower of cost or market value principle is applied.

As a result of this valuation method, currency gains and losses are not separately determined and shown as foreign exchange gains/losses in the other non-technical result. Instead, the net effect of both changes in currency exchange rates and value in original currency, is reflected in the impairments/reversals of impairments and realized gains/losses calculated for these asset classes and disclosed in the investment result.

Issued debt securities and borrowings denominated in foreign currencies are converted into Euro at the middle forex spot rate as of the reporting date. Unrealized losses are recognized immediately in the income statement, while unrealized gains are not.

Foreign currency provisions are converted into Euro at the middle forex spot rate as of the reporting date.

VALUATION UNITS

In 2012, Allianz SE made use of the option of forming valuation units as defined in § 254 of the German Commercial Code. This option is used for forward currency contracts in which Allianz SE acts as intra-group clearing agency. In this function Allianz SE enters into derivative transactions with other Group companies and hedges the exposure resulting from these transactions by entering into positions with the same term and structure that are exact mirror images but entered into with different business partners. Contrary positions whose performance completely balance each other out have been combined into valuation units and form a perfect micro hedge.

Furthermore, short forward contracts in shares and the underlying shares formed a valuation unit and micro hedge as well.

When accounting for valuation units, the “freezing” method is applied, in which the offsetting changes in value of the single positions which form a valuation unit are not recorded in the income statement (see also note 15).

SUPPLEMENTARY INFORMATION ON ASSETS

1 – Change of Assets A., B.I. through B.III. in 2012 Fiscal Year

	Values stated as of 31 December 2011		Additions (+)
	€ THOU	%	€ THOU
A. Intangible assets			
1. Self-produced industrial property rights and similar rights and assets	3,100		2,421
2. Licenses acquired against payment, industrial property rights and similar rights and assets as well as licenses for such rights and assets	431,509		133
3. Advance payments made	12,847		7,524
Total A.	447,456		10,078
B.I. Real estate, real estate rights and buildings, including buildings on land not owned by Allianz SE	299,330	0.3	8,318
B.II. Investments in affiliated enterprises and participations			
1. Shares in affiliated enterprises	67,766,850	77.3	12,345,317
2. Loans to affiliated enterprises	1,652,001	1.9	1,649,409
3. Participations	693,298	0.8	2,159
4. Loans to participations	515,451	0.6	–
Subtotal B.II.	70,627,600	80.6	13,996,885
B.III. Other investments			
1. Stocks, interests in funds and other variable income securities	785,732	0.9	942,221
2. Debt securities and other fixed-income securities	11,583,531	13.2	17,296,733
3. Other loans			
a) Registered bonds	995,373	1.1	2,452,731
b) Loans and promissory notes	668,496	0.8	735,728
4. Bank deposits	2,505,642	2.9	–
5. Miscellaneous investments	159,177	0.2	–
Subtotal B.III.	16,697,951	19.1	21,427,413
Total B.I. - B.III.	87,624,881	100.0	35,432,616
Total	88,072,337		35,442,694

Transfers	Disposals (–)	Revaluation (+)	Depreciation (–)	Net additions (Net disposals)	Values stated as of 31 December 2012	
€ THOU	€ THOU	€ THOU	€ THOU	€ THOU	€ THOU	%
–	–	–	568	1,853	4,953	
10,973	2,606	–	127,783	(119,283)	312,226	
(10,973)	–	–	–	(3,449)	9,398	
–	2,606	–	128,351	(120,879)	326,577	
–	1,364	1,940	6,006	2,888	302,218	0.3
–	13,035,985	–	189,363	(880,031)	66,886,819	72.6
–	551,629	–	2,891	1,094,889	2,746,890	3.0
–	280,823	4,426	2,806	(277,044)	416,254	0.4
–	–	26,716	–	26,716	542,167	0.6
–	13,868,437	31,142	195,060	(35,470)	70,592,130	76.6
–	898,648	1,394	21,492	23,475	809,207	0.9
–	12,729,988	12,143	69,905	4,508,983	16,092,514	17.5
–	1,133,000	–	–	1,319,731	2,315,104	2.5
–	518,000	–	981	216,747	885,243	1.0
–	1,364,516	–	–	(1,364,516)	1,141,126	1.2
–	159,177	–	–	(159,177)	–	–
–	16,803,329	13,537	92,378	4,545,243	21,243,194	23.1
–	30,673,130	46,619	293,444	4,512,661	92,137,542	100.0
–	30,675,736	46,619	421,795	4,391,782	92,464,119	

2 – Intangible Assets

The book value of intangible assets totaled €327 MN (2011: €447 MN) and primarily consists of the distribution rights received as part of the consideration for the sale of Dresdner Bank AG to Commerzbank AG in 2009. Under these rights Commerzbank AG has been exclusively marketing Allianz insurance products since September 2010. In addition to the scheduled depreciation, an impairment loss of €84 MN resulting from the decreased earnings value of the distribution rights was recognized in 2012.

The research and development costs of Allianz SE amounted to €2 MN and represent in total the development costs for the internally generated software.

3 – Market Value of Investments

Fair value and carrying amount of the investments, subdivided into individual asset categories, were as follows:

BOOK VALUES AND MARKET VALUES OF INVESTMENTS

€ BN	Book value		Market value		Valuation reserve	
	2012	2011	2012	2011	2012	2011
	Real estate	0.3	0.3	0.6	0.6	0.3
Equity securities	68.1	69.2	76.2	75.1	8.1	5.9
Debt securities	16.1	11.6	16.3	11.8	0.2	0.2
Loans	6.5	3.8	6.7	3.9	0.2	0.1
Bank deposits	1.1	2.5	1.1	2.5	–	–
Funds held by others under reinsurance business assumed	4.1	4.0	4.1	4.0	–	–
Miscellaneous investments	–	0.2	–	0.2	–	–
Total	96.2	91.6	105.0	98.1	8.8	6.5

VALUATION METHODS USED TO DETERMINE THE MARKET VALUE

Real estate

Land and buildings are valued using the discounted cash flow method, new buildings at cost. The fair value was determined during the fiscal year.

Equity securities

Investments in companies quoted on the stock exchange are in general measured by the stock exchange price quoted on the last trading day of 2012. Non-quoted companies are valued at their net asset value calculated by the DVFA method. For recent transactions the transaction prices were used.

Debt securities

These items are measured at the stock exchange value quoted on the last trading day of 2012 or, if there is no active market, at the prices obtained from brokers or pricing services.

Loans

Loans are valued using the discounted cash flow method. The relevant discount rates are derived from observable market parameters and reflect the remaining life and credit risk of the instruments.

Bank deposits and funds held by others under reinsurance business assumed

There are no differences between the book value and the fair value of those items.

DETAILS IN ACCORDANCE WITH § 285 NO. 18 OF THE GERMAN COMMERCIAL CODE ON INVESTMENTS WHERE THE BOOK VALUE EXCEEDS THE MARKET VALUE

Regarding loans to affiliated enterprises with a book value of €358 MN and other loans with a book value of €561 MN, we refrained from write-downs to the amount of €7 MN and €0.3 MN, respectively. Based on the expected development of market conditions, the decline in market value is not expected to be of an enduring nature. We intend to hold loans until maturity in order to ensure a repayment at par value.

4 – Investments in Affiliated Enterprises and Participations

€ BN	2012	2011	Change
Shares in affiliated enterprises	66.9	67.7	(0.8)
Loans to affiliated enterprises	2.8	1.7	1.1
Participations	0.4	0.7	(0.3)
Loans to participations	0.5	0.5	–
Total	70.6	70.6	–

The book value of shares in affiliated enterprises went down by €0.8 BN to €66.9 BN. This decrease consists of the following:

- Contribution of shares in our North American holding company Allianz of America Inc. into our holding company Allianz Europe B.V., resulting in a net book value decrease of €1.6 BN. This is composed of two effects shown in the following table:

€ BN	Book value shares in affiliated enterprises	Cash component
1. Exchange of shares in Allianz of America against new shares in Allianz Europe B.V. and Cash		
Shares in Allianz of America, Inc.	(12.8)	–
Shares in Allianz Europe B.V. and cash received as consideration	9.5	3.3
Subtotal	(3.3)	3.3
2. Book value increase of shares in Allianz Europe B.V. due to realization of step-up gain		
	1.7	–
Total	(1.6)	3.3

Firstly, as consideration for the contribution of shares in Allianz of America, Allianz SE received not only new issued shares in Allianz Europe B.V. but also a cash component of €3.3 BN. Accordingly, the book value of shares in affiliated enterprises declined by this amount. Secondly, the reorganization of holding structures led to a step-up gain of €1.7 BN which partly offset this book value decrease.

- Book value increase by €0.5 BN due to an intra-group acquisition of shares in our subsidiary Allianz (UK) Ltd. from Allianz Lebensversicherungs-AG.
- Various intra-group purchases and corporate actions raising the book value by net €0.5 BN.
- Impairments of €0.2 BN primarily attributable to an indirect investment in Banco Popular Espanol S.A. through our subsidiary Allianz Participations B.V.

Loans to affiliated enterprises were up by €1.1 BN to €2.8 BN (2011: €1.7 BN), mainly because we provided a new €0.6 BN loan to Allianz of America Inc. in order to broaden the liquidity base of this subsidiary and granted a €0.4 BN loan to an investment holding company as part of an internal sale of investments.

The book value of participations declined by €0.3 BN to €0.4 BN (2011: €0.7 BN) due to sales of Commerzbank shares.

5 – Interests in Investment Funds

Details of interests in investment funds in accordance with § 285 (26) of the German Commercial Code:

€ THOU	Book value 2012	Fair value 2012	Valuation reserve 2012	Dividend distribution 2012
Mixed funds				
RiskMaster Defensive A ACC	1,250	1,312	62	–
RiskMaster Defensive C ACC	1,250	1,320	70	–
RiskMaster Growth A ACC	1,250	1,341	91	–
RiskMaster Growth C ACC	1,250	1,348	98	–
Subtotal mixed funds	5,000	5,321	321	–
Bond funds				
DSP Blackrock India Fund	29,325	29,325	– ¹	–
Allianz RE Asia Fund	728,743	853,032	124,289	15,985
Subtotal bond funds	758,068	882,357	124,289	15,985
Real estate funds				
German RE Equity	44,694	44,694	– ¹	–
Subtotal real estate funds	44,694	44,694	–	–
Total	807,762	932,372	124,610	15,985

¹ – No valuation reserve as of 31 December 2012 due to write-up or write-down to the fair value.

Allianz SE holds more than 10.0% of the respective shares of these investment funds. The fund shares can be redeemed each trading day.

6 – Other Receivables

The €1,001 MN decrease in this position mainly resulted from lower receivables from dividends (€969 MN), cashpool (€323 MN) and tax (€105 MN). This was mainly offset by an increase in receivables from profit transfer agreements of €484 MN.

7 – Miscellaneous Assets

At the end of the fiscal year this position mainly includes variation margins paid in connection with financial derivative transactions (€57 MN).

8 – Deferred Charges and Prepaid Expenses

This item includes accrued interests in the amount of €292 MN (2011: €192 MN), which mainly result from our investments in debt securities, as well as other deferred charges and prepaid expenses amounting to €92 MN (2011: €87 MN), which comprise the discount on borrowings from affiliated enterprises, issued bonds and subordinated liabilities.

9 – Collateral

Assets amounting to €1.5 BN (2011: €1.1 BN), are pledged as collateral for liabilities, thereof €1.1 BN (2011: €1.1 BN) in favor of affiliated enterprises.

SUPPLEMENTARY INFORMATION ON EQUITY AND LIABILITIES

10 – Shareholders' Equity

ISSUED CAPITAL

Issued capital as of 31 December 2012 amounted to €1,167,232.0 THOU divided into 455,950,000 registered shares. The shares have no par value but a mathematical per share value of €2.56 each as a proportion of the issued capital.

AUTHORIZED CAPITAL

As of 31 December 2012, Allianz SE had authorized capital for the issuance of 214,843,750 shares until 4 May 2015, with a notional amount of €550,000.0 THOU (Authorized Capital 2010/I). The shareholders' subscription 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 Law (Aktiengesetz) do not exceed 10% of the share capital, (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, and (iv) if the new shares are issued in connection with a listing of Allianz shares on a stock exchange in the People's Republic of China, the issue price for the new shares is not significantly below the market price, and the new shares do not exceed 10% of the share capital. An overall limit for the exclusion of subscription rights of up to €232,396.8 THOU (corresponding to 20% of the share capital at year-end 2009) applies for the Authorized Capital 2010/I and the Conditional Capital 2010.

In addition, Allianz SE had authorized capital (Authorized Capital 2010/II) for the issuance of shares against cash until 4 May 2015. The shareholders' subscription rights can be excluded in order to issue new shares to employees of Allianz SE and its Group companies. As of 31 December 2012, the Authorized Capital 2010/II amounted to €9,752.0 THOU (3,809,375 shares).

Further, as of 31 December 2012, Allianz SE had conditional capital totaling €250,000.0 THOU (97,656,250 shares) (Conditional Capital 2010). This conditional capital increase will only be carried out if conversion or option rights attached to bonds which Allianz SE or its Group companies have issued against cash payments according to the resolution of the Annual General Meeting (AGM) on 5 May 2010, are exercised or the conversion obligations under such bonds are fulfilled, and only insofar as no other methods are used in serving these rights.

Convertible subordinated notes totaling €500,000.0 THOU 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 at the occurrence of certain events, subject to a floor price of at least €75.39 per share. Within the same period, the investors have the right to convert the notes into Allianz shares at a price of €188.47 per share. Both conversion prices are 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. On or before 31 December 2012, there was no conversion of any such notes into new shares.

CHANGES IN THE NUMBER OF ISSUED SHARES OUTSTANDING

	2012	2011
Issued shares as of 1 January	455,300,000	454,500,000
Capital increase for Employee Stock Purchase Plan	650,000	800,000
Total number of issued shares as of 31 December	455,950,000	455,300,000
Own shares held for hedging AEI/GEI program	(2,606,169)	(2,606,169)
Own shares held for quarterly Employee Stock Purchase Plans	(171,269)	(148,387)
Own shares held by Allianz SE	(2,777,438)	(2,754,556)
Own shares held by affiliated enterprises	(586)	(72,419)
Total number of shares outstanding as of 31 December	453,171,976	452,473,025

In November 2012, 650,000 (2011: 800,000) shares were issued for cash out of the Authorized Capital 2010/II at a price of €79.25 (2011: €65.21) per share, enabling employees of Allianz Group subsidiaries in Germany and abroad to purchase shares. As a result, issued capital increased by €1,664.0 THOU and capital reserves by €49,848.5 THOU. The Authorized Capital 2010/II was created to enable Allianz SE to issue new shares for such employee offerings. To be able to offer the new shares to employees, the shareholders' subscription rights to these new shares were excluded with the consent of the Supervisory Board pursuant to the authorization granted by the AGM on 5 May 2010.

All shares issued during the years ending 31 December 2012 and 2011 are qualifying shares from the beginning of the year of issue.

DIVIDENDS

For the year ending 31 December 2012, the Board of Management will propose to shareholders at the AGM the distribution of a dividend of €4.50 per qualifying share. For the year ended 31 December 2011, Allianz SE paid a dividend of €4.50 per qualifying share.

TREASURY SHARES

As of 31 December 2012, Allianz SE held 2,777,438 (2011: 2,754,556) own shares. Of these, 171,269 (2011: 148,387) shares were held for covering subscriptions by employees of the Allianz Group in the context of the Employee Stock

Purchase Plan 2013, whereas 2,606,169 (2011: 2,606,169) shares were held as a hedge for obligations from the Allianz Equity Incentive Program (former Group Equity Incentive Program).

In the fourth quarter of 2012, 650,000 (2011: 800,000) new Allianz shares were issued in the context of a capital increase for the Employee Stock Purchase Plan 2012. In 2012, 627,118 (2011: 878,233) shares were sold to employees of Allianz SE and its subsidiaries. Of these, 148,387 (2011: 226,620) originated from the capital increase for the Employee Stock Purchase Plan in 2011 and 478,731 (2011: 651,613) from the capital increase for the Employee Stock Purchase Plan in 2012. Employees of the Allianz-Group purchased shares at prices ranging from €52.17 (2011: €45.65) to €75.19 (2011: €54.34) per share. The remaining 171,269 (2011: 148,387) shares from the capital increase in 2012 will be used for the Employee Stock Purchase Plan of Allianz SE and its subsidiaries in 2013. The total change of holdings in Allianz SE own shares for the year ending 31 December 2012, amounted to an increase of 22,882 (2011: decrease of 78,233) shares, which corresponds to €58,578 (2011: €200,276) or 0.01% (2011: 0.02%) of issued capital.

As of 31 December 2012, other Group companies held 586 (2011: 72,419) shares in Allianz SE.

The own shares of Allianz SE and its subsidiaries represent €7,112 THOU or 0.61% of the share capital.

ADDITIONAL PAID-IN CAPITAL

€ THOU	
as of 31 December 2011	27,599,874
From capital increase 2012	49,849
Own shares: realized gains	2,851
as of 31 December 2012	27,652,574

REVENUE RESERVES

€ THOU

	as of 31 December 2011	Own shares exceeding mathematical value	Appropriation to other revenue reserves	as of 31 December 2012
1. Statutory reserves	1,229	–	–	1,229
2. Other revenue reserves	11,737,812	(3,839)	–	11,733,973
Total	11,739,041	(3,839)	–	11,735,202

BAR ON DIVIDEND DISTRIBUTION

The other revenue reserves are barred from dividend distribution in the amount of €7,110 THOU. This corresponds to the mathematical value of own shares deducted from issued capital.

In accordance with § 268 (8) of the German Commercial Code, internally generated intangible assets in the amount of €4,953 THOU are also barred from dividend distribution.

The amounts barred from dividend distribution are completely covered by unappropriated reserves.

11 – Subordinated Liabilities

Subordinated liabilities increased to €11.4 BN in 2012 (2011: €9.1 BN)¹. €5.4 BN (2011: €3.1 BN) were external subordinated liabilities resulting from bonds issued by Allianz SE directly. The increase in 2012 resulted from the issuance of two new subordinated bonds with volumes of €1.5 BN and U.S. Dollar 1.0 BN (equals €0.8 BN), respectively.

In addition, intra-group subordinated liabilities amounting to €5.9 BN (2011: €5.9 BN) resulted from subordinated bonds issued by Allianz Finance II B.V., Amsterdam, an affiliated enterprise, that usually transfers the proceeds from these issues to Allianz SE via intra-group loans. Allianz SE provides a financial guarantee for the total amount of bonds issued by Allianz Finance II B.V.

12 – Insurance Reserves

€ MN

	Unearned premiums	Aggregate policy reserves	Reserves for loss and loss adjustment expenses	Reserves for premium refunds	Claims equalization and similar reserves	Other insurance reserves	Total
Fire and property reinsurance	142	–	1,295	–	492	3	1,932
Motor	23	–	1,186	–	187	4	1,400
Life	52	2,075	91	–	–	6	2,224
Personal accident	25	1,409	236	113	15	1	1,799
Credit and bond	29	–	261	–	358	19	667
Liability	49	–	1,530	–	159	2	1,740
Marine and aviation	20	–	181	–	83	–	284
Legal expenses	19	–	101	–	8	1	129
Health	8	1	17	–	–	–	26
Other lines	95	–	338	–	159	2	594
Total	462	3,485	5,236	113	1,461	38	10,795

¹ – Due to roundings of the single amounts for external and intra-group subordinated liabilities explained below, these amounts do not exactly sum up to the total values.

AGGREGATE POLICY RESERVES

Aggregate policy reserves increased by €39 MN to €3,485 MN. The decline in life reinsurance of €11 MN results mainly from reserves ceded by Allianz Lebensversicherungs-AG. This decrease was more than offset by increasing effects due to several new capital management transactions in the Asia-Pacific region.

RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES

The reserve for loss and loss adjustment expenses rose by €78 MN to €5,236 MN.

CLAIMS EQUALIZATION AND SIMILAR RESERVES

In 2012, the positive result triggered an increase in the change in claims equalization and similar reserves and led to a growth of €163 MN. This was mainly caused by fire reinsurance reflecting the fact that this line of business recorded far below-average claims due to the low losses incurred from natural catastrophes. In 2011, these reserves decreased by €221 MN primarily driven by far above-average claims in fire and 'other reinsurance lines' due to higher losses from natural catastrophes.

13 – Other Provisions

DEVELOPMENT OF OTHER PROVISIONS

€ THOU

	Provision	Use (-)	Release (-)	Additions (+)	Reversal of Discounting (+)	Provision
	31 December 2011	2012	2012	2012	2012	31 December 2012
Provisions for pensions and similar liabilities	3,693,685	235,243	621	175,260	278,597	3,911,678
Tax provisions	272,353	91,314	18,098	108,238	-	271,179
Other provisions						
1. Anticipated losses	626,163	265,713	122,961	73,586	51,009	362,084
2. Miscellaneous	270,099	139,937	48,498	375,871	2,147	459,682
Total	4,862,300	732,207	190,178	732,955	331,753	5,004,623

Other provisions grew by €142 MN in total. This increase resulted almost entirely from a net allocation to the pension liability of €218 MN, an increase in miscellaneous provisions of €190 MN as well as a decrease in a provision for anticipated losses of €264 MN. This decline is mainly due to a settlement of obligations to our subsidiary Fireman's Fund Insurance Co. totaling €226 MN. The increase of the miscellaneous provisions to €460 MN arised primarily due to the recognition of a provision of €106 MN for obligations to Allianz Lebensversicherungs-AG. Tax provisions of €271 MN (2011: €272 MN) remained at the previous year's level.

Allianz SE has made pension promises for which pension provisions are recognized. Part of these pension obligations are secured by a "Contractual Trust Arrangement" (Methusalem Trust e.V.). These trust assets constitute off-settable plan assets, with the asset value/market value being used as the fair value.

In 1985, the pension obligations of the German subsidiaries were centralized by transferring the corresponding assets to Allianz SE. As a result, Allianz SE has a joint liability for a large part of these old pension promises. The German subsidiaries reimburse the service cost, whereas Allianz SE covers the interest cost and has assumed responsibility for settlement. Consequently, these pension obligations are reported by Allianz SE.

The following table shows a breakdown of these pension liabilities:

SETTLEMENT AMOUNT OF THE OFFSET LIABILITIES		
€ THOU	2012	2011
Old pension promises of the German subsidiaries	4,689,102	4,578,691
Pension promises of Allianz SE		
old pension promises	177,465	158,999
contribution based pension plans	103,732	85,292
deferred compensation	50,482	39,519
Total	5,020,781	4,862,501

The settlement amount is calculated on the basis of the projected unit credit method and/or reported as the present value of the entitlements acquired.

ACTUARIAL PARAMETERS		
%	2012	2011
Discount rate (as published by Deutsche Bundesbank)	5.06	5.13
Rate of assumed pension increase	1.90	1.90
Rate of assumed salary increase (incl. average career trend)	3.25	3.25

As opposed to the above rates, part of the pension promises are calculated with the guaranteed interest rate of 2.75% p. a. and the guaranteed pension increase rate of 1% p. a. of these pension promises.

The mortality tables used are the current RT2005G-tables of Dr. Klaus Heubeck, which have been adjusted with respect to mortality, disability and labor turnover to reflect company-specific circumstances.

The retirement age applied is the contractual or legal retirement age.

SUPPLEMENTARY INFORMATION

€ THOU	2012	2011
Historical costs of the offset assets	354,048	322,163
Settlement amount of the offset liabilities	5,020,781	4,862,501
(-) Provision amount that has not yet been recognized (Article 67 (2) EGHGB)	754,842	846,596
(-) Fair value of the offset assets	354,261	322,220
Provisions for pensions and similar liabilities	3,911,678	3,693,685

Allianz SE has obligations resulting from jubilee payments, a long-term credit account and phased-in early retirement, which are reported under miscellaneous provisions.

These obligations are calculated basically in the same way as the pension obligations, using the same actuarial assumptions.

€ THOU	2012	2011
Historical costs of the offset assets	5,722	4,348
Fair value of the offset assets	5,839	4,366
Settlement amount of the offset liabilities	6,288	4,892

The assets held as a reserve to secure the phased-in early retirement and long-term credit account obligations at Methusalem Trust e.V. constitute offsettable plan assets, with the asset value/market value being used as the fair value.

14 – Maturity of Financial Liabilities

The residual terms of subordinated liabilities, issued bonds and miscellaneous liabilities are as follows:

MATURITY TABLE AS OF 31 DECEMBER 2012

€ THOU						
	Total	Term up to 1 year	Term 1–3 years	Term 3–5 years	Term 5–10 years	Term > 10 years
Subordinated liabilities (B.)						
Intra-group transmission of proceeds from third-party financing	5,934,588	234,588	–	–	–	5,700,000
Subordinated bonds issued by Allianz SE	5,421,891	106,614	–	–	–	5,315,277
Subtotal	11,356,479	341,202	–	–	–	11,015,277
Bonds (intra-group, F.II.)	6,887,047	2,235,047	1,852,000	266,000	2,275,000	259,000
Liabilities to banks (F.III.)	775,187	775,187	–	–	–	–
Miscellaneous liabilities (F.IV.)						
Intra-group transmission of proceeds from third-party financing	3,235,622	233,242	–	127,380	2,875,000	–
Other intra-group liabilities ¹	17,415,088	16,207,518	561,816	35,602	510,152	100,000
Subtotal intra-group miscellaneous liabilities	20,650,710	16,440,760	561,816	162,982	3,385,152	100,000
Liabilities to third-parties	1,679,913	1,679,913	–	–	–	–
Subtotal miscellaneous liabilities	22,330,623	18,120,673	561,816	162,982	3,385,152	100,000
Total	41,349,336	21,472,109	2,413,816	428,982	5,660,152	11,374,277

1 – As of 31 December 2012, other intra-group liabilities due within one year amounted to €16.2 BN. Thereof, cash pool liabilities and intra-group loans accounted for €6.2 BN and €8.8 BN,

respectively. Upon maturity, intra-group loans are rolled forward by Allianz SE on a regular basis.

MATURITY TABLE AS OF 31 DECEMBER 2011

€ THOU						
	Total	Term up to 1 year	Term 1–3 years	Term 3–5 years	Term 5–10 years	Term > 10 years
Subordinated liabilities (B.)						
Intra-group transmission of proceeds from third-party financing	5,934,342	234,342	–	–	–	5,700,000
Subordinated bonds issued by Allianz SE	3,125,724	85,070	–	–	–	3,040,654
Subtotal	9,060,066	319,412	–	–	–	8,740,654
Bonds (intra-group – F.II.)	6,405,214	749,214	2,416,000	706,000	2,275,000	259,000
Liabilities to banks (F.III.)	1,186,461	936,461	250,000	–	–	–
Miscellaneous liabilities (F.IV.)						
Intra-group transmission of proceeds from third-party financing	1,581,787	206,787	–	–	1,375,000	–
Other intra-group liabilities ¹	19,122,677	14,766,766	3,155,316	590,443	510,152	100,000
Subtotal intra-group miscellaneous liabilities	20,704,464	14,973,553	3,155,316	590,443	1,885,152	100,000
Liabilities to third-parties	1,090,150	1,090,150	–	–	–	–
Subtotal miscellaneous liabilities	21,794,614	16,063,703	3,155,316	590,443	1,885,152	100,000
Total	38,446,355	18,068,790	5,821,316	1,296,443	4,160,152	9,099,654

1 – As of 31 December 2011, other intra-group liabilities due within one year amounted to €14.8 BN. Thereof, cash pool liabilities and intra-group loans accounted for €4.3 BN and €9.7 BN,

respectively. Upon maturity, intra-group loans are rolled forward by Allianz SE on a regular basis.

As of 31 December 2012, €0.7 BN (2011: €0.7 BN) of the total financial liabilities were secured by assets pledged as collateral.

15 – Information about Derivative Financial Instruments

OPTIONS DEALING IN SHARES AND SHARE INDICES

Class	Nominal	Fair Value	Book Value	Underlying	Balance Sheet
	€ THOU	€ THOU	€ THOU		Position
Long Put	59,450	29	29	Unicredit share	Assets B.III.
Short Call	410,157	(71,926)	120,609	Allianz SE share	Liabilities F.IV.

European-type options are valued using the Black Scholes model and American-type options with the binomial model on the basis of the closing price on the valuation date. Yield curves are derived from the swap rates prevailing on the

valuation date. The future dividend yield is estimated on the basis of market information on the valuation date. Volatility is calculated based on currently traded implicit volatility, taking into account the residual term and the ratio between the strike price and the prevailing share price.

FORWARD CONTRACTS IN SHARES, SHARE INDICES AND HEDGE RSU

Class	Nominal	Fair Value	Book Value	Underlying	Balance Sheet
	€ THOU	€ THOU	€ THOU		Position
Long Forward	421,519	84,869	–	Allianz SE share	–
Short Forward	27,145	2,148	–	Commerzbank share	–
Hedge RSU	221,692	(310,197)	310,197	Allianz SE share	Liabilities F.IV.

The positions in long forwards on Allianz SE shares and in hedge RSU are held in the context of hedging the Allianz Equity Incentive Plans.

The fair value of a forward contract is determined as the difference between the underlying closing price on the valuation date and the discounted forward price. The net present value of dividend payments due before maturity of the forward contract is also taken into account, unless the dividends are subject to a pass-through agreement. Liabilities from hedge RSU, which the Group companies acquire from Allianz SE in order to hedge their liabilities from the

Group Equity Incentive programs, are valued on the basis of the Allianz closing price on the valuation date minus the aggregate of the net present values of estimated future dividends due before maturity of the respective hedge RSU. The applicable discount rates are derived from interpolated swap rates.

For the purpose of hedging the share price risk of Commerzbank shares, Allianz SE has entered into short forward contracts hedging Commerzbank shares with a volume of €27 MN. The underlying shares and the corresponding hedging instruments were combined to valuation units

(“Bewertungseinheiten”) representing micro hedges. The fair value changes of the short forward contracts and underlying shares compensate each other. At the time the valuation units were established, the value of both components

was fixed applying the “freezing method”. Offsetting changes in value of the single positions after the creation of the valuation units are recorded neither in the income statement nor on the balance sheet.

FORWARD CURRENCY CONTRACTS

Class	Nominal € THOU	Fair Value € THOU	Book Value € THOU	Underlying	Balance Sheet Position
Long Forward	3,872,791	(544)	2,264	USD, GBP, CZK, AUD, CHF, SGD, NOK, JPY, BRL, HUF, NZD, SEK, TRL, CAD, THB, DKK, CNY	Liabilities D.
Short Forward	3,169,947	28,281	4,420	USD, GBP, CZK, SGD, AUD, CHF, NOK, JPY, CAD, NZD, CNY, MYR, THB, DKK	Liabilities D.

Allianz SE holds long and short positions in various currencies in order to manage foreign exchange risk within Allianz SE and other entities of the Allianz Group.

The fair value of a forward currency contract is the difference between the discounted forward price and the spot rate in Euros. The discounted forward price is calculated by applying the Euro interest rate as a discount rate and the foreign currency interest rate as a compound interest rate.

Long forwards and short forwards with a nominal value of €0.9 BN and a fair value of €14 MN, respectively, were aggregated to valuation units (“Bewertungseinheiten”) and accounted for with a book value of zero. In each case, diametrical positions with identical terms and conditions closed with intra-group and group-external counterparts respectively form a perfect micro hedge because the fair value changes of the diametric positions completely compensate each other.

OVERVIEW OVER FINANCIAL INSTRUMENTS

Category	Position of Allianz SE	Nominal € THOU	Fair Value € THOU	Book Value € THOU
Currency-related transactions	Foreign currency buyer	3,872,791	(544)	2,264
Currency-related transactions	Foreign currency seller	3,169,947	28,281	4,420
Share-/Index-related transactions	Share/Index buyer	421,519	84,869	–
Share-/Index-related transactions	Share/Index seller	496,752	(69,749)	120,638
Hedge RSU	Share seller	221,692	(310,197)	310,197

SUPPLEMENTARY INFORMATION TO THE INCOME STATEMENT

16 – Gross Premiums Written

€ THOU		
	2012	2011
Property-Casualty reinsurance	3,242,060	3,210,449
Life/Health reinsurance	430,419	380,123
Total	3,672,479	3,590,572

Gross premiums written grew by 2.3% to €3.7 BN (2011: €3.6 BN). Premium revenue from fire reinsurance rose by 8.3%, mainly due to rate increases in natural catastrophe covers. This growth was partially offset by the selective renewal of business interruption reinsurance in the Asia-Pacific region. The gross premiums written of our Life/Health reinsurance business increased by 13.2% as a result of several new capital management transactions.

17 – Allocated Interest Return (net)

The amount of interest income transferred under this heading from the non-technical section to the technical section was calculated in accordance with §38 RechVersV and increased by €6 MN to €141 MN.

18 – Run-off Result

In 2012, the positive run-off result in Property-Casualty amounted to €20 MN (2011: €236 MN) and mainly came from credit and bond reinsurance.

19 – Change in Other Insurance Reserves (net)

€ THOU		
	2012	2011
Change in aggregate policy reserves net	(26,726)	20,443
Other insurance reserves net	(10,499)	6,748
Total	(37,225)	27,191

The change in aggregate policy reserves (net) was mainly due to a reserve increase in personal accident reinsurance. The other insurance reserves (net) mostly include reserves for commission in credit and bond reinsurance.

20 – Underwriting Expenses (net)

€ THOU		
	2012	2011
Gross	(930,735)	(951,901)
Ceded	58,709	57,319
Net	(872,026)	(894,582)

The decrease of the underwriting expenses results mainly from the selective renewal of external business partners.

21 – Investment Income

€ THOU	2012	2011
a) Income from shares in affiliated enterprises and participations thereof from affiliated enterprises: €947,858 THOU (2011: €2,921,743 THOU)	962,261	2,928,694
b) Income from other investments thereof from affiliated enterprises: €63,767 THOU (2011: €33,234 THOU)		
ba) Income from real estate, real estate rights and buildings including buildings on land not owned by Allianz SE	30,569	29,498
bb) Income from other investments (see below)	600,969	587,998
Income from other investments	631,538	617,496
c) Income from reversal of impairments	46,619	42,829
d) Realized gains	1,968,089	646,200
e) Income from profit transfer agreements	1,657,904	1,392,196
Total	5,266,411	5,627,415
	2012	2011
bb) Income from other investments		
Debt Securities	315,162	329,632
Funds held by others under reinsurance business assumed	144,826	138,793
Loans to affiliated enterprises	55,976	22,273
Loans to third-parties	44,988	30,102
Interests in funds	16,040	16,051
Bank deposits	9,295	27,048
Loans to participations	8,456	13,211
Receivables from intra-group cash pooling	6,061	9,101
Stocks	–	1,363
Other	165	424
Total	600,969	587,998

22 – Investment Expenses

€ THOU	2012	2011
a) Investment management, interest charges and other investment expenses		
aa) Interest expenses (see below)	(1,425,548)	(1,346,520)
ab) Other	(112,759)	(92,482)
b) Depreciation and impairments of investments	(293,444)	(1,097,477)
c) Realized losses	(228,211)	(122,753)
d) Expenses from losses taken over	(332,724)	(184,549)
Total	(2,392,686)	(2,843,781)
	2012	2011
aa) Interest expenses		
Liabilities from intra-group loans	(446,151)	(414,383)
Intra-group subordinated liabilities (intra-group transmission of proceeds from third-party financing)	(343,679)	(291,447)
Liabilities from intra-group bonds	(273,635)	(289,263)
Subordinated bonds issued by Allianz SE	(234,744)	(205,298)
Liabilities from intra-group cash pooling	(61,299)	(63,923)
Liabilities to banks	(33,084)	(49,008)
Liabilities from commercial paper issues	(11,490)	(12,971)
Other	(21,466)	(20,227)
Total	(1,425,548)	(1,346,520)

The depreciation of and impairments on investments included unscheduled write-downs of €1 MN (2011: €3 MN) on real estate and €189 MN (2011: €385 MN) on holdings in affiliated enterprises.

23 – Other non-technical Result

€ THOU	2012	2011
Other income		
Gains on derivatives	555,520	383,771
Currency gains	254,798	472,238
Service revenues from pensions charged to group companies	141,724	167,511
Income from the release of other provisions	110,266	8,264
Other service revenues from group companies	92,827	82,103
Intercompany income	38,815	37,138
Other	30,258	20,417
Total	1,224,208	1,171,442

€ THOU	2012	2011
Other expenses		
Expenses on derivatives	(538,621)	(292,996)
Interest and similar expense	(337,030)	(251,268)
Other human related expenses	(272,518)	(209,208)
Expenses for financial guarantees	(248,755)	(249,119)
Currency losses	(226,833)	(517,364)
Service expenses from pensions charged to group companies	(141,724)	(167,511)
Other service expenses to group companies	(92,827)	(82,103)
Impairment of intangible assets	(83,835)	–
Pension expenses	(31,075)	(23,507)
Anticipated losses on derivatives	(5,942)	(102,406)
Other	(242,714)	(238,928)
Total	(2,221,874)	(2,134,410)

Allianz SE has a joint liability for a large part of the pension provisions of its German subsidiaries (see note 13 for more details). Service costs incurred in this context are recognized as service expenses from pension plans charged to group companies, as they are reimbursed by the German subsidiaries resulting in corresponding service revenues. This amount also contains the conversion expense of €65 MN of the German subsidiaries for the 2012 fiscal year due to the first-time application of BilMoG in 2010. The decision of the German subsidiaries to distribute the conversion expenses according to Article 67 (1) sentence 1 EGHGB over a period of up to fifteen years remains unchanged.

The other expenses contain expenses of €332 MN from the reversal of discounting of long-term provisions.

Furthermore the items other income and other expenses include the following offset income and expenses:

€ THOU	2012	
	Pensions and similar obligations	Other obligations
Actual return of the offset assets	(9,479)	(423)
Imputed interest cost for the settlement amount of the offset liabilities	242,678	511
Effect resulting from the change in the discount rate for the settlement amount	45,398	13
Net amount of the offset income and expenses	278,597	101

FEES TO THE AUDITOR

€ THOU	2012	2011
Audit	(3,570)	(3,252)
Other certification and valuation services	(4,912)	(1,493)
Tax advice services	(952)	(262)
Other services	(247)	(173)
Total	(9,681)	(5,180)

24 – Extraordinary Result

The conversion expenses resulting from the first-time application of the BilMoG in 2010 could be distributed according to Article 67 (1) sentence 1 EGHGB over a period of up to fifteen years. In fiscal years 2010 and 2011 Allianz SE made use of this option and essentially recognized one-fifteenth (€2 MN) of this amount. In 2012 the outstanding amount of the conversion expenses was recognized completely. This led to an extraordinary expense of €27 MN.

25 – Income Taxes

In 2012 the tax income increases to 541 (2011: 357) MN € which is mainly due to higher allocations from the tax group members. This tax income mostly relates to the net operating income. The recognition of the outstanding amount of conversion expenses (see note 24) is not part of the taxable income.

As the controlling company (“Organträger”) of the tax group, Allianz SE files a consolidated tax return with most of its German affiliated enterprises. Until the tax losses carried forward are fully utilized, the tax compensation payments received from members of the tax group result in a tax income.

When calculating deferred taxes the company nets deferred tax assets and liabilities.

Based on the capitalization option of § 274 (1) sentence 2 of the German Commercial Code, the surplus of deferred tax assets over deferred tax liabilities is not recognized. The main differences between accounting and tax-based valuation arise from the balance sheet items loans to affiliated enterprises, reserves for loss and loss adjustment expenses, provisions for anticipated losses, other receivables/liabilities resulting in deferred tax assets and intangible assets and pension accruals resulting in deferred tax liabilities.

In addition, the existing corporate and trade tax losses increase the surplus of deferred tax assets.

The valuation of the domestic deferred taxes is based on the following tax rates:

- 31.0% differences in balance sheet items
- 15.8% corporate tax losses
- 15.2% trade tax losses

26 – Net Earnings

€ THOU	2012	2011
Net income	2,300,204	2,089,783
Unappropriated earnings carried forward	12,316	12,974
Allocation to other revenue reserves	–	(53,907)
Net earnings	2,312,520	2,048,850

OTHER INFORMATION

Contingent Liabilities, Legal Proceedings and Other Financial Commitments

CONTINGENT LIABILITIES

Guarantees relating to Allianz Group companies

The guarantees described below are provided by Allianz SE to Allianz Group companies as well as to third parties in respect of the liabilities of certain Allianz Group companies. As of today, and according to our best knowledge, we assess the probability of a loss resulting from outstanding guarantees to be extremely remote.

- Bonds issued by Allianz Finance II B.V. and Allianz Finance III B.V. for €11.75 BN, of which €5.7 BN were on a subordinated basis.
- Commercial Papers issued by Allianz Finance Corporation. As of 31 December 2012, USD 0.2 BN of commercial papers were issued as part of the program.
- Letters of Credit issued to various Allianz Group companies amounting to €0.5 BN.

Guarantee declarations totaling €1.4 BN have also been made for deferred annuity agreements signed by Allianz Compañía de Seguros y Reaseguros S.A.

Allianz SE provides a maximum €1.0 BN guarantee for the obligations of Allianz Vie under a unit-linked pension insurance contract. As of 31 December 2012, the guaranteed obligations amounted to €905 MN.

Contingent liabilities exist because of indirect pension promises organized via pension funds (Allianz Versorgungskasse VVaG) and support funds (Allianz Pensionsverein e.V.). Allianz SE has a joint liability of €429 MN for a part of the German pension promises and plan assets for phased-in early retirement obligations of its German subsidiaries.

Allowing for a defined deductible, Allianz SE has assumed contingent liabilities of up to USD 184 MN in connection with certain insurance reserves of its subsidiary Fireman's Fund Insurance Co.

In connection with the transfer of a promissory note of AFF Financing Limited, Allianz SE provided a guarantee to Allianz Lebensversicherungs-AG of up to €80 MN.

Allianz SE has made financial commitments to Allianz Group companies in connection with share purchase agreements amounting to €27 MN.

Allianz SE provides a guarantee to Allianz Argos 14 GmbH to secure payment obligations under a derivative contract entered into with Blue Fin Ltd. and Blue Danube Ltd. in connection with the issuance of catastrophe bonds.

Allianz SE provides guarantees in favor of Marsh, Inc. for the coverage of potential liabilities for various Allianz Group companies. These guarantees have a yearly maturity and are unlimited.

There are financial commitments in connection with the promise of compensation to holders of rights under stock option programs of Allianz France S.A.

In connection with the sale of holdings in individual cases, guarantees were given covering counterparty exposures or the various bases used to determine purchase prices.

Allianz SE has also provided several subsidiaries and associates with either a standard indemnity guarantee or such guarantees as required by the supervisory authorities, which cannot be quantified. These include, in particular, a deed of general release for Oldenburgische Landesbank AG and its subsidiaries in accordance with § 5 (10) of the Statute of Deposit Security Arrangement Fund.

In addition, Allianz SE issued guarantees to various Allianz Group companies totaling €411 MN.

Other guarantees to third-parties

A contingent indemnity agreement was entered into with respect to securities issued by HT1 Funding GmbH in case HT1 Funding GmbH cannot serve the agreed coupon of the bond partly or in total. The expected impact in the foreseeable future has been recognized in other provisions, however, it is not possible for the Allianz Group to predict the ultimate potential payment obligations at this point in time.

As of 31 December 2012, other guarantee commitments given by Allianz SE amounted to €34 MN. As of today and according to our best knowledge, we assess the probability of a loss resulting from other guarantees to be extremely remote.

Legal obligations

Legal obligations to assume any losses arise on account of management control agreements and/or transfer-of-profit agreements with the following companies:

- Allianz Alternative Assets Holding GmbH
- Allianz Argos 14 GmbH
- Allianz Asset Management AG
(formerly: Allianz Global Investors AG)
- Allianz Autowelt GmbH
- Allianz Deutschland AG
- Allianz Finanzbeteiligungs GmbH
- Allianz Global Corporate & Specialty AG
- Allianz Investment Management SE
- Allianz Managed Operations & Services SE
(formerly: Allianz Shared Infrastructure Services SE)
- AZ-Arges Vermögensverwaltungsgesellschaft mbH
- IDS GmbH-Analysis and Reporting Services

Advertising agreements led to financial liabilities of €47 MN.

Potential liabilities amounting to €18 MN were outstanding at the balance sheet date for calls on equity stocks not fully paid up with respect to affiliated enterprises.

Security deposits for leasing contracts amount to €0.2 MN in financial commitments.

LITIGATION

Allianz SE is involved in legal, regulatory, and arbitration proceedings in Germany and a number of foreign jurisdictions. Such proceedings arise in the ordinary course of businesses, including, amongst others, Allianz SE's activities as reinsurance company, employer, investor and taxpayer. 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 Allianz SE, after consideration of any applicable reserves.

In January 2013, Allianz SE received a tax assessment notice from the Italian Tax Authority which declares a tax liability of Allianz SE of €1.4 BN including penalties and interest. The

Italian Tax Authority asserts that the combination of the businesses in Italy following the cross-border merger of the Italian Riunione Adriatica di Sicurtà (RAS) with and into the former Allianz AG in 2006, which led to the change of legal form into Allianz SE, represents a taxable event. The Management believes that the tax liability does not exist and intends to take legal remedy against the tax assessment notice.

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 the 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"), which is pending with the district court ("Landgericht") of Frankfurt. On 12 December 2012, this court held a hearing and a decision is expected during the first half of 2013. The Management believes that a claim to increase the cash settlement does not exist. In the event that the court 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.

OTHER CONTINGENCIES

In accordance with § 5 (10) of the Statutes of the Joint Fund for Securing Customer Deposits ("Einlagensicherungsfonds"), Allianz SE has undertaken to indemnify the Federal Association of German Banks ("Bundesverband deutscher Banken e.V.") for any losses it may incur as a result of reason of supporting measures taken in favor of Oldenburgische Landesbank AG, Münsterländische Bank Thie & Co. KG and Bankhaus W. Fortmann & Söhne KG.

Board Members

All supervisory board members, current or having resigned during the year and all board members, current or having resigned during the year, are denoted on pages 12 and 13. Their memberships in supervisory boards or similar committees of other enterprises are mentioned on pages 121 to 123.

Board of Management Remuneration¹

As of 31 December 2012, the Board of Management is comprised of eleven members. The following expenses reflect the full Board of Management active in the respective year. The remuneration of the Board of Management includes fixed and variable components.

The variable remuneration consists of the Annual bonus (short-term), the Three-year bonus (mid-term) and the Equity-related remuneration (long-term). In 2012 the Equity-related remuneration was comprised of 114,806² (2011: 71,598³) restricted stock units (RSU).

BOARD OF MANAGEMENT REMUNERATION

€ THOU	2012	2011
Base salary	(8,145)	(7,546)
Annual bonus	(10,102)	(6,313)
Perquisites	(531)	(482)
Base salary, annual bonus and perquisites total	(18,778)	(14,341)
Payout Three-year bonus 2010 – 2012	(21,911)	–
Base salary, annual bonus and perquisites and Three-year bonus total	(40 689)	(14,341)
Fair value of RSU at grant date ¹	(10,151)	(6,361)
Equity-related remuneration	(10,151)	(6,361)
Total	(50,840)	(21,730)²

1 – Dr. Paul Achleitner left the Allianz SE Board of Management effective 31 May 2012. He receives a cash payment for the financial year 2012 instead of RSU. The amount will equal the respective 2012 Annual bonus.

2 – According to his contract Dr. Paul Achleitner receives a transition payment after leaving the Allianz SE Board of Management in the amount of €1,027.5 THOU. This amount is included in the Total for 2011.

Total remuneration of the Board of Management of Allianz SE for 2012 (including the Three-year bonus 2010 – 2012) amounted to €50,840 THOU (2011 excluding the relevant Three-year bonus tranche 2011: €21,730 THOU).

EQUITY-RELATED REMUNERATION

The remuneration system as of 1 January 2010 only awards RSU. For 2012 the fair value of the RSU at the date of grant was €10,151 THOU (2011: €6,361 THOU).

1 – For detailed information regarding the Board of Management Remuneration, please refer to the Remuneration Report starting on page 82.

2 – The relevant share price to determine the final number of RSU granted is only available after the sign-off by the external auditors, thus numbers are based on a best estimate.

3 – The disclosure in the Annual Report 2011 was based on a best estimate of the RSU grants. The figure shown here for 2011 now includes the actual fair value as of the grant date (8 March 2012). The value therefore differs from the value disclosed last year.

BENEFITS TO RETIRED MEMBERS OF THE BOARD OF MANAGEMENT

In 2012, remuneration and other benefits of €7 MN (2011: €6 MN) were paid to retired members of the Board of Management and surviving dependents.

The pension obligations for former members of the Board of Management and their surviving dependents are as follows:

€ THOU	2012	2011
Historical costs of the offset assets	71,496	53,862
Fair value of the offset assets	71,496	53,862
Settlement amount of the offset liabilities	82,028	65,511
Provision amount that has not yet been recognized (Article 67 (2) EGHGB)	10,026	9,950
Pension provisions/Excess of plan assets over pension liability	506	1,699

The cash surrender value of the reinsurance policies is taken as a basis for the fair value of the offset assets.

Supervisory Board Remuneration⁴

	2012		2011	
	€ THOU	%	€ THOU	%
Fixed remuneration	1,454	69.6	1,400	69.7
Committee-related remuneration	585	28.0	560	27.9
Attendance fees	50	2.4	49	2.4
Total	2,089	100.0	2,009	100.0

4 For detailed information regarding the Supervisory Board Remuneration please refer to the Remuneration of the Supervisory Board starting on page 82.

Average Number of Employees

Excluding members of the Board of Management, trainees, interns, employees in the passive phased-in of the early retirement and employees on maternity leave or undergoing basic military training/community service.

	2012	2011
Full-time staff	1,342	1,214
Part-time staff	232	180
Total	1,574	1,394

Staff Expenses

€ THOU	2012	2011
1. Wages and salaries	(296,617)	(230,742)
2. Statutory welfare contributions and expenses for optional support payments	(18,495)	(16,092)
3. Expenses for pensions and other post-retirement benefits	(22,429)	(20,828)
Total expenses	(337,541)	(267,662)

Mandates of the Members of the Supervisory Board

DR. HELMUT PERLET

since 9 May 2012

Chairman

Former Member of the Board of Management of Allianz SE

Membership in other statutory supervisory boards and SE administrative boards in Germany

Commerzbank AG

GEA Group AG

Membership in Group bodies

Allianz Deutschland AG

until 23 March 2012

Membership in comparable¹ supervisory bodies

Membership in Group bodies

Allianz France S.A.

until 14 March 2012

Allianz Life Insurance Company of North America

until 29 February 2012

Allianz of America, Inc.

until 29 February 2012

Allianz S.p.A. (Vice Chairman)

until 16 March 2012

Fireman's Fund Insurance Company

until 29 February 2012

DR. HENNING SCHULTE-NOELLE

until 9 May 2012

Chairman

Former Chairman of the Board of Management of Allianz AG

Membership in other statutory supervisory boards and SE administrative boards in Germany

E.ON AG

DR. WULF BERNOTAT

Vice Chairman (since 15 August 2012)

Former Chairman of the Board of Management of E.ON AG

Membership in other statutory supervisory boards and SE administrative boards in Germany

Bertelsmann Management SE

Bertelsmann SE & Co. KGaA

Deutsche Telekom AG

METRO AG

DR. GERHARD CROMME

until 14 August 2012

Vice Chairman

Chairman of the Supervisory Board of ThyssenKrupp AG

Membership in other statutory supervisory boards and SE administrative boards in Germany

Axel Springer AG

Siemens AG (Chairman)

ThyssenKrupp AG (Chairman)

Membership in comparable¹ supervisory bodies

Compagnie de Saint-Gobain S.A.

ROLF ZIMMERMANN

Vice Chairman

Employee of Allianz Deutschland AG

DANTE BARBAN

since 9 May 2012

Employee of Allianz S.p.A.

CHRISTINE BOSSE

since 15 August 2012

Former Group CEO of the Executive Management of Tryg

Membership in comparable¹ supervisory bodies

Aker ASA

Flügger A/S (Chairwoman)

Nordea Bank A/S

until 14 March 2013

TDC A/S

GABRIELE BURKHARDT-BERG

since 9 May 2012

Chairwoman of the Group Works Council of Allianz SE

Membership in other statutory supervisory boards and SE administrative boards in Germany

Membership in Group bodies

Allianz Deutschland AG (Vice Chairwoman)

JEAN-JACQUES CETTE

Chairman of the Group Works Council of Allianz France S.A.

Membership in comparable¹ supervisory bodies

Membership in Group bodies

Allianz France S.A.

IRA GLOE-SEMLER

since 9 May 2012

Chairwoman of the federal insurance group of ver.di Germany

GODFREY ROBERT HAYWARD

until 9 May 2012

Employee of Allianz Insurance plc

FRANZ HEISS

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

until 9 May 2012

PROF. DR. RENATE KÖCHER

Head of Institut für Demoskopie Allensbach (Allensbach Institute)

Membership in other statutory supervisory boards and SE administrative boards in Germany

BMW AG

Infineon Technologies AG

Nestlé Deutschland AG

since 25 May 2012

Robert Bosch GmbH

since 30 March 2012

PETER KOSSUBEK

until 9 May 2012

Employee of Allianz Deutschland AG

IGOR LANDAU

Member of the Board of Directors of Sanofi S.A.

Membership in other statutory supervisory boards and SE administrative boards in Germany

adidas AG (Chairman)

Membership in comparable¹ supervisory bodies

Sanofi S.A.

JÖRG REINBRECHT

until 9 May 2012

Union Secretary of ver.di Bezirk Hannover

Membership in other statutory supervisory boards and SE administrative boards in Germany

Membership in Group bodies

Allianz Deutschland AG

PETER DENIS SUTHERLAND

Chairman of Goldman Sachs International

Membership in comparable¹ supervisory bodies

BW Group Ltd.

Goldman Sachs International (Chairman)

Koç Holding A.Ş.

¹ – 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

MICHAEL DIEKMANN

Chairman of the Board of Management
Membership in other statutory supervisory boards
and SE administrative boards in Germany

BASF SE (Vice Chairman)
Linde AG (Vice Chairman)
Siemens AG

Membership in Group bodies

Allianz Asset Management AG (Chairman)
Allianz Deutschland AG

Membership in comparable¹ supervisory bodies

Membership in Group bodies
Allianz France S.A. (Vice Chairman)
Allianz S.p.A.

DR. PAUL ACHLEITNER

until 31 May 2012

Finance

Membership in other statutory supervisory boards
and SE administrative boards in Germany

Bayer AG
Daimler AG
RWE AG

Membership in Group bodies

Allianz Asset Management AG
until 31 May 2012
Allianz Investment Management SE (Chairman)
until 31 May 2012

OLIVER BÄTE

Controlling, Reporting, Risk

until 31 December 2012

Insurance Western & Southern Europe

since 1 January 2013

Membership in other statutory supervisory boards
and SE administrative boards in Germany

Membership in Group bodies

Allianz Asset Management AG
until 31 December 2012
Allianz Global Corporate & Specialty AG
(Vice Chairman)
until 8 May 2013

Allianz Investment Management SE
(Vice Chairman)

until 31 December 2012

Membership in comparable¹ supervisory bodies

Membership in Group bodies

Allianz France S.A.
since 1 January 2013
Allianz Hayat ve Emeklilik A.S. (Vice Chairman)
since 1 January 2013
Allianz Sigorta A.S. (Vice Chairman)
since 1 January 2013
Allianz S.p.A. (Vice Chairman)
since 1 January 2013

MANUEL BAUER

Insurance Growth Markets

Membership in comparable¹ supervisory bodies

Bajaj Allianz General Insurance Company Ltd.
Bajaj Allianz Life Insurance Co. Ltd.
Zagrebacka Banka
until 27 April 2012

Membership in Group bodies

Allianz Hungária Biztosító Zrt. (Chairman)
Allianz-Slovenská poisťovňa a.s.
Allianz Tiriac Asigurari S.A. (Chairman)
OJSC IC Allianz (Chairman)
TUIR Allianz Polska S.A. (Chairman)
TU Allianz Życie Polska S.A. (Chairman)

GARY BHOJWANI

Insurance USA

Membership in comparable¹ supervisory bodies

Allina Hospitals & Clinics

Membership in Group bodies

Allianz Life Insurance Company of North America
(Chairman)
Allianz of America, Inc. (Chairman)
AZOA Services Corp. (formerly: Allianz of America
Corp.) (Chairman since 16 February 2012)
Fireman's Fund Insurance Company
(Chairman since 15 February 2012)

CLEMENT BOOTH

Global Insurance Lines & Anglo Markets

Membership in other statutory supervisory boards
and SE administrative boards in Germany

Membership in Group bodies

Allianz Global Corporate & Specialty AG (Chairman)

Membership in comparable¹ supervisory bodies

Membership in Group bodies
Allianz Australia Insurance Ltd.
Allianz Insurance plc (Chairman)
Allianz Irish Life Holdings plc
Euler Hermes S.A. (Chairman)

DR. HELGA JUNG

Insurance Iberia & Latin America,

Legal & Compliance, Mergers & Acquisitions
Membership in other statutory supervisory boards
and SE administrative boards in Germany
Membership in Group bodies

Allianz Global Corporate & Specialty AG
from 8 May 2013

Membership in comparable¹ supervisory bodies

Unicredit S. p. A.

since 31 January 2012

Membership in Group bodies

Allianz Compañía de Seguros y Reaseguros S.A.
since 3 July 2012
Companhia de Seguros Allianz Portugal S.A.
since 6 March 2012

DR. CHRISTOF MASCHER

Operations

Membership in other statutory supervisory boards
and SE administrative boards in Germany

Membership in Group bodies

Allianz Managed Operations and Services SE
(Chairman)

Membership in comparable¹ supervisory bodies

Membership in Group bodies

Allianz Global Assistance SAS (Chairman)

JAY RALPH

Asset Management Worldwide

Membership in other statutory supervisory boards
and SE administrative boards in Germany

Membership in Group bodies

Allianz Global Corporate & Specialty AG

until 31 December 2012

Membership in comparable¹ supervisory bodies

Membership in Group bodies

Allianz of America Corp. (Chairman)

until 16 February 2012

Allianz of America, Inc.

until 16 February 2012

Fireman's Fund Insurance Company (Chairman)

until 15 February 2012

Allianz Mexico S.A. Compañía de Seguros

(Chairman)

until 29 February 2012

¹ – We regard memberships in other supervisory bodies as “comparable” if the company is listed on a stock exchange or has more than 500 employees.

DR. DIETER WEMMER

Insurance Western & Southern Europe

until 31 December 2012

Finance, Controlling, Risk

since 1 January 2013

**Membership in other statutory supervisory boards
and SE administrative boards in Germany**

Membership in Group bodies

Allianz Asset Management AG

since 1 January 2013

Allianz Investment Management SE

since 1 January 2013

Membership in comparable¹ supervisory bodies

Membership in Group bodies

Allianz France S.A.

until 31 December 2012

Allianz Hayat ve Emeklilik A.S.

until 31 December 2012

Allianz Hellas Insurance Company S.A.

until 31 December 2012

Allianz S.p.A.

until 31 December 2012

Allianz Sigorta A.S.

until 31 December 2012

DR. WERNER ZEDELIUS

Insurance German Speaking Countries, Human

Resources

**Membership in other statutory supervisory boards
and SE administrative boards in Germany**

Membership in Group bodies

Allianz Deutschland AG (Chairman)

Membership in comparable¹ supervisory bodies

Membership in Group bodies

Allianz Elementar Lebensversicherungs-AG

(Chairman)

Allianz Elementar Versicherungs-AG (Chairman)

Allianz Investmentbank AG (Vice Chairman)

Allianz Suisse Lebensversicherungs-Gesellschaft AG

(Vice Chairman since 18 December 2012)

Allianz Suisse Versicherungs-Gesellschaft AG

(Vice Chairman since 18 December 2012)

DR. MAXIMILIAN ZIMMERER

since 1 June 2012

Investments

**Membership in other statutory supervisory boards
and SE administrative boards in Germany**

Membership in Group bodies

Allianz Asset Management AG

Allianz Investment Management SE (Chairman)

¹ – We regard memberships in other supervisory bodies as “comparable” if the company is listed on a stock exchange or has more than 500 employees.

Notifications pursuant to § 21 (1) WpHG

The company has received the following notifications pursuant to § 21 (1) WpHG:

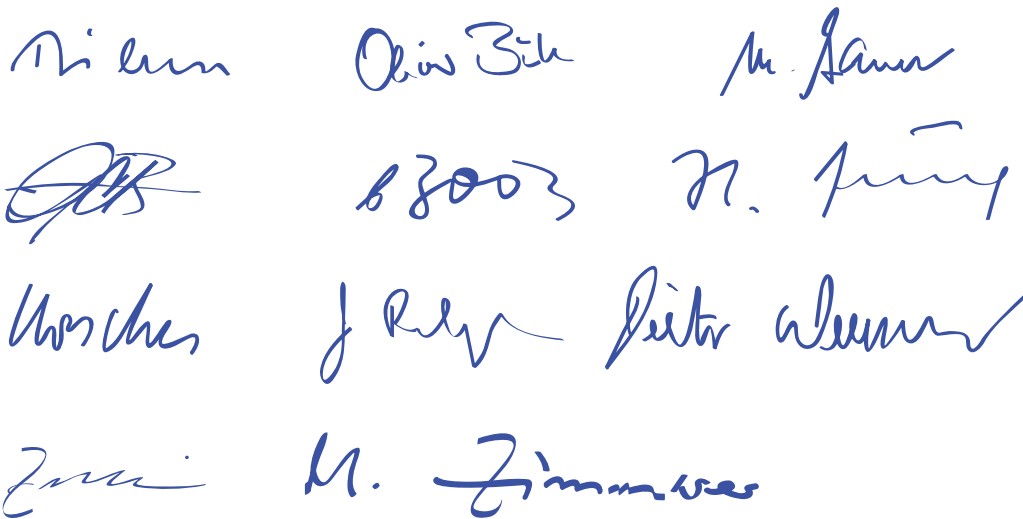
Company Name	Location	+ = exceeds – = falls below	Threshold %	Date	Proportion of voting rights %	Amount of voting rights	Attribution pursuant to § 22 WpHG
BlackRock Group Limited	London, U.K.	+	3	26 July 2011	3.10	14,116,838	§ 22 (1) sentence 1 No. 6 in conjunction with sentence 2 WpHG
BlackRock International Holdings Inc.	New York, U.S.A.	+	3	20 July 2011	3.01	13,690,733	§ 22 (1) sentence 1 No. 6 in conjunction with sentence 2 WpHG
BR Jersey International Holdings L.P.	St. Helier, Jersey Channel Islands	+	3	20 July 2011	3.01	13,690,733	§ 22 (1) sentence 1 No. 6 in conjunction with sentence 2 WpHG
BlackRock Advisers Holdings Inc.	New York, U.S.A.	+	3	19 July 2011	3.02	13,741,516	§ 22 (1) sentence 1 No. 6 in conjunction with sentence 2 WpHG
BlackRock Financial Management Inc.	New York, U.S.A.	+	5	9 May 2011	5.10	23,181,671	§ 22 (1) sentence 1 No. 6 in conjunction with sentence 2 WpHG
BlackRock Holdco 2	Wilmington, U.S.A.	+	5	9 May 2011	5.10	23,181,671	§ 22 (1) sentence 1 No. 6 in conjunction with sentence 2 WpHG
BlackRock Inc.	New York, U.S.A.	+	5	13 April 2011	5.03	22,861,621	§ 22 (1) sentence 1 No. 6 in conjunction with sentence 2 WpHG
Commerzbank AG	Frankfurt am Main, Germany	–	3	16 May 2012	0.05	207,218	§ 22 (1) sentence 1 No. 6 WpHG
Commerzbank AG	Frankfurt am Main, Germany	+	3	11 May 2012	3.96	18,032,660	203,266 voting rights according to § 22 (1) sentence 1 No. 6 WpHG

Declaration of Conformity with the German Corporate Governance Code

On 12 December 2012, the Board of Management and the Supervisory Board of Allianz SE issued the Declaration of Conformity with the German Corporate Governance Code required by § 161 AktG and made it permanently available on the company's website at www.allianz.com/corporate-governance.

Munich, 18 February 2013

Allianz SE
The Board of Management

The image shows four rows of handwritten signatures in blue ink. The first row contains three signatures: 'M. Linn', 'Oliver Birk', and 'M. Gasser'. The second row contains three signatures: 'G. B.', 'B. B.', and 'H. F. F.'. The third row contains three signatures: 'K. W.', 'J. R.', and 'P. W.'. The fourth row contains two signatures: 'Z. M.' and 'M. Zimmerer'.

LIST OF PARTICIPATIONS ALLIANZ SE, MUNICH AS OF DECEMBER 31, 2011 ACCORDING TO § 285 NO. 11 HGB IN CONJUNCTION WITH § 286 (3) NO. 1 HGB

	OWNED ¹	EQUITY	NET		OWNED ¹	EQUITY	NET
	%	€ THOU	EARNINGS		%	€ THOU	EARNINGS
			€ THOU				€ THOU
GERMANY							
<i>Consolidated affiliated entities</i>							
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4, Munich	100.0	25,896	6,894	AZ-Argos 58 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0	42,434	7
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4a, Munich	100.0	5,863	(107)	AZ-Argos 61 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0	151,802	1
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4c, Munich	100.0	107,592	46	AZ-GARl Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0	71,217	2,122
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4d, Munich	100.0	95,553	(120,155)	AZL AI Nr. 1 GmbH, Munich	100.0	37,811	0
ADEUS Aktienregister-Service-GmbH, Frankfurt am Main	79.6	8,050	1,330	AZL PE Nr. 1 GmbH, Munich	100.0	141,338	(35,854)
Alida Grundstücksgesellschaft mbH & Co. KG, Hamburg	94.8	446,028	2,906	AZ-SGD Private Equity Fonds 2 GmbH, Munich	100.0	111,038	2
Allianz Alternative Assets Holding GmbH, Munich	100.0	14,469	0	AZ-SGD Private Equity Fonds GmbH, Munich	100.0	334,890	6,891
Allianz Asset Management AG, Munich	100.0 ²	3,461,258	0	Brahms Beteiligungs GmbH & Co. KG, Stuttgart	94.9	6,049	(11)
Allianz AZL Vermögensverwaltung GmbH & Co. KG, Munich	100.0	425,996	23,208	BrahmsQ Objekt GmbH & Co. KG, Hamburg	95.0	99,413	4,260
Allianz Beratungs- und Vertriebs-AG, Munich	100.0 ²	12,689	0	Bürgel Wirtschaftsinformationen GmbH & Co. KG, Hamburg	50.1	24,523	6,451
Allianz Capital Partners Verwaltungs GmbH, Munich	100.0	217,476	(44,298)	Deutsche Lebensversicherungs-Aktiengesellschaft, Berlin	100.0 ²	44,991	0
Allianz Deutschland AG, Munich	100.0 ²	8,494,341	0	Euler Hermes Deutschland Aktiengesellschaft, Hamburg	100.0	235,502	118,256
Allianz Finanzbeteiligungs GmbH, Munich	100.0 ²	863,178	0	Euler Hermes Forderungsmanagement GmbH, Hamburg	100.0	40,157	11,073
Allianz Global Corporate & Specialty AG, Munich	100.0 ²	1,153,391	0	manroland AG, Offenbach	100.0 ^{4,5}	148,289	(179,129)
Allianz Global Investors Europe GmbH, Frankfurt am Main	100.0 ²	402,179	0	manroland Vertrieb und Service GmbH, Mülheim am Main	100.0 ⁵	5,155	0
Allianz Global Investors Holding GmbH, Munich	100.0 ²	3,177,898	0	Münchener und Magdeburger Agrarversicherung Aktiengesellschaft, Munich	79.8	7,137	1,158
Allianz Handwerker Services GmbH, Munich	95.0 ³	29,138	6,781	Münsterländische Bank Thie & Co. KG, Münster	100.0	7,802	534
Allianz Investment Management SE, Munich	100.0 ²	9,882	0	Objekt Burchardplatz GmbH & Co. KG, Stuttgart	100.0	109,147	2,468
Allianz Leben Private Equity Fonds 1998 GmbH, Munich	100.0	192,364	0	Oldenburgische Landesbank Aktiengesellschaft, Oldenburg	90.2	589,899	43,062
Allianz Leben Private Equity Fonds 2001 GmbH, Munich	100.0	1,567,235	0	PIMCO Deutschland GmbH, Munich	100.0	17,030	0
Allianz Leben Private Equity Fonds 2008 GmbH, Munich	100.0	37,981	0	Selecta Deutschland GmbH, Eschborn	100.0	5,849	(3,062)
Allianz Leben Private Equity Fonds Plus GmbH, Munich	100.0	14,335	0	Selecta Holding GmbH, Eschborn	100.0	9,896	(425)
Allianz Lebensversicherungs-Aktiengesellschaft, Stuttgart	100.0	1,825,344	520,000	Signa 12 Verwaltungs GmbH, Düsseldorf	94.9	5,235	(6)
Allianz Managed Operations & Services SE, Munich	100.0 ²	189,608	0	Spherion Beteiligung GmbH & Co. KG, Stuttgart	94.9	5,107	(16)
Allianz of Asia-Pacific and Africa GmbH, Munich	100.0	72,801	16	Spherion Objekt GmbH & Co. KG, Stuttgart	100.0	88,352	2,768
Allianz Pensionsfonds Aktiengesellschaft, Stuttgart	100.0	48,320	691	W. Fortmann & Söhne KG, Oldenburg	100.0	8,925	130
Allianz Pensionskasse Aktiengesellschaft, Stuttgart	100.0	219,694	11,000	Windpark Aller-Leine-Tal GmbH & Co. KG, Husum	100.0	29,401	(64)
Allianz Private Equity GmbH, Munich	100.0	128,375	0	Windpark Berge-Kleeste GmbH & Co. KG, Haar	100.0	28,637	318
Allianz Private Krankenversicherungs-Aktiengesellschaft, Munich	100.0 ²	333,227	0	Windpark Büttel GmbH & Co. KG., Sehestedt	100.0	32,104	1,287
Allianz Renewable Energy Subholding GmbH & Co. KG, Haar	100.0	49,995	15	Windpark Emmendorf GmbH & Co. KG, Emmendorf	100.0	9,141	592
Allianz Taunusanlage GbR, Stuttgart	99.5	193,622	4,093	Windpark Halenbeck GmbH & Co. KG, Husum	100.0	27,459	1,385
Allianz Versicherungs-Aktiengesellschaft, Munich	100.0 ²	2,338,203	0	Windpark Kesfeld - Heckhuscheid GmbH & Co. KG, Pinneberg	100.0	37,867	233
AllSecur Deutschland AG, Munich	100.0 ²	44,831	0	Windpark Kirf GmbH & Co. KG, Pinneberg	100.0	7,285	420
AUG. PRIEN Immobilien PE Verwaltung	94.9	6,381	9	Windpark Kittlitz GmbH & Co. KG, Husum	100.0	11,132	461
BrahmsQuartier GmbH, Stuttgart	94.9	6,381	9	Windpark Pröttlin GmbH & Co. KG, Sehestedt	100.0	21,983	1,453
AZ-Arges Vermögensverwaltungsgesellschaft mbH, Munich	100.0 ²	810,781	0	Windpark Quitzow GmbH & Co. KG, Sehestedt	100.0	21,321	2,457
AZ-Argos 44 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0	77,402	8,554	Windpark Redekin GmbH & Co. KG, Genthin	100.0	44,309	793
AZ-Argos 50 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0	21,191	78,243	Windpark Schönwalde GmbH & Co. KG, Potsdam	100.0	23,736	544
AZ-Argos 51 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0	167,893	14,986	Windpark Waltersdorf GmbH & Co. KG Renditefonds, Bremen	100.0	21,827	695
AZ-Argos 57 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0	223,727	(94)	Windpark Werder Zinndorf GmbH & Co. KG, Sehestedt	100.0	34,648	4,304
				<i>Joint Ventures</i>			
				Dealis Fund Operations GmbH, Munich	50.1	15,110	(4,024)
				<i>Associated Entities</i>			
				AV Packaging GmbH, Munich	51.0	8,546	(415)
				Capiton IV ConFlex Co-Investment GmbH & Co. KG, Berlin	25.0 ³	18,679	(825)

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 — Profit and loss transfer agreement.

3 — As per annual financial statement 2011.

4 — Insolvent. Dependent entities are shown in a way, which reflects the state as of the date of filing for insolvency.

5 — As per annual financial statement 2010. This is only applicable for manroland AG and their subsidiaries.

	OWNED ¹	EQUITY	NET EARNINGS		OWNED ¹	EQUITY	NET EARNINGS
	%	€ THOU	€ THOU		%	€ THOU	€ THOU
Fondsdepot Bank GmbH, Hof	49.0	41,812	304	Allianz Cornhill Information Services Private Ltd., Trivandrum	100.0	16,052	3,419
Scandferries Holding GmbH, Hamburg	47.7	311,654	77,795	Allianz do Brasil Ltda., São Paulo	100.0	327,151	48,889
Umspannwerk Putlitz GmbH & Co. KG, Putlitz	25.4	14,130	(270)	Allianz Elementar Lebensversicherungs-Aktiengesellschaft, Vienna	100.0	122,662	18,920
				Allianz Elementar Versicherungs-Aktiengesellschaft, Vienna	100.0	353,971	41,188
Other Participations between 5 and 20% of voting rights				Allianz Equity Investments Ltd., Guildford	100.0	148,641	4,180
EXTREMUS Versicherungs-AG, Cologne	16.0			Allianz Europe B.V., Amsterdam	100.0	31,609,039	3,484,284
MLP AG, Wiesloch	8.9			Allianz Europe Ltd., Amsterdam	100.0 ³	14,117,066	(402,235)
Sana Kliniken AG, Ismaning	13.8			Allianz Finance II B.V., Amsterdam	100.0	6,836	3,304
				Allianz Finance II Luxembourg S.à r.l., Luxembourg	100.0	3,573,408	464,018
FOREIGN ENTITIES				Allianz Finance IV Luxembourg S.à r.l., Luxembourg	100.0	169,678	6,372
Consolidated affiliated entities				Allianz Finance V Luxembourg S.à r.l., Luxembourg	100.0	18,190	(982)
A. Diffusion, Nanterre	99.9	38,112	2,801	Allianz Finance VII Luxembourg S.A., Luxembourg	100.0	89,931	(322)
Aero-Fonte S.r.l., Catania	100.0	11,904	4,141	Allianz Finance VIII Luxembourg S.A., Luxembourg	100.0	27,051	(58)
AGA Alarmcentrale NL B.V., Amsterdam	100.0	12,080	1,484	Allianz Fire and Marine Insurance Japan Ltd., Tokyo	100.0	18,080	(994)
AGA Assistance Australia Pty Ltd., Toowong	100.0 ³	9,575	974	Allianz France Investissement OPCI, Paris	100.0	123,648	(253)
AGA Inc., Richmond, VA	100.0	5,677	2,953	Allianz France Richelieu 1, Paris	100.0	75,637	618
AGCS Marine Insurance Company, Chicago, IL	100.0	89,687	(26,841)	Allianz France S.A., Paris	100.0	7,493,364	577,562
AGCS Participações Ltda., Rio de Janeiro	100.0	52,239	1,771	Allianz General Insurance Company (Malaysia) Berhad p.l.c., Kuala Lumpur	100.0	235,978	40,924
AGF Benelux S.A., Luxembourg	100.0	670,016	15,941	Allianz General Laos Ltd., Vientiane	51.0	7,261	2,347
AGF Holdings (UK) Limited, Guildford	100.0	46,998	(4,062)	Allianz Global Assistance International SA, Paris	100.0	353,829	54,671
AGF Insurance Limited, Guildford	100.0	154,240	(3,851)	Allianz Global Assistance S.A.S., Paris	100.0	327,206	19,032
AGF Inversiones S.A., Buenos Aires	100.0 ³	13,246	2,900	Allianz Global Corporate & Specialty do Brasil Participações Ltda., Rio de Janeiro	100.0	56,767	556
AGF Ras Holding B.V., Amsterdam	100.0	1,698,272	201,203	Allianz Global Corporate & Specialty France S.A., Courbevoie	100.0	522,712	(29,846)
Agricola Underwriting Pty Ltd., Melbourne	100.0 ³	7,506	2,439	Allianz Global Corporate & Specialty South Africa Ltd., Marshalltown	100.0	9,722	771
Allegiance Marketing Group LLC, North Palm Beach, FL	100.0	26,903	609	Allianz Global Investors (UK) Ltd., London	100.0	6,918	463
Allianz (UK) Limited, Guildford	100.0	504,421	110,403	Allianz Global Investors Distributors LLC, Dover, DE	100.0	44,891	2,098
Allianz Africa S.A., Paris	100.0	21,341	4,463	Allianz Global Investors France S.A., Paris	100.0	30,831	7
Allianz Alapkezelő Zrt., Budapest	100.0	6,516	2,784	Allianz Global Investors Hong Kong Ltd., Hong Kong	100.0	12,228	185
Allianz Alp Sp. z o.o., Warsaw	100.0	25,689	2,754	Allianz Global Investors Ireland Ltd., Dublin	100.0	15,012	8,953
Allianz Annuity Company of Missouri, Clayton, MO	100.0	306,129	25,629	Allianz Global Investors Italia SGR S.p.A., Milan	100.0	26,916	8,069
Allianz Argentina Compania de Seguros Generales S.A., Buenos Aires	100.0	36,185	9,903	Allianz Global Investors Luxembourg S.A., Senningerberg	100.0	136,940	70,740
Allianz Asset Management of America Holdings Inc., Dover, DE	100.0	5,033	1,729	Allianz Global Investors Taiwan Ltd., Taipei	100.0	59,830	17,294
Allianz Asset Management of America L.P., Dover, DE	100.0	1,102,178	1,932,384	Allianz Global Investors U.S. LLC, Dover, DE	100.0	65,997	40,486
Allianz Asset Management of America LLC, Dover, DE	100.0	5,335,544	2,321,635	Allianz Global Investors U.S. Holdings LLC, Dover, DE	100.0	91,415	16,918
Allianz Asset Management U.S. Holding II LLC, Dover, DE	100.0	223,505	91,849	Allianz Global Life Ltd., Dublin	100.0	68,616	(1,611)
Allianz Australia Insurance Limited, Sydney	100.0 ³	1,457,906	189,865	Allianz Global Risks US Insurance Company Corp., Burbank, CA	100.0	823,726	59,015
Allianz Australia Life Insurance Limited, Sydney	100.0 ³	36,513	7,574	Allianz Grenelle SAS, Paris	100.0	12,495	(35)
Allianz Australia Limited, Sydney	100.0 ³	1,274,948	182,625	Allianz Hayat ve Emeklilik A.S., Istanbul	89.0	31,631	4,475
Allianz Ayudhya Assurance Public Company Limited, Bangkok	62.6	202,109	18,576	Allianz Hellas Insurance Company S.A., Athens	100.0	45,839	24,732
Allianz Bank Bulgaria JSC, Sofia	99.9	91,365	6,614	Allianz Hold Co Real Estate S.à r.l., Luxembourg	100.0	115,411	(8)
Allianz Bank Financial Advisors S.p.A., Milan	100.0	198,971	2,660	Allianz Holding eins GmbH, Vienna	100.0	2,129,982	190,187
Allianz Banque S.A., Courbevoie	100.0	130,071	(17,267)	Allianz Holding France SAS, Paris	100.0	7,502,787	873,961
Allianz Belgium S.A., Brussels	100.0	748,538	35,083	Allianz Holdings plc, Guildford	100.0	1,125,876	137,834
Allianz Bulgaria Holding Company Ltd., Sofia	66.2	38,559	23,523	Allianz Hungária Biztosító Zrt., Budapest	100.0	125,117	29
Allianz Bulgaria Insurance and Reinsurance Company Ltd., Sofia	78.0	30,528	5,061	Allianz IARD S.A., Paris	100.0	2,381,052	334,358
Allianz Bulgaria Life Insurance Company Ltd., Sofia	99.0	19,075	6,783	Allianz Individual Insurance Group LLC, Minneapolis, MN	100.0	192,247	(3,503)
Allianz Bulgaria Pension Company AD, Sofia	65.9	17,186	6,074	Allianz Infrastructure Luxembourg I S.à r.l., Luxembourg	100.0	235,953	265
Allianz Business Services Limited, Lancaster	100.0 ³	5,250	690	Allianz Infrastructure Luxembourg I SICAV-FIS, Luxembourg	100.0	596,031	19,922
Allianz business services s.r.o., Bratislava	100.0	5,010	(538)	Allianz Infrastructure Luxembourg II SICAF-FIS, Luxembourg	100.0	206,865	6,691
Allianz Carbon Investments B.V., Amsterdam	100.0	6,497	(13)	Allianz Insurance (Hong Kong) Ltd., Hong Kong	100.0	19,106	6,980
Allianz China General Insurance Company Ltd., Guangzhou	100.0	26,850	(24,596)				
Allianz China Life Insurance Co. Ltd., Shanghai	51.0	27,863	(23,378)				
Allianz Colombia S.A., Bogotá D.C.	100.0	162,505	19,970				
Allianz Compagnia Italiana Finanziamenti S.p.A., Milan	100.0	742,183	175,444				
Allianz Compania de Seguros y Reaseguros S.A., Barcelona	99.9	359,429	92,870				

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 – Profit and loss transfer agreement.

3 – As per annual financial statement 2011.

	OWNED ¹	EQUITY	NET		OWNED ¹	EQUITY	NET
	%	€ THOU	EARNINGS		%	€ THOU	EARNINGS
			€ THOU				€ THOU
Allianz Insurance Company of Singapore Pte. Ltd., Singapore	100.0	35,196	5,613	Allianz Risk Transfer N.V., Amsterdam	100.0	30,776	207
Allianz Insurance Company-Egypt S.A.E., Cairo	85.0	14,277	(127)	Allianz Rosno Life, Moscow	100.0	25,380	13,492
Allianz Insurance plc, Guildford	100.0	1,037,383	113,471	Allianz S.p.A., Trieste	100.0	1,095,815	415,016
Allianz Investmentbank Aktiengesellschaft, Vienna	100.0	13,512	4,099	Allianz Saude S.A., São Paulo	100.0	63,302	10,862
Allianz Irish Life Holdings p.l.c., Dublin	66.5	59,611	53,163	Allianz Seguros de Vida S.A., Bogotá D.C.	100.0	87,845	13,670
Allianz Leasing Bulgaria, Sofia	51.0	7,551	725	Allianz Seguros S.A., Bogotá D.C.	100.0	80,634	9,408
Allianz Life & Annuity Company, Minneapolis, MN	100.0	12,108	(230)	Allianz Seguros S.A., São Paulo	100.0	319,354	48,460
Allianz Life (Bermuda) Ltd., Hamilton	100.0	10,746	2,743	Allianz Services (UK) Limited, London	100.0	23,291	2,560
Allianz Life Assurance Company-Egypt S.A.E., Cairo	100.0	37,960	4,577	Allianz Servicios Administrativos S.A., Madrid	100.0	6,527	463
Allianz Life Financial Services LLC, Minneapolis, MN	100.0 ²	25,373	0	Allianz Sigorta A.S., Istanbul	84.2	209,868	25,938
Allianz Life Insurance Company of Missouri, Clayton, MO	100.0	239,771	6,021	Allianz SNA Sal, Beirut	100.0	42,562	3,832
Allianz Life Insurance Company of New York, New York, NY	100.0	127,033	7,083	Allianz Société Financière S.à r.l., Luxembourg	100.0	500,190	54,459
Allianz Life Insurance Company of North America, Minneapolis, MN	100.0	6,343,640	(99,664)	Allianz South America Holding B.V., Amsterdam	100.0	303,468	21,647
Allianz Life Insurance Japan Ltd., Tokyo	100.0	7,346	(19,849)	Allianz Specialised Investments Limited, London	100.0	7,596	(547)
Allianz Life Insurance Malaysia Berhad p.l.c., Kuala Lumpur	100.0	134,588	13,345	Allianz Subalpina Holding S.p.A., Turin	98.1	191,747	13,725
Allianz Life Luxembourg S.A., Luxembourg	100.0	36,672	1,305	Allianz Suisse Lebensversicherungs-Gesellschaft AG, Zurich	100.0	871,193	67,761
Allianz Malaysia Berhad p.l.c., Kuala Lumpur	72.7	241,000	41	Allianz Suisse Rückversicherungs AG, Zurich	100.0	186,153	40,052
Allianz Management Services Limited, Guildford	100.0	25,229	22,615	Allianz Suisse Versicherungs-Gesellschaft AG, Zurich	100.0	553,890	211,671
Allianz Marine (UK) Ltd., Ipswich	100.0	11,387	59	Allianz Taiwan Life Insurance Co. Ltd., Taipei	99.7	118,890	2,263
Allianz Mena Holding Bermuda Ltd., Beirut	99.9	19,763	(159)	Allianz Telematics S.p.A., Rome	100.0	11,864	(6,305)
Allianz México S.A. Compañía de Seguros, Mexico City	100.0	101,377	16,958	Allianz Tiriac Asigurari SA, Bucharest	52.2	103,208	(12,419)
Allianz Nederland Asset Management B.V., Nieuwegein	100.0	54,710	5,696	Allianz Ukraine LLC, Kiev	100.0	7,914	(903)
Allianz Nederland Groep N.V., Rotterdam	100.0	739,779	83,248	Allianz Underwriters Insurance Company Corp., Burbank, CA	100.0 ³	48,456	1,425
Allianz Nederland Levensverzekering N.V., Rotterdam	100.0	297,633	60,024	Allianz US Investment LP, Wilmington, DE	100.0	260,948	(5,254)
Allianz Nederland Schadeverzekering N.V., Rotterdam	100.0	222,024	9,751	Allianz US Private REIT LP, Wilmington, DE	100.0	213,070	(1,755)
Allianz New Europe Holding GmbH, Vienna	100.0	1,234,793	259,764	Allianz Vie S.A., Paris	100.0	2,652,451	(36,072)
Allianz New Zealand Limited, Auckland	100.0 ³	28,276	(9,163)	Allianz Worldwide Care Ltd., Dublin	100.0	88,347	22,598
Allianz of America Inc., Westport, CT	100.0	13,206,789	1,109,001	Allianz Zagreb d.d., Zagreb	83.2	85,789	12,066
Allianz of South Africa (Proprietary) Ltd., Marshalltown	100.0	9,518	772	Allianz ZB d.o.o. Company for the Management of Obligatory Pension Funds, Zagreb	51.0	19,201	6,966
Allianz One Beacon LP, Wilmington, DE	100.0	74,054	4,078	Allianz-Slovenská DSS a.s., Bratislava	100.0	49,598	2,380
Allianz p.l.c., Dublin	100.0	363,171	102,258	Allianz-Slovenská poisťovna a.s., Bratislava	99.6	364,794	65,289
Allianz Participations B.V., Amsterdam	100.0	153,973	(195,096)	Allianz-Tiriac Pensii Private SAFPP SA, Bucharest	100.0	6,748	2,964
Allianz Pensionskasse Aktiengesellschaft, Vienna	100.0	9,380	817	Amaya Compañía de Seguros y Reaseguros S.A., Madrid	100.0	43,763	654
Allianz penzijní fond a.s., Prague	100.0	66,500	14,215	American Automobile Insurance Company, Corp., Earth City, MO	100.0	121,748	5,120
Allianz pojistovna a.s., Prague	100.0	163,357	38,667	American Financial Marketing Inc., Minneapolis, MN	100.0	28,248	1,294
Allianz Polska Services Sp. z o.o., Warsaw	100.0	11,465	(103)	AMOS Austria GmbH, Vienna	100.0	25,234	(4,233)
Allianz Popular Asset Management SGIC S.A., Madrid	100.0	48,679	13,028	AMOS IT Suisse AG, Zurich	100.0	8,308	2,623
Allianz Popular Pensiones EGFP S.A., Madrid	100.0	49,058	21,234	Ann Arbor Annuity Exchange Inc., Ann Arbor, MI	100.0	12,291	1,380
Allianz Popular Vida Compañía de Seguros y Reaseguros S.A., Madrid	100.0	95,023	45,772	Antoniana Veneta Popolare Assicurazioni S.p.A., Trieste	50.0	11,596	3,167
Allianz Popular S.L., Madrid	60.0	1,018,288	70,055	Antoniana Veneta Popolare Vita S.p.A., Trieste	50.0	62,295	19,207
Allianz Private Equity UK Holdings Limited, London	100.0	19,061	(7,108)	APKV US Private REIT LP, New York, NY	100.0	28,650	(1,452)
Allianz Properties Limited, Guildford	100.0	164,932	3,706	Arab Gulf Health Services LLC, Beirut	100.0	12,404	3,095
Allianz Real Estate France SAS, Paris	100.0	12,047	6,237	Arcalis SA, Courbevoie	100.0	75,317	10,246
Allianz Renewable Energy Partners I LP, London	100.0	305,577	2,593	Arges Investments I N.V., Amsterdam	100.0	48,055	55
Allianz Renewable Energy Partners II Limited, London	100.0	398,168	1,048	Arges Investments II N.V., Amsterdam	100.0	48,013	13
Allianz Renewable Energy Partners III LP, London	98.0	83,763	(991)	Aspley AVT Pty Limited, Sydney	66.7 ³	29,219	(1,802)
Allianz Renewable Energy Partners IV Limited, London	98.0	214,365	(3,392)	Assistance Courtagé d'Assurance et de Réassurance S.A., Paris	100.0	25,911	5,005
Allianz Renewable Energy Partners V plc, London	100.0	201,578	2,768	Associated Indemnity Corporation, Novato, CA	100.0	61,557	2,627
Allianz Risk Transfer (Bermuda) Ltd., Hamilton	100.0	37,727	275	Assurance Vie et Prévoyance (AVIP) SA, Courbevoie	100.0	89,654	43
Allianz Risk Transfer AG, Zurich	100.0	724,708	195,554	AZ Euro Investments II S.à r.l., Luxembourg	100.0	180,046	(3)
Allianz Risk Transfer Inc., New York, NY	100.0	66,402	11,292	AZ Euro Investments S.à r.l., Luxembourg	100.0	2,465,994	210,319
				AZ Jupiter 4 B.V., Amsterdam	100.0	24,317	(442)
				AZ Jupiter 8 B.V., Amsterdam	100.0	3,091,492	519
				AZ Jupiter 9 B.V., Amsterdam	100.0	89,851	76
				AZL PF Investments Inc., Minneapolis, MN	100.0 ³	484,633	18,663
				AZOA Services Corporation, Novato, CA	100.0	22,320	(1,991)
				BAWAG Allianz Vorsorgekasse AG, Vienna	50.0	13,507	6,453
				Beleggingsmaatschappij Willemsbruggen B.V., Rotterdam	100.0	78,612	4,802

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	OWNED ¹	EQUITY	NET		OWNED ¹	EQUITY	NET
	%	€ THOU	EARNINGS € THOU		%	€ THOU	EARNINGS € THOU
Brasil de Imoveis e Participacoes Ltda., São Paulo	100.0	6,221	456	Jefferson Insurance Company Corp., New York, NY	100.0	33,612	2,535
Bright Mission Berhad Ltd., Kuala Lumpur	100.0	43,623	494	Kiinteistö OY Eteläesplanadi 2, Helsinki	100.0	17,852	2,344
British Reserve Insurance Co. Ltd., Guildford	100.0	38,193	3,888	La Rurale, Paris	99.8	7,654	1,137
Calobra Investments Sp. z o.o., Warsaw	100.0	42,843	(1,479)	LLC "Allianz Eurasia Healthcare", Saint Petersburg	100.0	8,163	(526)
Calypso S.A., Paris	100.0	14,029	(10,952)	Lloyd Adriatico Holding S.p.A., Trieste	99.9	648,703	32,463
CAP Rechtsschutz-Versicherungsgesellschaft AG, Zürich	100.0	12,682	4,186	London Verzekeringen N.V., Rotterdam	100.0	137,919	7,429
CFC Capital Partners Insurance Center LLC, Huntington Beach, CA	100.0	10,823	210	manroland (China) Ltd., Hong Kong	100.0 ⁴	16,463	3,885
Château Larose Trintaudon S.A., Saint Laurent Médoc	100.0	36,512	43	manroland Benelux N.V., Wemmel	100.0 ⁴	34,309	1,458
Chicago Insurance Company, Corp., Chicago, IL	100.0	41,515	2,291	manroland CEE AG, Vienna	100.0 ⁴	17,498	2,801
CIC Allianz Insurance Ltd., Sydney	100.0 ³	30,644	8,593	manroland Inc., Westmont, IL	100.0 ⁴	19,298	(949)
Companhia de Seguros Allianz Portugal S.A., Lisbon	64.8	125,049	20,283	manroland Italia S.p.A., Milan	99.3 ⁴	5,614	(956)
CPRN Thailand Ltd., Bangkok	100.0	8,162	1,619	manroland Western Europe Group B.V., Amsterdam	100.0 ⁴	64,645	1
CreditRas Assicurazioni S.p.A., Milan	50.0	18,029	16,200	Martin Maurel Vie, Courbevoie	100.0	12,645	1,121
CreditRas Vita S.p.A., Milan	50.0	355,563	176,014	Medexpress, Saint Petersburg	99.8	17,491	1,899
Darta Saving Life Assurance Ltd., Dublin	100.0	56,254	26,253	Mondial Assistance Australia Holding Pty Ltd., Toowong	100.0	8,662	1,210
Deeside Investments Inc., Wilmington, DE	50.1 ³	211,716	10,663	Mondial Assistance France SAS, Paris	95.0	33,008	17,068
Delta Technical Services Ltd., London	100.0	8,507	2,037	Mondial Assistance United Kingdom Ltd., Croydon Surrey	100.0	7,168	2,564
Dresdner Kleinwort Pfandbriefe Investments II Inc., Minneapolis, MN	100.0	485,264	16,265	Mondial Servicos Ltda., São Paulo	100.0	18,718	4,058
Dresdner RCM Global Investors (Jersey) Ltd., Jersey	100.0 ³	8,836	52	National Surety Corporation, Chicago, IL	100.0	106,374	4,754
Energie Eolienne Lusanger SARL, Orleans	100.0	5,113	58	NFI Investment Group LLC, Dover, DE	100.0	10,680	77,254
Euler Hermes ACI Holding Inc., New York, NY	100.0	182,176	22,606	OJSC "Allianz Investments", Moscow	100.0	7,990	(715)
Euler Hermes ACI Inc., Baltimore, MD	100.0	143,299	23,355	OJSC "My Clinic", Moscow	100.0	17,322	(1,368)
Euler Hermes Crédit France S.A.S., Paris	100.0	149,585	1,819	Omega Thai Investment Holding B.V., Amsterdam	100.0	50,194	(30)
Euler Hermes Credit Insurance Belgium S.A., Brussels	100.0	327,884	1,812	Open Joint Stock Company Insurance Company Allianz, Moscow	100.0	224,364	759
Euler Hermes France S.A., Paris	100.0	390,020	66,498	Oppenheimer Group Inc., Dover, DE	100.0	48,137	1,096
Euler Hermes Ré SA, Senningerberg	100.0 ³	61,055	0	Orione PV S.r.l., Milan	100.0	8,781	721
Euler Hermes Recouvrement France S.A.S., Paris	100.0	44,725	6,190	Orsa Maggiore PV S.r.l., Milan	100.0	17,953	2,741
Euler Hermes Reinsurance AG, Zurich	100.0 ³	447,902	137,493	OY Selecta AB, Helsinki	100.0	5,176	983
Euler Hermes S.A., Paris	70.0	1,266,347	196,190	Pacific Investment Management Company LLC, Dover, DE	98.2	788,903	2,475,333
Euler Hermes Seguros de Crédito à Exportação S.A., São Paulo	100.0	6,302	204	Personalized Brokerage Service LLC, Topeka, KS	100.0	8,129	1,207
Euler Hermes Seguros de Crédito S.A., Mexico City	100.0	7,032	949	Pet Plan Ltd., Guildford	100.0	119,634	(118)
Euler Hermes Seguros de Crédito S.A., São Paulo	100.0	8,310	(177)	PPF Holdings Inc., Dover, DE	100.0	229,884	(3,320)
Euler Hermes Servicios Ltda., São Paulo	100.0	14,852	(770)	PGREF V 1301 Sixth Investors I LP, Wilmington, DE	100.0	47,060	(6,697)
Euler Hermes Tech SAS, Nanterre	100.0	5,703	1,366	PIMCO Asia Ltd., Hong Kong	100.0	10,218	682
Euler Hermes UMA, Louisville, KY	100.0	10,387	391	PIMCO Asia Pte Ltd., Singapore	100.0	14,583	6,124
Euler Hermes World Agency SASU, Paris	100.0	5,287	1,890	PIMCO Australia Pty Ltd., Sydney	100.0	32,855	20,565
Eurl 20/22 Le Peletier, Paris	100.0	57,259	1,370	PIMCO Canada Corp., Toronto, ON	100.0	24,608	11,926
Eurosol Invest S.r.l., Buttrio	100.0	10,462	1,190	PIMCO Europe Ltd., London	100.0	137,019	46,520
Fenix Directo Compania de Seguros y Reaseguros S.A., Madrid	100.0	23,458	959	PIMCO Global Advisors (Ireland) Ltd., Dublin	100.0	21,255	11,376
Fireman's Fund Indemnity Corporation, Liberty Corner, NJ	100.0	11,255	163	PIMCO Global Advisors LLC, Dover, DE	100.0	282,863	52,496
Fireman's Fund Insurance Company of Hawaii Inc., Honolulu, HI	100.0	6,755	172	PIMCO Global Holdings LLC, Dover, DE	100.0	27,342	12,450
Fireman's Fund Insurance Company of Ohio, Corp., Cincinnati, OH	100.0	35,740	1,344	PIMCO Investments LLC, Dover, DE	100.0	83,008	68,564
Fireman's Fund Insurance Company, Corp., Novato, CA	100.0	1,913,026	(575,402)	PIMCO Japan Ltd., Road Town, Tortola	100.0	52,924	23,650
Fragonard Assurance S.A., Paris	100.0	68,529	20,538	Prism Re (Bermuda) Ltd., Hamilton	99.0	14,318	314
GamePlan Financial Marketing LLC, Woodstock, GA	100.0	52,472	4,827	Protexia France S.A., Paris	66.0	32,595	6,537
Generation Vie S.A., Courbevoie	52.5	65,266	6,974	PT Asuransi Allianz Life Indonesia p.l.c., Jakarta	99.8	208,008	28,874
Genialloyd S.p.A., Milan	100.0	80,880	41,109	PT Asuransi Allianz Utama Indonesia Ltd., Jakarta	75.0	26,951	(2,355)
Havelaar et Van Stolk B.V., Rotterdam	100.0	8,345	1,172	PTE Allianz Polska S.A., Warsaw	100.0	48,582	5,759
Home & Legacy (Holdings) Limited, London	100.0	5,526	26	Q207 S.C.S., Luxembourg	94.0	124,099	(3,723)
Home & Legacy Insurance Services Limited, London	100.0	17,447	2,667	Questar Capital Corporation, Minneapolis, MN	100.0	9,334	(8,708)
Immovalor Gestion S.A., Paris	100.0	5,629	2,229	Ras Private Bank (Suisse) S.A., Lugano	100.0	12,159	(622)
Insurance and Reinsurance AG Energy, Sofia	50.9	30,445	11,967	RCM (UK) Ltd., London	100.0	38,540	872
Interstate Fire & Casualty Company, Chicago, IL	100.0	116,203	4,093	RCM Asia Pacific Ltd., Hong Kong	100.0	26,399	8,802
Investitori SGR S.p.A., Milan	100.0 ³	14,875	(909)	RCM US Holdings LLC, Wilmington, DE	100.0	15,550	6,587
				Real Faubourg Haussmann SAS, Paris	100.0	13,394	(72)
				Real FR Haussmann SAS, Paris	100.0	55,023	3,201
				Redoma S.à r.l., Luxembourg	100.0	110,424	(37)
				Rosno MS, Moscow	100.0	25,986	3,250
				Roster Financial LLC, Voorhees, NJ	100.0	23,158	(634)

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4 – As per annual financial statement 2010. This is only applicable for manroland AG and their subsidiaries.

	OWNED ¹	EQUITY	NET		OWNED ¹	EQUITY	NET
	%	€ THOU	EARNINGS		%	€ THOU	EARNINGS
			€ THOU				€ THOU
Roxbury Investments Sp. z o.o., Warsaw	87.5	52,127	(1,188)	Millea Mondial Co. Ltd., Tokyo	50.0	13,092	2,526
S.C. Asit Services S.R.L., Bucharest	100.0	32,243	(2,309)	One Beacon Joint Venture LP, Wilmington, DE	50.0	100,226	860
SA Carene Assurance, Paris	100.0	10,546	489	TopTorony Ingtatlanhasznosító Zrt., Budapest	50.0 ³	14,847	(2,334)
San Francisco Reinsurance Company, Corp., Novato, CA	100.0	54,697	(3,376)				
SAS 20 pompidou, Paris	100.0	121,316	4,215	Associated Entities			
SAS Allianz Forum Seine, Paris	100.0	121,417	2,014	Allianz Saudi Fransi Cooperative Insurance Company, Riyadh	32.5	34,465	2,177
SAS Allianz Rivoli, Paris	100.0	44,341	1,909	Archstone Multifamily Partners AC JV LP, Engelwood, CO	40.0	72,197	(2,740)
SAS Allianz Serbie, Paris	100.0	128,015	9,473	Archstone Multifamily Partners AC LP, Wilmington, DE	28.6	157,240	(7,834)
SAS Madeleine Opéra, Paris	100.0	715,690	48,160	Bajaj Allianz General Insurance Company Ltd., Pune	26.0	165,174	28,321
SAS Passage Des Princes, Paris	100.0	116,155	1,159	Bajaj Allianz Life Insurance Company Ltd., Pune	26.0	529,465	181,748
SC Tour Michelet, Paris	100.0	62,086	1,815	Brunei National Insurance Company Berhad Ltd., Bandar Seri Begawan	25.0	7,156	777
SCI 46 Desmoulins, Paris	100.0	119,646	0	Chicago Parking Meters, LLC, Wilmington, DE	49.9	442,729	41,079
SCI Allianz Chateaudun, Paris	100.0	61,850	1,249	Citylife S.r.l., Milan	33.0 ³	324,902	(15,020)
SCI Allianz Messine, Paris	100.0	102,685	3,897	Cofitem Cofimur S.A., Paris	22.1	270,975	26,388
SCI AVIP SCPI Selection, Courbevoie	100.0	40,234	7,619	Douglas Emmett Partnership X LP, Santa Monica, CA	28.6	71,837	(333)
SCI ESQ, Paris	75.0	95,197	2,613	Euro Media Group S.A., Bry-sur-Marne	21.5 ³	137,782	728
SCI Praelloyd, Paris	100.0	135,949	26,354	Graydon Holding N.V., Amsterdam	27.5	22,078	6,979
SCI Stratus, Courbevoie	100.0	8,340	3,353	Guotai Jun' an Allianz Fund Management Company Ltd., Shanghai	49.0	34,037	3
SCI Volnay, Paris	100.0	80,835	7,427	Henderson UK Outlet Mall Partnership LP, Edinburgh	19.5 ³	244,640	10,196
Selecta AB, Stockholm	100.0 ³	17,644	10,378	Interpolis Kredietverzekeringen N.V., Hertogenbosch	45.0	8,592	162
Selecta AG, Muntelier	100.0	329,992	48,267	JPMorgan IIF UK1 LP, Dublin	36.7	129,617	(926)
Selecta Betriebsverpflegungs GmbH, Vienna	100.0	6,818	(759)	Oddo et Cie SCA, Paris	20.0	401,525	17,222
Selecta Group B.V., Amsterdam	98.7	293,805	(289)	OeKB EH Beteiligungs- und Management AG, Vienna	49.0	166,842	15,247
Selecta Holding AB, Stockholm	100.0 ³	13,185	22	PAR Holdings Limited, Hamilton	20.8	21,377	1,870
Selecta Holding B.V., Amsterdam	100.0	6,628	(697)	PGREF V 1301 Sixth Holding LP, Wilmington, DE	24.5	185,415	(33,375)
Selecta Holding SAS, Paris	100.0	28,311	(16,150)	PGRESS Debt Holdings LP, Wilmington, DE	20.0	18,628	455
Selecta Management AG, Zug	100.0	6,839	1,204	PHRV (Paris Hotels Roissy Vaugirard), Paris	30.6	168,282	7,779
Selecta Nordic Holding AB, Stockholm	100.0	431,798	(63,065)	Scandferries Chartering A/S, Copenhagen	35.0 ³	38,456	(961)
Selecta SA, Paris	99.9	40,912	(1,036)	SDU Finco B.V., Amsterdam	49.7 ³	65,258	(6,145)
Selecta TMP AG, Zug	100.0	81,713	13,477	SK Versicherung AG, Vienna	25.8	10,056	1,282
SI 173-175 Boulevard Haussmann SAS, Paris	100.0	86,827	4,162				
Sistemi Informativi Allianz S.p.c.A., Milan	100.0	15,797	12	Other Participations between 5 and 20% of voting rights			
Società Agricola San Felice S.p.A., Milan	100.0	30,981	(251)	Al Nisr Al Arabi, Amman	18.0		
Société Foncière Européenne, Amsterdam	100.0	19,741	499	Banco BPI S.A., Porto	8.8		
Société Nationale Foncière S.A.L., Beirut	66.0	10,489	1,107	Zagrebacka banka d.d., Zagreb	11.7		
South City Office Broodthaers SA, Brussels	100.0	51,006	2,363				
SpaceCo S.A., Paris	100.0	9,376	3,965				
SPICAV Allianz France Real Estate Invest, Paris	100.0	605,071	9,922				
TFI Allianz Polska S.A., Warsaw	100.0	7,563	2,038				
The American Insurance Company, Corp., Cincinnati, OH	100.0	236,845	16,132				
The Annuity Store Financial & Insurance Services LLC, Sacramento, CA	100.0	8,571	702				
Three Pillars Business Solutions Limited, Guildford	100.0	5,928	(59)				
Top Versicherungsservice GmbH, Vienna	100.0	17,801	(552)				
Towarzystwo Ubezpieczen Euler Hermes S.A., Warsaw	100.0	17,401	347				
Trafalgar Insurance Public Limited Company, Guildford	100.0	78,105	1,941				
TU Allianz Polska S.A., Warsaw	100.0	210,759	17,342				
TU Allianz Zycie Polska S.A., Warsaw	100.0	103,211	14,911				
VertBois S.à r.l., Luxembourg	100.0	28,431	906				
Via Pierre 1, Paris	100.0	288,860	47,041				
Votra S.A., Lausanne	100.0 ⁴	9,937	(3,348)				
YAO Investment S.à r.l., Luxembourg	100.0	47,734	12,515				
Yorktown Financial Companies Inc., Minneapolis, MN	100.0	98,753	0				
Joint Ventures							
Allianz C.P. General Insurance Co. Ltd., Bangkok	50.0	17,983	80				
Compania de Seguro de Creditos S.A., Lisbon	50.0	43,577	5,514				
International Shopping Centre Investment S.A., Luxembourg	50.0	60,156	(11,612)				
Market Street Trust, Sydney	50.0	249,806	18,762				

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 — Profit and loss transfer agreement.

3 — As per annual financial statement 2011.

4 — As per annual financial statement 2010. This is only applicable for manroland AG and their subsidiaries.

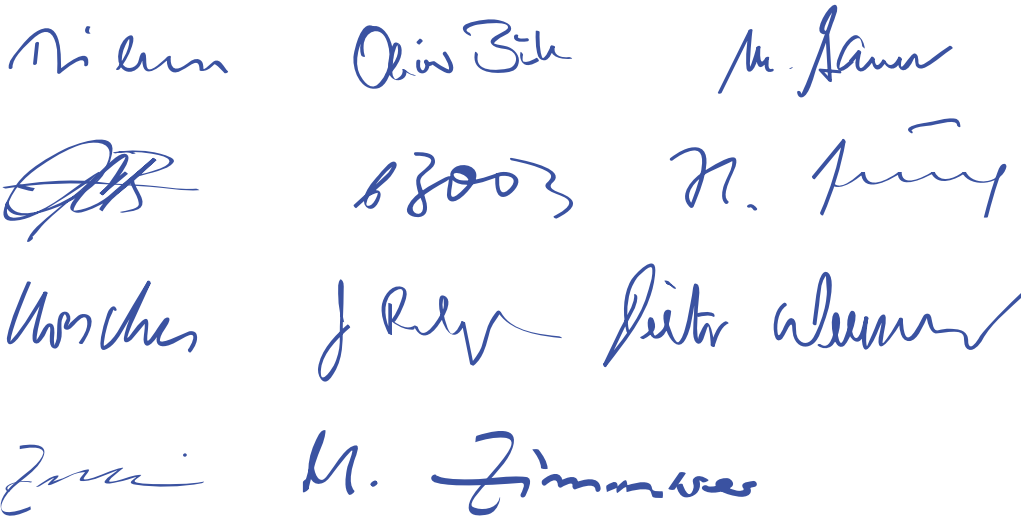
Further Information

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements of Allianz SE give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Munich, 18 February 2013

Allianz SE
The Board of Management



The image shows seven handwritten signatures in blue ink, arranged in four rows. The first row contains three signatures: 'M. Baum', 'Oliver Birk', and 'M. Gasser'. The second row contains three signatures: 'G. B.', 'B. B.', and 'H. F. F.'. The third row contains three signatures: 'K. W.', 'J. R.', and 'P. W.'. The fourth row contains two signatures: 'Z. Z.' and 'M. Zimmerer'.

AUDITOR'S REPORT

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Allianz SE, Munich, for the business year from 1 January to 31 December 2012. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB [„Handelsgesetzbuch“: „German Commercial Code“] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Munich, 1 March 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft



Johannes Pastor
Wirtschaftsprüfer
(Independent Auditor)



Dr. Frank Pfaffenzeller
Wirtschaftsprüfer
(Independent Auditor)

LIST OF ABBREVIATIONS

A.M. Best	A.M. Best Company, Inc.;	Inc.	Incorporated Company KG
a.s.	stock corporation (“akciová společnost”)	JPY	Japanese Yen
A.Ş.	stock corporation (“Anonim Şirket”)	KG	Kommanditgesellschaft
AG	stock corporation (“Aktiengesellschaft”)	LP	Limited Partnership
AGCS	Allianz Global Corporate & Specialty	LLC	Limited Liability Company
AGF	Assurances Générales de France S.A.	Ltd.	Limited
AGM	Annual General Meeting	M&A	Mergers & Acquisitions
AktG	German Stock Corporation Act (“Aktiengesetz”)	MN	million
All Net	Allianz International Employee Benefits Network	MYR	Malaysian Ringgit
APV	Allianz Pensionsverein e.V.	N.V.	stock corporation (“Naamloze Vennootschap”)
ASPP	Allianz Sustained Performance Plan	n/a	not applicable
AUD	Australian Dollar	NAFTA	North American Free Trade Agreement
AVK	Allianz Versorgungskasse	No.	Number
AZ	Allianz	NOK	Norwegian Krone
B.V.	Limited Liability Company (“Besloten Vennootschap met beperkte aansprakelijkheid”)	NZD	New Zealand Dollar
BaFin	German Federal Financial Supervisory Authority (“Bundesanstalt für Finanzdienstleistungsaufsicht”)	OECD	Organization for economic co-operation and development
BCM	Business Continuity Management	OLB	Oldenburgische Landesbank AG
BilMoG	German Accounting Law Modernization Act (“Bilanzrechtsmodernisierungsgesetz”)	plc	public limited company
BN	billion	PRISM	Property-Casualty Insurance Risk Model
BRL	Brasilian Real	pts	points
CAD	Canadian Dollar	QIS 5	fifth quantitative impact study
CAT risk	Catastrophe risk	RechVersV	External Accounting Requirements of Insurance Enterprises (“Verordnung über die Rechnungslegung von Versicherungs- unternehmen”)
CHF	Swiss Franc	Repo	
CNY	Chinese Renminbi Yuan	market	Repurchase market RON
Corp.	Corporation	ROSNO	Russian People’s Insurance Society
CRisP	Credit Risk Reporting Platform	RSU	Restricted Stock Units
CZK	Czech Crown	S.A.	stock corporation (“Société Anonyme”)
DAX	German share index (“Deutscher Aktienindex”)	S.a.r.l.	private limited company (“Société à responsabilité limitée”)
DVFA	German Association for Financial Analysis and Asset Management (“Deutsche Vereinigung für Finanzanalyse und Asset Management”)	S.A.S	Limited liability company (“Société par actions simplifiée”)
EEA	European Economic Area	S.p.A.	stock corporation (“Società per Azioni”)
E.U.	European Union	S.r.l.	private limited company (“Societate cu Răspundere Limitată”)
e.V.	Voluntary association (“eingetragener Verein”)	SAR	Stock Appreciation Rights
EGHGB	Introductory Act to German Commercial Code (“Einführungsgesetz zum Handelsgesetzbuch”)	SE	European Public Company (“Societas Europaea”)
EIOPA	European Insurance and Occupational Pensions Authority	SEBG	Participation of Employees in an European Company (“SE-Beteiligungsgesetz”)
ERM	Enterprise Risk Management	SEK	Swedish Krona
EStG	German Income Tax Act (“Einkommenssteuergesetz”)	SGD	Singapore Dollar
EUR	Euro	SMART	Specific, Measurable, Attainable, Relevant and Time-bound
GAAP	Generally Accepted Accounting Principles	THB	Thai Baht
GBP	pound sterling	THOU	thousand
GCC	Group Compensation Committee	TRL	Turkish Lira
GEI	Group Equity Incentives	UK	United Kingdom
GIF	Global Issues Forum	U.S.	United States U.S.A.
GmbH	Limited liability company (“Gesellschaft mit beschränkter Haftung”)	USD	United States Dollar
HGB	German Commercial Code (“Handelsgesetzbuch”)	VAG	German Insurance Supervision Act (“Versicherungsaufsichtsgesetz”)
HUF	Hungarian Forint	VaR	Value at Risk
IDW	Institute of Public Auditors in Germany (“Institut der Wirtschaftsprüfer in Deutschland e.V.”)	VersVergV	Decree concerning the supervisory law requirements for compensation systems in the insurance sector (“Versicherungs-Vergütungsverordnung”)
IEC	International Executive Committee	VVaG	mutual insurance (“Versicherungsverein auf Gegenseitigkeit”)
IFRS	International Financial Reporting Standards	WpHG	German Securities Trading Act (“Wertpapierhandelsgesetz”)
		WpÜG	German Takeover Act (“Wertpapiererwerbs- und Übernahmegesetz”)

