Building the Strongest Financial Community

Allianz Group
Annual Report 2012

Allianz

Content

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Allianz at a glance

ANNUAL RESULTS 001

		2012	Change from previous year	2011	2010	2009	2008	2007	2006	More details on page
Income statement[1]										
Total revenues[2]	€MN	106,383	2.7%	103,560	106,451	97,385	92,568	97,689	94,873[3]	126
Operating profit[4]	€MN	9,501	20.8%	7,866	8,243	7,044	7,455	10,320	9,219[3]	126
Net income from continuing operations[5]	€MN	5,491	95.8%	2,804	5,209	4,650	4,268	7,991	7,843	128
Net income (loss) from discontinued operations, net of income taxes[5]	€MN	–	–	–	–	(395)	(6,373)	723	467	–
Net income (loss)	€MN	5,491	95.8%	2,804	5,209	4,255	(2,105)	8,714	8,310	128
thereof: attributable to shareholders	€MN	5,169	103.1%	2,545	5,053	4,207	(2,363)	7,966	7,021	128
Balance sheet as of 31 December[1]										
Total assets	€MN	694,621	8.3%	641,472	624,945	583,717	954,999	1,061,149	1,110,081	167
Investments	€MN	401,628	14.5%	350,645	334,618	294,252	258,812	285,977	298,134	272
Total liabilities	€MN	638,403	7.4%	594,219	578,383	541,488	917,715	1,009,768	1,053,251	167
thereof: Reserves for insurance and investment contracts	€MN	390,987	8.0%	361,954	349,793	323,801	298,057	292,244	287,032	299
thereof: Reserves for loss and loss adjustment expenses	€MN	72,540	5.4%	68,832	66,474	64,441	63,924	63,706	65,464	289
Shareholders' equity	€MN	53,553	19.2%	44,915	44,491	40,108	33,720	47,753	49,650	166
Non-controlling interests	€MN	2,665	14.0%	2,338	2,071	2,121	3,564	3,628	7,180	310
Share information										
Basic earnings per share[1]	€	11.42	102.8%	5.63	11.20	9.33	(5.25)	18.00	17.09	353
Diluted earnings per share[1]	€	11.34	106.9%	5.48	11.12	9.30	(5.29)	17.71	16.78	353
Dividend per share	€	4.50[6]	–	4.50	4.50	4.10	3.50	5.50	3.80	55
Total dividend	€MN	2,052[6,7]	0.7%	2,037	2,032	1,850	1,580	2,472	1,642	56
Share price as of 31 December	€	104.80	41.8%	73.91	88.93	87.15	75.00	147.95	154.76	54
Market capitalization as of 31 December	€MN	47,784	42.0%	33,651	40,419	39,557	33,979	66,600	66,880	56
Other data										
Return on equity after income tax[1,8,9]	%	10.5	4.8%-p	5.7	11.9	12.5	9.9	15.0	15.0	56
Conglomerate solvency	%	197	18%-p	179	173	164	157[10]	158	190	166
Standard & Poor's rating[11]		AA	–	AA	AA	AA	AA	AA	AA–	186
Total assets under management as of 31 December	€MN	1,852,332	11.8%	1,656,993	1,517,538	1,202,122	950,548	1,009,586	1,011,802	149
thereof: Third-party assets under management as of 31 December	€MN	1,438,425	12.3%	1,281,256	1,163,982	925,699	703,478	764,621	763,855	149
Employees		144,094	1.5%	141,938	151,338	153,203	182,865	181,207	166,505	118

1 — Figures prior to 2008 have not been restated to reflect the change in the Allianz Group's accounting policy for fixed-indexed annuities, effective 1 July 2010.
2 — Total revenues comprise statutory gross premiums written in Property-Casualty and Life/Health, operating revenues in Asset Management and total revenues in Corporate and Other (Banking).
3 — Figures do not reflect changes in the presentation implemented in 2009.
4 — The Allianz Group uses operating profit as a key financial indicator to assess the performance of its business segments and the Group as a whole.
5 — Following the announcement of the sale on 31 August 2008, Dresdner Bank was classified as held for sale and discontinued operations. Therefore, all revenue and profit figures presented for our continuing business do not include the parts of Dresdner Bank that we sold to Commerzbank on 12 January 2009. The results from these operations are presented in a separate net income line "Net income (loss) from discontinued operations, net of income taxes".
6 — Proposal.
7 — Dividend sum based on total amount of shares. Actual dividend payment will be reduced by the dividend amount attributable to treasury shares.
8 — Based on average shareholders' equity. Average shareholders' equity has been calculated based upon the average of the current and the preceding year's shareholders' equity as of 31 December.
9 — Based on net income from continuing operations after non-controlling interests.
10 — Pro-forma after sale of Dresdner Bank completed.
11 — For further information about insurer financial strength ratings of Allianz SE, please refer to page 186.

Allianz serves approximately 78 MILLION CUSTOMERS in over 70 COUNTRIES. Our solidity, service and competence is supported by the commitment of approximately 144,000 EMPLOYEES worldwide. Whether property or casualty insurance – we are among the global leaders – also in asset management. We provide life and health solutions to a world in demographic change.

Shareholders' equity — page 166
AA Standard & Poor's rating since 2007

€ BN 53.6

Dividend per share (proposal) — page 55

€ 4.50

Total revenues — page 126

€ BN 106.4

Operating profit — page 126

€ MN 9,501

Net income — page 128

€ MN 5,491

Conglomerate solvency — page 166

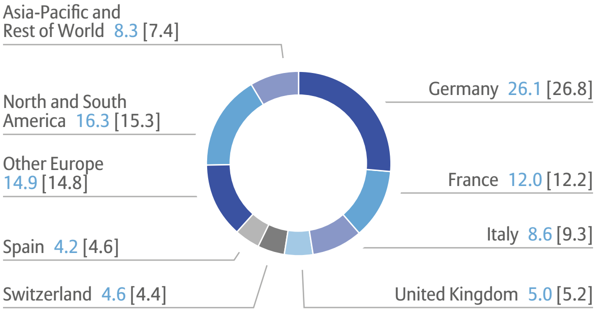
197 %

Segment overview

Property-Casualty

GROSS PREMIUMS WRITTEN[1,2] 002

BY REGION / COUNTRY – YEAR 2012 [2011] – IN %



Operating profit	€4,719 MN
Combined ratio	96.3%

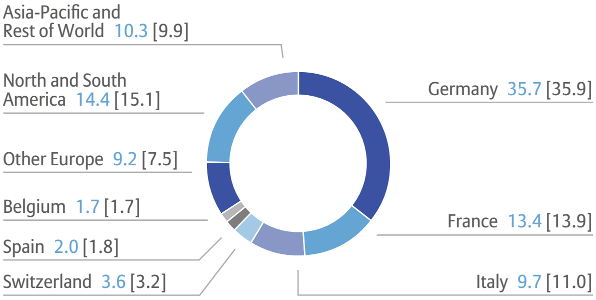
- Gross premiums written increased 4.7% to €46.9 BN.
- Solid operating performance: operating profit grew by 12.5%.

132 – 139

Life/Health

STATUTORY PREMIUMS[1] 003

BY REGION / COUNTRY – YEAR 2012 [2011] – IN %



Operating profit	€2,955 MN
Margin on reserves	67 BPS

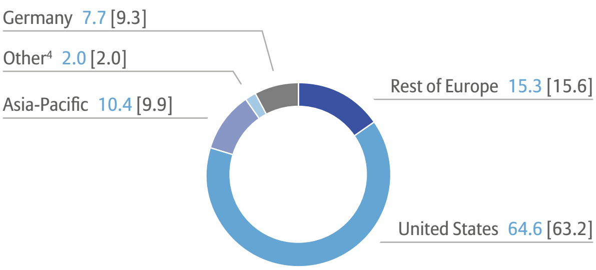
- Revenues remained stable at €52.3 BN.
- Operating profit grew by 22.1%.

140 – 147

Asset Management

THIRD-PARTY ASSETS UNDER MANAGEMENT[3] 004

BY REGION / COUNTRY – AS OF 31 DECEMBER 2012 [31 DECEMBER 2011] – IN %



Operating profit	€3,014 MN
Total assets under management	€1,852 BN

- Another excellent year.
- Third-party net inflows of €114 BN.
- Strong operating profit development.

148 – 151

1 — After elimination of transactions between Allianz Group companies in different geographic regions and different segments.
2 — Gross premiums written from our specialty lines have been allocated to the respective geographic regions.
3 — Based on the origination of assets by the asset management company.
4 — Consists of third-party assets managed by other Allianz Group companies (approximately €28 BN as of 31 December 2012 and €26 BN as of 31 December 2011, respectively).

Allianz Group Annual Report 2012

Navigation help

Additional information on the internet

Additional information in Annual Report

Term explained in glossary

Multichannel reporting

Print

Download as PDF

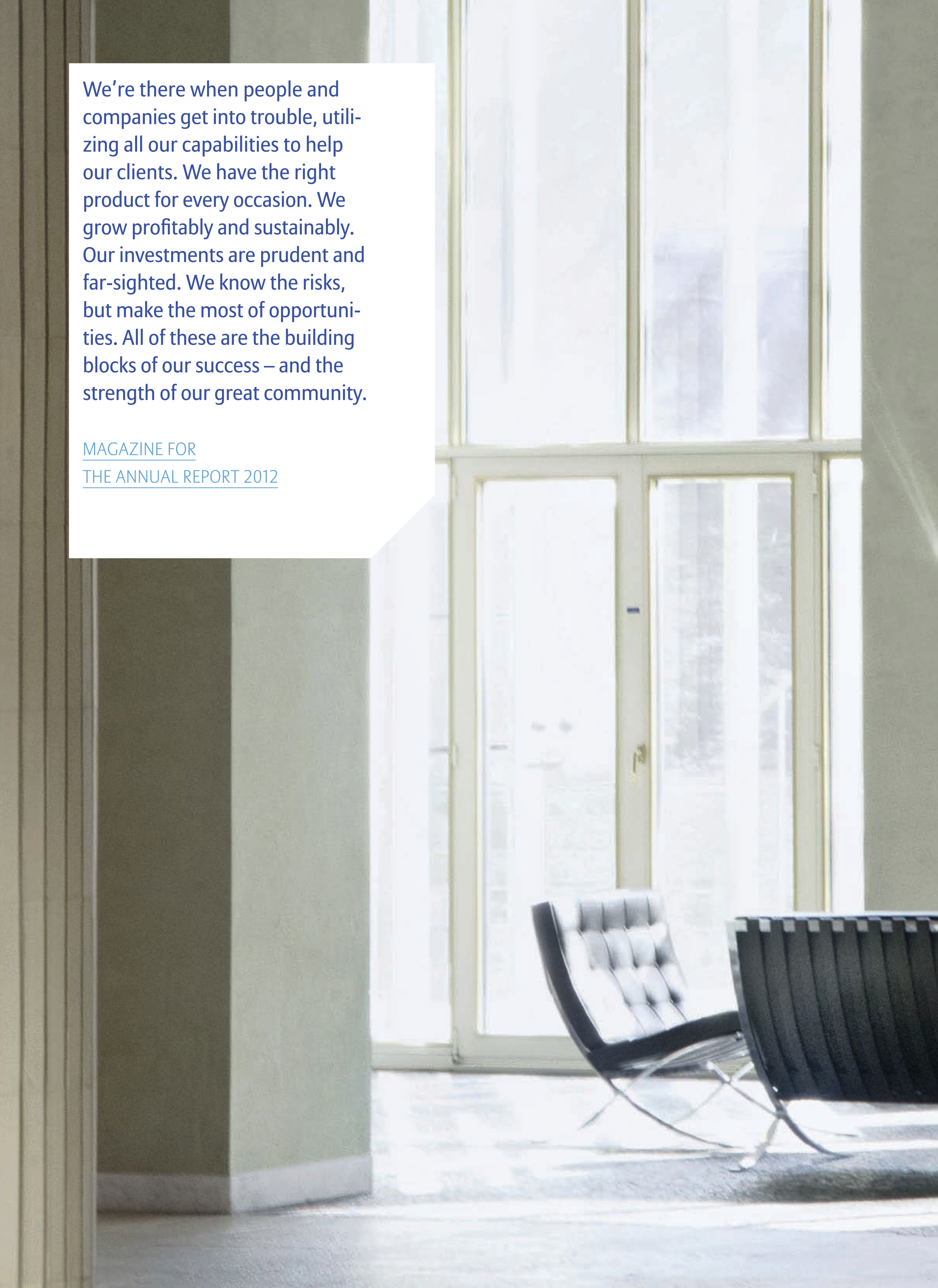
www.allianz.com/annualreport

iPad[1]

1 — You can also scan the QR-Code to get directly to the specific Allianz App you wish to download from the Apple App Store.

We're there when people and companies get into trouble, utilizing all our capabilities to help our clients. We have the right product for every occasion. We grow profitably and sustainably. Our investments are prudent and far-sighted. We know the risks, but make the most of opportunities. All of these are the building blocks of our success – and the strength of our great community.

MAGAZINE FOR
THE ANNUAL REPORT 2012



01

Successful in Growing Markets

Allianz is on hand worldwide, especially where it can generate lasting success.

Allianz recognizes trends and transforms them into growth opportunities by serving markets that promise profitable, sustainable growth. Agents like Alp Gül, who heads one of Allianz's most successful agencies in Turkey, benefit from the Allianz brand.

ALP GÜL
ALLIANZ AGENCY,
ISTANBUL

Alp Gül has built up a very promising Allianz agency in Istanbul. The country's rising standard of living has brought a sharp increase in demand for insurance.

Regular discussions and close cooperation with colleagues from Allianz's local subsidiary provide useful ideas.

COMBINED RATIO, ALLIANZ SIGORTA, TURKEY

Combined Ratio 2012: 98.3%

Istanbul already has a population of more than 14 million. A sign of the country's new standard of living is that people are buying significantly more new cars.

99
Group Management Report / Turkey

"People are getting used to rising prosperity, and to having their money keep its value better," says 40-year old Alp Gül, whose insurance agency in Istanbul is one of Allianz's most successful in Turkey. Many Turks suffered for three decades from serious inflation that began in the early 1970s and only eased at the beginning of the millennium. But the economy has been on the up for nearly a decade now – with gross domestic product tripling during this period and living standards rising fast.

> "First someone will take out liability insurance and comprehensive coverage for their car. If they are satisfied with that, they come back to us for health insurance or are interested in providing for retirement"

ALP GÜL, OWNER OF AN ALLIANZ AGENCY IN ISTANBUL, TURKEY

The population is growing steadily too, with the flight from rural areas causing rapid growth in large cities. More than 14 million people already live in the Istanbul metropolitan area. Along with the booming economy, this explains why the city is a very attractive business location. The former capital's middle class, in particular, is growing considerably. And they want to safeguard their new standard of living. In addition to property, health and life insurance, Gül's clients also want car insurance. Many of his clients opt for the products he offers because they are familiar with the Allianz brand. "We're benefiting from the fact that Allianz has been in Turkey for many years now," the agent says. "We also get a lot of clients who come to us because they remember Allianz from the days when they were working in Germany. They got to know Allianz there as a symbol of quality."

That good reputation is very valuable – it has enabled Allianz to rise above its competitors in the Turkish market, where price competition is tough and has become even tougher over the last two to three years. "Allianz is taking a long-term view with its pricing and underwriting policy to grow profitably and sustainably. And I've been finding it easier and easier to explain to clients what real benefits that brings them," says Gül, who works closely with Allianz Sigorta A.S., the subsidiary in Turkey. One of those benefits is fast, reliable claims adjustment when things get really serious.

GROSS PREMIUMS WRITTEN NON-LIFE TURKEY (TOTAL)

YEAR	BN TRY	INCREASE[1]
2008	10.2	
2009	10.6	4.0%
2010	11.9	12.6%
2011	14.5	21.3%
2012	16.9[2]	16.7%
CAGR 2008 – 2012		13.4%

1 — Compared to previous year
2 — Estimation
Source — Insurance Association of Turkey

More than 1,200 distribution partner outlets

More than 2,000 agencies

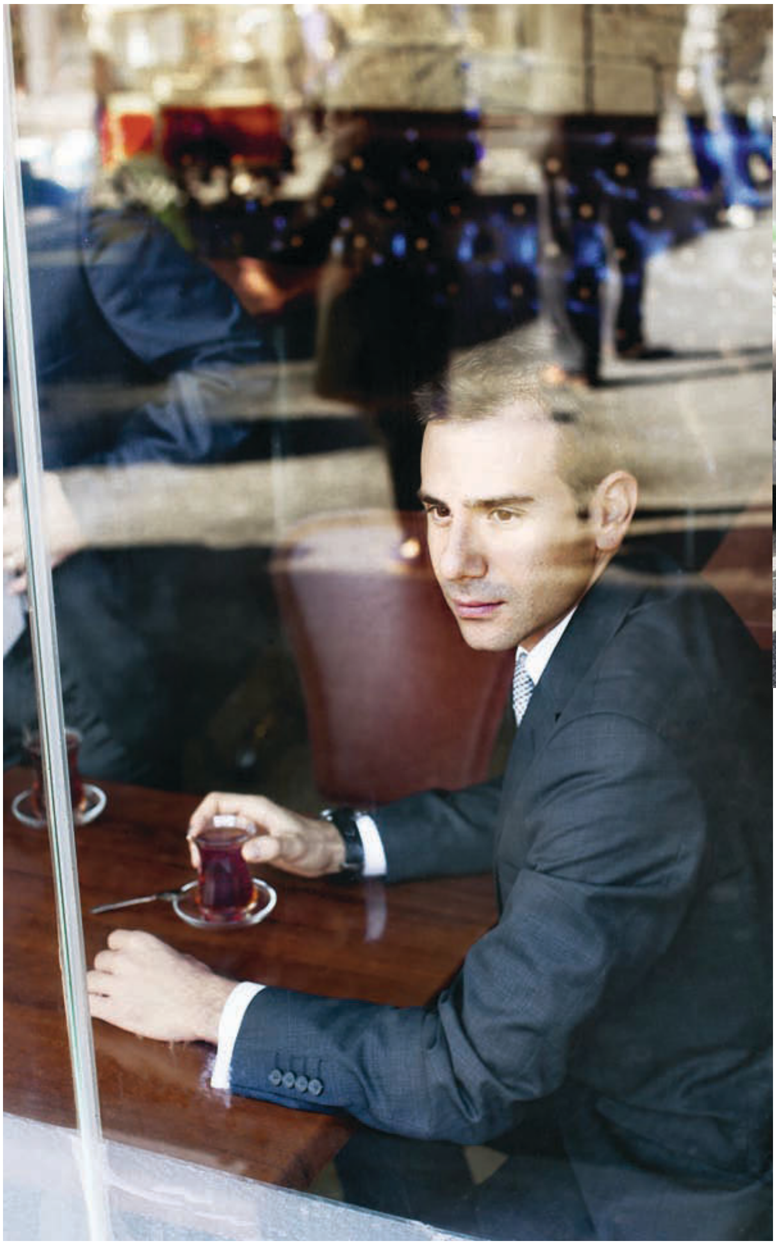
Acquired nearly 600,000 new insurance contracts and almost 350,000 new clients in 2012

The Turkish population is younger than the European average. Half the country's nearly 75 million people are under the age of 30. "Of course young people first of all want to enjoy their new prosperity," Gül explains from practical experience. But many, he says, understood long ago that they have to plan for old age, and think about the potential consequences of a serious illness. "First someone will take out liability insurance and comprehensive coverage for their car. If they are satisfied with that, they come back to us for health insurance or are interested in providing for retirement. That way we can pass on the advantages we gain from the synergies within Allianz's insurance portfolio."

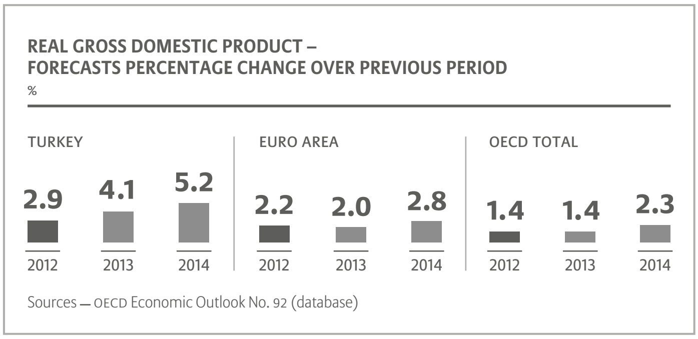
Allianz's sound, solvent reputation is a crucial advantage when it comes to life insurance. That's because many people in Turkey still have vivid memories of how inflation rose to more than 100 percent in the 1990s. Which is why people there will tie themselves to an insurance company only if they really trust it.

To keep his clients' trust over the long term, Gül also has to rely on highly capable employees. His business stands and falls with his staff's professional qualifications and the excellent level of service they provide. "That's one of the biggest challenges our industry faces here in Turkey these days. There's a shortage of qualified personnel that would enable us to mine a bigger share of the growing insurance market." So for some time now, Gül has taken to training new employees himself. "Anybody who starts work with us gets training from me for a year. Then they attend continuing training events held by Allianz." The results speak for themselves. That's the reason why Gül's agency is one of the most successful in Turkey.

Only a well-qualified field sales team will enable Alp Gül to grow his business faster than the insurance market itself. Turkey's economic upswing will slow down but is likely to continue, and insurance will remain a product with high growth potential there. "Allianz is an ideal partner for us," says Gül. "It offers one of the largest insurance portfolios which means we'll be able to keep satisfying our clients' rising expectations in the future."



Strategy talks about what direction the company and the agency should take provide orientation in leading the agency to lasting success.



02

Providing Ideal Support for Clients

Allianz's broad portfolio provides synergies that offer clients major advantages.

Allianz has an exceptionally wide range of insurance and asset management products and services that leaves it almost without competition. Which means that general agents like Wolfgang Hiller can provide exactly the kind of support their private and corporate clients need.

WOLFGANG HILLER
ALLIANZ AGENCY,
BIBERACH

The 45-year-old is one of Allianz's most successful general agents in Germany. Because of the broad range of services and products offered by Allianz, the Biberach native is able to serve his clients optimally.

The team talks over all the clients' current needs once a week. Each of Hiller's 24 employees specializes in a particular line of insurance.

95
Group Management Report / Worldwide presence and business divisions

"There aren't all that many people who can list everything that Allianz has on offer worldwide," says Wolfgang Hiller, owner of an Allianz agency in Biberach an der Riß, Germany. But the 45-year-old agent is one of that elite informed group. "Allianz products like homeowners', life and health insurance, insurance for vehicle fleets and company retirement plans are probably well known to most people. But with Allianz, my employees and I can cover really practically all areas – including credit insurance and real estate financing," the agent says. "Allianz products let me serve any client, whether private individuals or corporates, in unique, personalized ways. I take advantage of synergies within the Allianz portfolio and can sell my clients tailor-made products."

> "As an agent, we want to understand what the client really needs, what products out of Allianz's broad portfolio will benefit him or her"
>
> WOLFGANG HILLER, OWNER OF AN ALLIANZ AGENCY IN BIBERACH, GERMANY

For example, Hiller once combined multiple insurance products into a customized coverage plan for a medium-sized retail company with about 350 stores. Each individual type of policy was supposed to be covered with an annual premium. Hiller reviewed every store for risk of fire, burglary, water damage and business interruptions and the annual premium was calculated on the basis of the results.

Allianz made it possible for this client to get a customized corporate solution. “Insurers don’t normally do that. But I am able to offer such services because I can rely on a strong, flexible company with a broad range of products.”

A single contact person for all a client’s concerns – that is the philosophy at his agency, and it’s been that way ever since he took the place over at the age of 23. “Every client has different requirements. As an agent, we want to understand what the client really needs, what products out of Allianz’s broad portfolio will benefit him or her.”

Wolfgang Hiller has known the insurance business since he was a kid, quite literally. Twenty-two years ago, his father handed over the Allianz agency to him. So the family firm, founded nearly 83 years ago, is now in the hands of the third generation. Today he has 24 employees and is one of Allianz’s most successful agents in Germany.

In a sense, Hiller’s success makes him a real son of his home town. Biberach, located on a sightseeing route that passes major baroque monuments in Upper Swabia, is unique in many ways. And not just because of the splendid aristocratic houses that adorn its old town.

NUMBER OF SALESFORCES WORLDWIDE

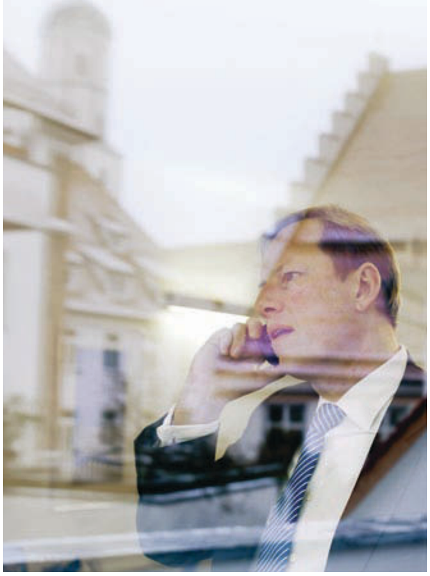
148,200

Each insurance case is treated with care. Even trainees are already taught how to deliver quick, thorough responses to client inquiries.

The agency has many corporate as well as private clients and contracts for medium-sized or large companies are coordinated in-house.

With just short of 32,000 residents, the city has a healthy economy dominated by medium-sized companies, and is second in per capita local business income tax revenue only to Volkswagen's home town of Wolfsburg in Germany – in other words, more successful than Frankfurt, Munich and Stuttgart. Many of the companies that make Biberach so successful are advised by Hiller and his team.

> "Allianz products let me serve any client, whether private individuals or corporates, in unique, personalized ways. I take advantage of synergies within the Allianz portfolio and can sell my clients tailor-made products"
>
> WOLFGANG HILLER, OWNER OF AN ALLIANZ AGENCY IN BIBERACH, GERMANY



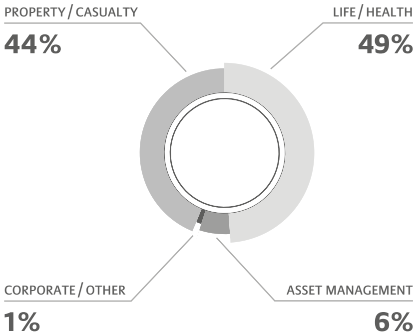
Staying regularly informed about clients' concerns is an important prerequisite for working out the best offer.

Consider, for example, another owner of a Swabian-based medium-sized business who also has a few branches outside Germany. Through Allianz, Hiller set up a group contract for a company retirement plan for him. "After all, our global presence is one of Allianz's special strengths," he says. "And thanks to Allianz's international network we can provide outstanding support for many more clients."

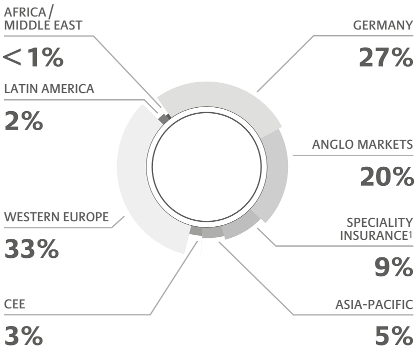
TOTAL REVENUES ALLIANZ GROUP 2012: EUR 106.4 BN

The Allianz Group is a global financial services provider. Approximately 78 million retail and commercial clients in more than 70 countries rely on our knowledge, global presence, financial strength and solidity. In fiscal year 2012, around 144,000 employees worldwide achieved total revenues of EUR 106.4 BN and an operating profit of EUR 9.5 BN. Allianz SE, the parent company, is headquartered in Munich, Germany.

BY SEGMENTS



BY REGION



1 — Allianz Global Corporate & Specialty, ART, Euler Hermes, Allianz Global Assistance

03

A Partner to Rely On for Reconstruction

Allianz's solid capitalization means clients can count on us when they have a claim.

When clients suffer large losses or a natural disaster, Allianz's first concern is to get help to them expediently and effectively. Companies in particular depend on getting back into business quickly after an event, so they can avoid further economic harm – like loss of market share. Thanks to Allianz's financial strength, our claims adjusters always have enough funds at their disposal to provide substantial assistance to our clients, even at short notice.

DR. ANDREAS SHELL
ALLIANZ GLOBAL CORPORATE & SPECIALTY (AGCS), MUNICH

The 53-year-old has been adjusting industrial claims for Allianz for 20 years. Since 2006, he has headed claims adjustment for Property, Engineering, Energy and Marine Insurance at AGCS.

AGCS AG is rated annually by Standard & Poors, the global rating agency. The current rating is:

AA

Last May, the Emilia-Romagna region was shaken by earthquakes measuring 5.8 to 6 on the Richter scale. Twenty-five people lost their lives and 15,000 were made temporarily homeless. Titan Italia, a leading maker of wheels for agricultural utility vehicles, was among those affected. An Allianz claims adjuster was on site just a short time later. “We can be practically anywhere in the world within 24 hours,” explains Shell, Global Head of Claims for Property Insurance at Allianz Global Corporate & Specialty (AGCS), the Allianz Group’s industrial insurer. “As soon as we hear of a major loss or natural disaster, we contact our clients, get on site, work out the necessary emergency steps with them and organize the claims handling process.”

> “As soon as we hear of a major loss or natural disaster, we contact our clients, get on site, work out the necessary emergency steps with them, and organize the claims handling process”
>
> DR. ANDREAS SHELL, AGCS

When it comes to adjusting major losses, quick interim measures by the insurer can decide whether a company will continue to hold its own in the market or lose market share. The longer it takes to get a business back to normal, the more expensive it is for both

Titan Italia was back in production just a few weeks after the Emilia-Romagna earthquake in Northern Italy (above).

An Allianz loss adjuster assesses the first repair works at the severely damaged factory shortly after the quake (right).

Last year's earthquake in Italy left homes in ruins. Streets had to be closed off. Reconstruction was time-consuming and is still not complete.

policyholders and insurers. The long-term damage an insured party can suffer from being unable to meet contractual obligations to clients may be even worse than the destruction caused by an earthquake, hurricane or other catastrophe. "It's not unusual that a business has to declare bankruptcy after a major loss or gets bought out by a competitor because it was out of the market for too long," explains Shell, who has been adjusting industrial losses for Allianz for 20 years, and has headed Property Insurance claims adjustment at AGCS since 2006. If a policyholder can no longer meet delivery obligations, he says, competitors often take over the unfulfilled orders. Then they try to keep the client for themselves with long-term supply agreements. Titan Italia was facing such a prospect. To keep it from becoming a reality, Allianz covers additional costs – for example if deliveries have to be made from a different production site. Staff overtime is also covered, so the insured party can meet contractual delivery obligations to its own clients and thus reduce the cost of lost operations.

The assessment of a claim depends on many different factors. For example, it makes a difference whether the damaged or destroyed property was an office building or a production facility, where structural issues are less of a concern than restoring the machinery. "Every claim is essentially a new project. Each time we have to find the best way to get the client quickly back into production," Shell explains. "You have to get a picture of the circumstances, assess where the key problems are and work out a fast way to help the client."

Titan Italia got its first interim payments from Allianz very quickly. Maria Cecilia la Manna, Vice President and Managing Director at Titan Italia, had insured the production site with Allianz, with coverage not just for the buildings and production equipment, but for the financial consequences of a business interruption. The earthquake caused serious property damage. Part of the plant collapsed.

Maria Cecilia la Manna, Vice-President and Managing Director at Titan Italia, worked closely together with Allianz, so that we were able to act fast.

THE TOP GLOBAL BUSINESS RISK FOR 2013

The most frequently mentioned issue is business interruption or supply chain risk:

45.7%

Other parts were at serious risk of collapsing. But even worse for the company was the business interruption. Joachim Hufenreuter, the AGCS claims adjuster for the area, was quickly on location to coordinate measures for a quick restart of production with Ms. La Manna. Some production steps had to be outsourced to ensure deliveries to clients were still on time. The insurer was able, right away and right on the spot, to give assurances about settling the claim.

> "Every claim is essentially a new project. Each time we have to find the best way to get the client quickly back into production"
>
> DR. ANDREAS SHELL, AGCS

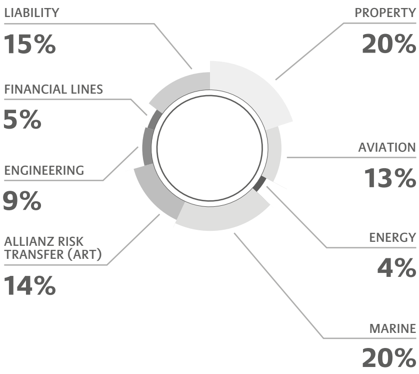
Ultimately, how fast, efficiently and to what extent a claim can be adjusted depends on cooperation between the insurer and the insured. Many clients are challenged after a major loss. They suddenly have to cope with three different tasks at once. Day-to-day business has to be kept as close to normal as possible. The crisis has to be managed by communicating with clients and meeting obligations – for example, by boosting production at other sites. At the same time, decisions have to be made about how to rebuild, or how to get hold of new machinery. "During this phase, it's important for the insured to work closely with us, and especially to pay attention to getting back into business as fast as possible. The quicker everything gets resolved with us, the quicker the client can go back to giving full attention to his or her business. That's why we always tell clients at our client events that insurance is an important aid, but not the solution," says Shell.

Titan Italia is an example of how much a client can benefit from working hand in hand with Allianz. Close cooperation between the insured and the insurer made it possible for us to provide advance payments for additional costs so that production could restart quickly. Less than a year after the quake, Titan Italia is back in the market at full strength.

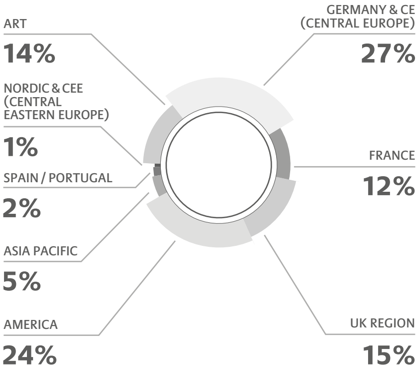
BUSINESS PORTFOLIO OF ALLIANZ GLOBAL CORPORATE & SPECIALTY

Established financial security through diversity.

GROSS PREMIUMS WRITTEN 2012 BY BUSINESS LINE[1]



GROSS PREMIUMS WRITTEN 2012 BY REGION (INCL. ART)[1]



1 — Excludes other business premiums outside core lines of business.

SOLVENCY RATIOS

Solvency ratios demonstrate how AGCS companies are backed by substantial excess capital. These are calculated at year end (31 December) and are shown below for each of AGCS's primary operating companies:

SOLVENCY RATIO	2012	2011	2010
AGCS AG	293%	302%	357%
AGCS FRANCE	822%	761%	923%
AGCS NORTH AMERICA	468%	492%	512%

04

Always Early in Every Market in the World

First-class asset management with meticulous analysis and on-site research.

Projections from the fund managers at PIMCO – Pacific Investment Management Company, LLC, Allianz's largest asset management company – about developments in the capital market are so important to business, top management's doors are wide open to them. The company is recognized more and more widely as an authority.

Life in Newport Beach starts shortly after dawn. The Californian city with a population of not quite 86,000 is on the Pacific, barely an hour south of Los Angeles (left).

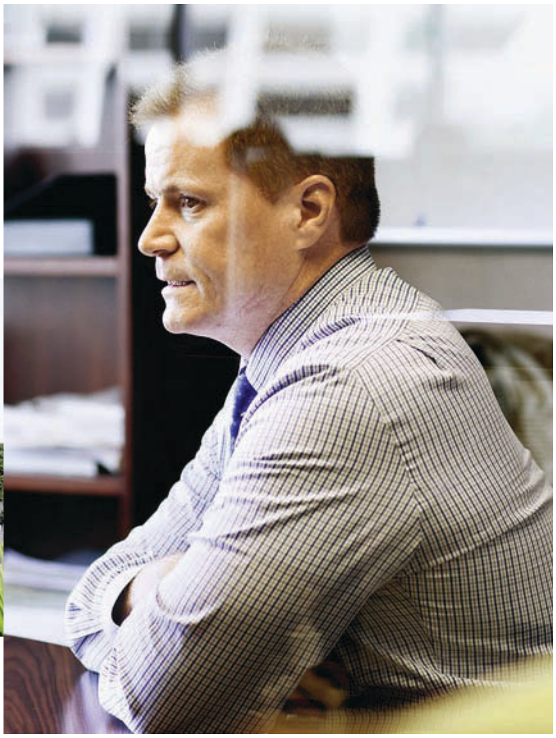
By that time, Mark Kiesel and his team have already been at work for hours (right).

MARK KIESEL
PIMCO,
NEWPORT BEACH

Mark Kiesel, 43, has been a fund manager at PIMCO for 17 years. Doors are open for him at every company. Because the work that he and his staff do has a direct impact on business.

A few hundred meters inland from the beach is the office of PIMCO, one of Allianz's asset management companies (bottom).

Mark Kiesel meets his team in the portfolio review meeting every Friday early in the morning (right).



PIMCO's fund managers have meticulously researched all relevant data before suggesting companies that are worth investing in.

Newport Beach, an hour's drive south of Los Angeles, is especially well known to surfers. Early in the morning, before most people even get to work, you can see a surfer or two riding the waves out in the Pacific. A few hundred meters inland, in the middle of town, it is an entirely different scene. Mark Kiesel and his colleagues from PIMCO – Pacific Investment Management Company LLC – are sitting in a conference room contemplating a very different kind of risk than the surfers out at sea. Mark is the global head of the corporate bond portfolio management group and chairing today's credit team portfolio review meeting, attended by a group of 14 men and women, with three more tuned in from New York via videoconference. As they do every Friday morning, the fund managers are discussing risk – and even more importantly, opportunities.

"The real estate market is probably picking up steam in the USA, and it could stay that way for several years. The U.S. housing market is in the beginning stages of a multi-year recovery and global central banks could continue to "reflate." As such, the housing-related, building materials, lumber, title insurance, energy, pipeline, U.S. banking and gaming sectors are among the most promising," says Kiesel, 43, who has spent 17 years at PIMCO, one of the world's leading asset managers.

It is part of Kiesel's job to project what industries, and especially what companies, will evolve in financially promising ways. His forecasts are outstanding, in the truest sense of the word. Early this year, Mark earned one of the highest honors the industry has to offer when he was named the 2012 "Fixed-Income Fund Manager of the Year" by Morningstar, the leading provider of independent investment analyses.

What Kiesel has just told his staff, puts him at odds with many other market watchers. But a tendency to swim against the tide is a trait shared by all fund managers at PIMCO, a company formed in 1971 as a subsidiary of a life insurer and financial service provider, and a part of the Allianz Group for 13 years now.

Mark Kiesel and his colleagues always think a couple of years ahead. They're willing to take risks where others wouldn't dare. But not from gut instinct – their choices are based on meticulous research. For example, while many portfolio managers at other companies rely on their analysts' written reports, the managers at PIMCO always assess companies on location. "You have to get a look at all the facilities and equipment and talk to management," says Kiesel. "Of course it's also important to know their competitors and to get in close contact with the local banks and government. We visit every company to get an independent picture and we travel over a hundred thousand miles on airplanes each year to do 'bottom-up' research in 'face-to-face' meetings with senior management of companies all over the world."

"Each of these trips is planned with military precision," says Kiesel. "When we arrive on site, everybody knows exactly what to do and whom they need to talk to." Because PIMCO's projections are so important to

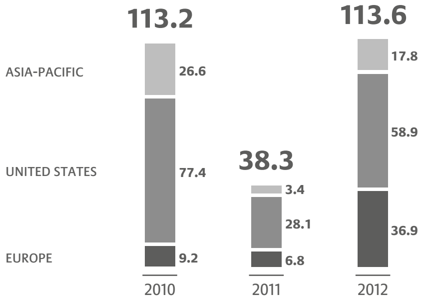
ALLIANZ ASSET MANAGEMENT

Operating Profit 2012 (in EUR):

3,014 MN

ALLIANZ ASSET MANAGEMENT

THIRD-PARTY NET INFLOWS BY REGION (EUR BN)



NET INFLOWS IN % OF THIRD-PARTY ASSETS UNDER MANAGEMENT

2010	2011	2012
12.2	3.3	8.9

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Group Managemant Report / Asset Management

As he does every Friday, Mark Kiesel (front) asks one staff member after another to suggest companies that meet all the criteria of PIMCO's investment philosophy.

business, top management's doors are wide open to them: "At PIMCO we manage assets worth a total of two trillion U.S. dollars. We have substantial bond holdings from many different companies – so many of these companies want to meet with us as much as we want to meet with them."

Back at the credit team portfolio review meeting, Kiesel continues: "We should buy bonds from companies that have the strongest ability to organically de-lever through cash flow generation." He recommends buying securities from companies that have higher debt profiles – something people may find incomprehensible. (Leverage is a ratio between debt capital and equity capital.)

> "You need determination, a work ethic and the abilities of a chess player. What makes us so successful at PIMCO is that we're usually five or six moves ahead"
>
> **MARK KIESEL, GLOBAL HEAD OF THE CORPORATE BOND PORTFOLIO MANAGEMENT GROUP AT PIMCO, NEWPORT BEACH, USA**

But the logic behind Kiesel's investment philosophy becomes clear as he asks one staff member after another to present companies that meet his criteria. "Company XYZ has a leverage of 4.5x," reports the first colleague he calls on. "And how high will their profit growth be in the next two years?," he asks. "We expect 15 – 20 percent," she answers. "XYZ gathers and processes oil and natural gas in the major 'shale' regions across America. So XYZ is profiting from the current boom in U.S. oil and natural gas production."

Later, Kiesel explains: "In two years, the leverage will be less than 3x and it will likely be investment grade rated. We need to 'look forward' several years ahead of others." This kind of investment, he says, is "diamonds in the rough," because their brilliance isn't immediately visible. "We look at companies like this very, very carefully," says the fund manager. "Others do, too. What's different about us is that we look just as carefully at the whole sector and the macro-environment where the company is operating." This combination of detailed analysis and longer-term overall perspective is one of the reasons why PIMCO is a worldwide leader in the global credit business.

And PIMCO itself – where will asset management be five years from now? "We'll keep expanding. We'll be a global authority on investments," Kiesel answers. You can trust his projections – his own fund has been in operation for over 12 years, and has had positive market returns for clients every year, even during the recent financial crisis.

So what keeps driving Mark Kiesel? "When you wake up at 2:45 am and are in the office by 3:30 am, you only do it because you love your job, because you're a fund manager with all your heart and passion," says Kiesel. "You need determination, a work ethic and the abilities of a chess player, because the market is constantly changing and the companies involved are in permanent flux. You have to watch all these changes, which can bring major advantages for our clients. What makes us so successful at PIMCO is that we're usually five or six moves ahead."

ALLIANZ ASSET MANAGEMENT

Via Allianz SE, Allianz Asset Management has access to more than **78** million clients

A fund manager describes the leverage of a company whose bonds he recommends as a buy. As leverage declines, the bonds' value will rise.

"When you wake up at 2:45 am and are in the office by 3:30 am, you only do it because you love your job, because you're a fund manager with all your heart and passion," Mark Kiesel says about himself (left).

While the sun is setting in Newport Beach, the markets in Asia are opening again (bottom).

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Take the Right Risks and You Get Real Opportunities

Sophisticated, disciplined risk management builds lasting value for all stakeholders.

As a trusted partner of clients, investors and society, Allianz makes its decisions on the basis of well-informed risk management. Whether in deciding investment strategies or calculating potential losses, correct risk assessment and valuation plays a crucial role in ensuring Allianz's stability and reliability.

TOM WILSON
ALLIANZ SE, MUNICH

Tom Wilson has been in charge of risk management at Allianz for five years. “Risk Magazine”, an industry magazine, crowned him 2010 “Insurance Chief Risk Officer of the Year”.

What do volatile financial markets, technological advances, the threat of terrorist attacks, an aging population and climate change have in common with Allianz? A lot more than one might think at first glance.

As the world's largest insurance group and one of the largest financial service providers, Allianz has to look to the future and correctly assess and evaluate risks like these in order to create value for our customers and shareholders. As Chief Risk Officer for the last five years, Tom Wilson has been responsible for making sure the risks Allianz takes are well structured, appropriately priced and managed within acceptable limits. More importantly, he has to ensure that Allianz recognizes not only the risks but focuses also on the opportunities.

> "One of the biggest contributions Allianz can make to society and as a partner in our local communities is through our products and services: our life insurance, savings and investment products help families protect themselves against many of life's uncertainties"
>
> TOM WILSON, CHIEF RISK OFFICER AT ALLIANZ SE, MUNICH, GERMANY

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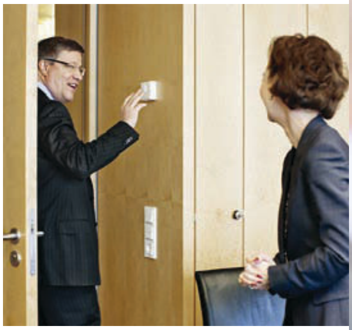
Risk Report

Risk management is at the core of Allianz's business. "We can't create lasting value for our clients, shareholders and employees without taking risks. As such, one of our most important tasks as an insurance company is to take the 'right' risks in the 'right' amounts and at a fair price," Wilson explains.

Trends like global warming and demographic change may involve higher risks, but they also offer opportunities for an insurance company if it manages risks in the right way. "Offering property insurance is good for us and good for our clients," explains Wilson. "The same is true for savings and retirement products. But nobody can tell with certainty what long-term effects climate change will have on the frequency or severity of natural disasters or how long people will live on average given medical and social advances. We have to include that uncertainty in our underwriting, pricing and limit decisions and, although it may seem counter-intuitive, knowing what we don't know helps."

The Chief Risk Officer and his colleagues must conduct very precise assessments to determine what the "right" risks are for Allianz to take.



The same also goes for risks that may arise with technological developments like nanotechnology, genetic engineering and digitalization. While the immediate benefits of these advances are clear, nobody knows with certainty the risks they may pose in the future in terms of product liability, cybercrime or breaches in data security. Good risk management and an underwriting culture give Allianz the confidence to underwrite these risks and capture the opportunities.

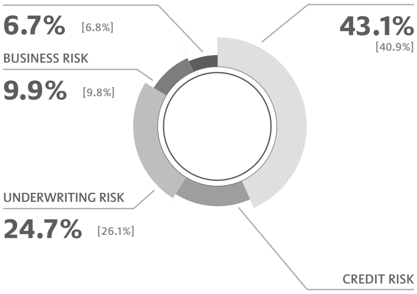
Wilson, who has dual nationality – American and Swiss – is a native of San Francisco, California. After completing his PhD in Economics at Stanford University, he moved to Europe – first to Zurich, then to London, Amsterdam and now to Munich. He has been a risk manager for years and is considered an authority in his field. "Risk Magazine", an industry magazine, crowned him 2010 "Insurance Chief Risk Officer of the Year" and "Life and Pensions" named Allianz "Mulitnational Insurance Company of the Year" in 2009 based on actions taken following the 2008 financial crisis.

What does Wilson enjoy about his job? "Through risk management, being able to contribute to Allianz's success and building together with our partners a company profitable on the long term and a strong financial community."

ALLOCATED INTERNAL RISK CAPITAL AS OF 31 DECEMBER 2012 [31 DECEMBER 2011[1]]

Pre-diversified before tax. Total Group internal risk capital. Total internal risk capital of the Group: EUR 45,063 MN [EUR 41,747 MN].

BY RISK CATEGORY



1 — The values for 2011 were recalculated on the basis of the model updated in 2012.

Tom Wilson has initiated a very important process at Allianz: Employees in business operations in particular must come to understand that risk managment is a culture that must be part of their daily work.

As Chief Risk Officer, Tom Wilson has introduced stable, efficient and controlled risk reporting. He has also helped to ensure that risk management is actually put into practice.

Looking back on the risk management challenges he has faced at Allianz, Wilson says, “Since I joined, there’s been one external crisis after another – the banking crisis of 2008, the sovereign debt crisis of 2011-12 – each accompanied by highly volatile financial markets, slower economic growth and lower interest rates. Thanks to its disciplined risk management and culture, Allianz has remained one of the soundest financial service providers in the world and has performed solidly in its business operations during these periods of turbulence.”

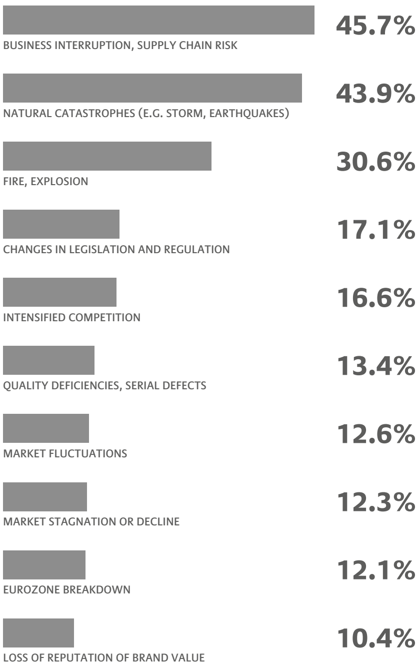
> “Thanks to its disciplined risk management and culture, Allianz has remained one of the soundest financial service providers in the world”
>
> TOM WILSON, CHIEF RISK OFFICER AT ALLIANZ SE, MUNICH, GERMANY

Wilson’s second challenge was to set the course for risk management to take in the future, based on two key objectives. First, he introduced a stable, efficient and controlled risk reporting system in order to “get the numbers” and meet the future Solvency II requirements. Secondly, recognizing that numbers are not enough, he plans for the company to continue moving from risk measurement to even better risk management. “But that works only because risk management is understood as a culture that begins with business operations. After all, there’s no amount of risk controlling or risk reporting that can compensate for an inadequately underwritten portfolio or a poorly conceived life insurance product,” he says.

Forward-looking, prudent, responsible risk management ensures that when the time comes, Allianz can fulfill the promises it makes its clients. And this is important, believes Wilson. “One of the biggest contributions Allianz can make to society and as a partner in our local communities is through our products and services: our life insurance, savings and investment products help families protect themselves against many of life’s uncertainties,” he says. “And our property insurance helps protect companies against disruptions and losses. Allianz does this while at the same time offering attractive returns for its shareholders and creating a great work environment for its staff. This is a win-win combination.”

TOP 10 GLOBAL BUSINESS RISKS FOR 2013

The Allianz “Risk Barometer” survey was conducted among risk consultants, underwriters, senior managers and claims experts in the corporate insurance segment of both Allianz Global Corporate & Specialty and local Allianz entities. Figures represent the number of responses as a percentage of all survey responses (843).



Sources – Allianz Global Corporate & Specialty

INTERNAL SOLVENCY RATIO

Internal solvency ratio 2012: 199%

2011: 191%

Despite the continuing crisis in the Eurozone and other problems in many regions, we have just completed our most successful year since the financial downturn began.

And that has reconfirmed our belief in our core strategy: with excellent employees, top-notch operating performance, financial strength and the goal to always be a trustworthy partner, we are on the way to becoming the world's strongest financial community.

TO OUR INVESTORS

Pages **33–60**

A

To Our Investors

Dear Investors,

In these challenging times, financial service providers rarely generate positive headlines. Therefore, I am very pleased to report that in 2012, Allianz achieved its best result since the beginning of the financial crisis, with an operating profit of €9.5 BN. A result like ours doesn't simply fall into one's lap. It is the reward for hard work, professionalism and commitment above and beyond the norm. I would like to express my sincere gratitude to all employees and distribution partners for this outstanding achievement. I remain convinced that a motivated and well-qualified workforce is of utmost importance and the basis for our success. Likewise the positive results of our annual Allianz Engagement Survey show that our employees continue to value Allianz as an attractive employer.

From an Allianz perspective, the year started with significant changes to our management team: Paul Achleitner, Enrico Cucchiani and Joachim Faber left the Board of Management in the first half year of

2012. They were succeeded by Gary Bhojwani, Helga Jung, Dieter Wemmer and Maximilian Zimmerer. I can assure you that the new team is working well together. It has the quality, as well as the experience, to address current and future challenges and seize new opportunities.

From an economic perspective, 2012 was another challenging year. The continuing Euro crisis, subdued economic growth and interest rates falling further put pressure on financial service companies. I am nevertheless more confident regarding the future of the Euro now than I was a year ago, since the stepwise progress in dealing with the crisis has shown positive effects. However, a sustainable response to the sovereign debt crisis is still awaited. And, until this happens, there are still significant risks in the system.

Therefore one of our priorities in 2012 was the preparation for potential stress scenarios. Among other things, we carefully assessed the risks of a worsening Euro crisis and took appropriate measures – for example by substantially derisking our investments.

In terms of business, we increased operating profits across all segments despite this challenging environment. In particular, the Asset Management business grew profits by 33.6% and now represents over 30% of our operating profit. Our Life/Health business was able to grow its operating profit by 22.1% while our Property-Casualty (P&C) business increased by 12.5%. The only negative development this year came from our U.S. based P&C subsidiary, Fireman's Fund, which was hit particularly hard by persistent drought and Storm Sandy. In addition, Fireman's Fund had to significantly strengthen its reserves for contracts with long-tail risks underwritten in the past.

In 2012, we invested to expand our market share in selected markets. On the one hand, we took advantage of the trend towards consolidation in the European financial sector by making acquisitions in France and Belgium. On the other hand, we invested further in emerging markets in Asia, where Allianz signed an agreement with Hong Kong Shanghai Banking Corporation (HSBC) for the exclusive distribution of life insurance products in six Asian countries.

Many of the challenges that accompanied us in 2012 will also play an important role in 2013, in particular the uncertain economic outlook, the continuing low interest rate environment, as well as the upcoming changes in nearly all aspects of financial regulation.

We have already set the right course for those areas we can influence. The spotlight is now on fast and comprehensive execution. Due to extremely low interest rates, investment results will continue to be below the levels we have become accustomed to. Therefore, it is now more important than ever to continuously increase our operating strengths. For us this means an ongoing focus on smart investments in technology, people and distribution, as well as continuing to outperform our competitors when it comes to selecting and pricing risk.

Digitalization will be the key issue for the years to come, both in terms of how we operate our business and how we interact with our clients.

Our goal for the coming years is profitable and sustainable growth. For 2013, we expect an operating profit of €9.2 BN – plus/minus €500 MN. We will do everything to maintain and increase our financial strength in order to remain a reliable partner for you. I thank you for your continued trust.

Sincerely yours,

Michael Diekmann
Chairman of the Board of Management

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.

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

63, 69

www

Corporate Governance

Further explanations of corporate governance in the Allianz Group can be found in the "Corporate Governance Report" starting on page 63 and the "Statement on Corporate Management pursuant to § 289a of the HGB" starting on page 69. 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 46.

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

www
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 Insitute)

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

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

Board of Management

www

Board of Management

MICHAEL DIEKMANN
Chairman of the Board of Management

DR. PAUL ACHLEITNER
Finance
until 31 May 2012

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

MANUEL BAUER
Insurance Growth Markets

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

JAY RALPH
Asset Management Worldwide

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

DR. WERNER ZEDELIUS
Insurance German Speaking Countries,
Human Resources

DR. MAXIMILIAN ZIMMERER
Investments
since 1 June 2012

International Executive Committee

MICHAEL DIEKMANN
Chairman, Allianz SE
Germany

AMER AHMED
Allianz Re
Germany

OLIVER BÄTE
Allianz SE
Germany

MANUEL BAUER
Allianz SE
Germany

GARY BHOJWANI
Allianz SE
Germany

CLEMENT BOOTH
Allianz SE
Germany

BRUCE BOWERS
CEEMA
Germany

ELIZABETH CORLEY
Allianz Global Investors
Germany

MOHAMED EL-ERIAN
PIMCO
USA

LORI FOUCHÉ
Fireman's Fund Insurance Company
USA

REMI GRENIER
Allianz Global Assistance
France

HELGA JUNG
Allianz SE
Germany

WOLFRAM LITTICH
Allianz Elementar
Austria

CHRISTOF MASCHER
Allianz SE
Germany

NIRAN PEIRIS
Allianz Australia
Australia

JAY RALPH
Allianz SE
Germany

JACQUES RICHIER
Allianz France
France

MARKUS RIESS
Allianz Deutschland AG
Germany

KLAUS-PETER ROEHLER
Allianz Suisse
Switzerland

GEORGE SARTOREL
Allianz S.p.A.
Italy

VICENTE TARDÍO BARUTEL
Allianz Compañía de Seguros y Reaseguros
Spain

AXEL THEIS
Allianz Global Corporate & Specialty
Germany

ANDREW TORRANCE
Allianz Insurance plc
United Kingdom

WILFRIED VERSTRAETE
Euler Hermes
France

DIETER WEMMER
Allianz SE
Germany

WALTER WHITE
Allianz Life Insurance Company
USA

WERNER ZEDELIUS
Allianz SE
Germany

MAXIMILIAN ZIMMERER
Allianz SE
Germany

Allianz Share

- Allianz shares increase in value by 41.8% – the highest rise in 15 years.
- The firm commitment of the European Central Bank to the Euro triggers a market turnaround.
- Investors regain confidence in Europe's stock exchanges.

Stock markets on the road to recovery

After a solid start to the year, market sentiment turned negative. This continued until the summer and was linked with the Greek sovereign debt crisis, growing concerns about the Spanish economy and fears that the Eurozone could disintegrate. It was only when the European Central Bank announced, in late July, that it would do everything in its power to safeguard the Euro that the turnaround started. Since then, confidence has risen and investors have returned to Europe's stock exchanges. This has benefited the German stock market in particular, with the DAX gaining 29.1%, while the European EURO STOXX 50 index reported a more moderate increase of 13.8%.

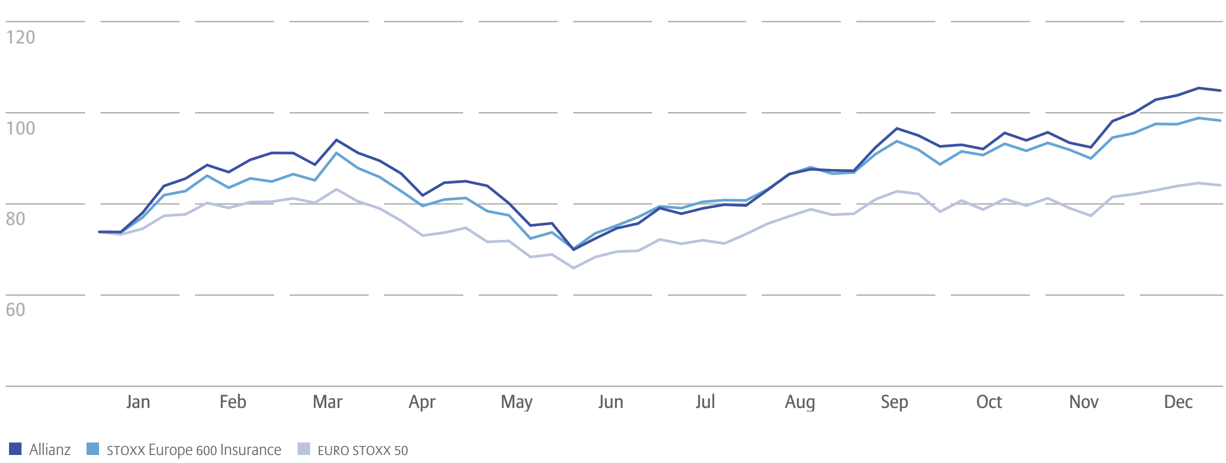
Allianz stock gains 41.8%

Allianz shares gained 41.8%, the highest increase in value in 15 years, closing the year at €104.80. In this respect, Allianz shares outperformed all the major benchmark indices, including the STOXX Europe 600 Insurance, which gained 32.9% – i.e. 8.9 percentage points less than Allianz shares did. Our shares were also well ahead of cross-sector indices like the DAX (+29.1%) or the EURO STOXX 50 (+13.8%). Assuming that the dividend was reinvested in Allianz shares, total shareholder return amounted to 49.8%. Our outstanding share price result was not only due to the easing of the European sovereign debt crisis but also due to our strong business performance. Following the publication of our 2012 results, 74% of analysts recommended buying Allianz shares – with an average price target of €116. The current analysts' recommendations and earnings estimates can be found at www.allianz.com/analystsrecommendations.

www
Analysts' recommendations

DEVELOPMENT OF THE ALLIANZ SHARE PRICE VERSUS EURO STOXX 50 AND STOXX EUROPE 600 INSURANCE A 001

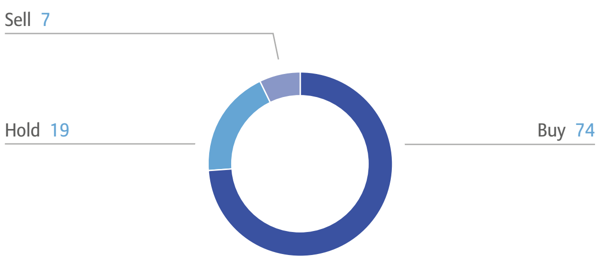
indexed on the Allianz share price in €



Source: Thomson Reuters Datastream

ANALYSTS' RECOMMENDATIONS A 002

as of 26 February 2013 in %



Source: Bloomberg

The upward share price trend in 2012 also helped make Allianz shares an attractive investment in the longer term. For example, investors who have held our shares in their portfolio for 10 years and reinvested the dividends in Allianz shares will have earned an average annual total shareholder return of 6.2%. We provide a share calculator for our investors at www.allianz.com/share, allowing them to determine the performance of their Allianz investment.

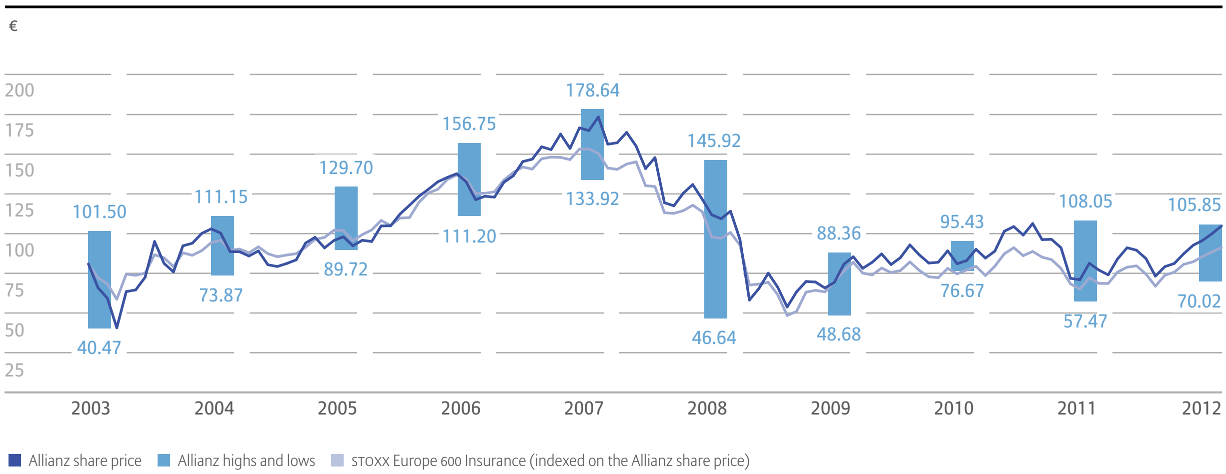
www
Share performance

ALLIANZ SHARE PERFORMANCE IN COMPARISON A 003

average annual performance in %	1 year 2012	5 years 2008 – 2012	10 years 2003 – 2012
Allianz (excl. dividends)	41.8	(6.7)	2.6
Allianz (incl. dividends)	49.8	(2.0)	6.2
STOXX Europe 600 Insurance	32.9	(6.8)	1.2
EURO STOXX 50	13.8	(9.7)	1.0
DAX	29.1	(1.2)	10.2

Source: Thomson Reuters Datastream

SHARE PRICE DEVELOPMENT AGAINST STOXX EUROPE 600 INSURANCE A 004



Source: Thomson Reuters Datastream

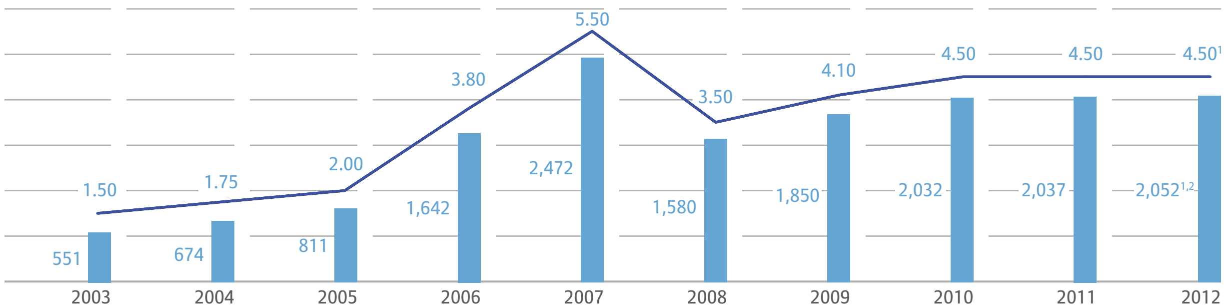
Dividend remains at a high level

Based on the strong 2012 performance we continue to propose an attractive dividend of €4.50 to the Annual General Meeting (AGM). This corresponds to a dividend yield of 4.3%. The payout ratio, based on net income[1] for the year, is 40%[2].

1 — Based on net income after non-controlling interests.
2 — Dividend sum based on total amount of shares. Actual dividend payment will be reduced by the dividend amount attributable to treasury shares.

DIVIDEND PER SHARE AND TOTAL DIVIDEND

A 005



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.

ALLIANZ SHARE KEY INDICATORS AT A GLANCE

A 006

		2012	2011	2010	2009	2008
Total number of issued shares as of 31 December		455,950,000	455,300,000	454,500,000	453,900,000	453,050,000
Weighted number of shares outstanding		452,666,296	451,764,842	451,280,092	450,845,024	450,161,145
Share price as of 31 December	€	104.80	73.91	88.93	87.15	75.00
High of the year	€	105.85	108.05	95.43	88.36	145.92
Low of the year	€	70.02	57.47	76.67	48.68	46.64
Share price performance in the year	%	41.8	(16.9)	2.0	16.2	(49.3)
Beta coefficient[1]		1.1	1.5	0.9	1.4	1.3
Market capitalization as of 31 December	€ BN	47.8	33.7	40.4	39.6	34.0
Average number of shares traded per day (Xetra)	MN	2.4	3.1	2.5	3.0	4.9
Basic earnings per share	€	11.42	5.63	11.20	9.33	(5.25)
Price-earnings ratio		9.2	13.1	7.9	9.3	–
Dividend per share	€	4.50[2]	4.50	4.50	4.10	3.50
Dividend yield as of 31 December	%	4.3	6.1	5.1	4.7	4.7
Payout ratio[3]	%	40[4]	80	40	40	40
Return on equity after income tax[3,5]	%	10.5	5.7	11.9	12.5	9.9

1 — In comparison with EURO STOXX 50; source: Bloomberg.
2 — Proposal.
3 — Based on net income from continuing operations after non-controlling interests.
4 — Dividend sum based on total amount of shares. Actual dividend payment will be reduced by the dividend amount attributable to treasury shares.
5 — Based on average shareholders' equity. Average shareholders' equity has been calculated based upon the average of the current and the preceding year's shareholders' equity.

BASIC SHARE INFORMATION

A 007

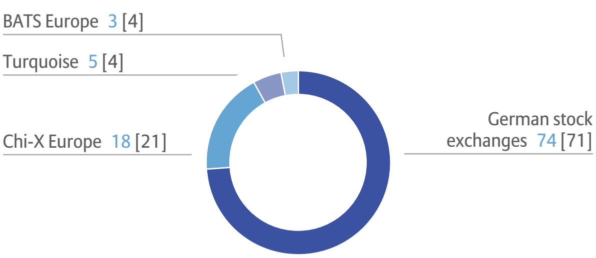
Share type	Registered shares with restricted transfer
Security codes	WKN 840 400
	ISIN DE 000 840 400 5
Bloomberg	ALV GR
Reuters	0#ALVG.DEU

Stock exchange turnover for Allianz shares

In 2012, around 74% of trading in Allianz shares was conducted via German stock exchanges (including Xetra).

TRADING TURNOVER IN ALLIANZ SHARES 2012 [2011] A 008

%



Source: Bloomberg

High weighting in major indices

Allianz is one of the most highly valued financial services providers in the world, with our strength reflected in the weighting of Allianz shares in major German, European and global indices. In the STOXX Europe 600 Insurance, which includes 33 insurance companies, our shares carry the highest weight. In the MSCI World Financials index we are among the top companies.

WEIGHTING OF ALLIANZ SHARES IN MAJOR INDICES A 009

as of 31 December 2012	Weighting in %	Ranking	Index members
DAX	7.2	5	30
EURO STOXX 50	3.0	10	50
STOXX Europe 600 Insurance	14.4	1	33
MSCI World Financials	1.2	15	330
MSCI World	0.2	70	1,610

Source: Deutsche Börse, STOXX Ltd., MSCI

Allianz share as a sustainable investment

Our holistic entrepreneurial approach has long been recognized and resulted in our stock's listing in major sustainability indices such as the Dow Jones Sustainability Index and the FTSE4Good. This is just one of the reasons why we are considered one of the most sustainable financial services providers worldwide.

To demonstrate our commitment to sustainability, we have established a Group Environmental, Social and Governance (ESG) Board. We believe the Group's focus on and clear commitment to ESG issues in all our business activities enhances the attractiveness of Allianz shares for investors.

Our Progress in Sustainable Development
109

More information on sustainability in the Allianz Group is provided starting on page 109 of this Annual Report and at www.allianz.com/sustainability.

www
Sustainability

Shareholder structure

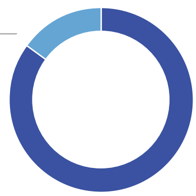
With around 453,000 shareholders, Allianz is one of the largest publicly owned corporations in Europe. Apart from approximately 0.6% of Allianz shares held in treasury, all of our shares continue to be held in free float. At the end of the year, 85% were held by institutional investors and 15% by private investors. The breakdown by region shows that 73% of Allianz shares were owned by European investors and 27% by non-European investors. Compared to the previous year, the number of shareholders dropped by 7%.

For up-to-date information on our shareholder structure, please visit www.allianz.com/shareholders.

www
Shareholders

SHAREHOLDER STRUCTURE A 010

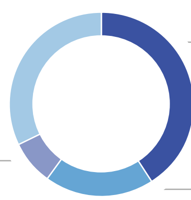
as of 31 December 2012 [31 December 2011] in % of subscribed capital



Source: Allianz SE share register

REGIONAL STRUCTURE A 011

as of 31 December 2012 [31 December 2011] in % of subscribed capital



Source: Allianz SE share register

2012 Annual General Meeting

On 9 May 2012, around 4,000 shareholders and shareholder representatives attended our AGM in Munich's Olympiahalle. Subscribed capital of 43.8% was represented (2011: 45.1%). The meeting approved each of the proposed resolutions with a clear majority and re-elected the Supervisory Board.

Communication with capital markets

Communication with investors is very important to us. At numerous roadshows in Europe, the United States, Canada and Asia, members of the Board of Management and our Investor Relations (IR) team presented Allianz's strategic direction and business development in 2012. Overall, we held more than 400 meetings with institutional investors and analysts, including meetings at our headquarters in Munich. The analysts' conference covering the annual results for the previous fiscal year and the telephone conferences on the quarterly figures, were broadcast live on the internet. We held our annual Capital Markets Day at our Milan offices where we discussed Allianz's business in Southern Europe. At this event, the management from France, Italy, Spain and Turkey presented local activities to analysts and investors. In addition to the meetings we hosted, Board members and experts represented Allianz at 15 international investor conferences. Dialogue with private shareholders is another key component of our IR work. As in the previous year, we processed around 8,500 enquiries in 2012.

The work of our IR team was again rewarded several times by analysts and portfolio managers in 2012.

AWARDS A 012

2012 SELECTED AWARDS AND RECOGNITIONS

- For the sixth time in a row, the IR team ranked top of the European insurance sector in the "Extel Pan European Survey" conducted by Thomson Reuters. Additionally, for the second time in a row, Thomson Reuters awarded our head of IR the title of "Leading Pan-European IR Professional" across all European industry sectors.
- The finance magazine "Institutional Investor" selected our IR team in 2012 as the best in European insurance.
- In the "Investor Perception Study 2012" conducted by "IR Magazine", Allianz's IR work was chosen as the best in Germany, as well as the best within the European insurance sector.
- The cross-sector "German Investor Relations Prize" was also awarded to the head of IR at Allianz in 2012.

Services for Allianz Investors

Decide for yourself how you want to be kept up to date. With our corporate website Allianz.com, two iPad apps, an iPhone app and the mobile website m.allianz.com, our IR information is easily accessible wherever you are and whatever device you are working on.

Allianz Investor Relations website

On the IR website, you can find all the latest press releases, presentations and quarterly and annual comparisons at a glance. You can also find audio and video recordings of press and analysts' conferences, as well as video interviews with our Board of Management members.

www.allianz.com/results

Allianz Financial Reports App

Our Allianz Financial Reports iPad App allows you to read our annual and interim reports in a digital magazine format. The user-friendly navigation means that the information you are looking for is just a few finger taps away. You decide whether you want to see a summarized overview or detailed information (graphics, tables, footnotes, etc.)

"Allianz Financial Reports App" for iPad

Allianz Investor Relations Apps

We use our apps to ensure that even readers who are in a hurry or want to stay up to date while on the move can access the most important investor information about Allianz quickly and easily.

Simply visit the Apple App Store and download the apps from there, or scan the QR code:

"Allianz Investor Relations HD" for iPad

"Allianz Investor Relations" for iPhone

Allianz SE
Investor Relations
Königinstrasse 28
80802 Munich, Germany

Allianz Investor Line
Mon - Fri: 8 a.m. – 8 p.m. CET
Phone: +49 89 3800 7555
Fax: +49 89 3800 3899
Email: investor.relations@allianz.com
www.allianz.com/investor-relations

Important dates for shareholders and analysts
see financial calendar (back cover)

www
Results

CORPORATE GOVERNANCE

Pages **61 – 90**

B

Corporate Governance

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 69.

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.

69
Statement on Corporate Management pursuant to § 289a of the HGB

www
Societas Europaea

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.

53 International Executive Committee

74 Remuneration Report

BOARD COMMITTEES B 001

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 B 002

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 (for composition, see page 53).

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 74). 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 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 40.

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Supervisory Board Report

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.

www
Societas Europaea

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 — B 003

SUPERVISORY BOARD COMMITTEES	RESPONSIBILITIES
STANDING COMMITTEE 5 members – 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)	– 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
AUDIT COMMITTEE 5 members – 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	– 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
RISK COMMITTEE 5 members – 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)	– 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
PERSONNEL COMMITTEE 3 members – Chairman: Chairman of the Supervisory Board (Dr. Helmut Perlet) – One further shareholder representative (Christine Bosse) – One employee representative (Rolf Zimmermann)	– 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
NOMINATION COMMITTEE 3 members – Chairman: Chairman of the Supervisory Board (Dr. Helmut Perlet) – Two further shareholder representatives (Prof. Dr. Renate Köcher, Peter Denis Sutherland)	– 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

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 B 004

"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 law[1]
  - Knowledge of the main features of accounting and risk management[1]
- Compliance with the limitation on the number of mandates as recommended by the German Corporate Governance Code and required by § 7a (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.

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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 46.

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

www Board of Management Supervisory Board

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.

Cover Financial Calendar

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.

The financial calendars for 2013 and 2014 are on the back cover of the Annual Report.

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 B 005

"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)

1. 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).

2. 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.

www 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 210. (For further information on the internal controls over financial reporting and risk capital, please refer to page 214.)

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214 Controls and Procedures

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.

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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.

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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. (For further information on the Anti-Corruption Program, please refer to Our Progress in Sustainable Development starting on page 109.)

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 46 and 49 of the Annual Report. On page 52, 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 64 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 63 and on our website at www.allianz.com/corporate-governance.

Takeover-related Statements and Explanations

Statements pursuant to § 289 (4) and § 315 (4) of the German Commercial Code ("Handelsgesetzbuch – HGB") 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 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 74.

74 Remuneration Report

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.

Remuneration Report

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

- Allianz SE Board of Management,
- Executives below the Board of Management of Allianz SE and
- the Supervisory Board.

The report is prepared in accordance with the requirements of the German Commercial Code (HGB) and International Financial Reporting Standards (IFRS). It also takes into account § 64b Law on the Supervision of Insurance Undertakings ("Versicherungsaufsichtsgesetz – VAG"), the requirements of the German Ministry of Finance's Insurance Remuneration Regulation ("Versicherungs-Vergütungsverordnung – VersVergV") and the recommendations of the German Corporate Governance Code.

Allianz SE 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 target 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.

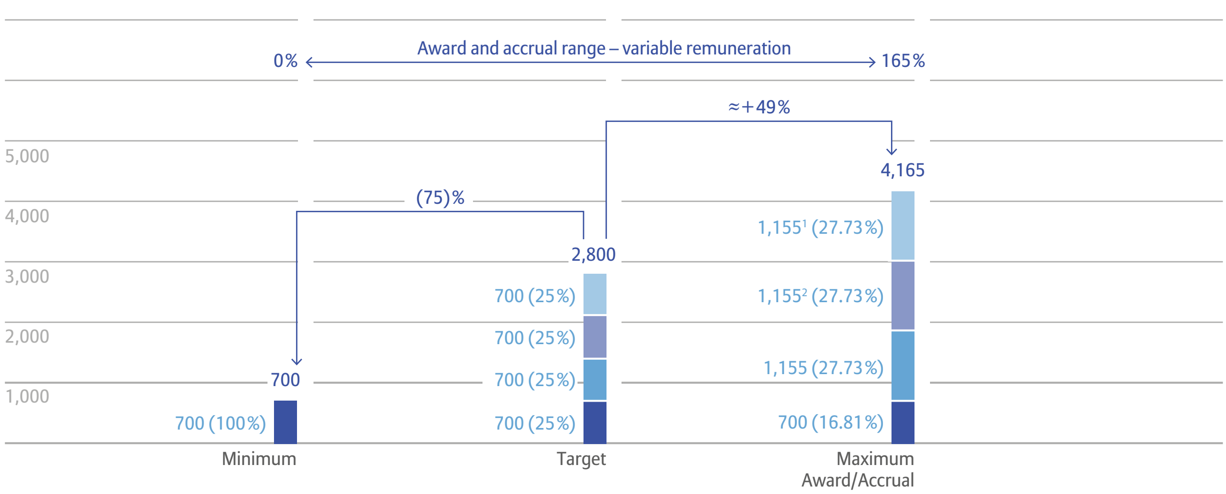
— Equity-related remuneration (long-term): A virtual share award, known as "Restricted Stock Units" (RSU). Annual achievement of targets is the basis for the initial grant value. The longer-term performance of the Group is reflected in Allianz's stock price development over the four-year vesting period 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 — B 006

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



Base salary | Annual bonus (short-term) | Three-year bonus (mid-term) | Equity-related remuneration (long-term)

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.

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 B 007

			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.

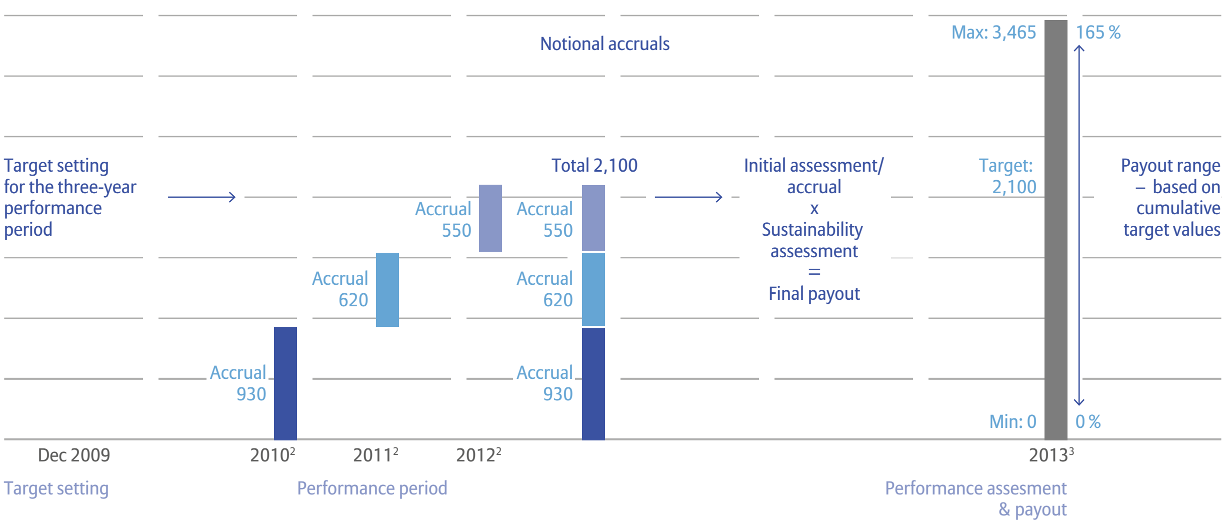
The *Annual bonus* award depends on the achievement of quantitative and qualitative targets for the respective financial year. These targets are set in order to achieve an appropriate return on capital, as approved by the Supervisory Board. The Supervisory Board may adjust the award to reflect overall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

ILLUSTRATION OF THE PROCESS AND THE UNDERLYING TIMELINE OF THE THREE-YEAR BONUS CYCLE, FROM TARGET SETTING TO FINAL PERFORMANCE ASSESSMENT[1]

B 008

€ THOU



1 — Example based on 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 pay out 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.

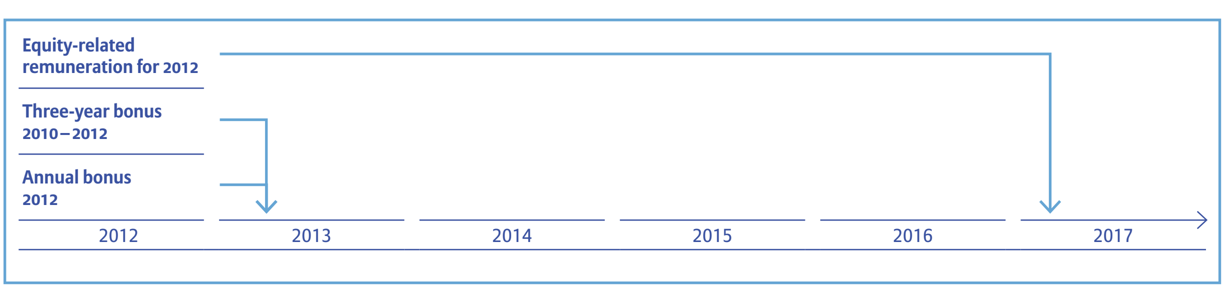
Equity-related remuneration is granted after the end of the financial year with the Annual bonus performance of plan participants determining the value of the equity grant. The number of RSU granted results from dividing this value by the calculated market value of an RSU at the time of grant. Following 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

B 009



2012 REMUNERATION AND LINK TO PERFORMANCE

Total remuneration: 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 B 010

Total might not sum up due to rounding
€ THOU

		Fixed		Variable			Total	Pensions	Total incl. Pensions
Board members		Base salary	Perquisites	Annual bonus (short-term)[1]	Three-year bonus (mid-term)	Fair value of RSU award at date of grant (long-term)			
Michael Diekmann	2012	1,280	23	1,498	1,498	1,498	5,798	824	6,622
(Chairman)	2011	1,200	31	1,062	1,062	1,062	4,417	846	5,263
Dr. Paul Achleitner[2]	2012	356	25	447	447	447	1,723	295	2,018
	2011	800	57	640	640	640	2,777	1,336[3]	4,113
Oliver Bäte	2012	750	58	946	946	946	3,646	277	3,923
	2011	700	50	688	688	688	2,814	291	3,105
Manuel Bauer	2012	700	16	899	899	899	3,412	272	3,684
	2011	700	13	511	511	511	2,246	284	2,530
Gary Bhojwani	2012	700[4]	68	793[5]	793[5]	793[5]	3,146	210[6]	3,356
	2011	–	–	–	–	–	–	–	–
Clement Booth	2012	750	137	926	926	926	3,664	394	4,058
	2011	750	144	499	499	499	2,391	413	2,804
Dr. Helga Jung	2012	700	11	857	857	857	3,281	267	3,549
	2011	–	–	–	–	–	–	–	–
Dr. Christof Mascher	2012	700	23	841	841	841	3,247	286	3,533
	2011	700	29	595	595	595	2,514	374	2,888
Jay Ralph	2012	700	36	943	943	943	3,566	234	3,800
	2011	700	54	525	525	525	2,329	262	2,591
Dr. Dieter Wemmer	2012	700	18	958	958	958	3,592	205	3,797
	2011	–	–	–	–	–	–	–	–
Dr. Werner Zedelius	2012	750	172[7]	896	896	896	3,611	485	4,096
	2011	750	16	559	559	559	2,443	586	3,029
Dr. Maximilian	2012	408	8	543	543	543	2,044	257	2,301
Zimmerer[8]	2011	–	–	–	–	–	–	–	–
Total	**2012**	**8,495**	**595**	**10,547**	**10,547**	**10,547**	**40,731**	**4,006**	**44,737**
	2011[9]	**7,780**	**483**	**6,361**	**5,730**	**6,361**	**26,715**	**4,931**	**31,646**
Change from previous year[9]		9.2%	23.2%	65.8%	84.1%	65.8%	52.5%	(18.8)%	41.4%
Change from previous year in total variable[9]					**71.5%**				

1 — Actual bonus paid in 2013 for fiscal year 2012 and in 2012 for fiscal year 2011.
2 — Dr. Paul Achleitner left the Allianz SE 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 Allianz SE 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 the Total for 2011.
4 — 50% of Gary Bhojwani's Base salary (€350 THOU) is denominated in USD and equals USD471,768.50. 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 USD1,068 THOU. The amount of €793 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 Allianz SE 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 of Allianz SE on 21 December 2011 and Dr. Joachim Faber retired from the Board of Management of Allianz SE effective 31 December 2011.

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 (Gary Bhojwani, Dr. Helga Jung, Dr. Dieter Wemmer and Dr. Maximilian Zimmerer) a Base salary of €700 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 €22,749 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 Management[1] were made:

Michael Diekmann €4,104 THOU
Dr. Paul Achleitner €2,162 THOU
Oliver Bäte €2,582 THOU
Manuel Bauer €1,410 THOU
Gary Bhojwani[2] €793 THOU
Clement Booth €2,417 THOU
Dr. Helga Jung €857 THOU
Dr. Christof Mascher €2,318 THOU
Jay Ralph €2,313 THOU
Dr. Dieter Wemmer €958 THOU
Dr. Werner Zedelius €2,292 THOU
Dr. Maximilian Zimmerer €543 THOU.

1 — For joining or leaving members of the Allianz SE 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 USD1,068 THOU. The amount of €793 THOU was derived by applying the contractually agreed USD/EUR exchange rate of 1.347910 (2011 fourth quarter average).

– *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.

GRANTS, OUTSTANDING HOLDINGS AND EQUITY COMPENSATION EXPENSE UNDER THE ALLIANZ EQUITY PROGRAM[1] B 011

	RSU[2]		SAR[3]		
Board members	Number of RSU granted on 3/7/2013[5]	Number of RSU held at 12/31/2012	Number of SAR held at 12/31/2012	Strike Price Range €	Equity Compensation Expense 2012[4] € THOU
Michael Diekmann (Chairman)	17,699	55,356	75,246	51.95 – 160.13	2,633
Dr. Paul Achleitner[6]	–	27,440	50,389	51.95 – 160.13	1,013
Oliver Bäte	11,175	33,880	26,362	51.95 – 117.38	1,528
Manuel Bauer	10,617	15,403	17,844	51.95 – 160.13	709
Gary Bhojwani[7]	9,729	34,232	26,436	51.95 – 160.13	1,475
Clement Booth	10,935	34,064	50,464	51.95 – 160.13	1,711
Dr. Helga Jung	10,120	9,105	11,720	51.95 – 160.13	427
Dr. Christof Mascher	9,938	29,094	28,330	51.95 – 160.13	1,433
Jay Ralph	11,141	29,953	25,449	51.95 – 117.38	1,526
Dr. Dieter Wemmer	11,317	–	–	–	134
Dr. Werner Zedelius	10,588	40,634	66,549	51.95 – 160.13	2,416
Dr. Maximilian Zimmerer[8]	6,412	19,385	28,678	51.95 – 160.13	1,018
Total	**119,671**	**328,546**	**407,467**	**–**	**16,023**

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 17).

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 — Grants of Equity-related remuneration are accounted for as cash settled awards. The fair value of the granted RSU and SAR is remeasured at each reporting date and accrued as a compensation expense proportionately over the vesting and service period. Upon vesting, any subsequent changes in the fair value of the unexercised SAR are also recognized as a compensation expense.

5 — 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.

6 — 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.

7 — Gary Bhojwani's RSU grant will be based on his Annual bonus amount of USD 1,068 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.

8 — Dr. Maximilian Zimmerer joined Allianz SE 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 €36 MN (2011: €36 MN).

INDIVIDUAL PENSIONS: 2012 AND 2011 B 012

€ THOU

Board members		Assumed retirement age	Defined Benefit Pension Plan (frozen)[1]: Annual pension payment[4]	SC[5]	DBO[6]	Current Pension Plan: SC[5]	DBO[6]	AVK/APV[2]: SC[5]	DBO[6]	Transition payment[3]: SC[5]	DBO[6]	Total: SC[5]	DBO[6]
Michael Diekmann	2012	60	337	226	7,297	561	3,861	6	186	31	1,053	824	12,397
(Chairman)	2011	60	337	216	5,241	567	3,173	6	143	57	922	846	9,479
Dr. Paul Achleitner[7]	2012	60	196	141	–	151	–	3	–	–	–	295	–
	2011	60	344	321	3,933	359	1,896	6	75	650	1,028[7]	1,336	6,932
Oliver Bäte	2012	60	–	–	–	248	1,367	3	14	26	163	277	1,544
	2011	60	–	–	–	262	1,068	3	10	26	103	291	1,181
Manuel Bauer	2012	60	57	43	1,216	223	970	6	160	–	1	272	2,347
	2011	60	57	41	869	237	834	6	130	–	1	284	1,834
Gary Bhojwani[8]	2012	65	243[9]	–	128[10]	210[11]	–	–	–	–	–	210[11]	128[10]
	2011	–	–	–	–	–	–	–	–	–	–	–	–
Clement Booth	2012	60	–	–	–	315	2,101	2	17	77	594	394	2,712
	2011	60	–	–	–	327	1,798	2	13	84	464	413	2,275
Dr. Helga Jung	2012	60	62	29	786	232	824	6	149	–	–	267	1,759
	2011	–	–	–	–	–	–	–	–	–	–	–	–
Dr. Christof Mascher	2012	60	–	–	–	249	1,619	3	17	34	283	286	1,919
	2011	60	–	–	–	259	1,331	2	13	113	203	374	1,547
Jay Ralph	2012	60	–	–	–	231	765	3	8	–	–	234	773
	2011	60	–	–	–	259	511	3	5	–	–	262	516
Dr. Dieter Wemmer	2012	60	–	–	–	204	245	–	–	1	1	205	246
	2011	–	–	–	–	–	–	–	–	–	–	–	–
Dr. Werner Zedelius	2012	60	225	119	4,041	344	2,287	6	189	16	500	485	7,017
	2011	60	225	113	2,782	335	1,885	6	141	132	421	586	5,229
Dr. Maximilian Zimmerer	2012	60	161	48	2,704	103	1,511	4	184	102	476	257	4,875
	2011	–	–	–	–	–	–	–	–	–	–	–	–

1 — For Gary Bhojwani the frozen Allianz Retirement Plan (ARP) and the frozen Supplemental Retirement Plan (SRP).

2 — 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.

3 — For details on the transition payment see section Termination of Service.

4 — Expected annual pension payment at assumed retirement age, excluding current pension plan.

5 — SC = Current Service Cost.

6 — DBO = Defined Benefit Obligation; end of year.

7 — As Dr. Paul Achleitner has left Allianz on 31 May 2012 his employer-financed DBO of €8,765 THOU (thereof €5,619 THOU for the frozen DB-Pension Plan, €2,101 THOU for the Current Pension Plan, €89 THOU AVK/ APV and €956 THOU for the transition payment) is covered under former Board members.

8 — Gary Bhojwani only holds pension plans subject to his Allianz of America employment agreement, denominated in USD. All amounts in the table are EUR amounts derived by applying the contractually agreed USD/EUR exchange rate of 1.347910. The Allianz Retirement Plan (ARP) and the Supplemental Retirement Plan (SRP) are two completely frozen DB-plans, i.e. there are no future accruals in these plans. Current Pension Plans for Gary Bhojwani include the Deferred Compensation Plan (DCP) and the 401(k) plan. Both current plans are Defined Contribution plans. Their contributions are included in the table.

9 — In the ARP he can choose between a lump sum payment or an annuity. The lump sum benefit amount projected with actual interest rates is USD120 THOU and likely to change when he retires at age 65. In the SRP he will get three annual installments at age 65 of USD69.4 THOU, which as we have shown in the table total USD208 THOU.

10 — The DBO for the ARP is USD58 THOU and for the SRP USD115 THOU.

11 — The contribution to the DCP is USD266 THOU and to the 401(k) plan USD17 THOU. There is no DBO as both plans are DC plans.

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 €105 MN (2011: €73 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 €0.6 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 €3,437[1] (3,165)[2] THOU
  Oliver Bäte €5,282 (2,126) THOU
  Manuel Bauer €3,923 (1,735) THOU
  Gary Bhojwani[3] €3,146 (–) THOU
  Clement Booth €5,155 (1,892) THOU
  Dr. Helga Jung €3,281 (–) THOU
  Dr. Christof Mascher €4,724 (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 Allianz SE Board of Management for 2012, including the payment of the Three-year bonus, amounts to €53 MN (2011 excluding the notional accruals for the Three-year bonus: €22 MN[2]). The corresponding amount including pension service cost equals €57 MN (2011 excluding the notional accruals for the Three-year bonus: €26 MN[2]).

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 Allianz SE 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 Allianz SE 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 €3,146 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 an 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 it 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.

TERMINATION OF SERVICE – DETAILS OF THE PAYMENT ARRANGEMENTS AND ILLUSTRATIVE EXAMPLES B 013

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.	A regular Board member with last Base salary of 700 and target variable remuneration of 2,100	
The payment is calculated based on the last Base salary and 25% of the target variable remuneration at the date when notice is given.	Base Salary for 6 months (350) + 25% of the total variable remuneration at target (525) = 875	
An Allianz pension, where immediately payable, is taken into account in adjusting transition payment amounts.		
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 year's compensation:	A regular Board member with last year Base salary of 700 and target variable remuneration of 2,100	
Whereby the annual compensation	Two years 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	Base Salary (1,400) + 50% of the total variable remuneration at target (2,100) = 3,500	Severance payment cap: the lower of 3,500 or 5,600
b. shall not exceed the latest year's actual total compensation.	Assumption: Last year's actual total compensation at 2,800 = 5,600	
In case the remaining term of contract is less than two years the payment is prorated according to the remaining term of the contract.	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	
CHANGE OF CONTROL In case of an early termination as a result of a change of control, severance payments made to Board members generally amount to a three years' compensation (yearly compensation as defined above) and shall not exceed	Based on the example from above:	
150% of the severance payment cap.	150% of the severance payment cap (3,500) = 5,250	
Consequently, the payout is less than two years total remuneration at target.		

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 bonus[1] (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 B014

% 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 Allianz SE 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 2012 this totaled 167 (2011: 164) individuals. 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. Likewise, 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 Executive 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 VersVergV[1] 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 to the

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.

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

Base salary is the fixed remuneration component. Annual adjustments also take account of sustained performance in the post, 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.

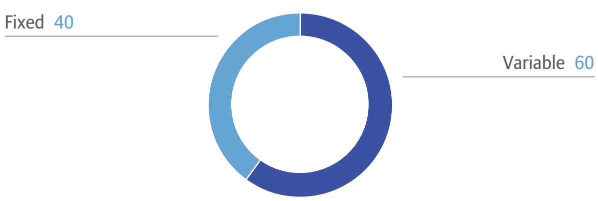
2012 REMUNERATION

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 167 (2011: 164), as outlined above.

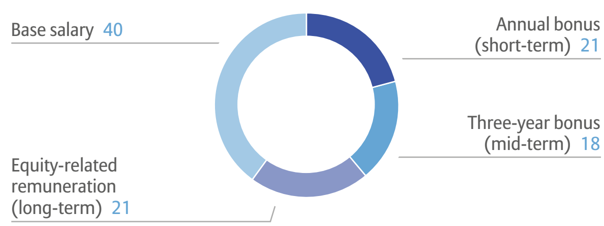
KEY FEATURES OF SENIOR EXECUTIVES[1] 2012 TARGET REMUNERATION

B 015

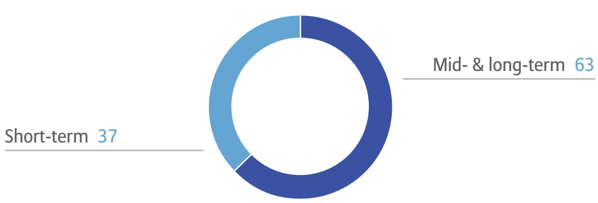
Split between fixed and variable remuneration in %



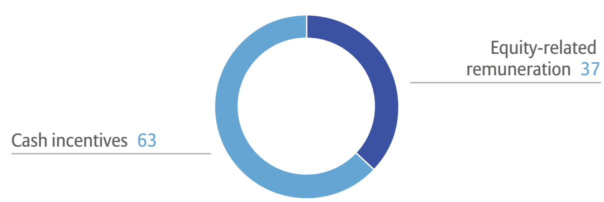
Allocation per remuneration component in %



Split between short-term and mid-/long-term variable remuneration



Split between cash incentives and Equity-related variable remuneration



1 — Figures excluding pensions and perquisites; including Members of the Board of Management of Allianz SE. Percentages calculated by using the median.

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 B016

€ THOU Committee	Chair	Member
Personnel Committee, Standing Committee, Risk Committee	40	20
Audit Committee	80	40
Nomination Committee	–	–

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.

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:

INDIVIDUAL REMUNERATION 2012-2011 B 017

Total might not sum up due to rounding
€ THOU

Members of the Supervisory Board	Committees[1] A	N	P	R	S		Fixed remune-ration	Committee remune-ration	Attendance fees	Total remu-neration
Dr. Helmut Perlet[2]	M	C	C	C	C	2012	133.3	106.7	4.5	244.5
(Chairman)						2011	–	–	–	–
Dr. Henning Schulte-Noelle[3]	M	C	C	C	C	2012	83.3	66.7	2.2	152.2
(Chairman)	M	C	C	C	C	2011	200.0	160.0	6.8	366.8
Dr. Wulf Bernotat	C				M	2012	120.9	100.0	5.2	226.1
(Vice Chairman)[5]	C				M	2011	100.0	100.0	4.5	204.5
Dr. Gerhard Cromme[4]		M	M		M	2012	100.0	26.7	1.5	128.2
(Vice Chairman)		M	M		M	2011	150.0	40.0	3.8	193.8
Rolf Zimmermann			M		M	2012	150.0	40.0	3.0	193.0
(Vice Chairman)			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
Total[6]						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.

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 arm's 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.

GROUP MANAGEMENT REPORT

Pages **91–216**

C

Group Management Report

Business Operations and Markets

Allianz offers a comprehensive range of insurance and asset management products and services to approximately 78 million customers in over 70 countries.

Insurance operations

We offer a wide range of property-casualty and life/health insurance products to both private and corporate customers. We are the leading property-casualty insurer globally and rank among the top 5 in the life/health insurance business. Our key markets based on premiums are Germany, France, Italy and the United States.

Most of our insurance markets are served by local Allianz companies. However, some business lines – such as Allianz Global Corporate & Specialty (AGCS) and Credit Insurance – are run globally. Based on premiums, we estimate the split between private and corporate clients to be about 50% and 50% for our Property-Casualty segment, and about 80% and 20% for Life/Health.

SELECTED PRODUCT RANGE PROPERTY-CASUALTY AND LIFE/HEALTH C 001

PROPERTY-CASUALTY		LIFE/HEALTH	
Private Clients	**Corporate Clients**	**Private Clients**	**Corporate Clients**
– Motor (liability/own damage) – Liability – Property – Accident – Travel and assistance	– Property – Liability – Motor fleets – Directors' and Officers' liability – Credit – Marine, aviation and transport	– Endowment – Annuity – Term – Disability – Investment-oriented products – Private health insurance	– Group life products – Pension products for employees

Asset Management

Our two major investment management businesses, PIMCO and AllianzGI operate under Allianz Asset Management (AAM). With over €1,800 BN (including Allianz Group assets) assets under management we are one of the largest asset managers in the world which manage third-party assets with active investment strategies. Approximately 65% of third-party assets are from institutional investors, while 35% are from retail clients. Particular strongholds include the United States, Germany, France, Italy, the United Kingdom and the Asia-Pacific region.

SELECTED PRODUCT RANGE ASSET MANAGEMENT C 002

RETAIL AND INSTITUTIONAL CLIENTS

Equity	Fixed Income	Alternatives	Solutions
– Systematic – Sector/theme funds – Region/country funds – Style funds – Small cap funds – Stocks plus	– Money market – Low duration – Real return – Global – Investment grade – Diversified income – High yield – Emerging markets – Convertible bonds	– Structured products – Commodity funds – Certificate funds – Currency funds – Equity long/short – Relative value	– Life-cycle concepts – Multi-asset solution – Variable annuity solutions – Asset/Liability management – Risk management concepts

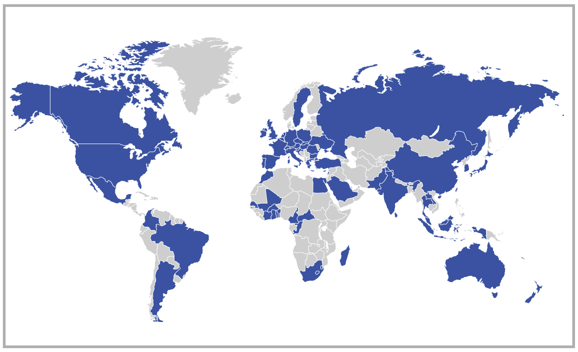
Corporate and Other

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

BANKING OPERATIONS

Our banking operations support our insurance business and complement the products we offer in Germany, Italy, France, the Netherlands and Bulgaria. As a division of Allianz Deutschland AG, Oldenburgische Landesbank AG (OLB) is Allianz's main banking product and service provider in Germany. OLB, Germany's largest private regional bank, covers the northwest of Germany with 177 branches and focuses on retail and corporate clients. In our core market Germany, we focus our assurbanking activities (distribution of banking products through our German insurance agents' network) under the brand name Allianz Bank, which operates as a branch of OLB. In January 2013, we decided to cease business operations under the Allianz Bank brand with effect from 30 June 2013, not affecting the other banking business of OLB.

Worldwide presence and business divisions



Travel Insurance, Assistance and Personal Service[1]

Via Allianz Global Assistance, we are the worldwide leader of travel insurance, assistance services and personal services. Allianz Global Assistance is one of our fast growing entities and is successfully developing highly sophisticated new products. Some services provided by Allianz Global Assistance are sold with our insurance products, thus enriching our global portfolio.

Allianz Global Automotive[1]

Allianz Global Automotive is the leading strategic partner to the automotive industry, combining sales expertise around the car dealer point-of-sale with product know-how in warranty, motor insurance and credit protection and lean and cost efficient end-to-end delivery. Based on premiums we are the worldwide market leader in this segment, serving over 40 car brands across more than 25 countries.

1 — In 2013, our global entities Allianz Global Automotive, Allianz Global Assistance, Allianz Worldwide Care and the international health insurance business of Allianz France will be bundled to provide a comprehensive product range to our customers.

MARKET POSITIONS OF OUR BUSINESS OPERATIONS

C 003

INSURANCE GERMAN SPEAKING COUNTRIES

Property-Casualty	Life/Health	Banking	Country
I.	I.	■	Germany
II.	III.		Austria
II.	II.		Switzerland

INSURANCE WESTERN AND SOUTHERN EUROPE

Europe

Property-Casualty	Life/Health	Banking	Country
II.	II.	■	Italy
III.	III.		Greece
II.	III.		Turkey
II.	III.	■	France
III.	III.		Belgium
II.	III.	■	Netherlands
IV.	IV.		Luxembourg

Africa

Property-Casualty	Life/Health	Country
II.		Benin
II.	II.	Burkina Faso
II.	I.	Cameroon
II.		Central Africa
–	–	Congo Brazzaville
III.		Ghana
II.	II.	Ivory Coast
II.	II.	Madagascar
II.		Mali
II.	II.	Senegal
II.		Togo

INSURANCE IBERIA & LATIN AMERICA

Property-Casualty	Life/Health	Country
II.	III.	Spain
II.	III.	Portugal
IV.	IV.	Mexico

South America

Property-Casualty	Life/Health	Country
IV.		Argentina
II.	–	Brazil
II.	II.	Colombia

INSURANCE USA

Property-Casualty	Life/Health	Country
IV.	III.	United States

GLOBAL INSURANCE LINES & ANGLO MARKETS

Property-Casualty	Life/Health	Country/Entity
III.		United Kingdom
II.	–	Australia
II.		Ireland
II.		Allianz Global Corporate and Specialty
I.		Credit Insurance
–	–	Reinsurance
	–	Allianz Worldwide Care

INSURANCE GROWTH MARKETS

Asia

Property-Casualty	Life/Health	Country
–		Brunei[1]
III.	IV.	China[2]
–		Hong Kong[1]
II.	II.	India[2]
IV.	II.	Indonesia
–	–	Japan[1]
I.	I.	Laos
I.	III.	Malaysia
	–	Pakistan
–		Singapore[1]
	III.	South Korea
III.	IV.	Sri Lanka
	III.	Taiwan
IV.	III.	Thailand

Central and Eastern Europe

Property-Casualty	Life/Health	Banking	Country
I.	I.	■	Bulgaria
II.	I.		Croatia
II.	III.		Czech Republic
I.	II.		Hungary
II.	III.		Poland
II.	II.		Romania
III.	III.		Russia
I.	I.		Slovakia
IV.			Ukraine

INSURANCE GROWTH MARKETS

Middle East and North Africa

Property-Casualty	Life/Health	Country
II.	II.	Egypt
III.	II.	Lebanon
II.	–	Saudi Arabia

ASSET MANAGEMENT

America

Retail Asset Management	Institutional Asset Management	Country
■	■	United States
■	■	Canada

Europe/Middle East

Retail Asset Management	Institutional Asset Management	Country
■	■	Germany
■	■	France
■	■	Italy
■	■	Portugal
■	■	Spain
■	■	Switzerland
■	■	Austria
■	■	Netherlands
■	■	United Kingdom
■	■	Nordics
■	■	Middle East

Asia-Pacific

Retail Asset Management	Institutional Asset Management	Country
■	■	Japan
■	■	Hong Kong
■	■	Taiwan
■	■	Singapore
■	■	South Korea
■	■	China
■	■	India
■	■	Australia

■ Property-Casualty ■ Life/Health ■ Banking ■ Retail Asset Management ■ Institutional Asset Management
Insurance market position by gross premiums written:[3] I. Position 1 II. Position 2 to 5 III. Position 6 to 10 IV. Not in the top 10

1 — Property-Casualty business belongs to Allianz Global Corporate and Specialty.
2 — Based on total market ranking (including domestic competitors) China Property-Casualty ranked in category IV. and India Property-Casualty in category III., respectively.
3 — Source: Own local estimations as of 2011.

Our insurance markets

The following sections provide an overview of our business operations in insurance markets by business division.

INSURANCE GERMAN SPEAKING COUNTRIES

INSURANCE GERMAN SPEAKING COUNTRIES C 004

Selected markets		Motor/non-motor as % of total property-casualty gross premiums		Traditional/ investment-oriented as % of total life statutory premiums	Statutory/gross premiums written	Operating profit	Number of customers[1]	Proprietary networks[2]	Number of brokers	Number of employees
					€ MN	€ MN	MN	THOU	THOU	THOU
Germany	I.	35% 65%	I.	81% 19%	27,606	2,131	19.0	13.0	11.2	27.3
Austria	II.	43% 57%	III.	81% 19%	1,345	97	1.2	1.4	0.8	2.7
Switzerland	II.	48% 52%	II.	36% 64%	3,404	277	1.0	1.0	1.1	1.9

■ Property-Casualty ■ Life/Health
Market position by gross premiums written:[3]
I. Position 1 II. Position 2 to 5 III. Position 6 to 10 IV. Not in the top 10

1 — Country specifics are excluded (e.g. microinsurance and pension funds clients). This also applies to the following pages.
2 — Including agents and financial advisors. This also applies to the following pages.
3 — Source: Own local estimations as of 2011. This also applies to the following pages.

Germany

We provide our customers in Germany with a full range of insurance and financial services through Allianz Deutschland AG. Products are mainly provided by Allianz Versicherungs-AG (Allianz Sach), Allianz Lebensversicherungs-AG (Allianz Leben) and Allianz Private Krankenversicherungs-AG (Allianz Private Kranken). Our products are mostly distributed through a network of full-time tied agents. The Allianz Beratungs- und Vertriebs-AG serves as our distribution company.

As the market leader in the German property-casualty market, we offer a wide variety of insurance products for private and commercial customers. Germany is a rather mature market for property-casualty business, with intensive competition. 2012 showed premium growth in nearly all lines of business and a remarkable increase in the operating result. The motor business registered the largest advance due to the modular tariff ("Mein Auto") and the successful implementation of sales measures in the broker, direct and global automotive business.

For life insurance, we are active in the private and commercial markets and provide a comprehensive range of products. The main classes of coverage offered include annuity, endowment, term, disability and nursing care insurance. In our commercial lines, we serve our customers with group life insurance and provide companies with services and solutions in connection with defined benefit pension arrangements and defined contribution plans. In 2012, we increased our new business market share for term life products mainly with individual contracts.

Through Allianz Private Kranken, we provide a wide range of health insurance products, including full private health care coverage, supplementary health and long-term care insurance as well as foreign travel medical insurance. We expect growing demand for supplementary insurance in the future and are well positioned with the existing range of products, in particular with our long-term care insurance offerings.

Although the property-casualty market continues to be competitive, our strategic program has already led to premium growth and improved profitability. Our focus remains on strengthening sales, improving our claims management and reducing the expense ratio. Furthermore, we will continue to extend our cooperation with the automobile industry and increase our position in the direct market under the brand of AllSecur. We also anticipate growth opportunities for our life business as we see an increasing demand for private retirement products.

Austria

Our Austrian companies, Allianz Elementar Versicherungs-AG and Allianz Elementar Lebensversicherungs-AG, offer a broad range of property-casualty and life/health products to individual and commercial customers primarily through a salaried sales force, tied agents and brokers.

The Austrian property-casualty market continued to be competitive, especially in the motor segment. In 2012, we grew roughly in line with the market. In terms of profitability, the whole insurance industry was negatively affected by high weather-related claims (hail, tap water, flood and storm).

In our life/health business, we offer traditional insurance contracts, government-subsidized products as well as unit-linked and investment-oriented products. Premium volume in the Austrian life market decreased in 2012. We managed to keep margins stable and gain market share as new business production was healthy in the tied agents and broker channels. The market downturn was driven by the bancassurance channel, which does not affect our Austrian businesses.

Over the next few years, we expect to grow in line with the market in Property-Casualty. In the life business, market conditions continue to be very challenging. Our clear focus will remain on profitability of new business and prudent management of existing business.

Switzerland

We serve the Swiss property-casualty market through Allianz Suisse Versicherungs-Gesellschaft AG, CAP Rechtsschutz AG and Quality1 AG.

Our biggest and most important line of business in Property-Casualty is Motor, with a 16% market share. Besides Motor, our broad product range for private and commercial customers includes property, liability, accident and health solutions. In 2012, we were able to keep our level of profitability, despite strong price pressure – especially in motor – and a competitive environment.

With the implementation of a new segment strategy and a clear customer focus, we have laid the foundations for sustainable growth. Our cost-efficient structure and strict cost discipline helped us to maintain the best cost ratio in the Swiss market.

We offer a wide range of life/health products, including retirement, death and disability products. Life products are offered through Allianz Suisse Lebensversicherungs-Gesellschaft AG. In 2012, our group life business grew profitably. We collected fewer premiums in individual life, especially in the single premium business, to safeguard our margins in the current low interest rate environment. However, the successful launch of new products like Balance Invest – a combination of guarantee and participation in investment returns – supported the growth in the recurring premiums in individual life.

In 2012, we followed up on further improvements in claims handling, service standards and distribution measures. We launched new service guarantees which are constantly measured and disclosed transparently to our customers. We expect to reap the rewards from 2013 onwards, which should help us to withstand strong competition and price pressure.

INSURANCE WESTERN & SOUTHERN EUROPE

INSURANCE WESTERN & SOUTHERN EUROPE C 005

Selected markets		Motor/non-motor as % of total property-casualty gross premiums		Traditional/investment-oriented as % of total life statutory premiums	Statutory/gross premiums written € MN	Operating profit € MN	Number of customers MN	Proprietary networks THOU	Number of brokers THOU	Number of employees THOU
Italy	II.	67% / 33%	II.	9% / 91%	10,409	1,136	5.8	19.6	0.3	5.2
France	II.	38% / 62%	III.	41% / 59%	11,515	769	5.0	5.4	3.0	12.2
Netherlands	II.	60% / 40%	III.	51% / 49%	990	76	1.3	–	7.5	1.2
Turkey	II.	51% / 49%	III.	36% / 64%	725	39	1.6	1.7	–	0.6

■ Property-Casualty ■ Life/Health
Market position by gross premiums written: I. Position 1 II. Position 2 to 5 III. Position 6 to 10 IV. Not in the top 10

Italy

We serve the Italian market primarily through Allianz S.p.A., a company mainly dedicated to the agent and broker channels. We also distribute our products through Genialloyd (a leading company in direct business), Allianz Bank Financial Advisors S.p.A. and its network (one of the top 5 in the market) and the bancassurance channel (with Unicredit as the main partner).

There was a 1.0% decline in the premium volume of the Italian property-casualty market in 2012. At the same time, there were positive signs in terms of profitability, as claims frequency in third-party motor liability dropped mainly due to lower mobility caused by the continuing crisis.

We increased our share of the Italian property-casualty market in 2012, growing the business despite a shrinking market. This achievement was supported by the strong performance of our agent networks and the double-digit growth of Genialloyd. Our results benefited from the favorable profitability development in the motor market, given the high share of motor in our portfolio. We also have a strong presence in property, personal accident and general liability insurance.

Premium volume in the Italian life insurance market shrank by 7% in 2012, after a negative development also in 2011. During 2012, we reacted decisively with a strong priority on derisking, adjusting our investment allocation and new business characteristics. Our volume declined roughly in line with the market. While bancassurance proved difficult, the proprietary network and the financial advisors network of Allianz Bank developed very favorably.

Looking ahead, we aim to further consolidate our strong competitive position in Property-Casualty by leveraging our technical know-how, strong brand and innovation capabilities. In life, we are in a solid situation, which will allow us to face sustained market volatility.

France

We serve the French market through Allianz France S.A., a major participant in insurance and financial services. We offer a broad range of property-casualty and life/health products for individuals and corporate customers, including property, casualty and liability insurance, health and disability cover as well as investment and savings products. We offer our customers access to these products via a wide variety of sales channels, including agents, life consultants, health consultants, brokers and independent financial advisors, as well as numerous external partners. In addition to these traditional sales channels, our customers can research and buy products online, either through our eAllianz offer or via our direct sales channel AllSecur.

The French property-casualty market has seen limited growth in recent years and remains highly competitive. In this business environment, we continue to concentrate on increasing the efficiency of company structures and processes. To offer our customers value for their money we remain committed to our four-part strategy in France, which is based on profitable growth and enhanced financial and technical services, operational excellence and a performance culture. In 2012, we have further strengthened our position through the acquisition of business from Gan Eurocourtage, which is specialized in distributing its products via brokers.

In the highly competitive life market, we have responded to the needs of our customers with an attractive range of traditional and unit-linked products in both group and individual business. In the rapidly changing, difficult capital market environment, innovations allow us to continue to offer our customers solutions which combine financial strength with attractive yields. As with Property-Casualty, attractive risk-adjusted margins are a prerequisite for our business.

We also have a strong position in the dynamic health market, often combining elements of life, health and accident insurance as comprehensive solutions for individual and commercial customers. Our modular health product Composio puts us ahead of many competitors and confirms our strong commitment to significant growth in this market.

Our insurance activities are complemented by Allianz Banque, which allows us to offer one-stop solutions.

In the French property-casualty market, competition will remain tough, even though low interest rates should push the entire sector to increasingly focus on technical profitability and sufficient pricing levels. Concerning the life market in France, we anticipate a continued period of volatile capital markets, making short-term growth rates unpredictable but reinforcing customer interest in financially strong insurance partners.

Belgium and the Netherlands

Allianz Belgium S.A. markets a wide range of life and property-casualty insurance products. Life insurance continues to be the major product line. We distribute our products and services through brokers.

After strong growth in 2010 and 2011, Allianz Belgium kept life insurance premiums constant in a shrinking market in 2012. Against a backdrop of low interest rates and macroeconomic uncertainty in Europe, we were among the first in the Belgian market to reduce guaranteed rates to secure long-term security and profitability.

In 2012, we acquired business from Mensura CCA and its subsidiary Mensura Assurances SA (Mensura), a workers accident specialist, thereby offering to our brokers and customers a full range of products and services to address all commercial insurance needs. After adjusting for this acquisition and for a portfolio transfer to Allianz Global Corporate & Specialty (AGCS), Allianz Belgium managed to maintain its focus on profitability and expand its property-casualty insurance despite strong competition.

In the Netherlands, motor and fire insurance continue to be the most important property-casualty business lines. Besides brokers, Allianz Nederland Group N.V. distributes its property-casualty products through a strongly growing direct sales channel. We also offer a range of life insurance products in the Netherlands.

The Dutch property-casualty market is characterized by intense competition and was hit by extraordinary adverse developments in 2012, such as reserve strengthening in income insurance. In this context we are focusing on profitability, in particular by continuously improving our cost position. After successfully centralizing our operations in Rotterdam in 2011, we continue to further harmonize our core processes.

The Dutch unit-linked life insurance market has been the focus of discussions in the media concerning the transparency of cost loadings. As one of the first players in the market to react, we have risen to the challenge in Life by introducing a new set of products with a transparent cost structure.

In general, we expect competition to remain intense in 2013. From 2013 onwards, we have decided to strengthen our competitive position in this region by further integrating Allianz Netherlands and Allianz Belgium. Joint investments in IT, processes and technical skills will allow us to further improve our products and services.

Turkey

Our Allianz Sigorta A.S. entity offers property-casualty products while Allianz Hayat ve Emeklilik A.S. provides life insurance and pension solutions. Distribution is primarily via agents. Our primary business lines remain Motor and Health.

In Property-Casualty, the market has had four years of marginal profits, with many insurers suffering significant losses. We, however, again recorded a profit significantly above the market average and increased market share via growth in Motor insurance. An expanded distribution channel, improved pricing and underwriting, and transformed operational processes underpin this performance.

In the second half of 2012, we saw significant price increases in Motor. However, pricing in property and liability lines remains highly competitive. Despite a slow-down in the Turkish economy, we expect to see increased demand for our products. Turkey, with its large and young population, is a very attractive market – especially for life and pension products.

Taking advantage of this situation, Allianz and HSBC Turkey have negotiated a 10-year bancassurance agreement to distribute Allianz life and pension and long-term savings products through HSBC branches in Turkey. The implementation is expected to take place in the second quarter of 2013 following final local regulatory approvals.

Africa

We serve the market through Allianz Africa, our specialist for Sub-Saharan Africa. We have local subsidiaries in eleven Sub-Saharan countries and additional partners in bordering countries. Providing both insurance and reinsurance coverage, we are present in the market via a multi-channel distribution network consisting of agents, local and international brokers, as well as direct and bancassurance partnerships. We offer property-casualty products in all African countries where we are present. Life products are offered by our operating entities in Burkina Faso, Ivory Coast, Cameroon, Madagascar, Senegal and the Central African Republic.

We intend to consider further business opportunities in Africa where there is potential for growth.

INSURANCE IBERIA & LATIN AMERICA

INSURANCE IBERIA & LATIN AMERICA — C 006

Selected markets		Motor/non-motor as % of total property-casualty gross premiums		Traditional/investment-oriented as % of total life statutory premiums	Statutory/gross premiums written € MN	Operating profit € MN	Number of customers MN	Proprietary networks THOU	Number of brokers THOU	Number of employees THOU
Spain	II.	64% 36%	III.	48% 52%	3,028	358	3.6	7.5	8.3	2.6
Portugal	II.	42% 58%	III.	46% 54%	507	43	0.9	4.5	–	0.5
Mexico	IV.	0% 100%	IV.	22% 78%	418	25	0.6	–	n.a.	0.4

■ Property-Casualty ■ Life/Health
Market position by gross premiums written: I. Position 1 II. Position 2 to 5 III. Position 6 to 10 IV. Not in the top 10

Spain and Portugal

We serve the Spanish market through our operating entities Allianz Compañía de Seguros y Reaseguros S.A. (Property-Casualty and Life), Fénix Directo S.A. (Property-Casualty) and our joint venture with Banco Popular ("Allianz Popular"). Our Portuguese company is Allianz Companhia de Seguros.

Besides Motor, which is our largest line of business, we offer products for property and liability protection and life/health coverage in both countries. In Portugal, we also offer workers compensation coverage. We distribute our products through agents and brokers. In both countries we maintain strong bancassurance partnerships, working with Banco Popular in Spain and Banco Português de Investimento in Portugal.

In 2012, the property-casualty markets decreased in both countries due to the continuing economic crisis. Regarding life insurance, the Spanish market shrank in 2012. Also in Portugal, the sector further contracted, largely due to the reduction in disposable income of Portuguese families.

In the property-casualty markets we outperformed the local markets in Spain in terms of premiums and profitability. In both countries our life operations focused on reducing risk and protecting profitability. Our business developed better than the industry and we intend to protect our portfolios in a shrinking market.

Uncertainties linked to the European sovereign debt crisis will continue to heavily influence the evolution of the Spanish and Portuguese economies, as well as their respective insurance markets. Unemployment remains at very high levels, particularly in Spain, and reforms in Portugal will keep the insurance market under pressure. Yet, we remain confident that our efficient operating platform and strong distribution capabilities in both countries will enable us to outperform the market.

South America

In South America, three companies form the basis of our local presence: Allianz Brazil Seguros S.A., Allianz Colombia S.A. and Allianz Argentina Compañía de Seguros S.A. In 2012, our entity in Colombia was rebranded from Aseguradora Colseguros S.A. into Allianz Colombia, which helped us to strengthen our brand in South America. Furthermore, we have established a local reinsurance company in Argentina.

In all three markets, we mainly concentrate on Property-Casualty, with Motor generally representing the largest individual line of business, followed by industrial business. In addition to offering life insurance in Colombia, we are also one of the leading health insurers in both Brazil and Colombia. We primarily distribute via brokers.

Despite lower economic growth in 2012, we are pleased with the performance of the Brazilian insurance market, which mirrors the growth of Brazil as it develops into a major economy. Even though the general performance of the insurance sector was very strong, we still managed to surpass market growth by a solid margin.

Looking to the future, we believe that the South American markets in which we are present offer significant potential for further growth. We will continue to strengthen our presence in this region, particularly in retail lines.

Mexico

In Mexico, our company Allianz México, S.A. Compañía de Seguros sells property-casualty and life/health products. We have a solid position in the Mexican commercial and personal market segments with distribution primarily carried out by brokers. Our Mexican unit recorded stronger than average growth in recent years, most notably in life/health product lines. We view Mexico as an attractive market due to its strong market growth and regulatory effectiveness and see potential for growth in insurance demand.

INSURANCE USA

INSURANCE USA — C 007

Selected markets		Motor/non-motor as % of total property-casualty gross premiums		Traditional/investment-oriented as % of total life statutory premiums	Statutory/gross premiums written € MN	Operating profit € MN	Number of customers MN	Proprietary networks THOU	Number of brokers THOU	Number of employees THOU
United States	IV.	5% / 95%	III.	13% / 87%	10,839	(93)	1.2	–	137.2	4.6

■ Property-Casualty ■ Life/Health
Market position by gross premiums written: I. Position 1 II. Position 2 to 5 III. Position 6 to 10 IV. Not in the top 10

United States

Our property-casualty insurance business in the United States is conducted through Fireman's Fund Insurance Company (FFIC). Our life and annuity business is managed through Allianz Life Insurance Company of North America (Allianz Life U.S.).

Through FFIC, we underwrite personal and commercial lines, selling these products through independent agents and brokers. We also participate in a crop insurance program through a reinsurance arrangement. Our personal business unit focuses on affluent and high-net-worth individuals while our commercial business unit offers specialized property-casualty coverage for small and medium-sized businesses. FFIC is one of the few carriers in the United States that has a nationwide personal and commercial lines presence.

While the first half of 2012 was a benign year in the U.S. property-casualty insurance market, the second half was impacted by a severe drought in the Midwest as well as Storm Sandy that hit the East Coast. At FFIC ongoing portfolio action to address profitability concerns and change the business mix led to a shrinking portfolio during 2012. In addition, the state of the economy, the low interest rate environment and only moderate price increases continued to put pressure on profits. Finally, adverse loss emergence in liability lines led to significant reserve increases, resulting in a challenging year for the company.

Our life and annuity business primarily underwrites fixed, fixed-indexed and variable annuities, and fixed-indexed universal life insurance products which are sold through independent distribution channels, as well as large financial institutions such as banks and wire houses. Redesign activity across product categories continued within the industry in 2012 and business dynamics were impacted by new competitors as well as shifts in the market leader peer group. In this environment, we continued to create and offer value-added products to help our customers address their financial needs, particularly in the retirement market. Our flexible fee structures and profitability management levers again allowed us to respond to the difficult market conditions which persisted in 2012. As a result, our life and annuity insurance business performed well overall and we were able to expand both product portfolio and distribution partnerships.

A restructuring of the reinsurance program for crop insurance business will reduce our expected premiums for this business line in 2013. Also, given the uncertain economic climate and further portfolio action, we expect an overall decrease in our U.S. property-casualty business in 2013. However focusing on niche markets, enhancing customer service and improving FFIC's core underwriting strength should allow us to better position ourselves in this competitive market over time.

On the life side, we anticipate continued economic uncertainty, equity market volatility and a low interest rate environment. On the upside, we continue to believe that U.S. demographic trends present us with an excellent opportunity in the retirement market. In order to reap these benefits, we will continuously strengthen our distribution network and value proposition to our customers through product innovation and high quality service.

GLOBAL INSURANCE LINES & ANGLO MARKETS

GLOBAL INSURANCE LINES & ANGLO MARKETS C 008

Selected markets		Motor/non-motor as % of total property-casualty gross premiums		Traditional/ investment-oriented as % of total life statutory premiums	Statutory/gross premiums written € MN	Operating profit € MN	Number of customers MN	Proprietary networks THOU	Number of brokers THOU	Number of employees THOU
Australia	II.	46% 54%	–	100% 0%	3,018	394	3.2	–	1.6	4.1
United Kingdom	III.	34% 66%	–	n.a.	2,318	199	1.9	–	5.1	4.4

■ Property-Casualty ■ Life/Health

Market position by gross premiums written: I. Position 1 II. Position 2 to 5 III. Position 6 to 10 IV. Not in the top 10

Australia

Allianz Australia Insurance Ltd. serves the Australian and New Zealand property-casualty and life insurance markets. Measured by premium income, Allianz Australia is the fourth largest insurer in Australia, providing insurance coverage for retail and corporate segments.

We also operate in certain niche markets, including premium financing, agriculture and pleasure craft insurance.

With our disciplined underwriting, we successfully responded to the unprecedented series of natural disasters that hit Australia and New Zealand between December 2010 and March 2012. Continued measures to increase operational efficiency and our constant focus on improving customer service and experience contributed to the excellent result.

As Allianz Australia markets its products and services through a multi-distribution approach and given the strong positioning in the market good growth opportunities are available in 2013.

United Kingdom

Allianz Insurance plc is one of the largest general insurers in the UK. It offers commercial insurance primarily through brokers with a full range of products for sole proprietorships right up to large commercial organizations. We also provide a broad selection of personal lines products distributed through brokers, affinity partners, veterinary practices and direct channels.

Operating in a highly competitive market, we continue to concentrate on active cycle management, market-leading customer focus and sophisticated fraud detection to support profitable growth. This underwriting discipline continues to prove itself with results consistently ahead of peer competitors.

In 2012, we further expanded our business with large global corporate partnerships.

In 2013, we will continue to capitalize on growth opportunities and forego premium growth in areas which do not offer an adequate risk return. We will start a number of new brand awareness initiatives to support growth in our retail business. The outlook for 2013 remains positive despite a highly competitive market.

Ireland

In Ireland, we offer a wide variety of property and casualty products for both commercial and private customers.

The insurance market in Ireland remains highly concentrated, with Allianz being the third largest insurer based on gross premiums written. Despite the challenging economic environment we have managed to expand our commercial portfolio in 2012 and are Ireland's leading commercial insurance company. Our emphasis on customer focus, underwriting discipline, process efficiencies and strong cost control position us for sustainable results.

Allianz Global Corporate & Specialty

Allianz Global Corporate & Specialty (AGCS) is one of the few global insurers with an exclusive focus on the needs of global corporate and specialty clients. AGCS operates with a worldwide network in more than 150 countries and serves as our center of expertise for global business insurance and large corporate and specialty risks.

AGCS offers clients global business insurance through a comprehensive service range covering all property and casualty risks. AGCS also provides specialty solutions, for example in shipping, aviation and energy. In addition, its subsidiary – Allianz Risk Transfer – develops and delivers customized non-traditional risk transfer solutions for complex risks.

In 2012, AGCS was affected by adverse weather conditions in North America, most notably the damage caused by Storm Sandy. Despite this, AGCS remains well positioned to cope with the continuously challenging economic environment and the rising number of natural catastrophes due to its global diversification and spread of exposures.

The market environment is anticipated to remain competitive in 2013 with positive economic developments in emerging markets expected to offer opportunities for growth.

Credit Insurance

Euler Hermes, the global leader in credit insurance, underwrites credit insurance in major markets around the world, providing businesses with protection against the risk of non-payment of accounts receivables and buyer insolvency. Additionally, Euler Hermes holds a strong position in bonding and guarantees, debt collection and fidelity insurance.

In 2012, Euler Hermes continued its organizational transformation and efficiency improvements that in recent years have streamlined infrastructure and operating processes and made the company more consistent and more agile in responding to client requirements and changing market conditions. In parallel, the company implemented several prudent underwriting measures and organizational disciplines to minimize the impact of a possible economic downturn.

Within the global trade credit market, Euler Hermes sees growth potential in Asia-Pacific, Latin America, the Middle East, Russia and the United States, and pursues a defined growth strategy for these markets. Continuing to provide high quality services, maintaining a comprehensive information database and a strong financial rating (S&P rating AA-) will also underpin Euler Hermes' continued market leadership.

Allianz Worldwide Care

Our specialist health insurer, Allianz Worldwide Care (AWC), sells international health products to expatriates and high-net-worth individuals. Its products are distributed by brokers, agents as well as via the internet and call centers. With a tight control of expenses, process improvements and strict underwriting discipline, AWC has seen strong profitable growth over the years, especially during 2012. With a number of newly signed global contracts with Non-governmental Organizations (NGOs) and Intergovernmental Organizations (IGOs), AWC is expected to see further growth in the coming years, while sustaining profitability and widening its product offerings.

INSURANCE GROWTH MARKETS

INSURANCE GROWTH MARKETS C 009

Selected markets		Motor/non-motor as % of total property-casualty gross premiums		Traditional/investment-oriented as % of total life statutory premiums	Statutory/gross premiums written € MN	Operating profit € MN	Number of customers MN	Proprietary networks THOU	Number of brokers THOU	Number of employees THOU
South Korea	–	n.a.	III.	32% / 68%	1,871	31	1.2	4.7	–	1.7
Taiwan	–	n.a.	III.	11% / 89%	1,352	9	0.3	1.3	–	0.6
Malaysia	I.	54% / 46%	III.	82% / 18%	752	73	3.9	12.6	–	1.6
Indonesia	IV.	30% / 70%	II.	49% / 51%	804	50	0.4	11.5	–	1.1
Hungary	I.	49% / 51%	II.	38% / 62%	454	31	1.3	1.5	–	1.2
Poland	II.	56% / 44%	III.	33% / 67%	832	31	1.6	8.4	–	1.2
Russia	III.	42% / 58%	III.	100% / 0%	772	2	0.8	15.0	1.1	8.2

■ Property-Casualty ■ Life/Health

Market position by gross premiums written: I. Position 1 II. Position 2 to 5 III. Position 6 to 10 IV. Not in the top 10

Asia

Our group companies in Asia achieved a notable performance and remained a strong partner for all our stakeholders. We will continue to develop our business buoyed by the positive economic outlook in the region and a growing need for protection and provision products in these economies. Our aim is to further position ourselves as a leading multinational insurer in the Asia-Pacific region.

In Asia, we offer life/health, property-casualty insurance and asset management products. We serve more than 21 million customers with a full suite of products through our multi-distribution networks, including approximately 200,000 tied agents, brokers, bancassurance and direct marketing.

In Asia we maintain property-casualty operations in Brunei, China, Hong Kong, India, Indonesia, Japan, Laos, Malaysia, Singapore, Sri Lanka and Thailand. Allianz in Malaysia was the strongest contributor to gross written premiums while all entities benefited from a strong development in the motor business.

In our life/health business the South-East Asian markets are the growth drivers in Asia. Our entities in Indonesia, Thailand and Malaysia are well positioned to capture a rising need for protection and provision in these economies. We also operate life/health business in South Korea, Taiwan, China, India and Sri Lanka.

Bancassurance is a significant distribution channel for our life insurance business in Asia. In 2012, we signed a 10-year bancassurance distribution agreement: Our life insurance products will be distributed by HSBC in China, Indonesia, Malaysia, Australia, Sri Lanka and Taiwan and by strategic partners of Allianz in Brunei and the Philippines. This underlines our global excellence in providing tailor made products across markets while reaching an additional segment of retail banking customers.

Indonesia

Indonesia is one of the fastest-growing markets for us and we expect this to continue due to an expanding middle class with increasing insurance needs. Our life business is developing particularly strongly through our tied agency channel. In addition, Allianz Indonesia today insures over one million microinsurance clients. Cooperating with 33 partners, we offer microinsurance products including credit life insurance, savings insurance, business interruption insurance and micro-education endowments.

Malaysia

Both our life/health and property-casualty insurance lines have enjoyed consistently strong growth over the past years. While Allianz General continues to be the leading general insurer in the country with a market share of over 10%, Allianz Life has been one of the strongest and fastest growing life insurance companies in the industry. It is a leading provider of investment-linked protection business, offering innovative products and solutions to our customers, especially through our main distribution channel agency. Both our life and general insurance businesses have been able to increase their agency forces significantly with over two thousand agents joining in 2012.

China

Over the past years most of Allianz's business lines have established a presence in China, where we are able to provide customers with many types of insurance solutions, ranging from life, property-casualty, travel, medical to commercial insurance. In addition, we offer customized fund products via the Joint Venture of Allianz Guotai Junan Fund Management. Together with our strategic partner, China Pacific Insurance Group, we further strengthened local cooperation on products such as credit insurance and assistance services.

South Korea

During the past four years, we have managed to preserve a steady momentum in developing our South Korean business. In 2012, Allianz Life Korea further strengthened its product portfolio by enhancing innovative investment products. The Korean Intellectual Property Office for Financial Asset Management granted it a patent for developing a method which has been integrated into several variable annuity products.

Central and Eastern Europe (CEE)/ Commonwealth of Independent States (CIS)

Active in 10 countries in the region, we continuously rank among the top 3 players in six of the largest markets in CEE. We provide property-casualty, life/health products and pension funds to our 7.3 million customers in Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Russia, Romania, Slovakia, Slovenia and the Ukraine. Within two decades, we have become one of the leading international insurers in the region with a market share of over 9%, based on gross premiums written.

In Property-Casualty, we remain amongst the leading companies in the CEE region despite the difficult ongoing market conditions. Our main products are motor, property and liability insurance for retail, commercial and industrial customers. In 2012, we continued our efforts to secure the overall profitability of the property-casualty portfolio by focusing on technical underwriting. This allowed most of our local companies to capture a major share of the total local market profitability. During early 2012, Allianz Russia successfully completed the integration of three previously separate property-casualty entities. By doing so, we created an effective platform for future growth and a single point of entry under one brand for customers.

Life/Health and pension funds revenues in CEE continued to grow in 2012. Allianz Russia contributed strongly to the increase in life premiums with double-digit growth rates. Sales campaigns in the Czech Republic, Russia and Poland were significant success drivers in 2012 and managed to offset the drop in premiums in Hungary as a result of the challenging business environment. CEE remains an attractive growth region for the life business in the long-term due to the fairly low market penetration. We strongly believe that our continuous focus on profitable growth, balanced portfolios and customer-focused product innovations will continue to deliver positive results in this area.

We also have a leading position in the pension market in CEE. Growth benefited from regulatory changes in the Czech Republic. Further opportunities for expansion are expected from the pension reform in the Czech Republic, which was finally approved by Parliament in late 2012.

Product innovation and brand positioning remain key levers for attracting new customers. We are optimistic that we will remain on course for growth in the CEE region, even though on a moderate level, despite the challenging economic environment. In addition to this, several initiatives for our proprietary networks have already shown initial results in improving the productivity and attrition ratio of tied agents. Our business partners in the broker channel appreciate our improvements in terms of enhanced services and state-of-the art collaboration, especially the recently introduced standardized workflow and dedicated Key Account Managers.

Middle East and North Africa (MENA)

Through Allianz Egypt, Allianz Saudi Fransi and Allianz SNA (Lebanon) we offer property-casualty and life/health products, mainly via tied agents and bancassurance channels. In Property-Casualty, vital links in our distribution network are brokers and dealers. The region fulfilled our expectations despite the very difficult political and economic situation.

Allianz Egypt remains a leader in bancassurance. Through its partnerships with top banks we offer a wide range of life assurance products. Our strategy to develop the corporate channel brought positive results in 2012.

Our Strategy

We aspire to be the strongest financial community. Therefore, our strategy rests on four pillars – having the best people, operational excellence, financial strength and being the most trusted partner for our clients and shareholders, as well as for our agents, banks, brokers and other distribution partners and, last but not least, for society. Building upon those pillars we want to reach and maintain our strategic goals: to be a leader in our three business segments with respect to profitability, supported, where appropriate, by the size of our business.

We aim to be the ***strongest financial community***. Our strategy is built on four strong pillars – best people, operational excellence, financial strength and trusted partner. Size and profitability are not goals in themselves, but means to serve our clients, satisfy our shareholders, attract and retain highly qualified and motivated employees, be a good and reliable business partner, and also honor our responsibility towards society.

Our ambition is to be the leading property-casualty insurer in the world, in terms of gross premiums written and profitability. In our Life/Health core business we strive to stand amongst the three most profitable insurers globally, and want to grow where our requirements regarding profitability are met. Moreover, we want to be the top active asset manager in terms of assets under management and by profitability. Furthermore, we aspire to not only reach but maintain size and profitability in the long run. Therefore, sustainability is at the heart of our business and we have incentivized our leaders accordingly. For further information, please refer to Our Progress in Sustainable Development starting on page 109 and the Remuneration Report starting on page 74.

Our Progress in Sustainable Development
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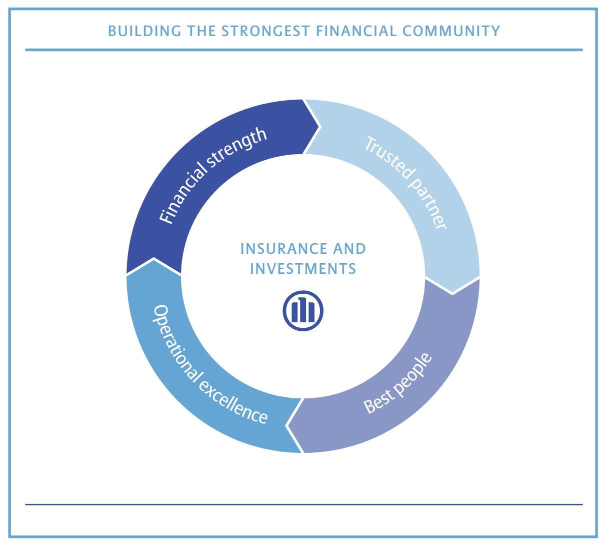
Remuneration Report

THE FOUR PILLARS OF OUR STRATEGY C010



Our key strategic lever is having the ***best people***. Only qualified and motivated employees will serve our clients well and thus safeguard the success of Allianz. In our business lines, in our operating entities and in our support functions, we aim to attract and nurture the best talent, to engage our employees and to develop our professional skills and expertise. We regularly collect feedback from our workforce around the world, following a widely used methodology that enables us to compare ourselves with our peers and helps our leaders define and take actions.

The quest for *operational excellence* is omnipresent in our business: In order to be market leaders by size and also in terms of quality, we need smart, synergistic and fairly-priced products, clever and reliable service, top-notch execution and an agile organization – all supported by comprehensive and timely monitoring and steering. In the past years, we have, for example, strengthened our distribution networks, harmonized the way our operational units are organized, built global lines of business where our clients demanded it and invested in focused capabilities and systems – such as a global investment function, world-class risk management and an organization to nurture our global brand. Currently, the main thrust of our investments in operational excellence support the digitalization of our products, our market presence and customer service, as well as our underlying administrative and steering processes.

Our ability to succeed relies on our *financial strength*. More than a regulatory requirement, it is the strength of our capital base that enables us to keep our promises, both now and in the future. The recent financial crises of 2008 and 2011 demonstrated once again the value of our strength. We weathered these storms, emerging not unblemished, but fundamentally sound. Today, our solvency is stronger than ever, thanks to our world-class investment skills, serving our policyholders and our clients who entrust us with their financial assets – and sometimes with the assets of their clients. Our investment and asset management is supported by our sophisticated risk management which again relies on policies, processes, systems and people. Moreover, our performance in investment and asset management is flanked by our experts in the technical departments, as well as by our treasury and other financial functions. Recently, we have further reduced the risks in our balance sheet and currently we put a high emphasis on enhancing our capital allocation.

These three pillars should help us be the best in class and most *trusted partner* for our clients in managing risks and investments, but also for our agents, banks, brokers and other distribution partners, as well as for society. We serve our clients where they need us, in our local markets as well as through our global lines of business. We serve them directly or through our trusted distribution partners. We defend and build on our strength in existing markets and selectively engage new clients in new markets. We offer personal advice and services and provide our clients with the opportunity to communicate with us over the internet. Where needed, our clients can obtain a broad range of offerings from us to manage their risks and cover their financial needs. As such, the diversification of the Allianz Group creates real, practical synergies where it matters most – for our partners.

It is clear that these strategic pillars support and bolster each other. They are the cornerstones of our strategy and the foundations of our success. They drive us in our endeavor to become the strongest financial community. In the chapter Outlook 2013 and 2014, we elaborate in more detail on how these pillars are translated into targets.

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Outlook 2013 and 2014

OUR STRATEGIC GOALS C011

STRATEGIC GOAL[1]	MARKET POSITION[2] based on
To be the leading property-casualty insurer in the world, in terms of gross premiums written and profitability.	Gross premiums written: 1st Operating profit: 1st Combined ratio: 3rd
To stand amongst the three most profitable life/health insurers globally.	Operating profit: 2nd
To be the top active asset manager measured by assets under management and by profitability.	Assets under management: 2nd (Allianz Asset Management) Cost Income Ratio: 3rd (Allianz Asset Management)

1 — For detailed growth targets and underlying assumptions see Outlook 2013 and 2014.

2 — Information does not show the position of Allianz in comparison to the total global insurance industry. It shows the positioning of Allianz in comparison to our main peers in 2011 (2012 figures are not yet available). The key performance indicators for peers have been adjusted to the Allianz definition.

Our steering

BOARD OF MANAGEMENT AND ORGANIZATIONAL STRUCTURE

We serve our customers mainly through three business segments: Property-Casualty insurance, Life/Health insurance and Asset Management. Our Banking business is reported under our Corporate and Other segment, which also includes our Group functions.

Each member of Allianz SE's Board of Management is responsible for a particular division within the Allianz Group. The two insurance business segments Property-Casualty and Life/Health are subdivided into six business divisions while Asset Management is a stand-alone segment overseen by seven of the board members. The other four board members, including the Chairman of the Board of Management, are in charge of Group functions such as Finance, Investments and Operations.

MEMBERS OF THE BOARD OF MANAGEMENT AND THEIR RESPONSIBILITIES IN 2012 AND 2013[1] C 012

RESPONSIBILITIES / DIVISIONS	BOARD MEMBERS
FUNCTIONAL DIVISIONS	
Chairman of the Board of Management	Michael Diekmann
Controlling, Reporting, Risk (until 31 December 2012) Finance, Controlling, Risk (as of 1 January 2013)	Oliver Bäte (until 31 December 2012) Dr. Dieter Wemmer (as of 1 January 2013)
Finance (until 31 December 2012) Investments (as of 1 January 2013)	Dr. Paul Achleitner (until 31 May 2012) Dr. Maximilian Zimmerer (as of 1 June 2012)
Operations	Dr. Christof Mascher[2]
BUSINESS DIVISIONS	
Insurance Western & Southern Europe	Dr. Dieter Wemmer (until 31 December 2012) Oliver Bäte (as of 1 January 2013)
Insurance USA	Gary Bhojwani
Insurance German Speaking Countries, Human Resources	Dr. Werner Zedelius
Insurance Growth Markets	Manuel Bauer
Asset Management Worldwide	Jay Ralph
Global Insurance Lines & Anglo Markets	Clement Booth
Insurance Iberia & Latin America, Legal & Compliance, Mergers & Acquisitions	Dr. Helga Jung

1 — For further information about the remuneration structure, including target setting and performance assessment, please refer to the Remuneration Report starting on page 74.

2 — Dr. Christof Mascher also oversees Allianz Global Assistance (former Mondial Assistance).

TARGET SETTING AND MONITORING

The Allianz Group steers its operating entities and business segments via an integrated management and control process. This process starts with the definition of a business-specific strategy and goals, which are discussed and agreed between the Holding and operating entities. According to this strategy, a three-year plan is prepared by the operating entities and aggregated to form the financial plans for the business divisions and the Allianz Group. The Supervisory Board then approves the plan and sets corresponding targets for the Board of Management. The performance-based remuneration of the Board of Management is linked to short-, mid- and long-term targets to ensure effectiveness and emphasize sustainability. For further details, please refer to the Remuneration Report starting on page 74. This plan also forms the basis for our capital management.

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Risk Report

We continuously monitor our business performance against these targets through monthly reviews to ensure that appropriate measures can be taken in the event of negative developments. Throughout these reviews, we monitor key financial and operational metrics. Operating profit is the main financial performance indicator across all business segments for the Allianz Group. In addition, we also use segment-specific figures such as the combined ratio for our Property-Casualty segment, inforce and new business margins and margin on reserves for our Life/Health segment and the cost-income ratio for our Asset Management segment. For a comprehensive view of our segment performance, please refer to the Management Discussion and Analysis starting on page 122.

Besides performance steering we also have a risk steering process in place which is described in the Risk Report starting on page 184.

Our Progress in Sustainable Development

Sustainable business

Our business strategy is driven by a strong market orientation and an unwavering commitment to our customers. While uncertainty in the current economic climate has shaken people's trust in the financial industry as a whole, Allianz continues to build long-lasting, mutually-beneficial customer relationships. Strengthening our already solid brand positioning helps to convey the stability and security of our global company. Together, our strong customer focus and brand positioning are key drivers for sustainable, profitable growth, guiding us towards building the strongest financial community.

Allianz strives to be the best-in-class and most trusted partner for our customers and has been recognized as the loyalty leader in a number of markets. Our employees' commitment and ambition to provide excellent service to our customers are crucial to our success. As such, both customer and employee satisfaction are key steering metrics for Allianz and both board members and top management are incentivized to ensure focus and continual improvement in these areas. We also place great importance on fostering outstanding leadership and personal development. To support this, Allianz offers employee engagement opportunities through a variety of volunteering programs, leveraging our core competencies in sharing knowledge.

In terms of environmental sustainability, Allianz is committed to supporting the development of a low-carbon economy. Climate protection, however, is not an end in itself. At Allianz, it is also a viable business and investment case. Allianz is one of the world's largest investors in renewables and is building up a long-term portfolio in wind energy and solar power. We also offer a growing range of products and services to help individual and institutional customers mitigate the effects of climate change or manage their own environmental impact.

In 2012, we continued to integrate sustainability into our business to contribute to the company's sustainable and profitable growth. To this end, we set up the ESG Board – a committee with Board member leadership, responsible for further promoting environmental, social and governance (ESG) aspects in our core business and elevating these issues in our Group corporate governance. We combine long-term economic value creation with a holistic approach to environmental stewardship, social responsibility and corporate governance. This is underscored by our ambition to be transparent in our performance, as demonstrated by our A+ application level confirmed by the Global Reporting Initiative. This section highlights Allianz's sustainability performance, presenting developments in key steering indicators in the following areas: Economic, Environment, Social and Governance. A full presentation of our progress can be found online at www.allianz.com/sustainability.

www
Sustainability

AWARDS & RECOGNITIONS C 013

SELECTED GLOBAL AWARDS

- RobecoSAM: Allianz awarded SAM Silver Class based on Allianz's superior ranking in the Dow Jones Sustainability Index.
- Carbon Disclosure Project: Allianz is the leading insurance company globally and is included in the Global Carbon Disclosure Leadership Index and Carbon Performance Leadership Index.
- Interbrand: Allianz ranked as the "Best Global Green Brand" in Financial Services.
- Trendence: Allianz placed 43 in a European assessment of the 500 most attractive employers for graduates.
- Transparency International: Transparency International ranked Allianz 10th out of the 105 top public corporations – thereby achieving a top ranking among the most transparent multinational companies.

Economic

Sustainable growth through a strong global brand and long-lasting customer relationships

ALLIANZ BRAND

As a reliable partner, we want to be there whenever people need us, enabling them to progress in life and business. We want to earn their trust through the integrity of our behavior, helping them find the best solutions for their individual needs, keeping our promises and continuously striving for mutual growth. To make this a reality, we have a clear strategy, supported by a solid business model and a strong global brand guiding us towards building the strongest financial community with and for our customers.

Our brand as a business asset

The Allianz brand[1] plays a key role in driving the future growth of our business. In countries where we are well-established, our brand secures the loyalty of our customers and generates interest in a wider range of products and services. In newer markets, it can grow market share via a combination of local presence and global positioning. In 2012, we continued to strengthen our brand as reflected by the following:

- With operating businesses in over 70 countries worldwide, and the rebranding of Mondial Assistance[2], Colseguros and Rosno, our Allianz branded revenues stood at approximately 83% (2011: 80%) of total revenues. Our one-brand vision for Allianz leaves room for renowned specialty brands such as PIMCO, one of the largest fixed income asset managers and Euler Hermes, the world's number one credit insurer.

- Allianz is ranked among the top performers in the financial services sector in the Interbrand 100 Best Global Brands ranking. In 2012, we demonstrated the highest growth rate among all assessed European financial services providers, with a brand value growth of +16%, increasing from USD5.3 BN in 2011 to approximately USD6.2 BN in 2012.

- In the area of sustainability, Allianz once again came out on top of the Interbrand 50 Best Global Green Brands ranking in the category of financial services.

Our brand is an important and valuable asset and therefore an essential element of our business strategy. As part of our global brand management process, we use a standardized market research tool to benchmark the performance of the Allianz brand regularly against local competitors. The research covers over 30,000 consumers in 25 countries. This constant feedback from the market helps us to better understand local value drivers, identify the strengths and potential of our brand along the buying process and optimize resource allocation and brand investments.

Authentic communication for trusted relationships

The utmost commitment to our customers and their needs is also the cornerstone of our global brand communication concept "ONE". It places the customer at the center of our activities and is based on real people sharing real experiences and advice. Encouraging dialogue and sharing the wealth of our knowledge and expertise with our employees and customers is at the heart of our communication strategy and aims to help us build honest, long-lasting relationships with our stakeholders across different media and regions. Since its introduction in 2010, "ONE" has been rolled out in over 30 countries across all business lines and sponsoring platforms. As a global communication concept with numerous local executions, "ONE" ensures a consistent brand message around the world and fosters our global positioning as a "Trusted Partner". Evidenced in our regular brand performance measurement, "ONE" supports us building the brand and the business and thus encourages us to further invest into our global concept.

Our global sponsoring platforms have been activated intensively on local levels and provide millions of fans with a very tangible and emotional brand experience. In addition to our established partnerships with Formula 1™, golf with St Andrews Links, the Paralympic Movement and the Allianz Arena with FC Bayern Munich, we also expanded our family of stadiums to include Allianz Stadium in Sydney, Allianz Riviera in Nice, Allianz Park and the Saracens rugby team in London. Our commitment to the Paralympic Movement was highlighted by the London 2012 Paralympic Games, the biggest Paralympic Games ever.

1 — Our Allianz trademark is registered and protected worldwide, as are our domain names. Furthermore, we registered our corporate design and brand claim "Allianz. With you from A-Z." in relevant countries worldwide. With our rebranding activities we extend the scope of our business under the Allianz brand beyond the core area of insurance and asset management. In order to maintain the distinctiveness and strength of our Allianz brand we continuously monitor possible infringements of our trademark applications and registrations by third parties.

2 — Rebranding to Allianz Global Assistance completed for 22 business units including the headquarter; six business units will begin migration in the course of 2013.

Our global-local communication approach supports cost synergies, best practice sharing and a consistent brand experience around the world; the activation of our global assets at a local country level helps our entities to position themselves as a trusted partner and to create a link to their local business – as illustrated by our Formula 1™ engagement. In 2012, 28 Allianz entities participated in the "Drive Safely" campaign in their local markets. With over 50 million cars insured worldwide, road safety is an issue Allianz has always been committed to.

Allianz continues to invest in a strong global brand. In 2012, we again invested about €30 MN in our global sponsoring platforms and about €7 MN (gross rate card) in advertising at ten international airports. Also our operating entities supported their business growth with continuous media investments. Despite what were, to some extent, rough market conditions we saw strong advertising media spending in markets like Brazil with €16 MN (gross rate card), the United States with €18 MN (gross rate card) and Spain with €25 MN (gross rate card).

Staying connected in a digital world

Digital trends dramatically influence consumer behavior and requirements. As a result, expectations of service levels are increasing. We are continuously adapting to this new digital lifestyle to stay connected with consumers and improve our customer service. One of our goals is to ensure our customers enjoy even greater convenience in their dealings with Allianz. We are striving to enhance ease of interaction and give customers a choice with a variety of different access channels. This is a vital part of the Digital Target Picture described on page 164.

164 Strategic investments

With our increased brand presence in digital and social media we encourage a more engaging, emotional and "tangible" interaction with Allianz beyond traditional mass media. In 2012, for example, Allianz Germany further expanded its multi-channel approach and successfully established Facebook as an additional platform for sales agents to intensify their dialogue with existing and prospective customers and to support the sales process. Today, more than 1,000 German agents offer their advice and services on their own Facebook pages in a consistent Allianz branded design.

Via social media platforms and mobile services we aim to intensify the contact with our customers, providing them with our knowledge and services when and where they are most relevant to them. Examples are:

- a weather app with weather forecasts, warnings and advice to help our customers stay safe,
- a travel app that offers location-based travel insurance on the go, pay-per-use functionality, a document safe and other useful information about travelling safely, as well as
- a retirement planner app launched in Asia, allowing the user to quickly check the cornerstones of retirement provision.

CUSTOMER FOCUS

The loyalty of our customers is one of the key factors for sustainable growth. Our aspiration is to outperform our local peers. We regard constant feedback from our customers as vital to ensure ongoing improvement in our products, services and processes. As part of our customer-focused activities, we use key feedback tools such as the Net Promoter Score (NPS).

NPS is a measurement of customers' willingness to recommend Allianz and has been established as our key global metric for customer loyalty. It is regularly measured in about 40 Allianz companies worldwide, representing around 90% of gross premiums written (GPW). Based on empirical analysis in many of our local markets, we have observed a positive correlation between NPS and new business, profitability and agent productivity. More loyal and satisfied customers have fewer complaints, are less likely to churn and are more inclined to buy other services or products and to make referrals. We apply NPS in two ways:

Top-down NPS is measured annually by our local companies according to global standards and allows benchmarking against local competitors in the respective markets. Our joint efforts to further improve the loyalty of our customers proved effective again in 2012. The proportion of Allianz businesses with significantly more loyal and satisfied customers than the local market average rose from 52% in 2011 to 55% in 2012. The percentage of Allianz companies that have attained loyalty leadership in their market also increased, from 28% in 2011 to 30% in 2012.

Bottom-up NPS is used to measure customer loyalty after key interactions at critical touch points such as claims handling or sales. It enables us to better understand customer expectations as well as their changing needs. By asking for direct feedback after important customer interactions, we monitor the impact of our improvement measures and the fulfillment of defined service levels.

Despite a difficult economic environment, we managed to keep our customer base stable at approximately 78 million customers worldwide in 2012. For further information about our customers in selected markets, please refer to Our Insurance Markets on page 96.

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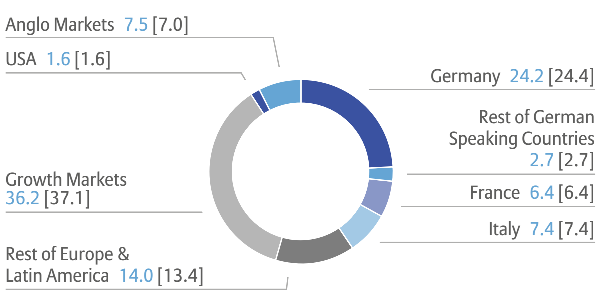
Our Insurance Markets

CUSTOMERS BY REGION/COUNTRY[1] C 014

as of 31 December 2012 [31 December 2011] in %



1 — Customer figures exclude microinsurance and pension funds clients.

SUSTAINABILITY IN PRODUCTS AND SERVICES

Green solutions

Allianz has a Group-wide strategy covering climate-related risks and opportunities for our business and clients, which commits us to play a leading role in supporting the development of a low-carbon economy. We work to both reduce our own carbon footprint and use our position as a leading global financial services provider to raise awareness about the risks and opportunities arising from climate change. We also aim to develop and offer green products.

We offer our private and commercial customers a growing number of green products and services that help mitigate the negative physical or economic effects of climate change or take its environmental impact into account. We currently offer more than 130 green products, which cover all of our business segments, including (re)insurance, assistance and asset management. We were the first financial services company to establish a comprehensive, Group-wide definition of green products and are working on further increasing transparency regarding their contribution to our overall financial performance by, for example collecting revenue indicators centrally.

Examples of green products on the commercial side include tailor-made insurance products for large-scale renewable energy projects and green building insurance to cover facilities or offices that have been built or refurbished to be more energy efficient. For private customers, examples include rewarding drivers with climate-friendly and fuel-efficient cars with a special discount on car insurance, property insurance – including roof-mounted solar panels – and investment vehicles such as our EcoTrends fund, which allows customers to put their money in clean technologies.

Microinsurance

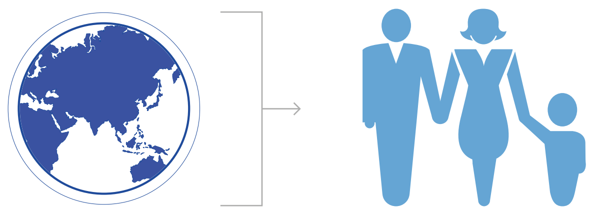
For low-income families in developing countries, microinsurance is a means of managing the risks associated with natural disasters, accidents and illness. Allianz provides a safety net to over 17 million people in Asia, Africa and Latin America through its microinsurance offering. Our products range from life insurance and savings plans to crop index insurance. While profit expectations are much lower than in the traditional insurance business, there is a strong belief that familiarizing low-income customers with the concept of insurance in general, and the Allianz brand in particular, will pay off over the years as these customers move up the economic ladder.

In 2012, we established an industry-first operational definition for microinsurance, enabling us to increase the consistency and transparency of our microinsurance products in the Group. We also developed a set of key performance indicators to measure and better control the financial and social performance of microinsurance.

2012 saw strong growth in the number of insured people and gross premiums written (GPW). The number of insureds grew faster than GPW as growth mostly came from group term life policies, which carry particularly low premiums. In terms of markets, India was the biggest growth market in 2012 with an increase of 11.7 million insured people. The drop in GPW in 2011 was due to the microcredit crisis in India. The situation has now stabilized, for example with the introduction of microcredit information bureaus.

C015

Microinsurance key figures



	GROSS PREMIUMS WRITTEN (IN € MN)	THEREOF FROM NON-CONSOLIDATED ENTITIES	NUMBER OF INSURED PEOPLE (IN MN)	THEREOF FROM NON-CONSOLIDATED ENTITIES
2012[1]	78.6	55.2	17.1	14.6
Change	+21.2	+14.6	+13.2	+11.7
2011	57.4[2]	40.6	3.9[2]	2.9
Change	(21.0)	N.A.	+0.1	N.A.
2010	78.4	N.A.	3.8	N.A.

COMMITTED TO INVESTING RESPONSIBLY

We are committed to integrating environmental, social and governance (ESG) factors into our proprietary investment strategies and third-party asset management. Customer demand, a growing recognition of the importance of ESG factors and better risk-adjusted returns are sound business reasons for integrating ESG factors in our investments. By scrutinizing investments from an ESG perspective, we endeavor to identify long-term risks and opportunities that are not fully reflected in market prices and seek to capitalize on them for the benefit of shareholders, customers and other stakeholders. This is especially relevant to us, because as an insurance company we manage and carry risk over very long time horizons.

We are increasingly demonstrating our commitment to ESG by incorporating these factors in our investment strategies and asset management. This is undertaken as an investor in our own proprietary assets and as part of our third-party asset management business. Our proprietary business is steered by Allianz Investment Management SE (AIM) while our third-party business is managed by Allianz Asset Management (AAM) through its subsidiaries, Allianz Global Investors (AllianzGI) and PIMCO.

Principles for responsible investment

Allianz SE, as an asset owner, and PIMCO and AllianzGI, as asset managers, are signatories to the United Nations Principles for Responsible Investment (UN PRI). The six principles reflect the view that ESG issues can affect the performance of investment portfolios and therefore should be given appropriate consideration by investors. 96% of the total assets under Allianz management are now covered by this commitment.

SUSTAINABILITY IN PROPRIETARY ASSET MANAGEMENT

As well as being a leading global insurance company, we are also a major institutional investor. We are well aware of the impact our investment decisions can have and take seriously the responsibility that comes with the investment side of our business. As a result, we show our commitment

1 — KPMG Wirtschaftsprüfungsgesellschaft AG has provided limited assurance on the 2012 microinsurance performance information as well as the performance indicators: number of inforce insured people and gross premiums written. For further information, please refer to www.allianz.com/sustainability.

2 — Changes to our 2011 data were made for the following reasons: 1. Full year data were only available after the time of publication, 2. The Colombian microinsurance business was included retrospectively, 3. Our new operational microinsurance definition was applied.

to responsible investment by tackling investment dilemmas and controversial topics in a transparent way.

With Allianz Group assets of more than €500 BN across a range of asset classes, sectors and countries, we are directly and indirectly connected with other businesses, individuals and economies, and are therefore an integral part of the global economy.

We strive to invest sustainably across all asset classes over time. The practical implementation of sustainability in proprietary asset management involves integrating ESG factors into our investment process through research, corporate and country analysis, strategic asset allocation, portfolio construction, asset manager selection, monitoring and risk management. We firmly believe that considering ESG factors in performance evaluation is not a short-term trend but one that will fundamentally change business performance, and consequently, investment performance over time.

We have adopted an evolutionary learning path for sustainable investment, one that builds on our existing systematic practices and, over time, develops consistency across asset classes and regions.

Concerns about climate change are changing the way assets are managed and giving rise to new and alternative asset classes, especially in the field of renewable energy and carbon investments. The following examples illustrate how we are implementing our commitment to ESG in specific asset categories:

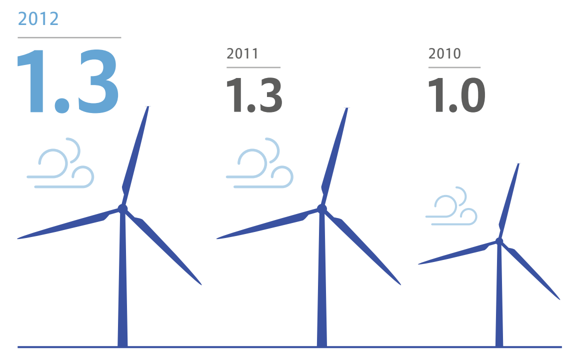
Renewables

As large institutional investors, insurance companies are important players in the financing of a low-carbon economy. We are already one of the leading investors in renewables with a strong portfolio in wind energy and solar power amounting to €1.3 BN in 2012. Since renewables are seen as an investment opportunity with an attractive risk-return profile, we are gradually expanding our investments in this sector. Investments in renewable energy projects provide sound long-term returns that fit well with Allianz's long-term investment strategy.

C016

Renewable energy

INVESTMENTS (IN € BN)



Carbon investments

Carbon has arisen as an asset class on the back of concern about climate change and CO_2 emissions. By being an early investor in this up-and-coming market, Allianz has already gained valuable experience and is benefiting from the opportunities this offers. Investments to date include forest protection in Kenya and an energy efficiency project in India. Combined, these projects will avoid the release of around 40 million metric tons of CO_2 over their lifespan. We plan to expand our portfolio in this field and certificates from such projects will be used for our own carbon neutrality.

Real estate

Allianz Real Estate (ARE) has launched a comprehensive sustainability program, with a focus on environmental factors, to support our Group commitment to significantly reduce our carbon emissions and meet the market's demand for sustainable real estate. Specific sustainability standards now apply to ARE's core investment and property management processes. These include the application of sustainability criteria in decision-making for new investments and metrics to measure the sustainability performance of ARE's real estate portfolio. Furthermore, ARE actively engages with its tenants to further enhance the sustainability performance of its buildings – at the same time helping tenants to reduce their running costs.

Investment dilemmas

We are aware of the criticism directed at a number of our investment activities, which are perceived as controversial by some of our stakeholders. By their very nature, topics that are considered contentious by some stakeholders are not considered so by others. These issues are complex and subjective, and are often influenced by culture and individual experiences. They are frequently interconnected with other issues and it is often difficult to establish a single, simple viewpoint on such topics, which explains their divisive effect.

Food security

In recent years, rising and volatile food prices have increased the profile of food security as an issue of global concern. Recently, financial institutions have been targeted with the accusation that their increased presence in agricultural commodity markets is contributing to food price hikes or price bubbles and thus, increased hunger among the world's poor.

We take the allegation very seriously and are engaging with non-governmental organizations (NGOs) and other organizations to better understand their concerns and expectations and to outline our own position. As well as engaging with these NGOs, we conduct internal reviews in order to fully understand our potential impacts in this area.

On one hand, we have no insurance assets invested in physical agricultural commodities, their derivatives or in related indices, as these investments do not fit our investment strategy. On the other hand, Allianz customers are able to invest in shares of commodities producers (equity funds) and in commodity funds that invest solely in commodities derivatives through our Asset Management business. It is important to stress that our asset management products also do not directly invest in physical agricultural commodities but only in related derivatives and indices. This means clients may benefit from rising as well as falling commodity prices, depending on the investment strategy of the fund. In these funds, commodity futures positions are closed well before the expiration of the contract since this precludes us from being in the position of having to accept or make physical delivery of the actual commodities. Of course, our third-party mutual funds meet the high transparency standards set by regulations; all product prospectuses provide details about the portfolio composition as well as underlying financial instruments. We comprehensively inform our customers, who usually have longer-term investment horizons, so they can take informed investment decisions.

Finally, we support the broad academic consensus that a liquid market for commodity futures is important for producers and buyers to protect themselves against the risk of fluctuating prices.

As a risk manager, Allianz is also involved at the very root of the agricultural value chain by insuring the livelihoods of more than 2 million smallholder farmers through our micro-insurance offering. In addition, Allianz Re supports around 125 million smallholder farmers in developing countries through public-sector agro-insurance schemes, thus helping to ensure local and global food security.

RESPONSIBILITY IN THIRD-PARTY ASSET MANAGEMENT

Allianz Asset Management (AAM), through its ownership of AllianzGI and PIMCO, is one of the world's largest asset managers. AAM is responsible for the Group's third-party asset management business as well as for managing the majority of our proprietary assets. AllianzGI concentrates on its specialized asset management units and PIMCO specializes in multi-asset global solutions.

Even with different regional focuses and investment strategies, embedding ESG into asset management and offering corresponding products and services is already common practice across our third-party asset management entities. Building strong ESG research capabilities, engaging with the companies they invest in where practical and pursuing active share ownership through proxy voting are at the heart of all their ESG strategies.

Sustainable and Responsible Investments (SRI)

Allianz manages a growing portfolio of Sustainable and Responsible Investments (SRI). The largest SRI investment share of AAM's total assets under management is managed by PIMCO. SRI figures for PIMCO are reported for the first time and totaled €49.1 BN at the end of 2012. In addition, AllianzGI managed €15.3 BN (2011: €3.4 BN). A number of factors have driven this significant increase: an SRI screening was introduced as part of a review of the investment criteria for some of the assets managed for Allianz Group, general market appreciation as well as inflows of new assets from our third-party clients into both fixed income and equity SRI products. At year-end 2012, the total SRI managed by AAM amounted to €64.4 BN, corresponding to 4% of AAM's total assets under management.

More details on our approach to responsible investing can be found online: www.allianz.com/sustainability.

www
Sustainability

Environment

Taking environmental responsibility seriously

CARBON REDUCTION STRATEGY

Despite the fact that the financial services sector is a comparatively low-carbon industry, Allianz is nevertheless committed to reducing its environmental impact. We have a target to reduce our carbon emissions per employee by 35% by 2015 against a 2006 baseline. Because energy use is the largest contributor to our carbon footprint, we have also set ourselves a specific energy target to support our overall carbon reduction objective – by 2015, we aim to reduce energy consumption per employee by 10% measured against a 2010 baseline.

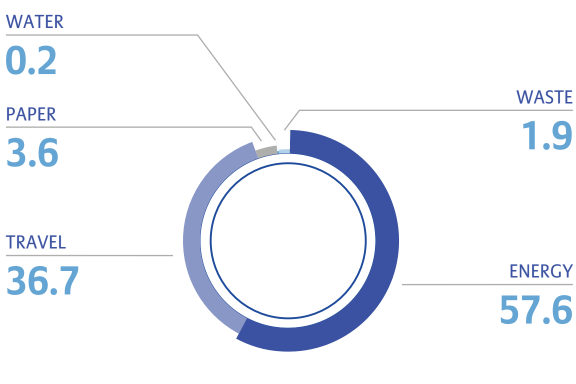
In 2012, Allianz continued to reduce its carbon footprint, cutting CO_2 emissions from its business operations by a further 3.2% compared to 2011. Our overall CO_2 reduction since 2006 now stands at 35.6%[1] per employee. As the main drivers of our carbon footprint are energy, travel and paper, our reduction efforts focus on these areas.

While we have already reached our 2015 CO_2 reduction target and are seemingly close to our new energy target (minus 8.3% per employee), as the economy continues to improve, the challenge for Allianz will be in controlling our consumption and emissions over business cycles. In 2013, we will also continue to improve the quality of our environmental data; specifically focusing on further improving our carbon accounting methodology and formalizing and further automating our reporting systems. Better data quality will also be the basis for future decision-making on environmental activities and targets.

C 017

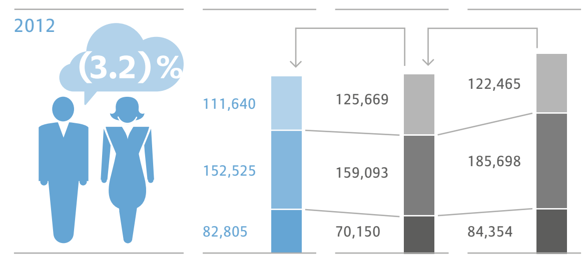
Environmental footprint[2]

ALLOCATION OF CO_2 EMISSIONS IN 2012 (IN %)



TOTAL GAS EMISSIONS (CO_2)[3] (IN METRIC TONS)

	2012	2011	2010
TOTAL EMISSIONS	**346,970**	354,912	392,517
PER EMPLOYEE	2.42	2.50	2.73



Scope 1 – Direct GHG emissions, total
Scope 2 – Indirect GHG emissions, total
Scope 3 – Other indirect GHG emissions, total

1 — The Allianz Group's total reported carbon footprint already considers the compensation activities of some of our subsidiaries.

2 — KPMG Wirtschaftsprüfungsgesellschaft AG has provided limited assurance on the 2012 environmental performance information. For further information, please refer to www.allianz.com/sustainability.

3 — CO_2 emissions are reported based on CO_2 equivalents, including all Kyoto greenhouse gases.

CARBON NEUTRALITY

In addition to our carbon reduction target, we set ourselves the goal of becoming a carbon neutral business from 2012. However, instead of purely buying credits on the carbon market, we are investing directly in high-quality carbon projects that generate credits which we can then use to neutralize our remaining carbon footprint. In 2012, 175,000 credits, each accounting for one metric ton of carbon avoided, were retired from our own projects. Our remaining carbon footprint was neutralized by credits bought from the carbon market which underwent a stringent sustainability screening to ensure they met the same high standards as our own projects.

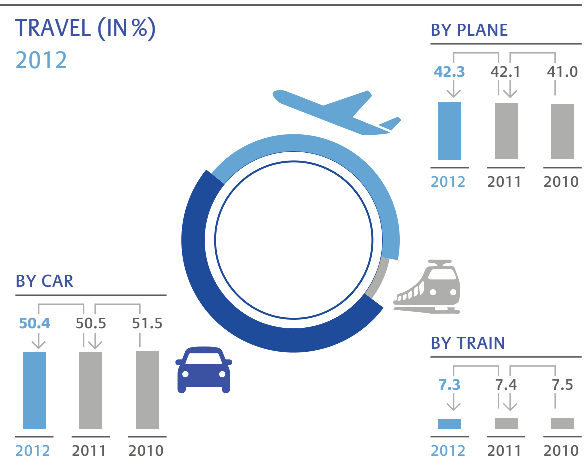
C018

Environmental Footprint[1]

	TOTAL ENERGY CONSUMPTION (IN GJ)	RENEWABLE SOURCES[2] (IN %)	NON-RENEWABLE SOURCES (IN %)
2012	3,195,425	44.6	55.4
2011	3,124,973	43.6	56.4
2010	3,492,423	40.4	59.6

	TOTAL PAPER CONSUMPTION (IN METRIC TONS)	RECYCLED PAPER (IN %)	NON-RECYCLED PAPER (IN %)
2012	20,309	40.4	59.6
2011	19,525	31.2	68.8
2010	20,591	15.3	84.7

	TOTAL TRAVEL (IN TKM)
2012	925,519
2011	953,717
2010	946,570



1 — KPMG Wirtschaftsprüfungsgesellschaft AG has provided limited assurance on the 2012 environmental performance information. For further information, please refer to www.allianz.com/sustainability.

2 — Renewable energy includes direct and intermediate energy from specific clean energy technologies or proportional allocation according to energy mixes specified by the suppliers.

Social

COMMUNITY ENGAGEMENT

A committed corporate citizen

As a global company with a business presence in over 70 countries worldwide, we take our responsibility to society seriously. By offering skills, time and money, we strive to advance social well-being and give financial and practical support to our local communities. In addition to being a major taxpayer, we also make donations to address social, environmental and cultural issues of relevance to Allianz and the societies in which it operates. Furthermore, our international network of 13 Allianz affiliated corporate foundations – for example the Allianz Cultural and Environmental Foundations – supports us in living out our role as a responsible corporate citizen. In 2012, studies were conducted to analyze the impact of our Corporate Responsibility activities on brand value, employee engagement and financial literacy education. The preliminary outcome was that there is a strong positive correlation and further research will be conducted in 2013 to better understand where we can improve and further increase our impact.

Corporate giving

Over the past three years Allianz has implemented a Group-wide corporate giving framework. Robust processes have been set up and data collection has been integrated into our financial accounting system, with the aim of systematically increasing the transparency of corporate giving and improving its management. As part of these ongoing enhancements, we now collect data on our local activities according to the London Benchmark Group (LBG) model and have adjusted internal tools for collecting information about our affiliated foundations accordingly.

In addition to being a major taxpayer, Allianz donated €20.4 MN (2011: €22.2 MN) to support local communities. The total corporate giving sum comprises donations, charitable memberships, as well as grants made by our affiliated corporate foundations. In addition to corporate giving activities, Allianz offers its employees the possibility to donate in the event of natural catastrophes. For that we have a global platform to involve all our employees in donation campaigns, which is supported by our partner, the International Federation of Red Cross and Red Crescent Societies.

Employee volunteering

Engaging employees in social projects is a key component of our responsibility towards society. We support the development of effective solutions to critical social issues by drawing on our core competencies. Through the My Finance Coach (MFC) program, for example, Allianz and its partners aim to foster financial literacy among 11- to 15-year-olds. Familiarizing these young people with financial issues will help them to make educated financial decisions now and in the future. The German UNESCO Committee declared MFC to be an official project of the United Nations Decade of Education for Sustainable Development (2005 – 2014). In 2012, the MFC program reached more than 100,000 pupils in Germany. Furthermore, a rollout to Indonesia, Malaysia, Thailand and Argentina took place. We see growing interest from our local entities to introduce MFC locally. Allianz also shares its know-how and business skills with socially committed organizations by engaging with both employees and retirees. In 2012, for example, through one of Allianz's leadership development and employee volunteering programs, such projects were carried out in eight countries involving a total of 49 Allianz employees and 16 social entrepreneurs.

Our employees

NURTURING TALENT FOR TODAY AND TOMORROW

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.

Diversity

Allianz recognizes the importance of having a diverse, inclusive workforce that is made up of employees from different backgrounds. We understand that promoting diversity is necessary for Allianz as a global company to be successful and we have implemented a number of initiatives to support this. Consistent with our Code of Conduct, Allianz has a zero-tolerance policy against discrimination and harassment in the workplace.

As part of the effort on the advancement of women at Allianz, in 2008 we set ourselves the global target of increasing the share of women in the talent pool for executive positions to 30% by 2015. A top management sponsorship program for women and flexible work-life programs, such as part-time employment or job sharing, are part of supporting actions taken in several countries. We are also committed to having 30% of management positions in Germany held by women by the end of 2015.

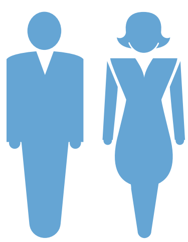
C019

Employees

BY REGION 2012[1] [2011] (IN %)

	2012	[2011]
GERMANY	28.4	[28.8]
ASIA PACIFIC & AFRICA	12.4	[11.8]
AMERICA	10.2	[10.2]
REST OF EUROPE	49.0	[49.2]

BY GENDER (IN %)[1]



	MALE	FEMALE
2012	47.9	52.1
2011	48.4	51.6
2010	52.1	47.9

DIVERSITY (IN %)[2]

WOMEN IN...	EXECUTIVE POSITIONS[3]	MANAGER POSITIONS[4]	CORE BUSINESS
2012	19.4	33.9	52.5
2011	19.2	33.3	52.3
2010	17.6	32.7	52.4

Talent management

We take a common and systematic approach to developing talent across all Allianz companies. To ensure the quality and performance of our employees, we focus on managing and developing talents and careers by assessing performance and potential, providing appropriate development actions and ensuring robust succession plans. We also develop both leadership and functional skills to ensure our employees can achieve current and future business goals. In order to meet future staff needs, we promote the necessity of lifelong learning. In addition, our Strategic Workforce Planning proactively supports strategic human resources decision-making, by supplying up to 10-year forecasts on economic, demographic and socio-cultural trends.

1 — Total number of employees with an employment contract of all consolidated companies (core and non-core business).
2 — Figures based on the number of employees in Allianz's core business; all companies in and related to the insurance and Asset Management business including our banking activities in Germany, France, Italy, the Netherlands and Bulgaria. Excluded are fully consolidated companies which are considered as pure financial investments and companies classified as held for sale.
3 — Including women at all executive positions below the Board of Management.
4 — Including women functionally responsible for other staff, regardless of level, e.g. division, department and team managers.

TRAINING KEY FIGURES[1] C020

	2012	2011	2010
Total expenses in training[2] in € MN	93	88	80
Training expenses per employee[2] in €	707	667	606
Average training days per employee, staff	2.6	2.7	2.9
Average training days per employee, managers	2.8	2.5	3.7
Employees undergoing at least one training session, staff in %	64.2	60.6	55.5
Employees undergoing at least one training session, managers in %	70.0	68.0	81.8

1 — Figures based on the number of employees in Allianz's core business; all companies in and related to the insurance and Asset Management business including our banking activities in Germany, France, Italy, the Netherlands and Bulgaria. Excluded are fully consolidated companies which are considered as pure financial investments and companies classified as held for sale.
2 — Calculation basis was changed in 2011: it includes the effective spending on training and excludes related expenses (e.g. travel expenses) and further costs (e.g. internal academy costs). Previous year figures have been restated.

Remuneration

The Allianz Group paid a total of €8.9 BN (2011: €8.4 BN) to its employees worldwide in 2012. Of this, approximately 30% was for performance-related (variable) remuneration elements. €2.3 BN (2011: €2.2 BN) was spent on social security contributions, pension and other social benefits.

Further employee figures

TENURE BY REGION[1,2] IN YEARS — C 021

as of 31 December	2012
Germany	14.3
Asia-Pacific and Africa	6.8
America	7.4
Rest of Europe	10.1
Allianz Group	10.7

FURTHER EMPLOYEE FIGURES — C 022

	2012	2011	2010
AGE STRUCTURE[2] IN %			
24 or under	7.6	7.7	7.8
25–34	27.0	27.2	27.4
35–44	29.0	29.6	30.0
45–54	25.6	25.4	25.0
55–64	10.4	9.8	9.5
65 or over	0.4	0.3	0.3
EMPLOYMENT RELATIONSHIP[2] IN %			
Permanent employees	93.5	93.7	93.5
Temporary employees	6.5	6.3	6.5
Full-time employees	87.6	88.7	88.3
Part-time employees	12.4	11.3	11.7
Trainee ratio[3]	2.3	2.3	2.2
EMPLOYEE QUALIFICATION[2] IN %			
University degree	44.5	44.3	44.7
Vocational training	31.3	33.7	34.7
Other qualification	24.2	22.0	20.6
EMPLOYEE TURNOVER[2]			
External recruitment	21,324	22,029	21,398
External leavers[4]	19,815	21,005	22,149

1 — Tenure represents the period of employment in Allianz companies starting from the date of the first entry in an Allianz company.

2 — Figures based on the number of employees in Allianz's core business; all companies in and related to the insurance and Asset Management business including our Banking activities in Germany, France, Italy, the Netherlands and Bulgaria. Excluded are fully consolidated companies which are considered as pure financial investments and companies classified as held for sale.

3 — Trainees are employees at the beginning of their career participating in a trainee program, i.e. are undergoing practical training designed to facilitate their development of knowledge and skills, e.g. apprentices, trainees, interns and working students and with a formal arrangement (e.g. employment contract or third-party agreement with a school or university).

4 — Number of employees who left the Allianz Group during the reporting period.

Governance

Our integrity calls upon us to make only promises we can keep and take only risks we can manage. Good corporate governance and transparency are key to gaining and keeping the trust of our shareholders, clients and employees.

STRENGTHENING SUSTAINABILITY GOVERNANCE

In 2012, Allianz set up the ESG Board, a committee with Board member leadership, responsible for further promoting and strengthening environmental, social and governance (ESG) aspects in our insurance and investing activities. The establishment of the ESG Board serves to further elevate these issues in our Group corporate governance.

COMPLIANCE MANAGEMENT

Allianz's Compliance Management System aims to ensure adherence to internationally recognized laws, rules and regulations to promote a culture of integrity and safeguard the company's reputation. In 2012, Allianz continued to further strengthen the effectiveness of its compliance management system. Allianz applies its general operational risk management approach to assess corruption and fraud risks. Additional assessments and onsite reviews are combined with the new Compliance Quality Assurance Program. In 2012, the implementation and maintenance of Allianz's Anti-Corruption Program continued with the intense training of employees worldwide. The aim of this Program, which is compulsory for all employees, is to inform them about the main anti-corruption and anti-fraud rules, the essentials of the Anti-Corruption and Gifts & Entertainment Policies, and Allianz's Anti-Fraud principles.

To ensure effective implementation of the compliance controls, a Group-wide Compliance Quality Assurance program was rolled out in 2012. The Program consists of self-assessments, onsite reviews and monitoring via reporting. It verifies the implementation and effectiveness of Allianz's Compliance Management System, which includes the Anti-Corruption Program, across the Group.

Trainings about anti-discrimination and anti-harassment procedures are also offered, in alignment with local legal requirements.

TRUST AND TRANSPARENCY

Allianz is recognized as being one of the world's most transparent multinational companies. In the 2012 Transparency International Corporate Reporting ranking, Allianz came 10th out of the 105 largest publicly-listed companies. This ranking is based on Transparency International's assessment of the level of transparency these companies provide in disclosing the measures in place to fight corruption. It also analyses to what extent earnings and taxes in specific countries were reported.

The research explored three dimensions of transparency:

- public reporting on anti-corruption programs covering bribery, facilitation payments, whistleblower protection and political contributions,
- organizational transparency including information about corporate holdings,
- country-by-country reporting.

Allianz's Anti-Corruption Program and organizational transparency were highlighted by Transparency International. We were able to explain and to provide evidence showing that Allianz is actually delivering on its promises and that our management and employees are working hard to prevent non-compliance.

Independent ratings serve as yardsticks in helping us achieve our objective of being perceived as a trusted financial services provider and attracting the right talent and investor base. Trust is the basis for our business and can only be established if we are transparent. The recognition from Transparency International is highly motivating and challenges us to improve further.

DIALOGUES WITH GOVERNMENTS AND RELATED INSTITUTIONS

We are living in a time of multiple economic and political challenges, such as over-indebtedness of selected sovereign states and the lingering effects of the financial crisis in the Eurozone. All-time low interest rates and market insecurity and volatility remain critical factors for our business and particularly for our customers. Our main goal when interacting with governments is to contribute solutions to these issues and create a stable political and economic landscape that will benefit our customers and us over the long term.

Our goal in 2012 was to expand contacts, increase interaction and promote dialogue on fundamental societal issues and challenges. The key topics impacting Allianz's activities included the sovereign debt crisis, demographic change, Solvency II, the proposed financial transaction tax as well as energy policy.

Political donations

As a corporate citizen of significant size and headquartered in Germany, Allianz SE is committed to the country's vibrant democracy. For this reason, we contribute to democratic political parties that are represented in the German Parliament (Bundestag) and support the social market economy. We acknowledge the important role labor and industry have played in the creation of the modern German state. Consequently, we have a policy governing corporate donations to political parties in Germany. Our donation activities are strongly driven by the premise of transparency and to deliver this level of transparency, we publish a press release outlining our political donations. All contributions are made annually on 1 July to ensure that they are in no manner connected, or perceived to be connected, to any legislative initiatives or elections.

In 2012, we contributed equal amounts to political parties in Germany representing a variety of views within the political spectrum: the Green Party (Bündnis 90/Die Grünen), Christian Democrats (CDU), Christian Social Union (CSU), Liberals (FDP) and Social Democrats (SPD). The amount donated to each party was €30,000. The decrease from last year in the amount donated reflects the growing international focus of our engagements. Allianz supports a number of eco- and sociopolitical projects, such as the Third Generation Initiative, that brings together American Jews and Germans to foster reconciliation.

Business Environment

Economic environment 2012

GLOBAL ECONOMIC ENGINE SPUTTERING

The world economy lost more steam in the course of 2012. On an annual average, global industrial production increased by less than 3.5% in 2012, having risen by a total of 5.4% in 2011. The increase in 2012 was attributable almost entirely to the emerging markets, above all in Asia, with production rising by more than 6%. By contrast, production in industrial countries practically stagnated. World trade was also subdued. With an increase of around 2.5%, 2012 saw the weakest growth in trade since the drop in 2009 following the Lehman collapse.

This poor global economic performance was primarily due to the ongoing European sovereign debt crisis. The severe fiscal policy squeeze in some Eurozone countries – such as Greece and Spain – not only strangled economic development in these countries, its impact seeped its way through trade and financial channels, dampening growth prospects for other countries and regions. As the European sovereign debt crisis worsened in the first half of the year, the growth-inhibiting forces emanating from Europe and affecting the global economy became more prominent again. In particular, financial markets became far more jittery, with risk premiums on peripheral sovereign debt widening considerably and yields on long-term German government bonds – which the markets increasingly viewed as a "safe haven" – recording new historical lows of just over 1%. The business climate across the globe, particularly in the manufacturing industry, took a significant turn for the worse. High commodity prices also took their toll on the economy. The marked increase in oil prices in the first quarter of 2012 hampered economic development in industrial countries and emerging markets alike.

Gross domestic product (GDP) in industrialized countries increased by about 1.1% on average in 2012. While the United States registered fairly solid growth of 2.2%, the Eurozone's real GDP contracted by 0.5%. As in previous years, economic performance varied widely within the single currency area. The GDP of Greece and Portugal fell by around 6 5% and 3.2%, respectively, while other countries like Ireland and Austria registered moderate growth rates of around 0.6%. The economic impact of the debt crisis also dampened German growth. Following strong economic expansion of 3% in 2011, real GDP in 2012 was up only 0.7% compared to the previous year. By contrast, emerging markets grew 4.5% on average, with Asian markets recording growth rates of 6.1%.

During the second half of 2012, however, the sentiment on financial markets improved markedly. Practically all asset classes, with the exception of cash, notched up significant positive returns by the end of 2012. Stock markets rallied and spreads on debt-ridden Eurozone countries narrowed sharply. Yields on 10-year German government bonds ended 2012 at 1.3%. The Euro, which depreciated considerably against the U.S. Dollar until the summer, rose in value during the second half of the year, more than compensating for its earlier losses. Key factors in shoring up confidence were the European Central Bank president's commitment to the irreversibility of the Euro and the announcement of outright monetary transactions in secondary sovereign bond markets (OMT). More decisive action to manage the crisis at both the national and E.U. level also helped. Intensified national reforms and consolidation efforts are starting to bear fruit and progress is being made towards enhanced E.U. integration: the European Stability Mechanism (ESM) was inaugurated in early October 2012, proposals for a European banking supervisory regime – which is to start operating in 2014 – were fleshed out and work on a roadmap for the Eurozone is high on the agenda in the first half of 2013.

Business environment 2012: insurance and asset management industry

2012 continued to present challenges for the insurance industry. Above all, distressed economic conditions weighed on premium growth. While the European economy shrank and U.S. growth remained fragile, high unemployment in many advanced markets was a drag on insurance demand. Even the economic performance of emerging markets, a bellwether of robust growth in recent years, was somewhat subdued last year.

Furthermore, the European sovereign debt and banking crises, persistent low interest rates and financial market volatility all contributed to a very difficult investment environment for the insurance industry. As a result, investment returns continued to suffer, putting the sector's profitability under pressure. The industry responded to these challenges by strengthening its investment and risk management processes and reducing operational costs. With the looming increase in capital requirements under Solvency II – which will introduce among other things substantial capital requirement increases for more risky assets – insurance companies generally continued to de-risk their balance sheets. It is expected that the implementation of Solvency II will be further delayed and as such, adoption in 2014 is no longer guaranteed.

On the other hand, some positive developments occurred. After the annus horribilis of 2011 with its record-high losses, catastrophe-related claims fell significantly in 2012 – even taking into account the multi-billion Euro effect of Storm Sandy. In particular, catastrophe losses were fairly low in Europe and emerging markets.

In the *property-casualty* sector, market conditions continued to improve in 2012. Premium growth in advanced markets, where it occurred, was mainly driven by rate increases – for example in Germany and U.S. commercial lines. However, with the Eurozone in recession and despite rate increases, premium growth turned negative in some European markets such as Spain and Italy. Supported by increased economic activity, premium growth in emerging markets generally proved robust, albeit slightly below the previous year's level. Emerging Asia remained the strongest region. Overall, according to our own market estimates and based on preliminary figures, global premiums grew around 4% in 2012 (adjusted for foreign currency translation effects).

Although positive pricing momentum continued into 2012, there are recent signs that this has started to tail off, particularly in Europe. This is despite the need for further increases to offset the impact of persistently low interest rates. As a result, the overall profitability benefited from a lower level of natural catastrophes while the underlying profitability remained subdued, with return on equity in the 10–16% range.

In the *life* sector, global premium income growth remained slow. In emerging markets however, it recovered as the biggest market, China, stabilized after the regulatory shocks of 2011. Latin America continued to post strong growth as well. However, premium growth in advanced markets stalled or even contracted, with some European markets – for example, France, Italy, and Spain – among the hardest hit due to harsh economic conditions and increased competition with banks fighting for deposits. By contrast, premium growth in Germany was flat as the earlier decline in single premiums sales lost pace. The U.S. market had a mixed performance: annuity sales dropped as a result of low returns and dwindling guarantees, but other life sales continued to record positive growth. In total, according to our own market estimates and based on preliminary figures, global premiums grew by around 2% in 2012 (adjusted for foreign currency translation effects).

The persistent low-yield environment coupled with modest economic growth depressed new business profitability for traditional life business, for which we estimate the return on equity to be in the 8–10% range. Overall, demand for life insurance savings products was rather weak as many customers were hesitant to commit to long-term savings contracts. However, risk protection products fared better. These included not only traditional mortality, but also health insurance products such as disability and long-term care insurance – which grew strongly in many markets, for example Germany and the United States.

2012 provided a slightly more favorable market environment for the *asset management* industry compared to 2011, with market volatility receding and investor concerns about the European sovereign debt crisis easing over the course of the year. As a result, revenue growth in the industry as a whole picked up moderately, while profitability was under pressure due to rising costs resulting from the trend towards more localized distribution, higher marketing and branding expenses as well as increasing regulatory requirements.

As opposed to the previous year, the asset management industry in 2012 was characterized by a positive flow development across most asset classes, with only money market funds experiencing major redemptions. In Europe, equity mutual funds continued to see outflows while other asset classes recorded inflows. In the United States, redemptions of money market funds continued but were more than compensated by strong net inflows into other asset classes. Similar to 2011, Asia recorded robust inflows across all asset classes – except for some minor outflows from balanced funds. On a global scale, fixed income again absorbed the majority of the new money invested, accounting for close to 90% of the total net inflows into long-term mutual funds.

Executive Summary of 2012 Results

– Revenues increased to €106.4 BN.
– Operating profit grew 20.8% to €9,501 MN.
– Net income nearly doubled to €5,491 MN.
– Solvency ratio strong at 197%,[1] an increase of 18 percentage points.

Segment overview

Allianz SE and its subsidiaries (the Allianz Group) have operations in over 70 countries. The Group's results are reported by business segment: Property-Casualty insurance, Life/Health insurance, Asset Management and Corporate and Other activities.

Earnings summary

We recorded **total revenues** of €106.4 BN, despite the tough economic and market conditions, which in particular weighed on premium growth for our life business. Revenues increased by 0.5% on an internal basis[2].

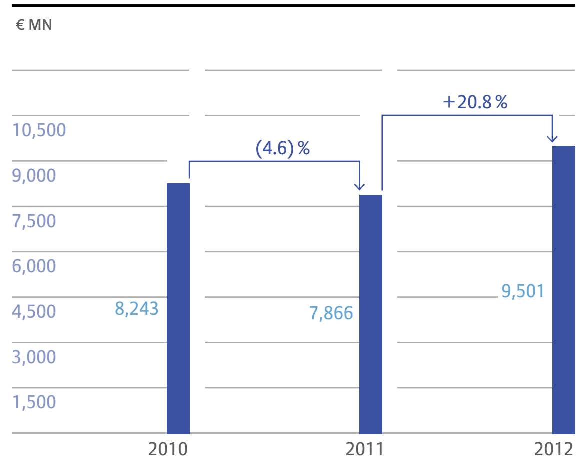
Operating profit strongly increased to €9,501 MN and significantly exceeded our original target, supported by the solid operating performance in all the operating segments.

Net income increased substantially to €5,491 MN, driven by our operating profit growth as well as the recovery of our non-operating investment result.

Our **solvency ratio** further strengthened to 197%,[1] an increase of 18 percentage points.

Operating profit +20.8%

OPERATING PROFIT ALLIANZ GROUP C 023



Key figures

KEY FIGURES ALLIANZ GROUP C 024

€ MN

	2012	2011	2010
Total revenues	106,383	103,560	106,451
Operating profit	9,501	7,866	8,243
Net income	5,491	2,804	5,209
Solvency ratio[1]	197%	179%	173%

1 — Solvency according to the E.U. Financial Conglomerates Directive. Off-balance sheet reserves are 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%).

2 — Internal total revenue growth excludes the effects of foreign currency translation as well as acquisitions and disposals. Please refer to page 183 for a reconciliation of nominal total revenue growth to internal total revenue growth for each of our segments and the Allianz Group as a whole.

Earnings summary

ECONOMIC AND INDUSTRY ENVIRONMENT IN 2012

The world economy lost more steam in 2012 and continued to present challenges for the insurance industry.

Restrained U.S. growth and a shrinking European economy accompanied by the European sovereign debt and banking crisis, as well as high unemployment in many countries impacted insurance demand. While equity markets rebounded strongly in the second half of the year and selected corporate and sovereign credit spreads narrowed, persistently low interest rates and financial market volatility continued to put pressure on the insurance industry's investment returns. Compared to 2011, claims from natural catastrophes declined significantly in 2012.

In the property-casualty insurance industry, market conditions recovered slightly and the positive pricing momentum continued into 2012. Premium growth was largely driven by rate increases, whereas volumes declined – particularly in recession-hit countries in Europe, such as Spain and Italy. Claims from natural catastrophes remained significantly lower than in the previous year, which was burdened by severe losses. However, claims resulting from Storm Sandy and the drought in the United States weighed heavily on industry profitability, while those in Europe and emerging markets were relatively benign.

In the life insurance industry, global premium growth remained sluggish. Apart from some European markets – such as France, Italy and Spain – which struggled the most under the current economic conditions, premium growth in advanced markets like Germany was almost flat. Declining annuity sales as a result of shrinking return guarantees in the U.S. market were partly offset by the recovery of the premium growth in emerging markets in particular in China and Latin America. The persistent low-yield environment impacted customer demand for long-term insurance saving products.

In the asset management industry most asset classes saw a positive flow development in the majority of countries, with money market funds in the United States and equity mutual funds in Europe experiencing redemptions. Growth in the industry as a whole picked up moderately and fixed income absorbed the major bulk of the inflows.

MANAGEMENT'S ASSESSMENT OF 2012 RESULTS

We recorded growth in *total revenues* of 2.7% to €106.4 BN, despite the low interest rate environment which weighed on premium growth for our life business. On an internal basis, we increased revenues by 0.5%. Our Property-Casualty and Asset Management segments generated strong revenue growth, while premiums in the Life/Health business decreased moderately.

Solid growth in all our operating segments resulted in a strong increase of 20.8% to €9,501 MN in our *operating profit*. The excellent result in our Asset Management segment was driven by the increase in assets under management and higher performance fees. Our Life/Health business benefited from an improved investment result while our Property-Casualty segment recorded a higher underwriting result – supported by lower natural catastrophe claims. The operating result from the Corporate and Other segment deteriorated mainly due to a lower net fee and commission result. Overall, we significantly exceeded our original upper operating profit target of €8.2 BN plus €0.5 BN.

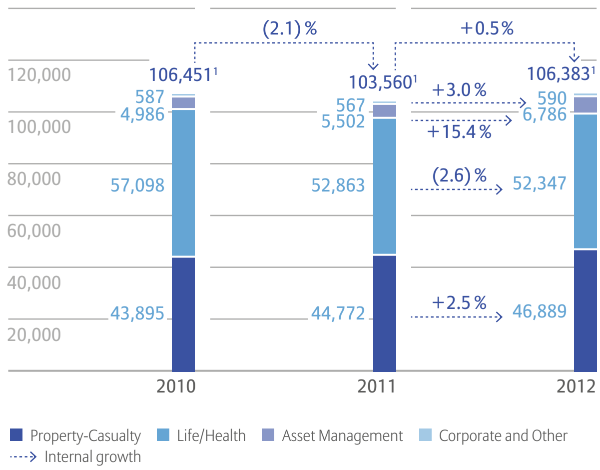
Net income nearly doubled to €5,491 MN, driven by the strong operating performance in all our operating segments as well as a higher non-operating result. In 2012, we benefited from an easing European sovereign debt crises in contrast to the previous year when both our operating as well as non-operating investment results were heavily impacted by the impairments on Greek sovereign bonds and financial sector assets. *Net income attributable to shareholders* and *non-controlling interests* was €5,169 MN (2011: €2,545 MN) and €322 MN (2011: €259 MN), respectively.

Our *capitalization* remained strong and *shareholders' equity* grew €8.6 BN to €53.6 BN compared to 31 December 2011. Our conglomerate solvency further strengthened by 18 percentage points to 197%.

Total revenues[1]

TOTAL REVENUES – SEGMENTS C025

€ MN



1 – Total revenues include €(229) MN, €(144) MN and €(115) MN from consolidation for 2012, 2011 and 2010, respectively.

Property-Casualty gross premiums written grew by 2.5% on an internal basis, fueled by a positive price effect of 1.3% and volume growth of 1.2%. Most of the increase stemmed from our subsidiaries in Latin America and Australia as well as from Allianz Global Corporate & Specialty (AGCS).

Life/Health statutory premiums decreased by 2.6% on an internal basis. Revenues were impacted by the difficult market conditions and a persistent low interest rate environment together with our ongoing effort to protect our margins through pricing actions. While traditional life premiums increased, revenues from the investment-oriented business decreased.

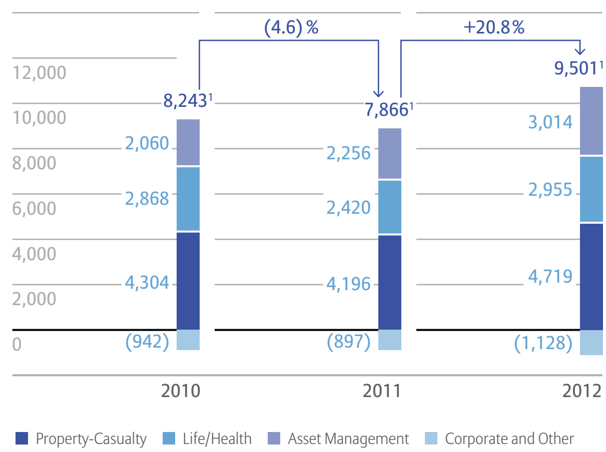
Asset Management generated internal growth of 15.4%. Once again, this remarkable development was largely fueled by an increase in total assets under management, which reached €1,852 BN, supported by higher performance fees. Our investment management performance remained outstanding and we recorded third-party net inflows of €114 BN.

Total revenues from our Banking operations (reported in our *Corporate and Other* segment) amounted to €590 MN, a return to growth compared to the previous year. This positive development was supported by improved trading income and moderately higher interest income.

Operating profit

OPERATING PROFIT – SEGMENTS C026

€ MN



1 – Total operating profit includes €(59) MN, €(109) MN and €(47) MN from consolidation in 2012, 2011 and 2010, respectively.

Our *Property-Casualty* business generated operating profit of €4,719 MN, €523 MN higher than in the previous year. Our combined ratio improved by 1.5 percentage points to 96.3%. Lower losses from natural catastrophes, the favorable pricing environment and positive impacts from our underwriting strategies drove the improvement.

Life/Health operating profit grew by €535 MN to €2,955 MN, largely as a result of a higher operating investment result benefiting from significantly lower impairments on investments and higher realized gains compared to 2011. This positive development was also supported by our higher average asset base and resulting increase in interest and similar income.

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

Asset Management continued its excellent performance and grew its operating profit by €758 MN to €3,014 MN. On an internal basis our operating profit grew by 24.2%. Higher revenues from assets under management, an increase in performance fees as well as our expense discipline resulted in an impressive cost-income ratio of 55.6%, reflecting an improvement of 3.4 percentage points.

Corporate and Other operating result decreased 25.8% to €(1,128) MN, driven by the Holding & Treasury result.

Non-operating result

Although conditions continued to be difficult, market sentiment brightened in the second half of 2012 and our *non-operating result* substantially improved by €2,150 MN to a loss of €870 MN. This result mainly benefited from a rebound of the *non-operating investment result*, which was severely burdened by impairments in the previous year.

Non-operating income from financial assets and liabilities carried at fair value through income (net) improved by €653 MN to €210 MN. Of this change, €496 MN was related to the valuation of The Hartford warrants. While in 2011 revaluation losses amounted to €316 MN, in 2012, we recognized revaluation gains of €180 MN prior to the sale of the warrants in April 2012.

Non-operating realized gains and losses (net) decreased from €1,215 MN to €1,112 MN. This was mainly due to lower realizations on real estate investments. However, realized gains from equity and debt securities remained broadly stable at €619 MN and €402 MN, respectively.

Non-operating impairments of investments (net) declined from the exceptionally high level of €1,931 MN in 2011 to €513 MN in 2012. Equity impairments amounted to €405 MN compared to €1,240 MN in the previous year, which was largely impacted by impairments on financial sector investments. Debt impairments decreased by €565 MN to €81 MN as a result of an easing of the European sovereign debt crisis. By comparison, impairments on our Greek sovereign bonds amounted to €573 MN in 2011.

Non-operating acquisition-related expenses decreased by €108 MN to €101 MN, largely due to lower PIMCO B-unit expenses[1]. In 2012, we bought 11,896 B-units. We have now acquired 97% of all outstanding B-units, with only 4,619 B-units still outstanding. The reduction in B-unit expenses relates to lower fair value adjustments to the provision for future B-unit repurchases as well as a decrease in distribution expenses, due to the strong decline in the number of B-units outstanding (by 11,896 B-units or 72%) compared to 31 December 2011. Furthermore, we recorded no premium effect from the purchase of 11,896 B-units in 2012 (2011: €66 MN).

Non-operating amortization of intangible assets decreased from €449 MN to €259 MN largely due to significantly higher impairments on goodwill in the previous year. For further information, please refer to note 15 to the consolidated financial statements.

Restructuring programs at AllianzGI and the “Zukunftsprogramm Sachversicherung” at Allianz Germany accounted for the majority of the *non-operating restructuring charges* which increased by €85 MN to €252 MN. For further information, please refer to note 49 to the consolidated financial statements.

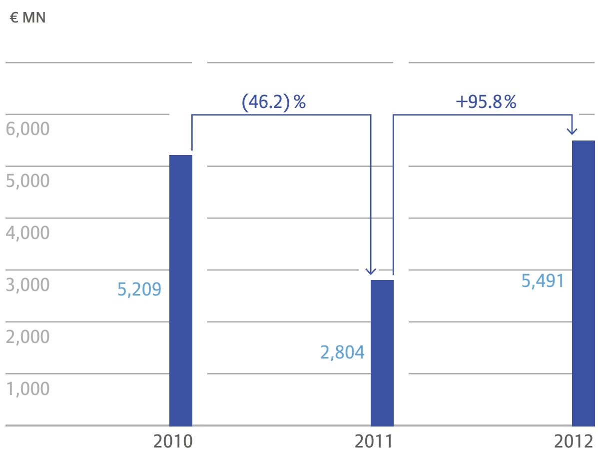
1 — When PIMCO was acquired, B-units were created entitling senior management to profit participation. Under the B-unit plan, Allianz has the right to call, while PIMCO senior management has the right to put, those B-units over several years. Fair value changes due to changes in operating earnings are reflected in acquisition-related expenses. The marginal difference between a higher call versus the put price upon any exercise (i.e. premium), and distributions received by the senior management B-unit holders, are also included.

Income taxes

Income taxes increased by €1,098 MN to €3,140 MN and the effective tax rate amounted to 36.4% (2011: 42.1%). With a decrease of 5.7 percentage points, the effective tax rate returned closer to the expected level. In 2011, the higher effective tax rate was a result of high non tax-effective losses on equities and natural catastrophe related losses in jurisdictions with below average tax rates which did not occur in 2012.

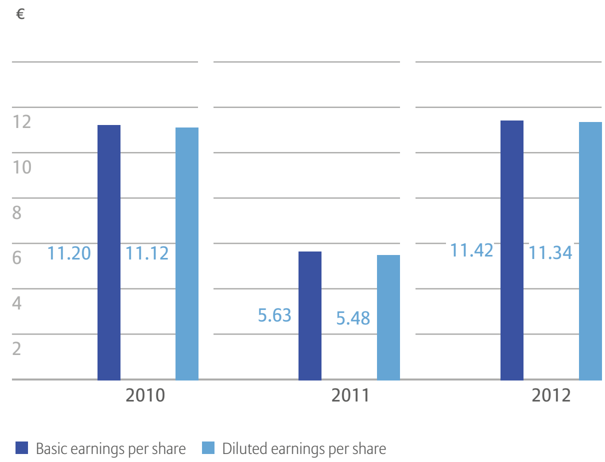
Net income

NET INCOME C 027



Net income nearly doubled from €2,804 MN to €5,491 MN due to our strong operational performance and the recovery of our non-operating investment result versus the previous year. 2011 was heavily impacted by the European sovereign debt crisis, the subsequent financial market turmoil and high natural catastrophes. *Net income attributable to shareholders* and *non-controlling interests* was €5,169 MN (2011: €2,545 MN) and €322 MN (2011: €259 MN), respectively. Our largest non-controlling interest relates to Euler Hermes, accounting for €94 MN.

EARNINGS PER SHARE[1] C 028



1 — For further information, please refer to note 50 to the consolidated financial statements.

TOTAL REVENUES AND RECONCILIATION OF OPERATING PROFIT (LOSS) TO NET INCOME (LOSS) C 029

€ MN

	2012	2011	2010
Total revenues[1]	**106,383**	**103,560**	**106,451**
Premiums earned (net)	66,045	63,668	63,337
Operating investment result			
Interest and similar income	21,084	20,502	19,428
Operating income from financial assets and liabilities carried at fair value through income (net)	(721)	(844)	19
Operating realized gains/losses (net)	3,215	2,220	2,169
Interest expenses, excluding interest expenses from external debt	(486)	(518)	(522)
Operating impairments of investments (net)	(421)	(1,730)	(384)
Investment expenses	(876)	(852)	(827)
Subtotal	**21,795**	**18,778**	**19,883**
Fee and commission income	9,812	8,406	7,920
Other income	214	150	118
Claims and insurance benefits incurred (net)	(48,874)	(48,867)	(46,096)
Change in reserves for insurance and investment contracts (net)[2]	(14,359)	(10,993)	(13,871)
Loan loss provisions	(111)	(121)	(50)
Acquisition and administrative expenses (net), excluding acquisition-related expenses	(22,032)	(20,553)	(20,443)
Fee and commission expenses	(2,896)	(2,564)	(2,561)
Operating restructuring charges	(16)	(1)	(8)
Other expenses	(94)	(65)	(57)
Reclassification of tax benefits	17	28	71
Operating profit (loss)	**9,501**	**7,866**	**8,243**
Non-operating investment result			
Non-operating income from financial assets and liabilities carried at fair value through income (net)	210	(443)	(57)
Non-operating realized gains/losses (net)	1,112	1,215	1,539
Non-operating impairments of investments (net)	(513)	(1,931)	(460)
Subtotal	**809**	**(1,159)**	**1,022**
Income from fully consolidated private equity investments (net)	(59)	(35)	(102)
Interest expenses from external debt	(991)	(973)	(889)
Acquisition-related expenses	(101)	(209)	(440)
Amortization of intangible assets	(259)	(449)	(327)
Non-operating restructuring charges	(252)	(167)	(263)
Reclassification of tax benefits	(17)	(28)	(71)
Non-operating items	**(870)**	**(3,020)**	**(1,070)**
Income (loss) before income taxes	**8,631**	**4,846**	**7,173**
Income taxes	(3,140)	(2,042)	(1,964)
Net income (loss)	**5,491**	**2,804**	**5,209**
Net income (loss) attributable to:			
Non-controlling interests	322	259	156
Shareholders	5,169	2,545	5,053

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

2 — Includes expenses for premium refunds (net) in Property-Casualty of €(292) MN (2011: €(110) MN; 2010: €(181) MN).

Proposal for appropriation of profit

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.

Munich, 21 February 2013

Allianz SE

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 bancassurance 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 bancassurance 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 — The provisions of the German Stock Corporation Act (Aktiengesetz) 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.

Changes in segment structure, presentation and accounting policies

In 2012, Allianz Group changed its structure. We implemented an additional business division – Insurance Iberia & Latin America, Legal & Compliance, Mergers & Acquisitions – and changed the segment Asset Management, which consists of two major distinct investment management businesses, PIMCO and AllianzGI, operating under Allianz Asset Management (AAM).

Effective 1 January 2013, we introduced the new combined region – Belgium, Netherlands and Luxembourg.

Changes in the Board of Management since 1 January 2013 are summarized on page 108.

There have been no material changes in our presentation and accounting policies in 2012. Effective 1 January 2013, in particular the amendments to IAS 19 will result in material changes. For further details, please refer to note 4 to the consolidated financial statements. In addition, all restructuring charges will be presented within the operating profit effective 1 January 2013. For further details, please refer to note 6 to the consolidated financial statements.

Other parts of the Group Management Report

The following information also forms part of the Group Management Report:

- Statement on Corporate Management pursuant to § 289a of the HGB starting on page 69.
- Takeover-related Statements and Explanations starting on page 71.
- Remuneration Report starting on page 74.

108
Our steering

Property-Casualty Insurance Operations

- Gross premiums written increased 4.7% to €46.9 BN.
- Operating profit grew to €4,719 MN, driven by the strong underwriting result.
- Combined ratio at 96.3%.

Segment overview

Our Property-Casualty business offers a wide range of products and services for both private and corporate clients. Our offerings cover many insurance classes such as accident/disability, property, general liability and motor. We conduct business worldwide in more than 50 countries. We are also a global leader in travel insurance, assistance services and credit insurance. We distribute our products via a broad network of agents, brokers, banks and other strategic partners, as well as through direct channels.

Earnings summary

Gross premiums written increased 4.7% to €46.9 BN supported by continued growth in most developing markets. On an internal basis, gross premiums were up 2.5% driven by both positive price and volume effects.

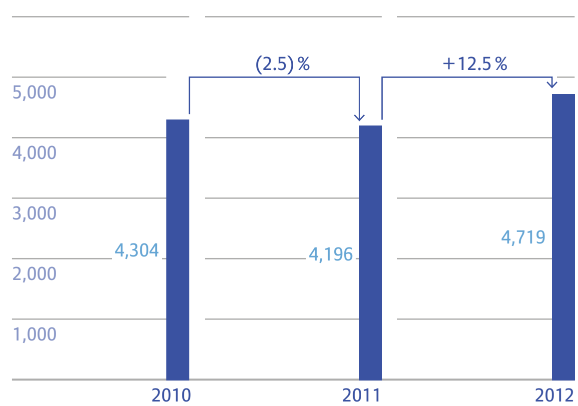
Our **operating profit** amounted to €4,719 MN, a rise of €523 MN or 12.5%. The underwriting result increased by €701 MN to €1,402 MN, mainly due to an improvement in our accident year loss ratio supported by lower natural catastrophe claims and our positive price momentum. Our investment income decreased by €165 MN to €3,229 MN.

The **combined ratio** was 96.3% compared to 97.8% in 2011. Lower losses from natural catastrophes, the favorable pricing environment and positive impacts from our underwriting strategies drove the improvement.

Operating profit +12.5%

OPERATING PROFIT PROPERTY-CASUALTY C 030

€ MN



Key figures

KEY FIGURES PROPERTY-CASUALTY C 031

€ MN

	2012	2011	2010
Gross premiums written	46,889	44,772	43,895
Operating profit	4,719	4,196	4,304
Loss ratio in %	68.3	69.9	69.1
Expense ratio in %	28.0	27.9	28.1
Combined ratio in %	96.3	97.8	97.2

Gross premiums written[1]

Gross premiums written increased by 2.5% comprising a positive volume effect of 1.2% and a positive price effect of 1.3%. The increase in gross premiums primarily came from our subsidiaries in Latin America and Australia as well as Allianz Global Corporate & Specialty (AGCS).

On a nominal basis, we recorded gross premiums written of €46,889 MN – up €2,117 MN or 4.7%. Foreign currency translation effects had a favorable impact of €875 MN, largely due to the appreciation of the U.S. Dollar, the Australian Dollar and the British Pound against the Euro.[2]

Analyzing internal premium growth in terms of price and volume, we use four clusters based on 2012 internal growth over 2011:

Cluster 1:
Overall growth – both price and volume effects are positive.

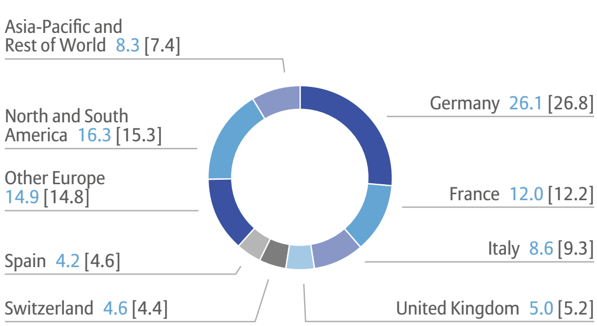
Cluster 2:
Overall growth – either price or volume effects are positive.

Cluster 3:
Overall decline – either price or volume effects are positive.

Cluster 4:
Overall decline – both price and volume effects are negative.

GROSS PREMIUMS WRITTEN BY REGION/COUNTRY[1] C 032

Year 2012 [2011] in %

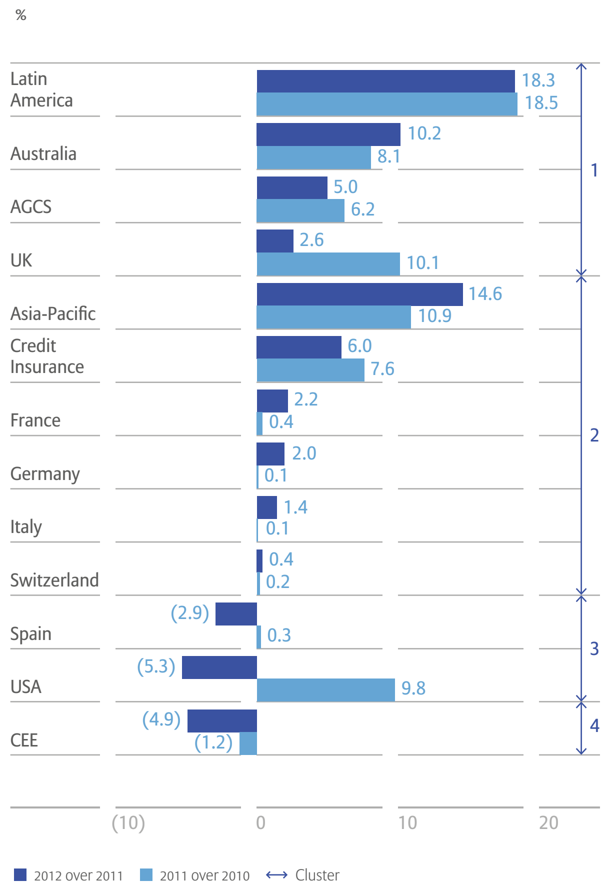


1 — After elimination of transactions between Allianz Group companies in different countries and different segments. Gross premiums written from our specialty lines have been allocated to the respective geographic regions.

1 — We comment on the development of our gross premiums written on an internal basis; meaning adjusted for foreign currency translation and (de-)consolidation effects in order to provide more comparable information.
2 — Based on the average exchange rates in 2012 compared to 2011.

GROSS PREMIUMS WRITTEN BY OPERATING ENTITY – INTERNAL GROWTH RATES[1] C 033

%



1 — Before elimination of transactions between Allianz Group companies in different geographic regions and different segments.

CLUSTER 1

In *Latin America* gross premiums increased 18.3% to €2,389 MN benefiting from positive price and volume effects. All countries contributed positively with most of this growth coming from our motor business in Brazil.

In *Australia* we recorded gross premiums of €3,018 MN, including favorable foreign currency translation effects of €242 MN. The growth of 10.2% was driven by tariff increases in our retail and commercial business. The price effect was positive at about 7.2%.

At *AGCS* gross premiums grew 5.0% to €5,314 MN. Most of this growth was attributable to volume growth in our marine and property lines, as well as to our Allianz Risk Transfer (ART) business. The overall price effect was slightly positive at about 0.1%.

In the *United Kingdom* gross premiums increased to €2,318 MN, including favorable foreign currency translation effects of €153 MN. The growth of 2.6% benefited from both higher volumes in our retail motor business and tariff increases in our commercial lines. The price effect was positive at about 1.2%.

CLUSTER 2

In *Asia-Pacific* gross premiums amounted to €596 MN, up 14.6%. We benefited from strong growth in our Malaysian motor business as well as from our liability business in China. This more than compensated the slightly negative price effect of about 0.3%.

In our *Credit Insurance* business, gross premiums went up 6.0% to €2,034 MN, supported by the acquisition of new customers, especially in growth markets. The overall price effect was negative at about 1.3%.

In *France* gross premiums grew 2.2% to €3,538 MN reflecting tariff increases in our retail and commercial lines. This led to a positive price effect of about 3.0%.

In *Germany* gross premiums increased to €9,158 MN. Our growth of 2.0% was driven by tariff increases in our motor business. This was partly offset by volume declines in our non-motor business. The price effect was positive at around 3.6%.

In *Italy* we recorded gross premiums of €4,045 MN, up 1.4% mainly due to tariff increases in our retail motor business. Our non-motor business declined slightly as a result of the difficult economic environment. The price effect was positive at about 1.6%.

In *Switzerland* gross premiums grew slightly by 0.4% to €1,501 MN, including favorable foreign currency translation effects of €59 MN. We achieved a positive volume effect of 1.5% largely driven by our motor business which was mostly offset by a negative price effect of about 1.1%.

CLUSTER 3

In *Spain* gross premiums decreased 2.9% to €1,953 MN. Due to difficult market conditions, tariffs declined in our commercial lines. This led to a negative price effect of about 6.2%. Despite the challenging market environment, we were still able to generate volume increases of 3.3%.

In the *United States* we generated gross premiums of €3,550 MN, including favorable foreign currency translation effects of €318 MN. Gross premiums dropped by 5.3% primarily due to volume declines in our commercial and personal lines which were impacted by our strict underwriting rules. The price effect was positive at about 1.6%, mainly stemming from our commercial lines.

CLUSTER 4

In *Central and Eastern Europe* we recorded gross premiums of €2,393 MN, including unfavorable foreign currency translation effects of €25 MN. The decrease of 4.9% was largely attributable to volume declines in our motor business in Hungary, Poland and Russia, selective underwriting in our health portfolio as well as lower volumes in our property business in Russia. The price effect was slightly negative at about 0.6%.

Operating profit

OPERATING PROFIT — C 034

€ MN	2012	2011	2010
Underwriting result	1,402	701	999
Operating investment income	3,229	3,394	3,218
Other result[1]	88	101	87
Operating profit	**4,719**	**4,196**	**4,304**

1 — Consists of fee and commission income/expenses and other income/expenses.

We analyze the operating profit in the Property-Casualty segment in terms of underwriting result, operating investment income and other result[1].

Operating profit amounted to €4,719 MN, up €523 MN driven by the improved underwriting result.

Our *underwriting result* grew by €701 MN to €1,402 MN. This increase was largely due to an improvement in our accident year loss ratio of 2.9 percentage points supported by lower natural catastrophe claims and our favorable price environment. It was partially offset by a less favorable run-off compared to 2011. As a result, the *combined ratio* improved by 1.5 percentage points to 96.3%.

1 — Consists of fee and commission income/expenses and other income/expenses.

UNDERWRITING RESULT C 035

€ MN

	2012	2011	2010
Premiums earned (net)	41,705	39,898	39,303
Accident year claims	(29,699)	(29,580)	(28,685)
Previous year claims (run-off)	1,207	1,660	1,544
Claims and insurance benefits incurred (net)	(28,492)	(27,920)	(27,141)
Acquisition and administrative expenses (net)	(11,673)	(11,115)	(11,044)
Change in reserves for insurance and investment contracts (net) (without expenses for premium refunds)[1]	(138)	(162)	(119)
Underwriting result	**1,402**	**701**	999

1 — Consists of the underwriting-related part (aggregate policy reserves and other insurance reserves) of "change in reserves for insurance and investment contracts (net)". For further information, please refer to note 34 to the consolidated financial statements.

Our *accident year loss ratio* was 71.2%, down 2.9 percentage points compared to the previous year. Net losses from natural catastrophes decreased from a very high level of €1,764 MN to €715 MN. The impact from natural catastrophes decreased by 2.7 percentage points to 1.7%. 2011 was severely impacted by events such as the earthquakes in Japan and New Zealand, as well as the floods in Thailand, while 2012 was primarily impacted by Storm Sandy with €447 MN.

Excluding natural catastrophes, our accident year loss ratio was 69.5%, a 0.2 percentage point improvement compared to 2011. This was mainly attributable to the continued positive price momentum and a favorable outcome in claims frequency in our motor business. These favorable developments were partly offset by losses from our crop business in the United States, due to severe drought and higher large losses at our Credit Insurance business.

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

Reinsurance: 1.7 percentage points. This improvement was attributable to the lower burden of losses from natural catastrophes compared to the previous year.

Germany: 0.8 percentage points. The positive impact was due to lower losses from natural catastrophes but was partially offset by higher other weather related claims compared to the previous year. It was further supported by favorable price trends particularly in our motor business, lower large claims and a positive impact from our claims improvement measures.

Italy: 0.5 percentage points. This was supported by positive developments in claims frequency and severity, especially in our motor business. This effect was partly offset by higher natural catastrophes, such as the earthquake in Emilia Romagna.

AGCS: 0.4 percentage points. The positive impact was mainly a result of lower attritional claims and a reduced burden from natural catastrophes.

Australia: 0.3 percentage points. This primarily reflects a significantly lower number of natural catastrophes in 2012 compared to the previous year. Additionally, we benefited from continuous positive price momentum in both retail and commercial business.

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

United States: 0.7 percentage points. This was mainly due to the natural catastrophe losses we incurred from Storm Sandy. In addition, our crop business was affected by the severe drought.

Credit Insurance: 0.1 percentage points. This was driven by an unfavorable development in severity, in particular a few large losses, but also by increasing frequency due to an unfavorable economic environment and a higher level of insolvencies compared to a rather exceptional 2011. However, underwriting profitability is still high.

Our *run-off result* declined by €453 MN to €1,207 MN. This decline was attributable to higher reserve strengthening of €123 MN in the United States in 2012 compared to 2011 and to an increase in the estimated ultimate loss for the 2011 Thailand floods of approximately €200 MN. Furthermore, in 2011, we benefited from favorable developments related to our non-U.S. asbestos reserves of €130 MN and a positive development from a prior year large claim of €163 MN.

In 2012, total expenses stood at €11,673 MN, compared to €11,115 MN in the previous year. Our *expense ratio* increased slightly by 0.1 percentage points to 28.0%, including the effect of newly acquired business in 2012. Excluding this effect, the underlying ratio trend was flat.

OPERATING INVESTMENT INCOME[1] C 036

€ MN

	2012	2011	2010
Interest and similar income (net of interest expenses)	3,723	3,717	3,588
Operating income from financial assets and liabilities carried at fair value through income (net)	(46)	48	18
Operating realized gains/losses (net)	168	21	42
Operating impairments of investments (net)	(17)	(46)	(9)
Investment expenses	(307)	(236)	(240)
Expenses for premium refunds (net)[2]	(292)	(110)	(181)
Operating investment income	**3,229**	**3,394**	**3,218**

1 — The operating investment income for our Property-Casualty segment consists of the operating investment result – as shown in note 6 to the consolidated financial statements – and expenses for premium refunds (net) (policyholder participation) as shown in note 34 to the consolidated financial statements.
2 — Refers to policyholder participation, mainly from UBR (accident insurance with premium refunds) business, and consists of the investment-related part of "change in reserves for insurance and investment contracts (net)". For further information, please refer to note 34 to the consolidated financial statements.

Operating investment income decreased by €165 MN to €3,229 MN. This reduction was driven by decreasing interest rates and lower dividend income from private equity funds.

Interest and similar income (net of interest expenses) increased slightly by €6 MN to €3,723 MN driven by higher income on debt securities which was partly offset by lower income on equity and cash. Higher income on debt is related to the changed presentation of the separate income and expense result from our Australian premium funding business as well as the reinvestment in available-for-sale securities from the fair value option portfolio. The total average asset base[1] grew by 5.4% from €95.7 BN in 2011 to €100.9 BN in 2012. This growth offset the effect of decreasing yields.

Operating income from financial assets and liabilities carried at fair value through income (net) resulted in a loss of €46 MN, a decrease of €94 MN. €56 MN of this decrease is related to the reduction of the fair value option portfolio now invested in available-for-sale securities.

Investment expenses rose by €71 MN to €307 MN. The vast majority of this increase is related to the changed presentation of the separate expense result from our Australian premium funding business.

OTHER RESULT C 037

€ MN

	2012	2011	2010
Fee and commission income	1,165	1,154	1,099
Other income	35	31	22
Fee and commission expenses	(1,089)	(1,070)	(1,024)
Other expenses	(23)	(14)	(10)
Other result	**88**	**101**	**87**

1 — As of 1 January 2012, the asset base changed as liabilities from cash pooling are now included. Previous years were adjusted accordingly.

PROPERTY-CASUALTY SEGMENT INFORMATION

C 038

€ MN

	2012	2011	2010
Gross premiums written[1]	46,889	44,772	43,895
Ceded premiums written	(4,727)	(4,552)	(4,346)
Change in unearned premiums	(457)	(322)	(246)
Premiums earned (net)	**41,705**	**39,898**	**39,303**
Interest and similar income	3,770	3,771	3,680
Operating income from financial assets and liabilities carried at fair value through income (net)	(46)	48	18
Operating realized gains/losses (net)	168	21	42
Fee and commission income	1,165	1,154	1,099
Other income	35	31	22
Operating revenues	**46,797**	**44,923**	**44,164**
Claims and insurance benefits incurred (net)	(28,492)	(27,920)	(27,141)
Change in reserves for insurance and investment contracts (net)	(430)	(272)	(300)
Interest expenses	(47)	(54)	(92)
Operating impairments of investments (net)	(17)	(46)	(9)
Investment expenses	(307)	(236)	(240)
Acquisition and administrative expenses (net)	(11,673)	(11,115)	(11,044)
Fee and commission expenses	(1,089)	(1,070)	(1,024)
Other expenses	(23)	(14)	(10)
Operating expenses	**(42,078)**	**(40,727)**	**(39,860)**
Operating profit	**4,719**	**4,196**	**4,304**
Loss ratio[2] in %	68.3	69.9	69.1
Expense ratio[3] in %	28.0	27.9	28.1
Combined ratio[4] in %	**96.3**	**97.8**	**97.2**

1 — For the Property-Casualty segment, total revenues are measured based upon gross premiums written.
2 — Represents claims and insurance benefits incurred (net) divided by premiums earned (net).
3 — Represents acquisition and administrative expenses (net) divided by premiums earned (net).
4 — Represents the total of acquisition and administrative expenses (net) and claims and insurance benefits incurred (net) divided by premiums earned (net).

Property-Casualty insurance operations by business divisions

PROPERTY-CASUALTY INSURANCE OPERATIONS BY BUSINESS DIVISIONS

€ MN	Gross premiums written					Premiums earned (net)			Operating profit (loss)		
				internal[1]							
	2012	2011	2010	2012	2011	2012	2011	2010	2012	2011	2010
Germany	9,158	8,979	9,013	9,158	8,979	7,421	7,311	7,286	906	482	617
Switzerland	1,501	1,436	1,389	1,442	1,436	1,450	1,423	1,377	198	157	155
Austria	938	913	890	938	913	788	736	691	66	71	71
German Speaking Countries[2]	**11,630**	**11,328**	**11,292**	**11,571**	**11,357**	**9,674**	**9,470**	**9,354**	**1,177**	**710**	**843**
Italy[3]	4,045	3,991	3,986	4,045	3,991	3,893	3,829	3,936	899	646	370
France[4]	3,538	3,313	3,300	3,386	3,313	3,200	3,098	3,085	413	373	174
Netherlands	714	829	910	714	824	684	778	801	16	44	54
Turkey	611	476	487	611	476	412	338	342	34	18	25
Belgium[5]	397	349	357	366	343	355	284	268	66	41	37
Greece	108	121	116	108	121	90	95	86	19	15	16
Africa	83	79	71	83	79	49	47	42	9	7	7
Western & Southern Europe[6]	**9,496**	**9,158**	**9,227**	**9,313**	**9,147**	**8,683**	**8,469**	**8,560**	**1,472**	**1,156**	**698**
South America	2,123	1,846	1,563	2,205	1,846	1,488	1,241	1,086	107	145	119
Mexico	266	238	226	260	238	119	110	90	20	13	12
Latin America	2,389	2,084	1,789	2,465	2,084	1,607	1,351	1,176	127	158	131
Spain	1,953	2,011	2,011	1,953	2,011	1,810	1,833	1,834	250	331	282
Portugal[7]	317	338	294	316	301	265	257	241	38	43	37
Iberia & Latin America	**4,659**	**4,433**	**4,094**	**4,734**	**4,396**	**3,682**	**3,441**	**3,251**	**415**	**532**	**450**
United States	3,550	3,415	3,349	3,232	3,413	2,654	2,594	2,709	(550)	(130)	266
USA[3]	**3,550**	**3,415**	**3,349**	**3,232**	**3,413**	**2,654**	**2,594**	**2,709**	**(550)**	**(130)**	**266**
Allianz Global Corporate & Specialty[3]	5,314	4,918	4,530	5,164	4,917	3,299	3,088	3,086	421	549	517
Reinsurance PC	3,460	3,409	4,014	3,460	3,409	3,124	3,130	3,274	357	(130)	331
Australia	3,018	2,508	2,161	2,763	2,508	2,235	1,881	1,632	394	313	302
United Kingdom	2,318	2,111	1,939	2,166	2,111	2,165	1,891	1,782	199	206	185
Credit Insurance	2,034	1,902	1,767	2,017	1,902	1,344	1,222	1,139	406	455	445
Ireland[8]	433	443	437	433	443	397	401	380	61	71	53
Global Insurance Lines & Anglo Markets[9]	**16,577**	**15,291**	**14,848**	**16,003**	**15,290**	**12,564**	**11,613**	**11,293**	**1,833**	**1,469**	**1,833**
Russia	678	732	698	663	732	603	618	565	5	10	(32)
Poland	421	453	443	429	453	355	369	342	14	5	(7)
Hungary	307	347	420	321	347	233	289	363	27	35	11
Slovakia	336	345	349	336	345	273	284	295	70	79	48
Czech Republic	280	288	268	286	288	225	223	206	32	30	27
Romania	181	191	223	190	191	143	168	169	–	1	–
Bulgaria	90	97	95	90	97	66	67	67	17	20	18
Croatia	90	88	86	91	88	75	72	73	15	12	10
Ukraine	13	13	9	12	13	7	7	6	3	–	–
Kazakhstan	–	19	38	–	–	–	5	7	–	3	2
Central and Eastern Europe[10]	2,393	2,563	2,629	2,419	2,544	1,980	2,102	2,093	175	178	55
Asia-Pacific	596	486	486	557	486	320	284	280	57	41	49
Middle East and North Africa	68	68	76	63	63	48	48	44	5	5	2
Growth Markets	**3,057**	**3,117**	**3,191**	**3,039**	**3,093**	**2,348**	**2,434**	**2,417**	**237**	**224**	**106**
Allianz Global Assistance	1,800	1,686	1,540	1,783	1,688	1,745	1,589	1,487	112	94	97
Allianz Worldwide Care[8]	384	302	245	384	302	355	275	220	23	14	11
Global Assistance[11]	**2,186**	**1,988**	**1,785**	**2,169**	**1,990**	**2,100**	**1,864**	**1,707**	**135**	**108**	**108**
Consolidation and Other[12,13]	(4,266)	(3,958)	(3,891)	(4,243)	(3,974)	–	13	12	–	127	–
Total	**46,889**	**44,772**	**43,895**	**45,818**	**44,712**	**41,705**	**39,898**	**39,303**	**4,719**	**4,196**	**4,304**

1 — This reflects gross premiums written on an internal basis (adjusted for foreign currency translation and (de-)consolidation effects).

2 — In 2012, "Münchener und Magdeburger Agrarversicherung AG" was transferred from Consolidation and Other to German Speaking Countries. Prior year figures have not been adjusted. 2012 contains €33 MN gross premiums written, €15 MN premiums earned (net) and €7 MN operating profit.

3 — The reserve strengthening for asbestos risks in 2012 at Fireman's Fund Insurance Company of €71 MN had no impact on the financial results of the Allianz Group and Fireman's Fund's combined ratio under IFRS. The reserve strengthening for asbestos risks in 2011 at Allianz S.p.A., at Fireman's Fund Insurance Company and at AGCS of in total €153 MN had no impact on the financial results of the Allianz Group and the single entities' combined ratio under IFRS.

4 — Effective as of 1 October 2012, Allianz France acquired the Property-Casualty brokerage portfolio-related activities (excluding transport) of Gan Eurocourtage.

5 — Effective as of 1 August 2012, Allianz Belgium acquired the assets and assumed the liabilities related to the insurance activities of Mensura.

C 039

%	Combined ratio			Loss ratio			Expense ratio		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Germany	96.8	102.9	100.8	69.2	75.1	73.4	27.6	27.8	27.4
Switzerland	92.0	95.4	94.6	68.8	73.1	73.1	23.2	22.3	21.5
Austria	97.3	93.5	96.0	71.4	67.1	69.7	25.9	26.4	26.3
German Speaking Countries[2]	**96.1**	**101.0**	**99.6**	**69.3**	**74.1**	**73.1**	**26.8**	**26.9**	**26.5**
Italy[3]	85.0	93.2	99.6	60.3	68.4	74.8	24.7	24.8	24.8
France[4]	96.9	97.9	102.7	69.1	71.1	75.1	27.8	26.8	27.6
Netherlands	103.3	99.7	98.7	74.8	68.7	68.6	28.5	31.0	30.1
Turkey	98.3	101.4	99.7	71.5	74.8	74.1	26.8	26.6	25.6
Belgium[5]	94.0	97.6	99.2	62.0	63.0	64.3	32.0	34.6	34.9
Greece	82.4	90.0	88.4	37.7	53.1	52.4	44.7	36.9	36.0
Africa	94.7	97.9	96.1	48.8	53.6	48.3	45.9	44.3	47.8
Western & Southern Europe[6]	**91.8**	**96.0**	**100.5**	**64.9**	**69.2**	**73.6**	**26.9**	**26.8**	**26.9**
South America	99.0	96.7	96.7	67.4	66.0	64.9	31.6	30.7	31.8
Mexico	90.8	95.7	95.7	66.9	72.0	69.8	23.9	23.7	25.9
Latin America	98.4	96.6	96.6	67.4	66.4	65.2	31.0	30.2	31.4
Spain	91.0	87.9	90.3	70.1	67.4	69.8	20.9	20.5	20.5
Portugal[7]	91.7	90.9	92.8	68.6	67.6	68.8	23.1	23.3	24.0
Iberia & Latin America	**94.3**	**91.5**	**92.7**	**68.8**	**67.0**	**68.0**	**25.5**	**24.5**	**24.7**
United States	129.5	115.5	102.4	101.1	86.5	69.9	28.4	29.0	32.5
USA[3]	**129.5**	**115.5**	**102.4**	**101.1**	**86.5**	**69.9**	**28.4**	**29.0**	**32.5**
Allianz Global Corporate & Specialty[3]	96.3	92.9	93.1	68.7	65.7	65.2	27.6	27.2	27.9
Reinsurance PC	92.7	108.2	93.2	65.5	81.3	68.5	27.2	26.9	24.7
Australia	95.1	97.6	96.1	68.6	72.0	70.8	26.5	25.6	25.3
United Kingdom	96.4	95.7	96.0	64.4	63.9	61.7	32.0	31.8	34.3
Credit Insurance	80.2	74.0	71.7	51.9	45.7	41.7	28.3	28.3	30.0
Ireland[8]	92.9	92.5	97.5	61.2	63.5	72.9	31.7	29.0	24.6
Global Insurance Lines & Anglo Markets[9]	**93.5**	**96.3**	**92.1**	**65.2**	**68.5**	**64.4**	**28.3**	**27.8**	**27.7**
Russia	103.2	101.7	109.5	61.1	61.4	64.3	42.1	40.3	45.2
Poland	100.5	103.0	105.9	66.9	69.0	71.4	33.6	34.0	34.5
Hungary	101.3	99.6	107.6	60.4	57.0	65.2	40.9	42.6	42.4
Slovakia	81.4	78.2	89.6	51.4	45.2	59.5	30.0	33.0	30.1
Czech Republic	90.5	91.9	91.2	63.7	65.4	66.4	26.8	26.5	24.8
Romania	105.8	104.4	104.2	77.7	73.5	78.1	28.1	30.9	26.1
Bulgaria	75.9	75.9	75.2	47.4	48.8	46.4	28.5	27.1	28.8
Croatia	88.0	91.3	92.9	50.6	53.7	58.0	37.4	37.6	34.9
Ukraine	85.2	112.9	122.8	33.5	57.1	38.0	51.7	55.8	84.8
Kazakhstan	–	59.8	78.4	–	12.5	21.3	–	47.3	57.1
Central and Eastern Europe[10]	96.9	96.6	102.0	61.3	60.5	65.2	35.6	36.1	36.8
Asia-Pacific	91.3	93.8	91.2	59.7	64.1	61.4	31.6	29.7	29.8
Middle East and North Africa	105.1	101.5	109.9	70.1	69.1	73.9	35.0	32.4	36.0
Growth Markets	**96.3**	**96.4**	**101.0**	**61.3**	**61.1**	**65.0**	**35.0**	**35.3**	**36.0**
Allianz Global Assistance	95.2	96.1	95.6	59.6	60.2	59.6	35.6	35.9	36.0
Allianz Worldwide Care[8]	93.8	96.0	96.5	74.5	75.5	76.0	19.3	20.5	20.5
Global Assistance[11]	**95.0**	**96.1**	**95.7**	**62.1**	**62.5**	**61.7**	**32.9**	**33.6**	**34.0**
Consolidation and Other[12,13]	–	–	–	–	–	–	–	–	–
Total	**96.3**	**97.8**	**97.2**	**68.3**	**69.9**	**69.1**	**28.0**	**27.9**	**28.1**

6 — Contains €16 MN, €12 MN and €15 MN operating profit for 2012, 2011 and 2010, respectively, from a management holding located in Luxembourg.
7 — In 4Q 2011 the premium accounting method changed which is adjusted in the internal growth.
8 — From the third quarter of 2012 onwards, Allianz Worldwide Care was transferred from Global Insurance Lines & Anglo Markets to Global Assistance. Prior year figures have been adjusted.
9 — Contains €(5) MN, €5 MN and €(0.1) MN operating profit (loss) for 2012, 2011 and 2010, respectively, from AGF UK.
10 — Contains income and expense items from a management holding and consolidations between countries in this region.
11 — Contains gross premiums written of €2 MN from Allianz Global Automotive in 2012.
12 — Represents elimination of transactions between Allianz Group companies in different geographic regions.
13 — The 2011 analysis of the Allianz Group's asbestos risks resulted in a reduction of reserves and a positive run-off result of €130 MN reflected in the operating profit for 2011.

Life/Health Insurance Operations

– Statutory premiums stable at €52,347 MN.
– Operating profit increased to €2,955 MN.

Segment overview

Allianz offers a broad range of life, health, savings and investment-oriented products, including individual and group life insurance contracts. Via our distribution channels – mainly tied agents, brokers and bank partnerships – we offer life and health products for both private and corporate clients. As one of the worldwide market leaders in life business we serve customers in more than 45 countries.

Earnings summary

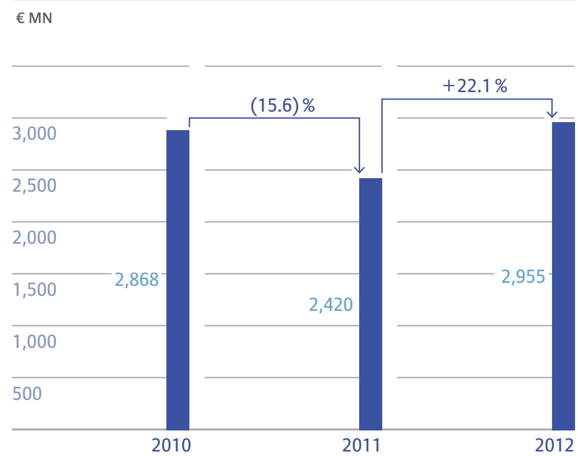
Statutory premiums remained stable at €52,347 MN. On an internal basis[1], premiums decreased by 2.6% – which was broadly in line with our expectations. Traditional life and health premiums increased, while premiums from our investment-oriented business decreased given the persistent low interest environment and our selective focus on profitable growth.

Operating profit increased by €535 MN to €2,955 MN, largely driven by a higher operating investment result which recovered from the effects of the financial market turmoil and impairments in 2011 and benefited from higher realized gains in 2012.

Margin on reserves[2] increased from 58 to 67 basis points, mainly due to the improved operating profit.

Operating profit +22.1%

OPERATING PROFIT LIFE/HEALTH C 040



Key figures

KEY FIGURES LIFE/HEALTH C 041

€ MN	2012	2011	2010
Statutory premiums	52,347	52,863	57,098
Operating profit	2,955	2,420	2,868
Margin on reserves (BPS)	67	58	73

1 – Statutory premiums adjusted for foreign currency translation and (de-)consolidation effects.

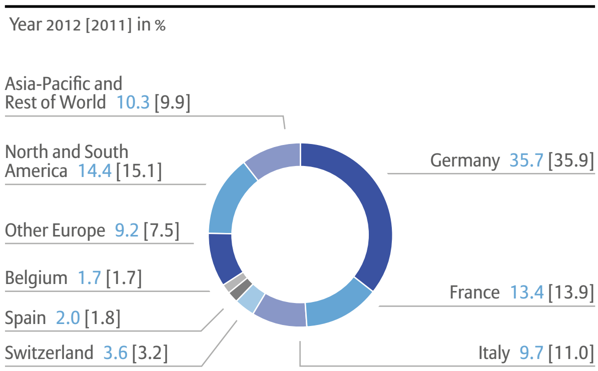
2 – Represents operating profit divided by the average of current year-end and previous year-end net reserves, whereby net reserves equal reserves for loss and loss adjustment expenses, reserves for insurance and investment contracts and financial liabilities for unit-linked contracts less reinsurance assets.

Statutory premiums[1]

In 2012, statutory premiums amounted to €52,347 MN, a decrease of €516 MN. On an internal basis, premiums decreased by 2.6% or €1,354 MN, after excluding positive foreign currency translation effects of €932 MN. The growth in premiums from traditional products partly compensated for the decrease in investment-oriented products and resulted in an overall premium mix shift in favor of traditional business from 46.5% to 48.3%. On an internal basis, premiums from traditional products grew by 1.9%, mainly in Germany, Asia-Pacific, Central and Eastern Europe as well as in the United States, while we saw a decrease in Italy and Belgium/Luxembourg. However, premiums from investment-oriented products dropped by 6.5%, especially in the United States, Germany and Italy.

Premiums were impacted by the continuing competitive environment in some of our major markets and our ongoing efforts to protect our margin through product innovation and pricing actions. These efforts and impacts are reflected in the discontinuation of selling new business in Japan by the end of 2011. Excluding Japan, premiums decreased by 1.7% on an internal basis. The persistent low yield environment continued to impact customer demand for long-term insurance saving products. Premiums of protection and health products contributed favorably. We also saw a higher proportion of recurring premiums over single premium business compared to 2011.

STATUTORY PREMIUMS BY REGION/COUNTRY[1] C 042

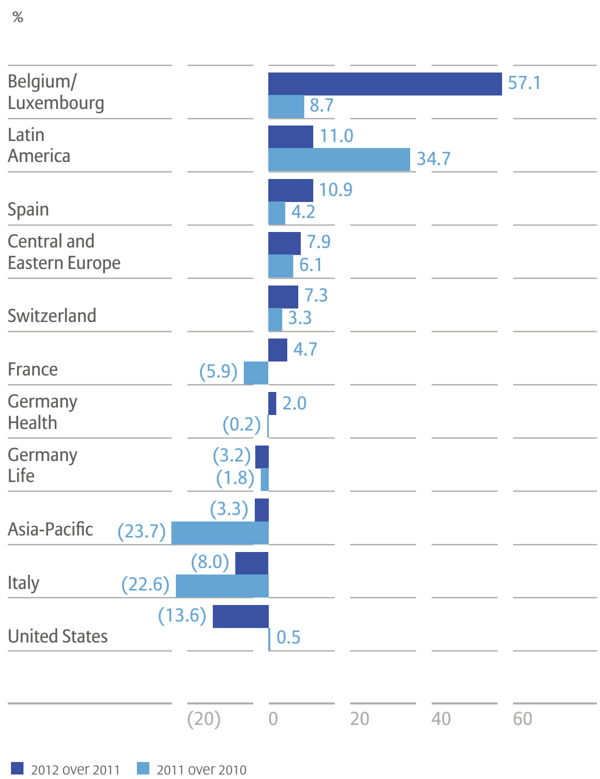


1 — After elimination of transactions between Allianz Group companies in different geographic regions and different segments.

1 — Statutory premiums are gross premiums written from sales of life and health insurance policies as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.

In the following section, we comment on the development of our statutory premiums written on an internal basis, i.e. adjusted for foreign currency translation and (de-)consolidation effects in order to provide more comparable information.

STATUTORY PREMIUMS – INTERNAL GROWTH RATES IN SELECTED MARKETS[1] C 043



1 — Before elimination of transactions between Allianz Group companies in different geographic regions, countries and different segments.

In ***Belgium/Luxembourg*** we recorded premiums of €2,019 MN, an increase of 57.1%. This increase mainly resulted from investment-oriented products in Luxembourg, which is largely related to French-originated business. A decrease in the guaranteed interest rate on traditional products in Belgium resulted in a lower business volume as not all competitors followed at the same time.

In ***Spain***, premiums were up 10.9% to €1,075 MN. Considering the continuing recessionary market environment, including high unemployment and turmoil in the banking industry, our strong growth has been remarkable. This was largely driven by the ongoing positive trend in long-term investment-oriented product sales but also by the sale of traditional individual and group pension products.

With total premiums amounting to €255 MN in *Latin America*, we recorded growth of 11.0%, excluding positive foreign currency translation effects of €13 MN. The growth in the South American region was attributable to our traditional insurance business, while increased investment-oriented premiums in Mexico more than compensated for a decrease in its traditional premiums.

Premiums in *Central and Eastern Europe* increased from €1,113 MN to €1,176 MN, representing growth of 7.9% excluding a negative foreign currency translation effect of €25 MN. In Poland, we recorded growth in single premiums in the first quarter of 2012 and in Russia premiums increased significantly through bancassurance sales. The Czech Republic benefited from higher single premium revenues in our investment-oriented product business and an ongoing positive trend in the sale of traditional products. However, in Hungary premiums decreased from the high level in 2011 which was driven by sales campaigns.

In *Switzerland* premiums totaled €1,903 MN. Adjusting for positive foreign currency translation effects of €76 MN, premiums were up 7.3%. In our group life business, we recorded strong growth in single premiums largely driven by the expansion of existing policies as well as new business generated through acquisition-related employee growth of a major client. This compensated for the decrease in single premiums in our individual life business.

In *France* we recorded a premium increase of 4.7% to €7,977 MN. The growth of €357 MN was largely driven by our investment-oriented business supported by a slight improvement in traditional premiums. An increase of approximately €619 MN was attributable to our internal reinsurance of partnership business with our Belgium/Luxembourg operations. Overall, our performance was better than the negative market development, which was significantly impacted by a competitive banking sector concentrating on selling its own products.

In our *German* life business, premiums decreased 3.2% to €15,179 MN. This was mainly driven by investment-oriented products, while premiums from traditional products grew. The increase in recurring premiums, mostly due to higher sales at year-end 2011, could only partially offset the drop in single premiums. Premiums in our German health business increased 2.0% to €3,269 MN. This growth was due to a higher number of policies in our supplementary coverage insurance in 2012.

In *Asia-Pacific*, we recorded premiums of €5,103 MN. After adjusting for positive foreign currency translation effects of €296 MN, premiums decreased by 3.3%. The overall positive trend in our other Asian markets almost fully compensated for the premium decline in Japan of €(478) MN which reflects the discontinuation of selling new business by the end of 2011. Excluding Japan, premiums increased by 7.0% on an internal basis. In South Korea, single premium investment-oriented business strongly increased for much of the year. However, in line with our competitors, we stopped selling one of our major growth products in September 2012, due to the low interest rate environment. In Indonesia, we saw strong growth in both our single premium investment-oriented business and the traditional business, largely driven by higher sales in the bancassurance channel. In Taiwan, premiums of unit-linked products decreased compared to 2011, although our sales improved in the second half of 2012 following competitor repricing.

Premiums in *Italy* dropped 8.0% to €6,364 MN, mainly due to a decrease in the individual life business driven by lower volumes in the bancassurance sales channel as banks focused on selling their own products rather than insurance products. The market environment remained difficult, characterized by weak saving propensity and low disposable incomes. All of this put severe downward pressure on premiums and translated into a drop in sales of investment-oriented products, which however stabilized during the course of the year, thanks to products distributed by agents and financial advisors.

378 Variable Annuities

Premiums in the *United States* decreased to €7,289 MN, representing a decline of 13.6% after adjusting for a positive foreign currency translation effect of €560 MN. In reaction to low interest rates, we implemented product and commission changes for fixed-indexed and variable annuity products in the second and third quarter of 2012. These changes resulted in a drop in sales in both business lines. However, our traditional life business showed a positive development.

Operating profit

Operating profit increased by €535 MN to €2,955 MN, mainly as a result of the €2,986 MN improvement of the operating investment result.

Interest and similar income net of interest expenses increased by €749 MN to €16,748 MN. We recorded growth in interest income from debt securities due to a higher asset base – more than offsetting the modest decline in interest yield – as well as growth in dividend income from equities including affiliates.

Operating income from financial assets and liabilities carried at fair value through income (net) improved by €139 MN to a loss of €727 MN. This increase was mainly due to the favorable impact of the equity market performance on our Fair Value Option assets in France and a more favorable trading result in the United States compared to 2011. These effects were partly offset by trading losses in Germany and France, mainly due to losses from derivatives used to hedge market movements. Gains resulting from foreign currency hedges more than offset the foreign currency translation losses in Germany.

Operating realized gains and losses (net) amounted to €3,044 MN, an increase of €856 MN. This was entirely driven by higher realizations on debt investments, particularly in Germany following the duration extension program, and compensated by slightly lower realized gains on equity securities and real estate investments.

Operating impairments of investments (net) significantly decreased from the exceptionally high level of €1,684 MN in 2011 to €428 MN. The previous year was burdened by both equity impairments, mainly on our investments in financial sector assets, and impairments on debt investments. As in 2011, equity impairments in 2012 related mainly to investments in financial sector assets, while impairments on Greek sovereign bonds in 2011 were €450 MN. In 2012, we had no major debt impairments.

Claims and insurance benefits incurred (net) amounted to €20,386 MN, a decrease of €561 MN, due to higher payments for maturities of traditional German life products in 2011.

Changes in reserves for insurance and investment contracts (net) increased by €3,352 MN to €13,970 MN, largely driven by lower reserve releases for matured products as well as higher allocation of premiums to aggregate policy reserves. Increased expenses for premium refunds mainly related to the higher investment result.

Investment expenses increased by €14 MN to €759 MN, following the growth in the asset base. This effect was partially offset by lower expenses for real estate maintenance and repair in Germany.

Acquisition and administrative expenses (net) amounted to €5,316 MN, an increase of €289 MN. A decrease in administrative expenses only partially compensated the higher acquisition costs due to higher amortization and lower capitalization of deferred acquisition costs.

Margin on reserves increased from 58 to 67 basis points, mainly due to the improved operating profit.

LIFE/HEALTH SEGMENT INFORMATION C 044

€ MN

	2012	2011	2010
Statutory premiums[1]	**52,347**	**52,863**	**57,098**
Ceded premiums written	(693)	(669)	(564)
Change in unearned premiums	(248)	(172)	(127)
Statutory premiums (net)	**51,406**	**52,022**	**56,407**
Deposits from insurance and investment contracts	(27,013)	(28,252)	(32,373)
Premiums earned (net)	**24,393**	**23,770**	**24,034**
Interest and similar income	16,832	16,107	15,085
Operating income from financial assets and liabilities carried at fair value through income (net)	(727)	(866)	19
Operating realized gains/losses (net)	3,044	2,188	2,125
Fee and commission income	534	538	539
Other income	154	99	81
Operating revenues	**44,230**	**41,836**	**41,883**
Claims and insurance benefits incurred (net)	(20,386)	(20,947)	(18,955)
Changes in reserves for insurance and investment contracts (net)	(13,970)	(10,618)	(13,329)
Interest expenses	(84)	(108)	(103)
Loan loss provisions	–	–	6
Operating impairments of investments (net)	(428)	(1,684)	(434)
Investment expenses	(759)	(745)	(704)
Acquisition and administrative expenses (net)	(5,316)	(5,027)	(5,175)
Fee and commission expenses	(228)	(210)	(258)
Operating restructuring charges	(16)	(1)	(8)
Other expenses	(88)	(76)	(55)
Operating expenses	**(41,275)**	**(39,416)**	**(39,015)**
Operating profit	**2,955**	**2,420**	**2,868**
Margin on reserves[2] in basis points	**67**	**58**	**73**

1 — Statutory premiums are gross premiums written from sales of life and health insurance policies as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.

2 — Represents operating profit divided by the average of current year-end and previous year-end net reserves, whereby net reserves equal reserves for loss and loss adjustment expenses, reserves for insurance and investment contracts and financial liabilities for unit-linked contracts less reinsurance assets.

Life/Health insurance operations by business divisions

LIFE/HEALTH INSURANCE OPERATIONS BY BUSINESS DIVISIONS

€ MN	Statutory premiums[1]					Premiums earned (net)		
				internal[3]				
	2012	2011	2010	2012	2011	2012	2011	2010
Germany Life[4]	15,179	15,673	15,961	15,179	15,673	11,282	11,224	11,651
Germany Health	3,269	3,204	3,209	3,269	3,204	3,268	3,204	3,209
Switzerland	1,903	1,707	1,502	1,827	1,703	686	670	582
Austria	407	420	398	407	420	288	301	289
German Speaking Countries	**20,758**	**21,004**	**21,070**	**20,682**	**21,000**	**15,524**	**15,399**	**15,731**
Italy[4]	6,364	6,915	8,841	6,364	6,915	543	631	656
France[4]	7,977	7,705	8,014	7,977	7,620	3,056	3,027	3,086
Belgium/Luxembourg	2,019	1,275	1,160	2,019	1,285	416	437	423
Netherlands	276	317	315	276	308	135	150	135
Turkey	114	96	103	114	96	37	34	36
Greece	95	109	116	95	109	57	65	67
Africa	52	45	41	52	45	24	21	22
Western & Southern Europe	**16,897**	**16,462**	**18,590**	**16,897**	**16,378**	**4,268**	**4,365**	**4,425**
Mexico	152	146	111	149	146	24	42	56
South America	103	72	56	93	72	99	60	45
Latin America	255	218	167	242	218	123	102	101
Spain	1,075	965	926	1,075	969	495	380	374
Portugal	190	194	183	190	194	86	86	84
Iberia & Latin America	**1,520**	**1,377**	**1,276**	**1,507**	**1,381**	**704**	**568**	**559**
United States	7,289	7,786	8,155	6,729	7,786	848	660	624
USA	**7,289**	**7,786**	**8,155**	**6,729**	**7,786**	**848**	**660**	**624**
Reinsurance LH	484	374	314	484	374	425	343	307
Global Insurance Lines & Anglo Markets	**484**	**374**	**314**	**484**	**374**	**425**	**343**	**307**
South Korea	1,871	1,657	1,836	1,760	1,657	580	596	707
Taiwan	1,352	1,314	2,170	1,254	1,314	129	133	166
Indonesia	760	606	431	750	606	305	266	169
Malaysia	330	269	242	308	269	211	191	183
Japan	1	479	1,202	1	479	5	95	7
Other	789	645	606	733	645	623	483	505
Asia-Pacific	5,103	4,970	6,487	4,806	4,970	1,853	1,764	1,737
Poland	411	377	368	425	377	125	104	121
Slovakia	244	249	244	244	249	206	186	171
Hungary	147	175	182	156	175	53	56	62
Czech Republic	171	152	143	175	152	66	61	57
Russia	94	59	25	91	59	90	57	24
Croatia	55	50	47	55	50	52	48	45
Bulgaria	31	29	26	31	29	27	25	25
Romania	23	22	22	24	22	13	12	12
Central and Eastern Europe	1,176	1,113	1,057	1,201	1,113	632	549	517
Middle East and North Africa	170	163	137	160	153	138	122	126
Global Life[4]	4	4	270	4	4	1	–	8
Growth Markets	**6,453**	**6,250**	**7,951**	**6,171**	**6,240**	**2,624**	**2,435**	**2,388**
Consolidation[6]	(1,054)	(390)	(258)	(1,055)	(390)	–	–	–
Total	**52,347**	**52,863**	**57,098**	**51,415**	**52,769**	**24,393**	**23,770**	**24,034**

1 — Statutory premiums are gross premiums written from sales of life and health insurance policies, as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.

2 — Represents operating profit (loss) divided by the average of current year-end and previous year-end net reserves, whereby net reserves equal reserves for loss and loss adjustment expenses, reserves for insurance and investment contracts and financial liabilities for unit-linked contracts less reinsurance assets.

C 045

	Operating profit (loss)			Margin on reserves²		
	2012	2011	2010	2012	2011	2010
	€ MN	€ MN	€ MN	BPS	BPS	BPS
Germany Life⁴	1,027	878	980	61	56	65
Germany Health	198	150	174	83	68	83
Switzerland	79	77	74	62	65	72
Austria	31	13	28	78	33	75
German Speaking Countries	**1,335**	**1,118**	**1,256**	**64**	**57**	**68**
Italy⁴	237	203	292	54	47	67
France⁴	356	420	439	51	63	67
Belgium/Luxembourg	68	62	64	73	74	89
Netherlands	60	56	48	147	136	113
Turkey	5	5	6	110	99	125
Greece	5	3	4	158	102	115
Africa	5	5	1	236	224	70
Western & Southern Europe	**736**	**754**	**854**	**57**	**61**	**70**
Mexico	5	5	5	148	201	335
South America	6	12	9	165	387	299
Latin America	11	17	14	157	308	312
Spain	108	119	114	180	210	201
Portugal	5	21	20	111	452	446
Iberia & Latin America	**124**	**157**	**148**	**173**	**235**	**226**
United States	457	305	361	69	49	67
USA	**457**	**305**	**361**	**69**	**49**	**67**
Reinsurance LH	47	28	23	208	126	102
Global Insurance Lines & Anglo Markets	**47**	**28**	**23**	**208**	**126**	**102**
South Korea	31	51	87	33	61	115
Taiwan	9	(55)	51	17	(102)	95
Indonesia	53	45	37	454	479	566
Malaysia	17	16	14	174	198	227
Japan	3	(91)	(39)	11	(445)	(342)
Other	49	19	8	140	54	24
Asia-Pacific	162	(15)	158	73	(7)	86
Poland	17	18	20	298	285	271
Slovakia	31	27	20	267	235	182
Hungary	4	8	6	115	227	149
Czech Republic	20	11	11	377	227	250
Russia	(3)	1	(6)	(185)	117	(1,102)
Croatia	3	4	4	125	171	193
Bulgaria	7	6	6	541	474	535
Romania	1	2	2	213	273	316
Central and Eastern Europe	80	77	63	247	245	202
Middle East and North Africa	15	9	12	300	223	399
Global Life⁴	(1)	(1)	(2)	–⁵	–⁵	–⁵
Growth Markets	**256**	**70**	**231**	**99**	**28**	**104**
Consolidation⁶	–	(12)	(5)	–⁵	–⁵	–⁵
Total	**2,955**	**2,420**	**2,868**	**67**	**58**	**73**

3 — Statutory premiums adjusted for foreign currency translation and (de-)consolidation effects.
4 — From the first quarter of 2011 on, the variable annuity business of Allianz Global Life is shown within Germany, France and Italy, respectively. Prior year figures have not been adjusted.
5 — Presentation not meaningful.
6 — Represents elimination of transactions between Allianz Group companies in different geographic regions.

Asset Management

– Total assets under management at €1,852 BN.
– Excellent third-party net inflows of €114 BN.
– Outstanding operating profit of €3.0 BN.
– Cost-income ratio improved to 55.6%.

Segment overview

Allianz offers Asset Management products and services for third-party investors and the Allianz Group's insurance operations. We serve a wide range of retail and institutional clients worldwide with investment and distribution capacities in all major markets. Based on total assets under management, we are one of the largest asset managers in the world which manage third-party assets with active investment strategies. We are particularly strong in the United States, Europe and the Asia-Pacific region.

Earnings summary

Our **operating revenues** grew by €1,284 MN, or 23.3% to €6,786 MN. On an internal basis[1], operating revenues went up 15.4% compared to 2011, benefiting from the strong growth in our assets under management and higher performance fees. Third-party net inflows amounted to €114 BN.

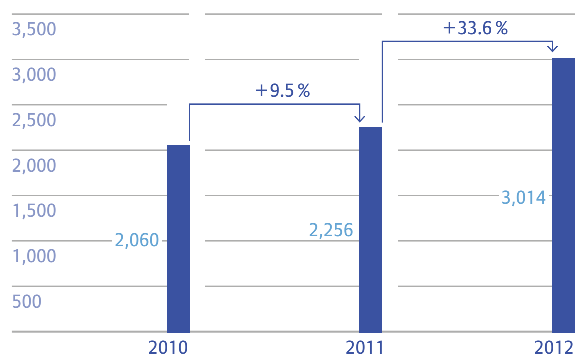
Our strong performance continued with a €758 MN increase in **operating profit** to €3,014 MN. On an internal basis, our operating profit grew by 24.2% again driven by higher assets under management as well as the efficiency of our operational business.

The **cost-income ratio** improved to 55.6% compared to 59.0% in 2011. This was supported by an increase in performance fees and our expense discipline.

Operating profit +33.6%

OPERATING PROFIT ASSET MANAGEMENT C 046

€ MN



Key figures

KEY FIGURES ASSET MANAGEMENT C 047

€ MN

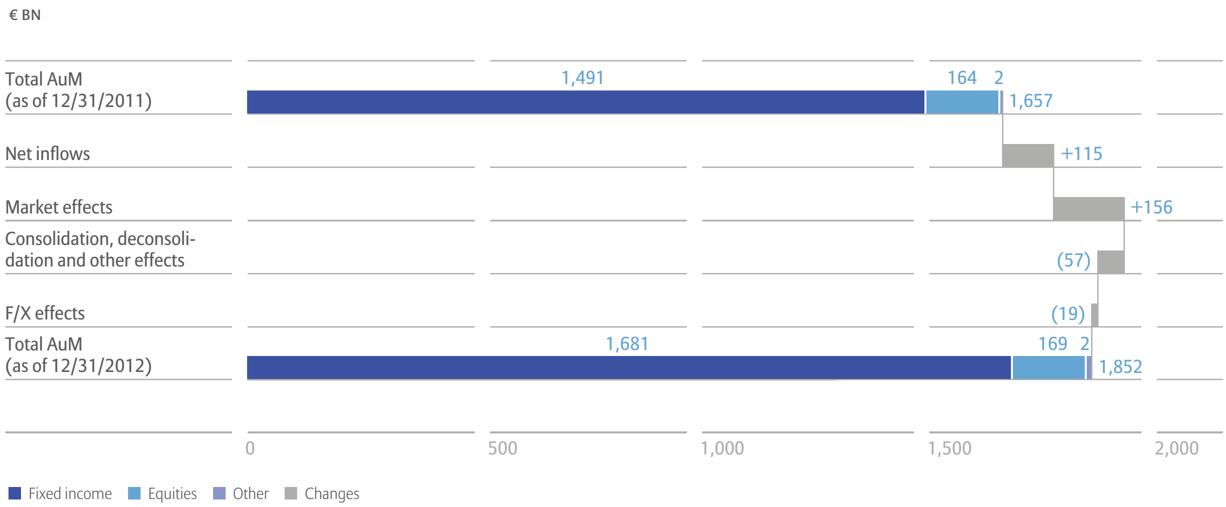
	2012	2011	2010
Operating revenues	6,786	5,502	4,986
Operating profit	3,014	2,256	2,060
Cost-income ratio in %	55.6	59.0	58.7
Total assets under management in € BN	1,852	1,657	1,518

1 — Revenues adjusted for foreign currency translation and (de-)consolidation effects.

Assets under management

As of 31 December 2012, total assets under management reached €1,852 BN consisting of third-party assets of €1,438 BN and €414 BN of Allianz Group assets. We show the development of total assets under management based on asset classes as they are relevant for the segment's business development.

DEVELOPMENT OF TOTAL ASSETS UNDER MANAGEMENT C 048



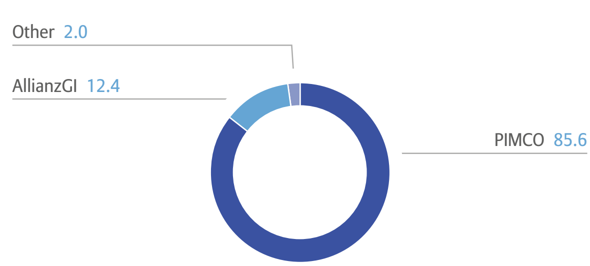
Net inflows of total assets under management amounted to €115 BN. Of this, €114 BN related to third-party net inflows and €1 BN to Allianz Group assets. This positive development was due to fixed income with net inflows of €119 BN. Equities recorded net outflows of €4 BN. We experienced strong net inflows in all regions, especially in the United States and Europe.

In addition, favorable market effects contributed a further €156 BN with €137 BN coming from fixed income – and €19 BN from equities. These positive effects were partly offset by the reclassification from "assets under management" to "assets under administration" of €57 BN which had no impact on our revenue base. Unfavorable foreign currency translation effects accounted for €19 BN, primarily due to the depreciation of the U.S. Dollar against the Euro.[1]

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

THIRD-PARTY ASSETS UNDER MANAGEMENT BY BUSINESS UNIT C 049

as of 31 December 2012[1] in %

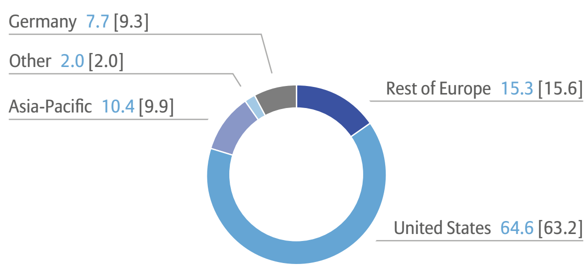


1 — Retrospective figures as of 31 December 2011 are not provided since the composition of total assets under management is impacted by the new structure for Asset Management which did not exist prior to 1 January 2012.

1 — Based on the closing rate on the respective balance sheet date.

THIRD-PARTY ASSETS UNDER MANAGEMENT BY REGION/COUNTRY[1,2] C 050

as of 31 December 2012 [31 December 2011] in %



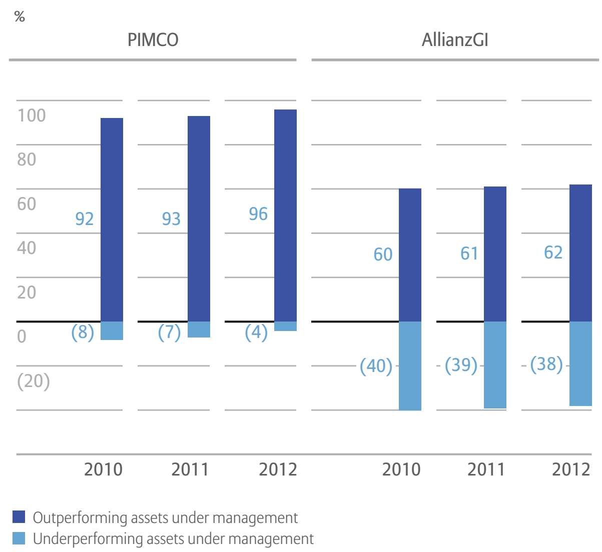
1 — Based on the origin of assets by the asset management company.
2 — "Other" consists of third-party assets managed by other Allianz Group companies (approximately €28 BN as of 31 December 2012 and €26 BN as of 31 December 2011, respectively).

The regional split of third-party assets under management shifted slightly. Supported by strong net inflows and positive market conditions, the United States increased its share by 1.4 percentage points to 64.6%. Germany decreased by 1.6 percentage points to 7.7%, primarily due to the reclassification from "assets under management" to "assets under administration".

Overall, the share of third-party assets from fixed income and equities remained unchanged at 89% and 11%, respectively.

Benefiting from strong net inflows from our retail clients, the share of third-party assets under management between retail and institutional clients shifted slightly with a two percentage point increase in our retail clients to 36% versus 64% for institutional clients.

THREE-YEAR ROLLING INVESTMENT PERFORMANCE OF PIMCO AND ALLIANZGI[1] C 051



1 — On 1 January 2012, we brought our PIMCO and Allianz Global Investors (AllianzGI) business units under the common governance of Allianz Asset Management Holding (AAM). Therefore, we show the rolling investment performance of PIMCO and AllianzGI versus their respective benchmarks. In addition, we enhanced our investment performance measurement methodology. For comparability, the enhanced methodology is applied retrospectively. The investment performance is based on Allianz Asset Management account-based, asset-weighted three-year investment performance of third-party assets versus the primary target including all accounts managed by portfolio managers of Allianz Asset Management. For some retail funds, the net of fee performance is compared to the median performance of the corresponding Morningstar peer group (first and second quartile mean outperformance). For all other retail funds and for all institutional accounts, the gross of fee performance (revaluated based on closing prices) is compared to the respective benchmark based on different metrics.

The overall investment performance of our AAM business was outstanding, with 92% outperforming their respective benchmarks (31 December 2011: 89%). PIMCO recorded an excellent performance of 96% versus its respective benchmarks, with AllianzGI outperforming 62% of its benchmark.

Operating revenues

Our *operating revenues* grew by €1,284 MN, or 23.3% to €6,786 MN. This reflected the growth in assets under management and an increase in performance fees. On an internal basis, operating revenues rose by 15.4%.

Net fee and commission income increased by €1,261 MN to €6,731 MN. This was mainly due to higher management fees resulting from the higher asset base. Our *performance fees* went up €311 MN to €766 MN driven by private funds and separate accounts.

We recorded €16 MN of *income from financial assets and liabilities carried at fair value through income (net)*, up €27 MN, benefiting from positive effects of mark-to-market valuation of seed money in the United States.

Operating profit

Supported by higher operating revenues, a strong cost-income ratio as well as favorable foreign currency translation effects, we achieved an *operating profit* of €3,014 MN, up 33.6%. Excluding both the impact of foreign currency translation effects of €197 MN[1] and consolidation/deconsolidation effects of €19 MN, internal growth amounted to 24.2%.

Administrative expenses only grew 16.2% to €3,772 MN. This reflected the efficiency of our operational business but still included investments into infrastructure and new products. On an internal basis, administrative expenses increased by 9.2%.

Our revenues continued to grow at a stronger rate than our operational expense base. This resulted in a 3.4 percentage point improvement in our *cost-income ratio* to 55.6%.

ASSET MANAGEMENT SEGMENT INFORMATION C 052

€ MN	2012	2011	2010
Management and loading fees	7,163	5,923	5,393
Performance fees	766	455	514
Other income	112	214	147
Fee and commission income	**8,041**	**6,592**	**6,054**
Commissions	(1,243)	(1,091)	(1,099)
Other expenses	(67)	(31)	(28)
Fee and commission expenses	**(1,310)**	**(1,122)**	**(1,127)**
Net fee and commission income	**6,731**	**5,470**	**4,927**
Net interest income[1]	24	22	21
Income from financial assets and liabilities carried at fair value through income (net)	16	(11)	19
Other income	15	21	19
Operating revenues	**6,786**	**5,502**	**4,986**
Administrative expenses (net), excluding acquisition-related expenses	(3,772)	(3,246)	(2,926)
Operating expenses	**(3,772)**	**(3,246)**	**(2,926)**
Operating profit	**3,014**	**2,256**	**2,060**
Cost-income ratio[2] in %	**55.6**	**59.0**	**58.7**

1 — Represents interest and similar income less interest expenses.
2 — Represents operating expenses divided by operating revenue.

1 — Based on the average exchange rates in 2012 compared to 2011.

Corporate and Other

Operating loss increased by €231 MN to €1,128 MN, driven by Holding & Treasury.

Segment overview

Corporate and Other encompasses the operations of Holding & Treasury, Banking and Alternative Investments. Holding & Treasury includes the management and support of the Allianz Group's businesses through its strategy, risk, corporate finance, treasury, financial reporting, controlling, communication, legal, human resources and technology functions. Our banking products offered in Germany, Italy, France, the Netherlands and Bulgaria complement our insurance product portfolio. We also provide global alternative investment management services in the private equity, real estate, renewable energy and infrastructure sectors, mainly on behalf of the Allianz Group.

Earnings summary

Our **operating result** worsened by €231 MN to €(1,128) MN. This was driven by the €291 MN decrease in Holding & Treasury. The reduction of our operating loss in Banking by €34 MN and the €27 MN higher operating result in Alternative Investments were not able to offset the deterioration in Holding & Treasury.

Key figures

KEY FIGURES CORPORATE & OTHER C 053

€ MN	2012	2011	2010
Operating revenues	1,632	1,776	1,702
Operating expenses	(2,760)	(2,673)	(2,644)
Operating result	(1,128)	(897)	(942)

KEY FIGURES CORPORATE & OTHER – IN DETAIL[1] C 054

€ MN	2012	2011	2010
HOLDING & TREASURY			
Operating revenues	286	478	450
Operating expenses	(1,401)	(1,302)	(1,313)
Operating result	(1,115)	(824)	(863)
BANKING			
Operating revenues	1,189	1,162	1,129
Operating expenses	(1,223)	(1,230)	(1,193)
Operating result	(34)	(68)	(64)
ALTERNATIVE INVESTMENTS			
Operating revenues	169	148	134
Operating expenses	(147)	(153)	(149)
Operating result	22	(5)	(15)

1 — Consolidation included. For further information about our Corporate and Other segment, please refer to note 6 to the consolidated financial statements. Banking figures include loan loss provisions in operating expenses.

Earnings summaries by operations

HOLDING & TREASURY

Holding & Treasury's *operating result* declined from €(824) MN to €(1,115) MN. This was mainly attributable to lower operating revenues and higher operating expenses, in particular due to higher investments in IT and operations. A drop in the net interest result and higher administrative expenses also contributed to this development.

Our *net fee and commission result* decreased by €164 MN to a loss of €232 MN. This was due to costs incurred by our internal IT service provider.

In addition, our *net interest result* worsened by €85 MN to a net loss of €169 MN. *Interest and similar income* decreased from €354 MN to €245 MN, reflecting receding income on debt securities as a result of lower interest yields as well as lower equity related returns. This decline could only be partially compensated for by the €24 MN reduction in *interest expenses, excluding interest expenses from external debt*, which amounted to €414 MN.

Administrative expenses (net), excluding acquisition-related expenses, grew by €71 MN to €637 MN. This was primarily attributable to higher pension costs and salaries.

BANKING

Overall, the *operating loss* halved to €34 MN compared to the previous year's result. This positive development was driven by higher trading income, but also by an improved net interest result and lower loan loss provisions.

Our *operating income from financial assets and liabilities carried at fair value* increased from a loss of €2 MN to an income of €14 MN benefiting from changed interest rates.

Our *net interest, fee and commission result* increased by €9 MN to €578 MN due to a higher *net interest result*, which grew by €9 MN to €369 MN as a result of lower funding costs and short-term investments in bonds offering higher yields. At €209 MN, *net fee and commission income* remained unchanged.

Our *loan loss provisions* decreased by €10 MN to €111 MN. The previous year's provisions were affected by the spillover effects of the financial crisis on our customers; in particular in our ship financing business. During the first two quarters of 2012, we increased loan loss provisions due to financial guarantees within certain unit-linked products related to peripheral sovereign bonds (which were sold or matured by the end of 2012).

Administration expenses remained stable at €511 MN (2011: €512 MN).

ALTERNATIVE INVESTMENTS

Alternative Investments' *operating result* improved by €27 MN to record an income of €22 MN. This was mainly due to a €24 MN higher *net fee and commission income*. €6 MN lower *administrative expenses* also contributed positively to this development.

Outlook 2013 and 2014

– World economy to regain some momentum.
– Allianz Group operating profit for 2013 expected to be in the range of €9.2 BN, plus or minus €0.5 BN, and is expected to improve in 2014.

Overview: 2012 results versus previous year outlook[1]

2012 RESULTS VERSUS PREVIOUS YEAR OUTLOOK FOR 2012 C 055

	OUTLOOK 2012 - AS PER ANNUAL REPORT 2011	RESULTS 2012
ALLIANZ GROUP	Operating profit of €8.2 BN, plus or minus €0.5 BN.	Strong operating profit of €9.5 BN.
	Average U.S. Dollar to Euro exchange rate of 1.36.	Average U.S. Dollar to Euro exchange rate of 1.29.
	Protect capital, solvency ratios and the investments of our shareholders.	Strong regulatory solvency ratio of 197% (179% in 2011). AA Standard & Poor's rating with negative outlook. Allianz remains one of the highest-rated insurance groups.
	We protect the investments of our shareholders and rather miss an opportunity than risk losing money through our investments.	Return on equity, after income taxes, of 10.5% (2011: 5.7%). Proposed dividend maintained at €4.50 (2011: €4.50) per share.
	We continue to strengthen our drive for profitable growth.	We recorded a growth of 20.8% in our operating profit compared to previous year, driven by improvements in all operating segments, especially Asset Management.
	Given the current interest rate environment our investment strategy remains focused on generating attractive returns and minimizing vulnerability to price fluctuations.	Operating investment result increased by €3.0 BN (16.1%) and non-operating investment result improved by €2.0 BN leading to a higher net income.
PROPERTY-CASUALTY	Gross premiums written are expected to grow slightly, in the range of 2.0% to 3.0%, driven by positive price and volume effects.	Gross premiums written increased by 4.7% due to positive internal growth of 2.5% (both price and volume effects were positive), favorable foreign currency translation effects and the effect of acquisitions in the second half of 2012 (activities of Gan Eurocourtage and Mensura).
	We expect our operating profit to be between €4.0 BN and €5.0 BN.	Operating profit of €4.7 BN towards the higher end of our range, driven by a lower level of claims from natural catastrophes.
	We remain committed to our combined ratio target of 96% over the cycle.	Combined ratio improved by 1.5 percentage points to 96.3%.
	We anticipate large claims from natural catastrophes to decrease to long-term average levels.	Claims from natural catastrophes dropped to €0.7 BN (2011: €1.8 BN), which is below the long-term average level.
	Investment result will remain under pressure due to the rather short duration of investments in this segment and the low interest rate environment. Nevertheless, we continuously strive to adapt our investment strategy to current market conditions.	Operating investment income declined by 4.9% to €3.2 BN.
	We expect that the aggregate effect of improvements in pricing, claims management and productivity gains will more than compensate for underlying claims inflation.	Accident year loss ratio excluding claims from natural catastrophes improved slightly from 69.7% to 69.5%. Expense ratio increased slightly from 27.9% to 28.0%, mainly driven by acquisitions in the second half of 2012.
LIFE/HEALTH	We expect another strong but stable revenue level in 2012.	Statutory premiums of €52.3 BN, compared to €52.9 BN in 2011. Revenues remained under pressure as a result of low interest rates and our selective focus on profitable growth.
	We expect an operating profit in our Life/Health business in the range of €2.2 BN to €2.8 BN, with a margin on reserves between 50 and 70 BPS.	Operating profit of €3.0 BN, driven by a higher investment result, particularly in Germany. Margin on reserves increased to 67 BPS.
	The investment result for 2012 is expected to improve compared with 2011.	Operating investment result increased by 20.1% to €17.9 BN, supported by higher realized gains following duration extension program and lower impairments compared to previous year.
ASSET MANAGEMENT	We expect inflows to continue, especially into fixed income products.	Net inflows of total assets under management of €114.7 BN, compared to €34.7 BN in 2011, mainly into fixed income products.
	We expect operating profit to be in the range of €2.0 BN to €2.4 BN.	Operating profit of €3.0 BN due to strong growth in total assets under management and high performance fees.
	We expect to maintain a cost-income ratio well below 65%.	Cost-income ratio improved by 3.4 percentage points to 55.6%.

1 — For more detailed information on the previous year outlook for 2012, please see the Annual Report 2011 starting on page 123.

Economic outlook[1]

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.

1 — The information presented in the sections Economic outlook, Insurance industry outlook and Asset management industry outlook is based on our own estimates.

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.

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%.

Asset management industry outlook

The outlook for the *asset management* industry for 2013 and beyond remains uncertain. Driven by massive liquidity support from major central banks, financial markets appreciated in 2012. Still, the debt crisis in developed countries persists and economic fundamentals remain far-from-perfect. Capital markets are expected to be vulnerable to potential setbacks in the near future. As a result, investors are likely to stay cautious, with asset allocations oscillating between high- and low-risk assets. Therefore, we expect net inflows to remain volatile in 2013 and 2014.

The upside potential for market-driven growth in the asset management industry will be limited in both the fixed income and the equity areas for as long as the sovereign debt problems of the major developed economies remain unresolved and their respective GDP growth rates continue to lag behind long-term trends.

Profitability growth will also be challenged by regulatory activities, which are currently unfolding across the globe. In such an environment, money managers' ability to grow is dependent on delivering above-benchmark investment results, the comprehensiveness of their investment products and the services they offer, as well as the scale and efficiency of their operations.

Outlook for the Allianz Group

As discussed earlier, the world economy is likely to regain some momentum, and we look set to enter a period of moderate growth. Despite signs of a global recovery, there are clear risks for 2013 and beyond. Geopolitical tensions, a renewed flare-up of the sovereign debt crisis in large industrialized countries and currency or trade wars all have the potential to send the world economy into a tailspin. However, the outlook provided here assumes the absence of such severe shocks.

In the following, we provide the outlook for 2013 and 2014 for the Group and each segment, together with the main sensitivity factors and their possible impacts. In addition, we outline our revenue and claims expectations and estimates of key ratios and income statement positions. The outlook for the Group, especially the operating profit outlook, reflects a stabilizing diversification effect that is inherent in our global, multi-segment portfolio.

In 2013, we envisage operating profit of €9.2 BN, plus or minus €0.5 BN.

In principle, we do not provide a specific outlook for net income. As has been seen in the past, given the volatility in the capital markets, a precise prediction of net income for the year 2013 and beyond is not possible.

Overview: outlook and assumptions 2013

OUTLOOK 2013 C 056

ALLIANZ GROUP	Operating profit of €9.2 BN, plus or minus €0.5 BN.[1]
	Maintenance of strong capital and solvency ratios[2].
	Protection of shareholders' investments, while continuing to provide attractive returns and dividends (dividend payout ratio of 40%).
	Profitable growth.
	Investment strategy focused on generating attractive returns and minimizing vulnerability to price fluctuations.
PROPERTY-CASUALTY	Growth in gross premiums written between 2.5% and 3.5%.
	Operating profit in the range of €4.3 BN to €5.1 BN.
	Combined ratio of 96% over the cycle.
	Pressure on investment income due to reinvestments in a low interest rate environment.
	Overcompensation of the underlying claims inflation by the aggregate effect of improvements in pricing, claims management and productivity gains.
LIFE/HEALTH	Revenues at 2012 levels.
	Operating profit in the range of €2.5 BN to €3.1 BN.
	Margin on reserves between 50 and 70 BPS.
	Pressure on investment income due to low interest rates and normalization of the net harvesting result.
	Prioritizing profitability over growth, taking further product and pricing actions as necessary.
ASSET MANAGEMENT	Moderate growth in total assets under management and continued net inflows, especially into fixed income products.
	Operating profit in the €2.7 BN to €3.1 BN range.
	Cost-income ratio at or below 60%.

1 — From 2013 onwards, restructuring costs will be classified as operating. For further information on the changes in presentation, please refer to note 6 to the consolidated financial statements.

2 — The conglomerate solvency ratio decreased by approximately 17 percentage points as of 1 January 2013 due to amendments to IAS 19. For further information, please refer to note 4 to the consolidated financial statements.

ASSUMPTIONS

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

We expect our business mix and profitability contributions to remain unchanged compared to 2012: our Property-Casualty business will carry on making up the majority of our operating profit, while we anticipate that the Asset Management segment will continue to be a significant source of operating profit, driven by the strong asset base growth in 2012. However, we expect the growth rate in Asset Management to ease and further expect operating profit in Life/Health to revert to a more usual level due to the normalization of the investment result.

Although the global economy is showing signs of a slow recovery, investment results are likely to remain under pressure due to low interest rates and the continued uncertainty surrounding sovereign debts. This will be partly offset by a better operational performance in the business segments and a growth-driven increase in our asset base.

Management's assessment of expected revenues and earnings for 2013

In 2012, our total revenues amounted to €106.4 BN, representing a 0.5% increase on an internal basis compared to last year. The decline in Life/Health revenues, reflecting the challenging market environment and the trade-off between volume and margins, was more than compensated for by excellent growth in Asset Management along with a moderate increase in Property-Casualty premiums. We expect the modest revenue rise to continue in 2013, with Property-Casualty and Asset Management experiencing positive internal growth, while Life/Health volumes are likely to remain under pressure due to the uncertain financial market outlook and our selective focus on profitable growth.

How the level of our future total revenues will evolve is – apart from financial market developments – also dependent on market cycles and our ability to address continuing and emerging challenges and exploit new business opportunities, as described in the Management's views on future challenges and opportunities section.

As our product and service offerings differ from country to country, information about the development of our sales markets and modifications to our product portfolio also varies. Overall, we expect our market and product mix to remain relatively unaltered. Our Property-Casualty product mix will change slightly, driven by our recent acquisitions of the activities of Mensura (specialist in worker's accident insurance) and Gan Eurocourtage (focused on commercial lines), and the expected decline in our crop premiums in the U.S. due to our reduced share in the reinsurance agreement. In the Life/Health segment, in line with expected market trends, we could see a fall in premiums from life insurance products with guarantees. In addition, we decided to cease business operations under the Allianz Bank brand with effect from 30 June 2013, not affecting the other banking business of OLB.

In 2012, we significantly exceeded our original operating profit target, reaching €9.5 BN. This excellent result was supported by lower claims from natural catastrophes in Property-Casualty, an outperforming Asset Management segment – particularly PIMCO – and solid results in Life/Health, buoyed by a high operating investment result.

In 2013, we envisage operating profit of €9.2 BN, plus or minus €0.5 BN, as we expect a normalized level of performance fees in the Asset Management segment and a lower overall investment result in the Life/Health segment. Furthermore, all restructuring charges will be presented within the operating profit from 2013 onwards.[1] The increase compared to the 2012 operating profit outlook given last year, is driven by a continued strengthening of our Asset Management and Life/Health asset bases along with top-line growth in Property-Casualty.

The operating profit outlook presented here and in the following sections assumes no significant deviations from the assumptions we make here and the segment-specific sensitivities mentioned below.

Among other uncertainties, our operating profit range is sensitive to changes in interest rates and foreign exchange rates:

- A 100 BPS increase or decrease in interest rates would, respectively, either raise or lower operating profits by approximately €0.2 BN. This does not include fair value changes in interest rate sensitive positions that are reported in our income statement.

- A 10% weakening or strengthening of the U.S. Dollar versus our planned exchange rate of 1.25 to the Euro would have a negative or positive impact of approximately €0.3 BN, respectively.

In 2012, our net income increased substantially to reach €5.5 BN, supported by a stronger operating performance in all operating segments and a more favorable non-operating result.

In principle, but also given the inherent uncertainties described above and the susceptibility of our non-operating results to adverse capital market developments, we do not provide a precise outlook for net income. However, since our outlook presumes no major disruptions of capital markets, we nevertheless expect a stable or slightly increasing net income for 2013.

1 — For further information on the changes in presentation, please refer to note 6 to the consolidated financial statements.

PROPERTY-CASUALTY INSURANCE

In 2012, gross premiums written increased by 4.7% on a nominal basis. The rise was attributable to an internal growth of 2.5% fueled by both positive price and volume effects, favorable foreign currency translation effects, and the effect of our recent acquisitions of the activities of Gan Eurocourtage in France and Mensura in Belgium.

In 2013, revenues are expected to increase within a range of 2.5% to 3.5% on a nominal basis. We believe this moderate growth will be supported by favorable price and volume effects and the impact of our above-mentioned acquisitions, which will add approximately €0.9 BN to our top line. This growth will more than offset expected reductions in our crop business in the United States. For 2014, we expect the growth in gross premiums written to increase further.

The anticipated upswing in 2013 will be mainly driven by our global insurance lines, the Anglo markets, emerging countries in Latin America and Asia, as well as by improvements in some of our core markets such as Germany, Italy and France.

Growth in our mature markets will be also supported by our acquisitions of the brokerage portfolio-related activities of Gan Eurocourtage – which will allow us to strengthen our position in the profitable commercial lines segment in France – and the insurance activities of Mensura, which will help Allianz Belgium to increase scale by re-entering the worker's accident business and offering our commercial lines clients a full product range.

We expect that the overall slow rise in prices we witnessed in 2012 will continue, contributing to the expected growth in our gross premiums. However, consistent with previous years, we will keep focusing on the production of outstanding underwriting results by adhering to our strict underwriting discipline and will be willing to accept a lower top line if target margins cannot be achieved.

In 2012, operating profit in Property-Casualty increased to €4.7 BN, driven by an improvement in the combined ratio – which finished at 96.3% compared to 97.8% in 2011. The result benefited from lower natural catastrophe claims, which decreased to €715 MN after two consecutive years of extraordinarily high losses (€1.8 BN and €1.3 BN for 2011 and 2010, respectively). Despite the high volatility of natural catastrophes in recent years, we anticipate such claims in 2013 and 2014 to be more in line with their expected average level.

We plan to make further progress towards our combined ratio target of 96% over the cycle. This rests on our expectation that the aggregate effect of improvements in pricing, claims management and productivity gains will more than compensate for underlying claims inflation. A 1.0 percentage point change in the combined ratio would have an impact of around €0.4 BN on our 2013 operating result.

As the low interest rate environment is expected to persist, investment income will remain under pressure due to the rather short duration of the investments in the Property-Casualty segment. We will continue to take measures to adapt our investment strategy to current market conditions.

Overall, we expect our 2013 operating profit to be in the range of €4.3 BN to €5.1 BN. For 2014, we aim to further strengthen our operating profit level compared to 2013.

LIFE/HEALTH INSURANCE

Revenues remained stable at €52.3 BN in 2012. On an internal basis, premiums decreased by 2.6%, driven in particular by declines in Italy, the United States and Asia-Pacific. Low interest rates and stiffer competition from banks continued to exert a negative effect on revenues. Furthermore, our focus on achieving adequate margins resulted in lower volumes in some regions, and in some cases even withdrawal from the market – for example in Japan. We will continue to prioritize profitability over growth in 2013. As we expect continued pressure from volatile financial markets in the near term, we anticipate the 2013 revenue level to remain relatively stable at between €50–53 BN, with the potential for a modest increase depending on interest rate developments and the competitive landscape. Our outlook for 2014 is for moderate growth as the insurance market continues to rationalize, though competition with banks may remain a challenge.

In 2012, our operating profit of €3.0 BN exceeded our target range of €2.2 BN to €2.8 BN. Results were supported by significantly lower impairments and by a high level of realized gains, driven to a large extent by portfolio rebalancing to lengthen duration, particularly in Germany. For 2013, we expect operating profit in our Life/Health segment to be between €2.5 BN and €3.1 BN, supported by growth in our underlying asset base. The decline in the outlook compared to 2012 actual operating profit is due to the expected normalization of our investment result, which was extraordinarily elevated due to the high net harvesting result and will remain under pressure in the expected low interest rate environment. Our outlook equates to a margin on reserves ranging between 50 and 70 basis points. We envisage modest operating profit growth in 2014 in line with growth in our underlying asset base.

Throughout 2012, we actively worked on mitigating the impacts of the difficult market conditions, particularly low interest rates. This included product and pricing actions, expense management, and asset/liability management. We will continue to take appropriate measures along these lines as necessary in 2013, while exploring options to further optimize the use of capital. Still, it must be noted that market volatility and the level of net harvesting can significantly affect the Life/Health segment results and make precise predictions difficult.

ASSET MANAGEMENT

Our Asset Management segment saw another year of strong and profitable growth, with net cash inflows from third parties amounting to €113.6 BN and operating profit rising 33.6% to €3.0 BN. This was mostly driven by higher net fee and commission income, in particular performance fees.

With economic and regulatory uncertainty likely to persist, financial markets are expected to remain prone to fluctuations in the foreseeable future, leaving net inflow expectations in the asset management industry largely subdued. In 2013, we do not expect the same outstanding growth in our total assets under management as we recorded in 2012 to continue. However, due to the wide range of our investment offerings, we envisage a moderate rise in our total assets under management, driven mainly by inflows into fixed income products but supported also by equity flows. Assuming favorable market developments and a rosier investor sentiment in 2013, a further moderate increase in total assets under management can be anticipated for 2014.

After 2012's very strong result, we expect our 2013 operating profit to be in the range of €2.7 BN to €3.1 BN. The high performance fee level of 2012 is expected to normalize, leaving the 2013 growth to be driven mainly by the underlying asset base. Depending on developments in 2013, we consider a further increase in our result in 2014 to be possible.

Overall, operating profits are strongly dependent on financial markets, U.S. Dollar rates, investment management performance and investor sentiment. In particular, net fee and commission income, including performance fees, are highly dependent on market valuations, investment performance and business mix.

We expect to maintain a cost-income ratio of 60% or below in 2013 and 2014, supported by our high asset base and enhanced organizational structure, which allows us to stay on course towards profitable business growth.

CORPORATE AND OTHER

Our Corporate and Other segment recorded an operating loss of €1.1 BN in 2012. Due to the restructuring of our German banking activities but improving operating results of the continuing operations, we expect an operating loss in the range of €1.1 BN to €1.3 BN for Corporate and Other (including consolidation) in 2013. This result is expected to improve in 2014.

Financing and liquidity development and capitalization

All external financing activities of the Allianz Group are centralized at Allianz SE. Potential sources of financing include the issuance of commercial paper, medium- and long-term notes and ordinary shares. In addition, Allianz SE has access to bank loans and long-term credit lines which provide flexibility and allow us to fine-tune our funding structure.

The Allianz Group maintains a healthy liquidity position combined with superior financial strength and stability and a capitalization well above what supervisory authorities currently require. We expect to have steady access to financial markets at reasonable costs in order to maintain our strong financial flexibility. This is supported by prudent steering of our liquidity resources and a maturity profile focusing on a long-dated average remaining term. Based on current interest rate expectations, our average capital market financing costs in 2013 should be broadly in line with 2012.

Due to our effective capital management, which is supplemented by our liquidity management, the Allianz Group is well capitalized and its solvency ratio is resilient. We closely monitor the capital positions of the Group and at the operating entity level and will further strengthen our capital and solvency positions. As a consequence, we will continue to selectively derisk our peripheral counterparty and sovereign exposures and take actions to manage our net exposure to volatile equity investments. Additionally, we will continue to optimize our interest rate and spread sensitivities through asset/liability management and life product design. Moreover, we will keep focusing our investments on businesses with strong cash returns or lower tail risks.

Expected dividend development

As we continuously strive to protect our investors' capital and provide attractive returns and dividends, we aim to strike a balance between payout, solvency and sustainability when determining our dividend proposal. In a normal earnings environment we consider a payout ratio of 40% of net income attributable to shareholders to allow us to retain the capital needed to support our growth and provide an attractive dividend. This policy was reflected in our consistent payout ratio of 40% between 2008 and 2010. In 2011, given the profound effects of the heavy turmoil in the financial markets and the severe impact of natural catastrophes on our financial results, striking the right balance was more difficult. Our effort to maintain a stable dividend and attractive return for shareholders resulted in a payout ratio well above 40%.

Overall, our business exhibited a very strong performance in 2012, which resulted in a significant increase in our net earnings. This leaves us in a very healthy capital position and allows us to return to our earnings-based dividend policy. We will propose at the Annual General Meeting to maintain our dividend at €4.50 per share, which again reflects a payout ratio of 40%.

Going forward, provided that our outlook assumptions hold, we will continue to target a payout ratio of 40%, based on net income attributable to shareholders.

Management's assessment of expected earnings for 2014

Based on current estimates, we expect our 2014 operating profit to improve compared to 2013 and to be driven again by positive contributions from all operating segments.

Consistent with our disclosure practice in the past and given the susceptibility of our non-operating results to adverse capital market developments, we do not provide specific predictions concerning our net income. However, since our outlook presumes no major disruptions in the capital markets, we would nevertheless expect a stable or slightly increasing net income for 2014.

As always, natural catastrophes, as well as factors mentioned in our cautionary note regarding forward-looking statements, may adversely affect the results of our operations.

Management's views on future challenges and opportunities

As a global financial services provider, our business is heavily impacted by a variety of issues of global and long-term scope. We place a high priority on monitoring, analyzing and responding to the challenges and opportunities we are presented with in order to ensure the company's sustainable and profitable growth.

It is essential that we maintain and strengthen the trust our customers, employees, investors and the public place in us. That is why our long-term business strategy is based on an in-depth understanding of the risks and opportunities facing us not only today but also in the future. By consistently following our Group strategy, we are confident that the Allianz Group is in a privileged position to build on this trust and deal with the myriad challenges and opportunities ahead.

The future key challenges and opportunities, as we see them, are outlined below.

MACROECONOMIC ENVIRONMENT AND STABILITY OF FINANCIAL MARKETS

Persistently low interest rates will present further challenges to the life insurance sector, while ongoing economic uncertainties – primarily around the sovereign debt crisis in the Eurozone and the lack of strong growth in developed markets – will continue to put pressure on the insurance as well as the asset management industries.

Although these factors are likely to have a lasting impact on Allianz and other financial services providers, we believe we are well prepared to meet the potential challenges. Just as we did in 2012, we will continue to redesign and reprice our products in response to the changing economic environment, relentlessly pursue strong underwriting results and strive for operational excellence across all business segments. We will maintain our focus on asset/liability management, while further executing the derisking programs that we have already started and continuously look for new investment opportunities beyond traditional asset classes.

We also play a constructive role in helping policymakers develop lasting solutions to the Euro crisis, as stability and predictability are the foundations of an attractive investment environment. With our strong belief that European unity is the only way forward if we want to preserve our influence in the international economy and safeguard our living standards for coming generations, we will continue to engage in discussions about the better future of Europe.

ENVIRONMENTAL CHANGES

2012 saw fewer natural catastrophes and insured losses were lower than in 2011. Nonetheless, the implications of natural disasters for the insurance industry are still significant. Related payouts to customers have risen dramatically; losses have grown by a factor of 15 over the past 30 years. This rise is partly attributable to a greater number of insured assets worldwide.

As an integrated financial services company, we are well aware that climate change could result in a range of compound risks and opportunities that affect our entire business. As a result, we are committed to supporting the development of a low-carbon economy and see this as not just a sustainability priority, but a viable business and investment case. In recognition of this, we have been implementing a Group-wide strategy covering climate-related risks and opportunities for our business and our clients. We work to reduce our direct carbon footprint and to develop products to help solve our clients' challenges and to identify new investment opportunities relating to climate change risks and solutions.

We offer our private and commercial customers a growing number (currently more than 130) of "green" products and services that mitigate the negative physical or economic effects of climate change or take its environmental impact into account. These aspects are a growing part of our product strategy.

Climate-related investments, such as renewable energies, are an attractive growth market as they contribute to greater diversification, which spreads portfolio risks. They also provide sound and stable long-term returns that are generally not linked to the ups and downs of the financial markets. This fits well with our investment strategy for insurance premiums, which calls for manageable risks and attractive returns.

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Our Progress in Sustainable Development

For more information, please refer to the chapter Our Progress in Sustainable Development starting on page 109.

SOCIAL CHANGES

Customer behavior/expectations

The evolution of the digital world has dramatically changed the way customers consume media, search for information or recommendations, and buy products. Social networks and other online channels are gaining in importance. In parallel, expectations of service levels are increasing. We are continuously adapting to this new digital lifestyle to stay connected with our stakeholders and improve customer service. In the framework of our Digital Target Picture program we leverage the opportunities which changing customer preferences provide.

For more information, please refer to the Strategic investments section.

Aging societies

Western industrialized countries face the challenge of aging and shrinking populations, caused by falling birth rates and increasing life expectancy. As a result of these changing demographics, there is a growing demand for private-sector pension schemes and healthcare solutions. Our solid market position in continental Europe and the United States, as well as our strong brand and well-diversified product portfolio, put us in an excellent position to further benefit from providing products and services for old-age, health care and assistance.

Access to finance

An estimated 2.6 billion people live on an income of between U.S. Dollar 1.25 and 4.00 a day, mostly in developing countries. Since only a fraction of these people have access to comprehensive state- or private-sector insurance schemes, it leaves the vast majority extremely vulnerable in the event of natural disasters, accidents or illness. Through its microinsurance products, Allianz offers protection and help to people with low incomes in developing countries to better manage these risks. Premiums are affordable and start from €1 a year. We currently provide over 17 million people with microinsurance, mostly in Asia but increasingly in Africa and Latin America. Our products range from life insurance and savings plans to crop index insurance. Although financial returns from microinsurance are much lower than from traditional products, we believe that satisfied microinsurance policyholders will bring a mid- to long-term return on investment as many of them move up the economic ladder and graduate towards more regular Allianz products.

Rise of the middle class

The global middle class is estimated to surge from 1.8 billion in 2009 to around five billion by 2030, with growth mostly in Asia, but also in Latin America and Africa. The rising middle class population in emerging markets provides growth opportunities in all business segments. As these consumers accumulate assets – such as homes, cars and other valuables – which were previously beyond their financial reach, they also require insurance protection. With a strong presence and experience in these markets the Allianz Group is well positioned to serve this growing pool of future customers.

REGULATORY AND ORGANIZATIONAL CHANGES

The insurance industry is faced with increased regulation in developed markets, for example Solvency II in the E.U. and the systemic risk discussions (G-SIFI) led by the Financial Stability Board. Because the regulations are not yet finalized, the consequences are uncertain. However, it is likely that capital requirements will rise and supervision will be intensified and it is certain that administrative costs will increase. In addition, Solvency II in particular may heavily impact long-term savings businesses and make investments in equities and other asset classes less attractive, potentially undermining insurers' role as long-term investors and capital providers. However, these regulatory trends could open up major opportunities as greater capital needs and regulation may lead to sector consolidation where only financially sound insurance companies will survive.

Risk management and control

Since these regulatory trends are material to Allianz's business, the Group continually monitors and attempts to influence their development for the benefit of the industry and policyholders. The growing number of issues and their impact will highlight the even greater importance of risk management, which will prove advantageous to companies with a diversified approach to risk management. After all, anticipating, monitoring and evaluating global issues is an essential aspect of our comprehensive risk management which makes us well prepared for these issues as they develop.

Complexity reduction

Reducing complexity will remain among our top priorities, with sizable efforts taken both at the Group and local entity level. Holistic initiatives – such as the streamlining of the legal structure of our worldwide entities – process standardization as well as our drive for sharing best practices on a continuous basis put us in a good position to be successful in increasing the effectiveness of the Allianz Group.

Expense management

In our global context, both mature and growing markets require tailored and intensified strategies to achieve intelligent and sustainable expense management. We will continue to improve our performance while delivering a quality outcome for all our stakeholders.

Opportunity management and strategic investments

OPPORTUNITY MANAGEMENT

Our Allianz Operating Model has laid the foundation for a structured and harmonized approach to capture opportunities globally and in our local markets.

Clear roles and responsibilities as well as processes involving all stakeholders ensure that identifying opportunities, evaluating their potential and driving promising ideas to implementation form an integral part of our strategy development process. Market Management, for example, is responsible for developing and constantly evolving the local market strategy, linking clear objectives with customer, sales channel, product, service and brand strategies.

The strategy development process comprises three steps:

1. Analysis of markets and customers to gain insights, for example on trends, customer needs and behavior.

2. Understanding the impact of these insights on the current business model and the local strategy.

3. Reviewing and adjusting the market strategy based on these findings.

The implementation of the strategy is as important as its development in terms of driving and coordinating concrete initiatives and projects. Both aspects are the responsibility of the local Boards of Management, but they are also standing agenda items in the management dialogues between the operating entities and the Holding. This demonstrates the attention given by top management to identifying and exploiting opportunities globally and locally.

As a global company with operating entities in over 70 countries, Allianz has a huge base of local expertise and examples of good practice. A key task of the Holding functions is to make use of this valuable knowledge by sharing it across the Group and supporting its transfer to other Group companies. This also allows opportunities to be identified and exploited on an ongoing basis.

In addition to strategic approaches and knowledge sharing, major sources of opportunities stem from employees' ideas and from customer feedback. Processes and tools are established to systematically leverage these two important areas of insight and to develop innovative solutions that fulfill evolving customer requirements. By asking for direct feedback after important customer interactions, such as claims handling or sales for example, we are systematically collecting and analyzing feedback to improve business processes and make the customer's voice heard throughout the company.

STRATEGIC INVESTMENTS

Allianz continues to leverage the opportunities of an increasingly global and digital environment. We drive harmonization of systems and processes across the Group to reduce complexity and improve efficiency as well as productivity. At the same time, Allianz is developing web-based and multi-access customer interaction to address changing customer behaviors and further increase their loyalty.

We are making considerable progress in our Group-wide digital transformation program and will invest approximately €450 MN in 2013 and 2014 to build reusable assets in the three areas of the Allianz Digital Target Picture: Customer Interaction, Analytics & Products as well as Productivity.

Allianz will continue to dedicate a substantial portion of the overall digitalization investment to the Customer Interaction area to increase the frequency and quality of customer contact through web, mobile and social media across all distribution channels. We have already started rolling out our cross-device global interaction solution One Web, which covers internet and mobile interaction. Addressing our customers' increasing preference for social media, Allianz has already begun developing products to ensure representation of the brand and customer interaction in the social space. Facilitating multi-access for customers is a key priority for the upcoming years.

To leverage significant data for market-based pricing and product development, investments are being made in Analytics and Products. Key examples are initiatives such as Product Portfolio Efficiency – which simplifies the product portfolio by facilitating modular offers – and Global Business Intelligence, which builds a solid and scalable infrastructure to enable entities to conduct advanced real-time analytics on critical business and reporting data. In addition, Allianz is exploring innovative digital opportunities such as telematics.

Productivity is the third key area in driving Allianz's global platform strategy of deploying scalable, lean and flexible processes and leveraging economies of scale, scope and skills. Global core insurance platforms have been rolled out to various entities and further migration projects will be started.

High priority is also given to meeting regulatory requirements and adopting a sustainable approach to risk management. These include investments for addressing the requirements of the Foreign Account Tax Compliance Act, as well as Allianz's Solvency II program.

Key multi-year strategic infrastructure programs are the basis for the above-mentioned initiatives. Allianz is preparing the worldwide consolidation of data center operations. This should simplify the launch and operations of global applications while reducing costs. It should also benefit Allianz Group with improved recovery in case of major data losses and interruption of operations caused by disasters. The continued harmonization of local networks in the Group-wide Allianz Global Network program also supports this consolidation.

Opening up new business opportunities, Allianz is growing the Business to Business to Customer (B2B2C) area. By building two value propositions in Automotive and Roadside Assistance and International Health and Corporate Assistance, we are taking a distinctive position in the B2B2C market. This approach will accelerate growth by creating comprehensive product packages and enhancing distribution with global car manufacturers, large international corporations and high-net-worth individuals.

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

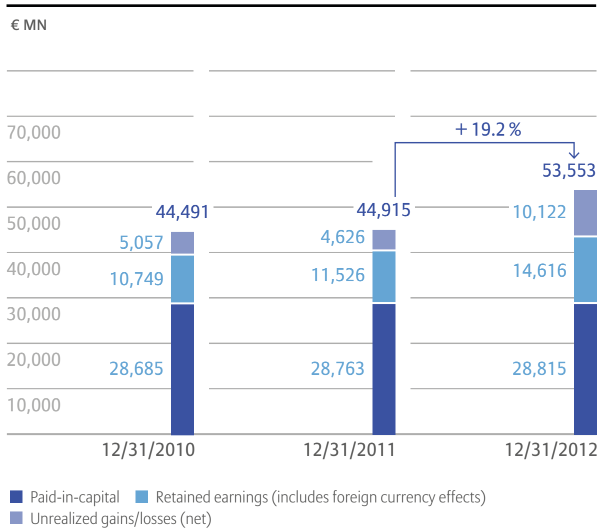
Overall, at the date of issuance of this Annual Report and given current information regarding natural catastrophe and capital market development – in particular foreign currency, interest rates and equities – the Board of Management has no indication that the Allianz Group is facing any major adverse developments.

Balance Sheet Review

– Shareholders’ equity increased by €8.6 BN to €53.6 BN.
– Strong solvency ratio up by 18 percentage points to 197%.[1]

Shareholders’ equity[2]

SHAREHOLDERS’ EQUITY C 057



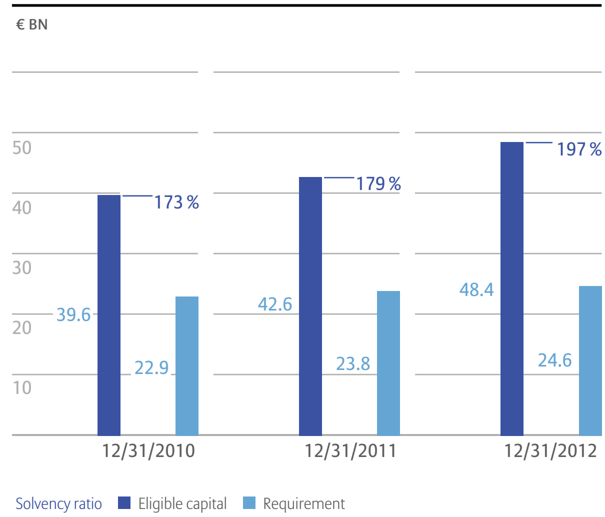
As of 31 December 2012, ***shareholders’ equity*** went up by 19.2% (or €8,638 MN) to €53,553 MN[3] after dividend payments of €2,037 MN in May 2012. The growth mainly stemmed from our net income attributable to shareholders of €5,169 MN and the €5,496 MN increase in net unrealized gains. The latter was driven by our debt securities, mainly due to the decline in selected sovereign bond yields as well as lower interest rates.

1 — Off-balance sheet reserves are 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 as of 31 December 2012 would be 188% (2011: 170%, 2010: 164%).
2 — This does not include non-controlling interests of €2,665 MN, €2,338 MN and €2,071 MN as of 31 December 2012, 31 December 2011 and 31 December 2010, respectively. For further information, please refer to note 25 to the consolidated financial statements. Retained earnings include foreign currency translation effects of €(2,073) MN, €(1,996) MN and €(2,339) MN as of 31 December 2012, 2011 and 2010, respectively.
3 — As of 1 January 2013 our shareholders’ equity decreased by approximately €3.3 BN due to the amendments to IAS 19. For further details, please refer to note 4 to the consolidated financial statements.

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 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”.

CONGLOMERATE SOLVENCY[1] C 058



1 — Off-balance sheet reserves are 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 as of 31 December 2012 would be 188% (2011: 170%, 2010: 164%).

Compared to year-end 2011, our ***conglomerate solvency ratio*** strengthened further by 18 percentage points to 197%. In line with the development of our shareholders’ equity, the Group’s eligible capital for solvency purposes rose to €48.4 BN. This includes an off-balance sheet reserve of €2.2 BN (31 December 2011: €2.2 BN). The growth of €5.8 BN was largely driven by our net income (net of proposed dividends) of €3.1 BN and the placement of subordinated bonds. The required funds went up by €0.8 BN to €24.6 BN, primarily due to higher aggregate policy reserves in our Life/Health business. Thus, we improved our already strong solvency position further with our eligible capital surpassing the minimum legally stipulated level by €23.8 BN.

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

Total assets and total liabilities

In the following sections, we show the asset allocation for our insurance portfolio and analyze important developments in the balance sheets of our segments.

As of 31 December 2012, total assets amounted to €694.6 BN and total liabilities were €638.4 BN. Compared to year-end 2011, total assets and total liabilities increased by €53.1 BN and €44.2 BN, respectively.

This section mainly focuses on our financial investments in equities, debt instruments, real estate and cash and other as well as on our insurance reserves and external financing, since these account for the major developments in our balance sheet.

MARKET ENVIRONMENT OF DIFFERENT ASSET CLASSES

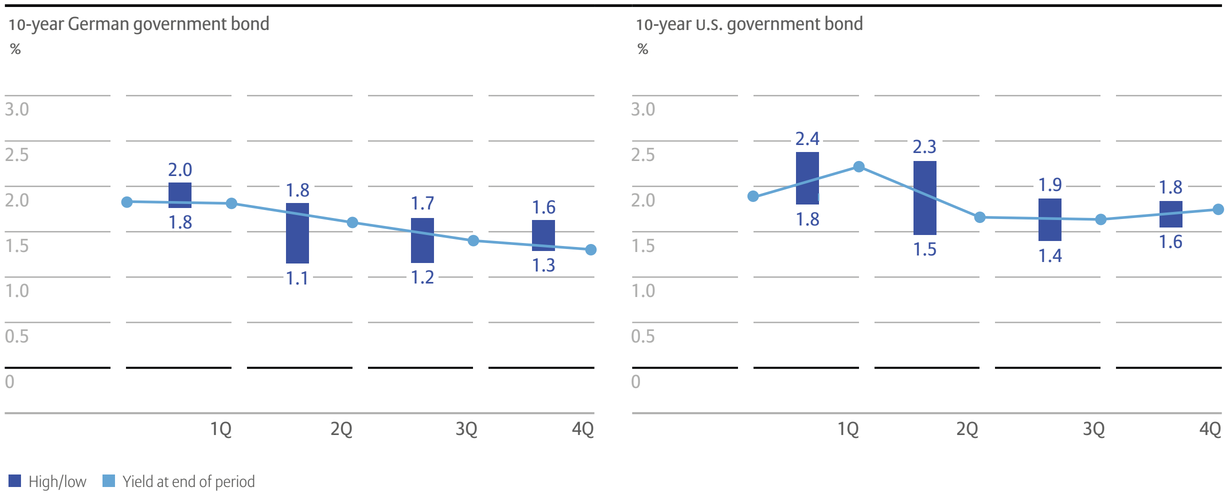
Although *financial markets* remained volatile in 2012, market sentiment improved over the course of the second half of the year.

As highlighted in the Business Environment starting on page 122, stock market indices in Europe and the United States experienced a positive development in the second half of the year, overcoming the second quarter downturn. After the decline in German and U.S. government bond yields in the second quarter driven by the "flight to quality", yields on U.S. government bonds went up towards the end of the year. However, yields on German government bonds decreased further. Italian government bond yields finished the year lower than year-end 2011.

122 Business Environment

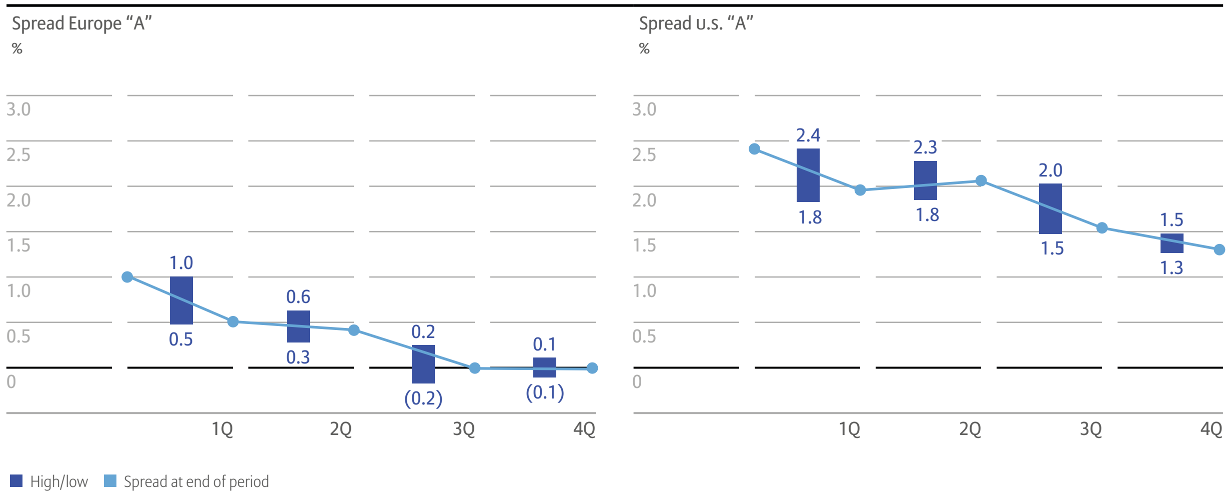
Overall, U.S. and European corporate *credit spreads* for A-rated debtors narrowed during 2012.

INTEREST RATES DEVELOPMENT IN 2012 C 059



1 — For further details on the amendments to IAS 19, please refer to note 4 to the consolidated financial statements.

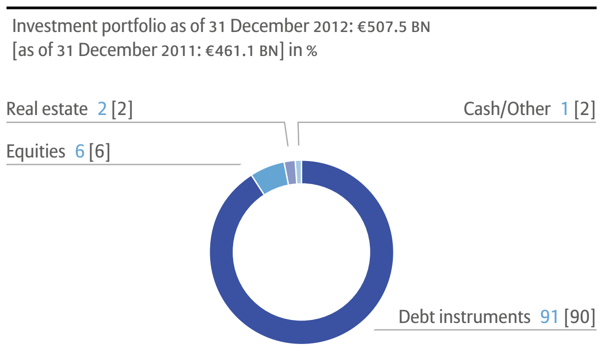
CREDIT SPREADS DEVELOPMENT IN 2012 C 060



STRUCTURE OF INVESTMENTS – PORTFOLIO OVERVIEW

The Allianz Group's investment portfolio is mainly determined by our core business of insurance. The following portfolio overview covers the insurance segments as well as the non-banking assets of the Corporate and Other segment.

ASSET ALLOCATION C 061



As of 31 December 2012 our investment portfolio increased by €46.4 BN, or 10.1% to €507.5 BN, primarily due to the investment performance of our Life/Health business. Our asset allocation remained stable.

Our gross exposure to *equities* rose to €29.6 BN (31 December 2011: €28.8 BN), mainly driven by positive market developments and only partially offset by realizations. Nevertheless, our equity gearing – a ratio of our equity holdings allocated to the shareholder after policyholder participation and hedges to shareholders' equity plus off-balance sheet reserves less goodwill – dropped 8 percentage points from 31% to 23%, predominantly due to the growth in shareholders' equity.

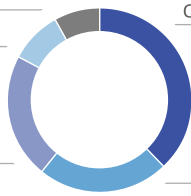
As of 31 December 2012, our investments in *debt instruments*, which accounted for 91% of the Allianz Group's investment portfolio, increased by €44.3 BN, or 10.6% to €460.8 BN. This growth was fueled by reinvested interest flows and positive market effects driven by lower interest rates. Overall, we have a well diversified exposure in this asset class including 61% government and covered bonds. In line with our operating business profile, 62% of our fixed income portfolio was invested in Eurozone bonds and loans. About 95% of our portfolio of debt instruments[1] was invested in investment-grade bonds and loans.

Our exposure to *real estate* held for investment increased to €9.7 BN (31 December 2011: €8.7 BN).

1 – Excluding self-originated German private retail mortgage loans. For 2%, no ratings were available.

FIXED INCOME PORTFOLIO C 062

Total fixed income portfolio as of 31 December 2012: €460.8 BN
[as of 31 December 2011: € 416.5 BN] in %



Our *government bond exposure* totaled €174.2 BN, which equals 38% of our fixed income portfolio. We reduced our investments in Spanish, Greek, Irish and Portuguese sovereign bonds over the course of the year. Our sovereign bond exposure in Italy, Spain, Portugal, Greece and Ireland comprised approximately 7.4% of our fixed income portfolio, thereof about 6.7% in Italy and 0.5% in Spain.

CARRYING VALUES AND UNREALIZED GAINS/LOSSES IN SPANISH, GREEK, IRISH, PORTUGUESE AND ITALIAN SOVEREIGN BONDS C 063

€ MN

as of 31 December 2012	Carrying value	Unrealized gains/losses (gross)[1]	Unrealized gains/losses (net)[2]
Spain	2,482	(104)	(22)
Greece	11	4	–
Ireland	57	–	–
Portugal	241	(10)	(6)
Subtotal	**2,791**	**(110)**	**(28)**
Italy	31,097	1,279	251
Total	**33,888**	**1,169**	**223**

1 — Before policyholder participation and taxes.
2 — After policyholder participation and taxes; based on 31 December 2012, balance sheet figures reflected in accumulated other comprehensive income.

Unrealized gains (gross) on the above-mentioned sovereign bond exposures, net of losses, amounted to €1,169 MN (31 December 2011: unrealized losses of €3,713 MN). The increase of €4,882 MN primarily reflects the decline in Italian government bond yields.

50% of our *covered bonds* portfolio were German Pfandbriefe, backed by either public sector loans or mortgage loans. Another 15% and 9% of the covered bonds were allocated to France and Spain, respectively. Covered bonds provide a cushion against real estate price deterioration and payment defaults through minimum required security buffers and over-collateralization.

Due to a reduction in the Tier 2 share, our exposure to subordinated securities in banks amounted to €6.7 BN, representing a decrease of €1.7 BN compared to year-end 2011.

Our portfolio included asset-backed securities (ABS) of €19.5 BN (31 December 2011: €19.9 BN). Of these, about 78% were related to mortgage backed securities (MBS). Around 21% of our ABS securities were made up of MBS issued by U.S. agencies which are backed by the U.S. government. Overall, 96% of the total ABS portfolio received an investment grade rating, with 88% rated "AA" or better (31 December 2011: 84%).

Overall, the reduction of our exposure to equities and bonds of selected European peripheral countries leaves us better prepared to withstand further adverse effects of the European sovereign debt crisis and related market turmoil.

INVESTMENT RESULT

NET INVESTMENT INCOME C 064

€ MN

	Group		
as of 31 December	2012	2011	Delta
Interest and similar income (net)[1]	20,598	19,984	614
Income from financial assets and liabilities carried at fair value through income (net)	(511)	(1,287)	776
Realized gains/losses (net)	4,327	3,435	892
Impairments of investments (net)	(934)	(3,661)	2,727
Investment expenses	(876)	(852)	(24)
Net investment income	**22,604**	**17,619**	**4,985**

1 — Net of interest expenses (excluding interest expenses from external debt).

In 2012, our *net investment income* went up by €4,985 MN – or 28.3% – to €22,604 MN. This increase was predominantly driven by lower impairments and to a lesser extent by higher realized gains and the improvement in our income from financial assets and liabilities carried at fair value through income (net).

The growth of €614 MN to €20,598 MN in *interest and similar income (net)*[1] mainly resulted from the increased asset base in our Life/Health segment.

The loss in our *income from financial assets and liabilities carried at fair value through income (net)* was reduced by €776 MN to €511 MN – driven by the favorable equity market development and a positive trading result (plus €560 MN). €496 MN of the increase in our trading result came from positive valuation effects on The Hartford warrants, which were sold in April 2012. Negative valuation results on debt securities had a partially offsetting effect. Financial derivatives are used to protect against equity and foreign currency fluctuations as well as to manage duration and other interest rate-related exposures.

Realized gains and losses (net) increased 26.0% to €4,327 MN. This was primarily due to realizations on debt securities. Higher realized gains on equities were offset by lower results on real estate.

Impairments (net) fell €2,727 MN to €934 MN. Thereof, impairments on equities amounted to €827 MN (31 December 2011: €2,515 MN), which mainly stemmed from our investments in the financial sector. Impairments on debt securities totaled €89 MN (31 December 2011: €1,125 MN). In 2011, we recorded impairments on Greek sovereign bonds of €1,023 MN.

Investment expenses (net) remained almost stable at €876 MN (31 December 2011: €852 MN).

1 — Net of interest expenses (excluding interest expenses from external debt).

ASSETS AND LIABILITIES OF THE PROPERTY-CASUALTY SEGMENT

Property-Casualty assets

As of 31 December 2012, our Property-Casualty asset base grew by €7.1 BN to €105.3 BN, mainly due to market effects and reinvested interest inflows.

COMPOSITION OF ASSET BASE – FAIR VALUES[1] C 065

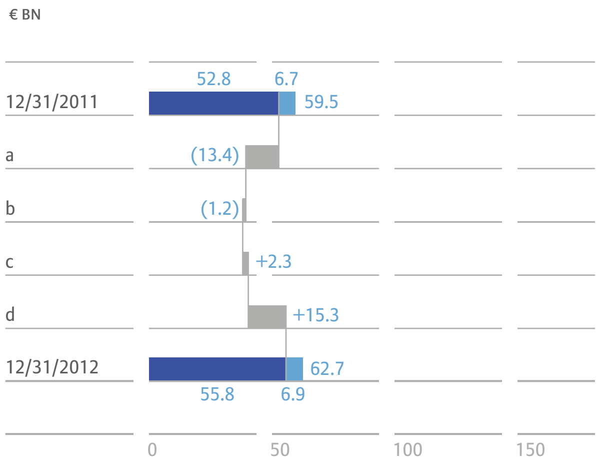
€ BN as of 31 December	2012	2011
Financial assets and liabilities carried at fair value through income		
Equities	0.3	0.2
Debt securities	0.2	0.9
Other[2]	–	–
Subtotal	**0.5**	**1.1**
Investments[3]		
Equities	3.9	4.9
Debt securities	69.8	63.2
Cash and cash pool assets[4]	5.1	4.1
Other	7.7	7.1
Subtotal	**86.5**	**79.3**
Loans and advances to banks and customers	18.3	17.8
Property-Casualty asset base	105.3	98.2

1 — Loans and advances to banks and customers, held-to-maturity investments and real estate held for investment are stated at amortized cost. Investments in associates and joint ventures are stated at either amortized cost or equity, depending on – among other factors – our ownership percentage.
2 — This comprises assets of €0.1 BN and €0.1 BN and liabilities of €(0.1) BN and €(0.1) BN as of 31 December 2012 and 31 December 2011, respectively.
3 — These do not include affiliates of €8.8 BN and €9.1 BN as of 31 December 2012 and 31 December 2011, respectively.
4 — Including cash and cash equivalents, as stated in our segment balance sheet of €2.7 BN and €2.4 BN and receivables from cash pooling amounting to €2.8 BN and €2.1 BN, net of liabilities from securities lending and derivatives of €(0.2) BN and €(0.3) BN, as well as liabilities from cash pooling of €(0.2) BN and €(0.1) BN as of 31 December 2012 and 31 December 2011, respectively. As of 1 January 2012, the definition of cash and cash pool assets has changed. Now, they also include liabilities from cash pooling. Therefore the previous year's figures have been adjusted accordingly.

As of 31 December 2012, ABS of €3.8 BN represented 3.6% of the segment's asset base.

Property-Casualty liabilities

DEVELOPMENT OF RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES[1] C 066



a Loss and loss adjustment expenses paid in current year relating to previous years
b Loss and loss adjustment expenses incurred in previous years
c Foreign currency translation adjustments and other changes, changes in the consolidated subsidiaries of the Allianz Group and reclassifications
d Reserves for loss and loss adjustment expenses in current year

■ Reserves net ■ Reserves ceded ■ Changes

1 — After group consolidation. For further information about changes in the reserves for loss and loss adjustment expenses for the Property-Casualty segment, please refer to note 19 to the consolidated financial statements.

Compared to year-end 2011, the gross reserves for loss and loss adjustment expenses for our Property-Casualty business increased by €3.2 BN to €62.7 BN. On a net basis, our reserves grew by €3.0 BN to €55.8 BN. Foreign currency translation effects and other changes accounted for €2.3 BN of the increase. This includes the activities acquired from Mensura and Gan Eurocourtage.[1]

1 — For further details, please refer to note 5 to the consolidated financial statements.

ASSETS AND LIABILITIES OF THE LIFE/HEALTH SEGMENT

Life/Health assets

Our Life/Health asset base rose by €44.8 BN, or 10.5% to €472.3 BN by year-end 2012. The growth of the segment's asset base was almost completely attributable to an increase in our debt investments (up by €36.8 BN) due to market effects and reinvested interest inflows.

COMPOSITION OF ASSET BASE – FAIR VALUES C 067

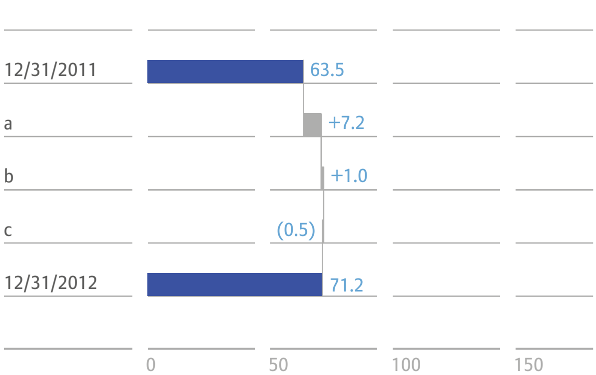
€ BN as of 31 December	2012	2011
Financial assets and liabilities carried at fair value through income		
Equities	2.1	2.1
Debt securities	2.3	2.5
Other[1]	(3.5)	(4.4)
Subtotal	**0.9**	**0.2**
Investments[2]		
Equities	24.1	22.1
Debt securities	266.4	229.6
Cash and cash pool assets[3]	5.7	5.1
Other	9.9	9.0
Subtotal	**306.1**	**265.8**
Loans and advances to banks and customers	**94.1**	**98.0**
Financial assets for unit-linked contracts[4]	**71.2**	**63.5**
Life/Health asset base	**472.3**	**427.5**

1 — This comprises assets of €1.7 BN and €1.9 BN and liabilities (including the market value liability option) of €(5.2) BN and €(6.3) BN as of 31 December 2012 and 31 December 2011, respectively.
2 — These do not include affiliates of €0.7 BN and €1.4 BN as of 31 December 2012 and 31 December 2011, respectively.
3 — Including cash and cash equivalents, as stated in our segment balance sheet, of €5.6 BN and €5.3 BN and receivables from cash pooling amounting to €2.6 BN and €2.5 BN, net of liabilities from securities lending and derivatives of €(1.5) BN and €(1.8) BN, as well as liabilities from cash pooling of €(1.0) BN and €(0.9) BN as of 31 December 2012 and 31 December 2011, respectively.
4 — Financial assets for unit-linked contracts represent assets owned by, and managed on behalf of, policyholders of the Allianz Group, with all appreciation and depreciation in these assets accruing to the benefit of policyholders. As a result, the value of financial assets for unit-linked contracts in our balance sheet corresponds to the value of financial liabilities for unit-linked contracts. The International Financial Reporting Standards (IFRS) require the classification of any contract written by an insurance company either as an insurance contract or as an investment contract, depending on whether an insurance component is included. This requirement also applies to unit-linked products. In contrast to unit-linked investment contracts, unit-linked insurance contracts include coverage for significant mortality or morbidity risk.

As of 31 December 2012, ABS amounted to €15.3 BN and accounted for 3.2% of our Life/Health asset base. Financial assets for unit-linked contracts amounted to €71.2 BN.

FINANCIAL ASSETS FOR UNIT-LINKED CONTRACTS[1] C 068

€ BN



a Change in unit-linked insurance contracts
b Change in unit-linked investment contracts
c Foreign currency translation adjustments

■ Financial assets for unit-linked contracts ■ Changes

1 — Financial assets for unit-linked contracts represent assets owned by, and managed on behalf of, policyholders of the Allianz Group, with all appreciation and depreciation in these assets accruing to the benefit of policyholders. As a result, the value of financial assets for unit-linked contracts in our balance sheet corresponds to the value of financial liabilities for unit-linked contracts. The International Financial Reporting Standards (IFRS) require the classification of any contract written by an insurance company either as an insurance contract or as an investment contract, depending on whether an insurance component is included. This requirement also applies to unit-linked products. In contrast to unit-linked investment contracts, unit-linked insurance contracts include coverage for significant mortality or morbidity risk.

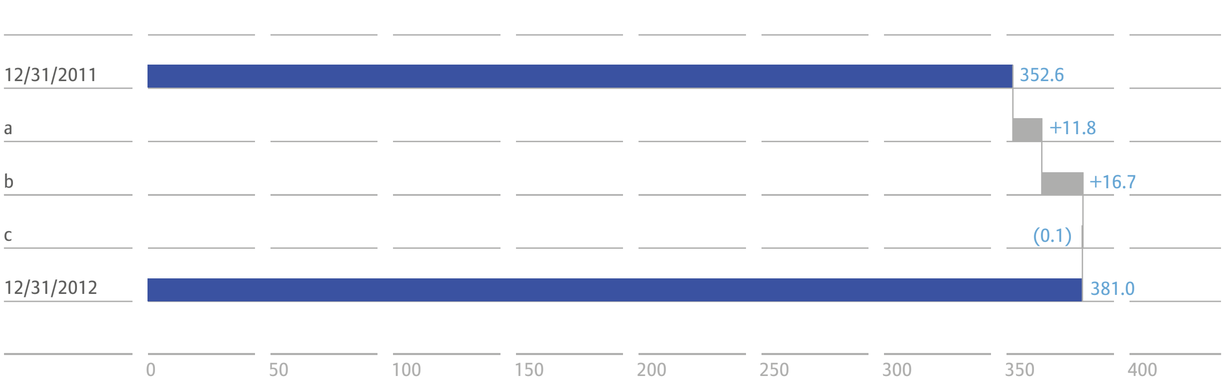
Financial assets for unit-linked contracts grew by €7.7 BN or 12.2% to €71.2 BN. Unit-linked insurance contracts increased by €7.2 BN due to a good performance of funds (€4.2 BN) and premium inflows exceeding outflows by €3.3 BN. Unit-linked investment contracts increased by €1.0 BN as the good fund performance of €1.6 BN counterbalanced net outflows of €0.5 BN. Net outflows recorded in Italy in the first quarter stabilized in the course of 2012. The main drivers of currency effects were the weaker U.S. Dollar (€(0.3) BN) and selected Asian currencies (€(0.3) BN).[1]

Life/Health liabilities

The segment's reserves for insurance and investment contracts increased by €28.4 BN or 8.1% to €381.0 BN in 2012. The growth of €11.8 BN in aggregate policy reserves was mainly driven by our operations in Germany (€7.6 BN), Belgium/Luxembourg (€1.2 BN), France (€0.7 BN) and Italy (€0.5 BN). Reserves for premium refunds went up by €16.7 BN as the policyholders' share in net unrealized gains and losses on bonds grew significantly (€14.4 BN). The currency impact was small as losses on the U.S. Dollar (loss of €0.8 BN) were almost compensated by gains from selected Asian currencies (€0.5 BN), the Swiss Franc (€0.1 BN) and several others.[1]

DEVELOPMENT OF RESERVES FOR INSURANCE AND INVESTMENT CONTRACTS C 069

€ BN



a Change in aggregate policy reserves
b Change in reserves for premium refunds
c Foreign currency translation adjustments

■ Reserves ■ Changes

1 — Based on the closing rate of the respective balance sheet dates.

ASSETS AND LIABILITIES OF THE ASSET MANAGEMENT SEGMENT

Asset Management assets

The Asset Management segment's results are derived primarily from third-party asset management. In this section, we refer only to the segment's own assets.[1]

The main components of the segment's asset base were cash and cash pool assets and debt securities. Overall, the Asset Management asset base decreased by €0.7 BN to €3.8 BN, as of year-end 2012. Thereof, cash and cash pool assets amounted to €1.6 BN (31 December 2011: €1.3 BN). Loans and advances declined by €1.1 BN to €0.4 BN, driven by a reduction in Group internal financing.

Asset Management liabilities

Liabilities in our Asset Management segment decreased by €1.3 BN to €4.3 BN, mainly due to a decrease in provisions and the reduction in Group internal financing.

1 — For further information on the development of these third-party assets, please refer to the Asset Management chapter.

ASSETS AND LIABILITIES OF THE CORPORATE AND OTHER SEGMENT

Corporate and Other assets

As of 31 December 2012, our Corporate and Other asset base amounted to €42.0 BN. The increase of €6.2 BN was mainly attributable to debt securities, cash and cash pool assets and loans and advances.

COMPOSITION OF ASSET BASE — FAIR VALUES C 070

€ BN as of 31 December	2012	2011
Financial assets and liabilities carried at fair value through income		
Equities	–	0.1
Debt securities	–	–
Other[1]	(0.2)	(0.3)
Subtotal	**(0.2)**	**(0.2)**
Investments[2]		
Equities	1.7	1.9
Debt securities	23.8	18.1
Cash and cash pool assets[3]	(0.4)	(1.9)
Other	0.2	0.2
Subtotal	**25.3**	**18.3**
Loans and advances to banks and customers	**16.9**	**17.7**
Corporate and Other asset base	**42.0**	**35.8**

1 — This comprises assets of €0.2 BN and €0.2 BN and liabilities of €(0.4) BN and €(0.5) BN as of 31 December 2012 and 31 December 2011, respectively.
2 — These do not include affiliates of €74.3 BN and €73.4 BN as of 31 December 2012 and 31 December 2011, respectively.
3 — Including cash and cash equivalents, as stated in our segment balance sheet, of €4.2 BN and €1.8 BN and receivables from cash pooling amounting to €0.2 BN and €0.5 BN, net of liabilities from securities lending and derivatives of €(0.1) BN and €0.0 BN, as well as liabilities from cash pooling of €(4.7) BN and €(4.2) BN as of 31 December 2012 and 31 December 2011, respectively.

As of 31 December 2012, ABS amounted to €0.4 BN, representing 0.9% of its asset base.

Corporate and Other liabilities

Other liabilities increased by €2.2 BN to €18.0 BN. The growth in certificated liabilities from €13.8 BN to €14.7 BN was primarily driven by a senior bond of €1.5 BN issued in February 2012. Participation certificates and subordinated liabilities increased by €0.2 BN as the effect from the redemption of a subordinated bond of €2.0 BN in May 2012 was offset by the issuance of subordinated bonds in October and November 2012.[2]

2 — For further information on Allianz SE debt as of 31 December 2012, please refer to notes 23 and 24 to the consolidated financial statements.

Off-balance sheet arrangements

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

The Allianz Group enters into various commitments including loan and leasing commitments, purchase obligations and other commitments. Please refer to note 46 to the consolidated financial statements for more details.

The Allianz Group has also entered into contractual relationships with various types of special purpose vehicles. They have been designed in a way so that their relevant activities are directed by means of contractual arrangements instead of voting or similar rights. Typically, special purpose vehicles have been set up in connection with asset backed financings, certain investment fund products with guarantees, commercial mortgage loans and collateralized debt obligations. For more details on our collateralized debt obligations, please refer to note 44 to the consolidated financial statements.

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Risk Report

Please refer to the Risk Report from page 184 onwards for a description of the main concentrations of risk and other relevant risk positions.

Liquidity and Funding Resources

Organization

The Allianz Group bases its liquidity management on policies and guidelines approved by the Board of Management of Allianz SE. It is the primary responsibility of Allianz SE and each of the major operating subsidiaries to manage their respective liquidity positions while Allianz SE provides a central liquidity pooling for the Group. On the other hand, the capital allocation is steered by Allianz SE for the entire Group. This enables the efficient use of liquidity and capital resources and allows Allianz SE to ensure that the Group and its operating entities achieve the desired liquidity and capitalization levels.

Liquidity management of our operating entities

INSURANCE OPERATIONS

The principal sources of liquidity for our operational activities include primary and reinsurance premiums received, reinsurance receivables collected, as well as investment income and proceeds generated from the maturity or sale of investments. Those funds are mainly used to pay property-casualty claims and related expenses, life policy benefits, surrenders and cancellations, acquisition costs as well as operating costs.

We generate strong cash flows from our insurance operations as most premiums are received before payments of claims or policy benefits are required, allowing us to invest these funds in the interim. This enables us to generate investment income.

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

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

ASSET MANAGEMENT OPERATIONS

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

BANKING OPERATIONS

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

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 our operating subsidiaries. The main sources of liquidity available for Allianz SE are dividends received from subsidiaries and 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 in the capital markets for short-, mid- and long-term funding needs are described below. In general, mid- to long-term financing is covered by issuing senior or subordinated bonds or ordinary shares.

Equity funding

As of 31 December 2012, the issued capital registered at the Commercial Register was €1,167,232,000. This was 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. The following table outlines Allianz SE's capital authorizations as of 31 December 2012:

CAPITAL AUTHORIZATIONS OF ALLIANZ SE — C 071

CAPITAL AUTHORIZATION	NOMINAL AMOUNT	EXPIRY DATE OF THE AUTHORIZATION
Authorized Capital 2010/I	€550,000,000 (214,843,750 shares)	4 May 2015
Authorized Capital 2010/II	€9,752,000 (3,809,375 shares)	4 May 2015
Authorization to issue bonds carrying conversion and/or option rights	€9,500,000,000 (nominal bond value)	4 May 2015 (issuance of bonds)
Conditional Capital 2010	€250,000,000 (97,656,250 shares)	No expiry date for Conditional Capital 2010 (issuance in case option or conversion rights are exercised)

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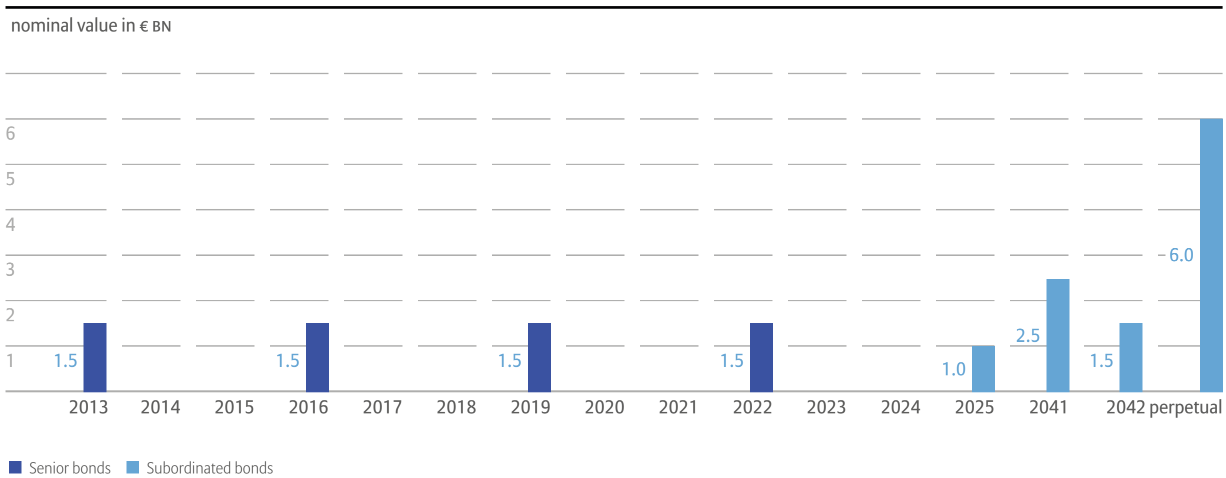
Authorization of the Board of Management to issue and repurchase shares

Please refer to page 72 regarding authorizations to issue and repurchase shares.

MATURITY STRUCTURE OF ALLIANZ SE'S SENIOR AND SUBORDINATED BONDS AS OF 31 DECEMBER 2012 — C 072



Long-term debt funding

As of 31 December 2012, Allianz SE had senior and subordinated bonds in a variety of maturities outstanding reflecting our focus on long-term financing. As the cost and availability of external funding may be negatively affected by general market conditions or by matters specific to the financial services industry or the Allianz Group, we seek to reduce refinancing risk by actively steering the maturity profile of our funding structure.

Interest expenses on senior bonds increased to €306.8 MN (2011: €262.5 MN) driven by additional volumes raised in 2012. For subordinated bonds interest expenses decreased amounting to €614.1 MN (2011: €624.2 MN) due to lower funding costs on new issuances in 2012 compared to the bonds redeemed in 2012.

SENIOR AND SUBORDINATED BONDS ISSUED OR GUARANTEED BY ALLIANZ SE[1] C 073

as of 31 December	2012				2011			
	Nominal value € MN	Carrying value € MN	Interest expense € MN	Weighted average interest rate[2] %	Nominal value € MN	Carrying value € MN	Interest expense € MN	Weighted average interest rate[2] %
Senior bonds	6,000	5,942	306.8	4.6	5,400	5,343	262.5	4.9
Subordinated bonds	10,976	10,895	614.1	6.2	10,741	10,456	624.2	6.5
Total	**16,976**	**16,837**	**920.9**	**5.6**	**16,141**	**15,799**	**886.7**	**5.9**

1 — For further information on Allianz SE debt (issued or guaranteed) as of 31 December 2012, please refer to notes 23 and 24 to the consolidated financial statements.
2 — Based on nominal value.

The table below details the long-term debt issuances and redemptions of Allianz SE during 2012 and 2011:

ISSUANCES AND REDEMPTIONS OF ALLIANZ SE'S SENIOR AND SUBORDINATED BONDS C 074

€ MN as of 31 December	2012			2011		
	Issuances[1]	Redemptions[1]	Issuances net of redemptions	Issuances[1]	Redemptions[1]	Issuances net of redemptions
Senior bonds	1,500	900	600	—	—	—
Subordinated bonds	2,259	2,000	259	2,500	378	2,122

1 — Based on nominal value.

Funding in other currencies than the Euro enables us to diversify our investor base or to take advantage of favorable funding costs in those markets. Funds raised in non-Euro currencies are incorporated in our general hedging strategy. As of 31 December 2012, approximately 13.4% (2011: 9.5%) of long-term debt was issued or guaranteed by Allianz SE in currencies other than the Euro.

CURRENCY ALLOCATION OF ALLIANZ SE'S SENIOR AND SUBORDINATED BONDS C 075

nominal value in €MN as of 31 December	2012			2011		
	Euro	Non-Euro	Total	Euro	Non-Euro	Total
Senior and subordinated bonds	14,700	2,276	16,976	14,600	1,541	16,141

Short-term debt funding

Short-term funding sources available are the Medium-Term Note Program and the Commercial Paper Program. As of 31 December 2012, Allianz SE had money market securities outstanding with a carrying value of €1,180 MN: a €61 MN increase in the use of commercial paper compared to the previous year-end. Interest expenses on money market securities decreased to €11.4 MN (2011: €13.0 MN) due to a lower level of short-term interest rates on average in 2012.

MONEY MARKET SECURITIES OF ALLIANZ SE C 076

as of 31 December	2012			2011		
	Carrying value	Interest expense	Average interest rate	Carrying value	Interest expense	Average interest rate
	€ MN	€ MN	%	€ MN	€ MN	%
Money market securities	1,180	11.4	1.0	1,119	13.0	1.2

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

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

ALLIANZ SE BONDS[1] OUTSTANDING AS OF 31 DECEMBER 2012 AND INTEREST EXPENSES IN 2012 C 077

1. SENIOR BONDS[2]		
5.0% bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€1.5 BN	
Year of issue	2008	
Maturity date	3/6/2013	
ISIN	DE 000 A0T R7K 7	
Interest expense		€76.9 MN
4.0% bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€1.5 BN	
Year of issue	2006	
Maturity date	11/23/2016	
ISIN	XS 027 588 026 7	
Interest expense		€62.1 MN
4.75% bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€1.5 BN	
Year of issue	2009	
Maturity date	7/22/2019	
ISIN	DE 000 A1A KHB 8	
Interest expense		€73.6 MN
3.5% bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€1.5 BN	
Year of issue	2012	
Maturity date	2/14/2022	
ISIN	DE 000 A1G 0RU 9	
Interest expense		€47.5 MN
Total interest expense for senior bonds		**€260.1 MN**
2. SUBORDINATED BONDS[3]		
6.5% bond issued by Allianz Finance II B. V., Amsterdam		
Volume	€1.0 BN	
Year of issue	2002	
Maturity date	1/13/2025	
ISIN	XS 015 952 750 5	
Interest expense		€66.4 MN
5.5% bond issued by Allianz SE		
Volume	€1.5 BN	
Year of issue	2004	
Maturity date	PERPETUAL BOND	
ISIN	XS 018 716 232 5	
Interest expense		€84.5 MN
4.375% bond issued by Allianz Finance II B. V., Amsterdam		
Volume	€1.4 BN	
Year of issue	2005	
Maturity date	PERPETUAL BOND	
ISIN	XS 021 163 783 9	
Interest expense		€63.5 MN
5.375% bond issued by Allianz Finance II B. V., Amsterdam		
Volume	€0.8 BN	
Year of issue	2006	
Maturity date	PERPETUAL BOND	
ISIN	DE 000 A0G NPZ 3	
Interest expense		€43.0 MN
8.375% bond issued by Allianz SE		
Volume	USD 2.0 BN	
Year of issue	2008	
Maturity date	PERPETUAL BOND	
ISIN	US 018 805 200 7	
Interest expense		€140.1 MN
5.75% bond issued by Allianz Finance II B. V., Amsterdam		
Volume	€2.0 BN	
Year of issue	2011	
Maturity date	7/8/2041	
ISIN	DE 000 A1GNAH1	
Interest expense		€116.6 MN
5.625% bond issued by Allianz SE		
Volume	€1.5 BN	
Year of issue	2012	
Maturity date	10/17/2042	
ISIN	DE 000 A1RE1Q3	
Interest expense		€18.2 MN
5.5% bond issued by Allianz SE		
Volume	USD 1.0 BN	
Year of issue	2012	
Maturity date	PERPETUAL BOND	
ISIN	XS 085 787 2500	
Interest expense		€4.0 MN
Total interest expense for subordinated bonds		**€536.3 MN**
3. ISSUES REDEEMED IN 2012		
6.125% bond issued by Allianz Finance II B. V., Amsterdam		
Volume	€2.0 BN	
Year of issue	2002	
Maturity date	5/31/2022	
ISIN	XS 014 888 756 4	
Interest expense		€46.5 MN
4. ISSUES MATURED IN 2012		
5.625% bond issued by Allianz Finance II B. V., Amsterdam		
Volume	€0.9 BN	
Year of issue	2002	
Maturity date	11/29/2012	
ISIN	XS 015 879 238 1	
Interest expense		€46.7 MN
Total interest expense		**€889.6 MN**

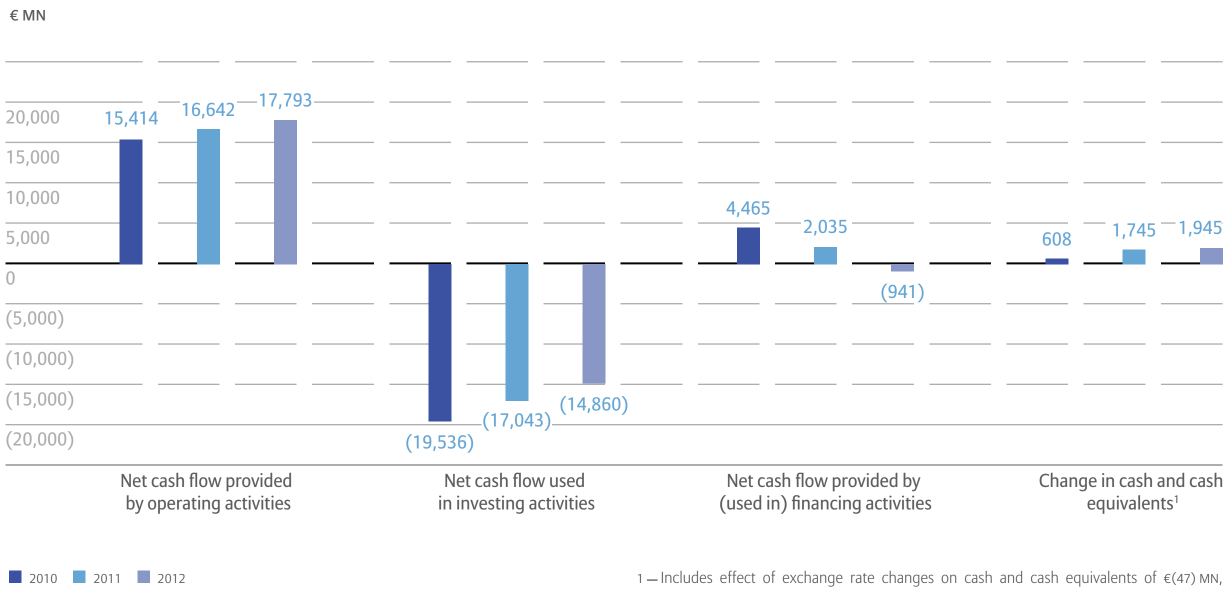
1 — This does not include, among others, the €0.5 BN 30-year convertible subordinated note issued in July 2011. For further information on Allianz SE debt (issued or guaranteed) as of 31 December 2012, please refer to notes 23 and 24 to the consolidated financial statements.

2 — Senior bonds provide for early termination rights in case of non-payment of amounts due under the bond (interest and principal) as well as in case of insolvency.

3 — The terms of the subordinated bonds do not explicitly provide for early termination rights in favor of the bondholder. Interest payments are subject to certain conditions which are linked, inter alia, to our net income, and may have to be deferred. Nevertheless, the terms of the relevant bonds provide for alternative settlement mechanisms which allow us to avoid an interest deferral using cash raised from the issuance of specific newly issued instruments.

Allianz Group consolidated cash flows

CHANGE IN CASH AND CASH EQUIVALENTS FOR THE YEARS ENDED 31 DECEMBER C 078



1 — Includes effect of exchange rate changes on cash and cash equivalents of €(47) MN, €111 MN and €265 MN in 2012, 2011 and 2010, respectively.

Net cash flow provided by operating activities amounted to €17.8 BN, up by €1.2 BN compared to the previous year. Net cash flow provided by operating activities is comprised of net income plus adjustments for non-cash charges, credits and other items included in net earnings and cash flows related to the net change in operating assets and liabilities. Net income after adding back non-cash charges and similar items, which were driven by a lower level of impairments on our available-for-sale investments, declined from €9.6 BN in 2011 to €8.5 BN in 2012, representing a decrease of €1.1 BN. However, there was a growth in operating cash flows of €2.3 BN from the net change in operating assets and liabilities – from €7.0 BN in 2011 to €9.3 BN in 2012. This increase was mainly driven by higher reserves for insurance and investment contracts in our Life/Health business, mainly in Germany, Italy and France. We also recorded positive net changes from our operating receivables/payables. Lower reserves for losses and loss adjustment expenses in our Property-Casualty business – especially in Australia and Allianz Global Corporate & Specialty (AGCS) – and net cash outflows from financial assets and liabilities held for trading partially offset these positive effects.

Net cash outflow used in investing activities decreased by €2.1 BN to €14.9 BN in 2012. This drop was mainly due to significant net cash inflows from loans and advances to banks and customers (in 2011 we recorded large net cash outflows), particularly in our Life/Health business in Germany. Compared to 2011 we recorded higher net cash outflows for available-for-sale investments at Allianz SE and our Life/Health operation in Germany. Moreover, we recorded an increase in net cash outflows for our real estate investments in 2012, especially in Germany.

Net cash outflow used in financing activities amounted to €0.9 BN in 2012, compared to a net cash inflow of €2.0 BN in 2011. Contributing to this development were lower net cash inflows from policyholders' deposits and withdrawals – especially driven by our Life/Health businesses in the United States, Germany and Italy. Additionally we recorded lower net cash inflows from our refinancing activities[1] and net cash outflows from liabilities to banks and customers – mainly attributable to Allianz SE and our Banking operation in Italy.

Cash and cash equivalents increased by €1.9 BN to €12.4 BN as of 31 December 2012, mainly stemming from Allianz SE and our Banking operation in Italy.

CASH AND CASH EQUIVALENTS C 079

€ MN as of 31 December	2012	2011
Balances with banks payable on demand	7,295	7,498
Balances with central banks	2,277	389
Cash on hand	223	263
Treasury bills, discounted treasury notes, similar treasury securities, bills of exchange and checks	2,642	2,342
Total cash and cash equivalents	**12,437**	**10,492**

1 — Refers to cash flows from certificated liabilities, participation certificates and subordinated liabilities.

Reconciliations

The previous analysis is based on our consolidated financial statements and should be read in conjunction with them. In addition to our stated figures according to the International Financial Reporting Standards (IFRS), the Allianz Group uses operating profit and internal growth to enhance the understanding of our results. These additional measures should be viewed as complementary to, and not a substitute for, our figures determined according to IFRS.

For further information, please refer to note 6 to the consolidated financial statements.

Composition of total revenues

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

COMPOSITION OF TOTAL REVENUES C 080

€ MN	2012	2011	2010
Property-Casualty			
Gross premiums written	**46,889**	**44,772**	**43,895**
Life/Health			
Statutory premiums	**52,347**	**52,863**	**57,098**
Asset Management			
Operating revenues	**6,786**	**5,502**	**4,986**
consisting of:			
Net fee and commission income	6,731	5,470	4,927
Net interest income	24	22	21
Income from financial assets and liabilities carried at fair value through income (net)	16	(11)	19
Other income	15	21	19
Corporate and Other			
Total revenues (Banking)	**590**	**567**	**587**
consisting of:			
Interest and similar income	719	734	683
Income from financial assets and liabilities carried at fair value through income (net)	14	(2)	1
Fee and commission income	456	430	445
Interest expenses	(350)	(374)	(333)
Fee and commission expenses	(247)	(221)	(210)
Consolidation effects (Banking within Corporate and Other)	(2)	–	1
Consolidation	**(229)**	**(144)**	**(115)**
Allianz Group total revenues	**106,383**	**103,560**	**106,451**

Composition of total revenue growth

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

RECONCILIATION OF NOMINAL TOTAL REVENUE GROWTH TO INTERNAL TOTAL REVENUE GROWTH C 081

%	Internal growth	Changes in scope of consolidation	Foreign currency translation	Nominal growth
2012				
Property-Casualty	2.5	0.3	1.9	4.7
Life/Health	(2.6)	(0.2)	1.8	(1.0)
Asset Management	15.4	0.2	7.7	23.3
Corporate and Other	3.0	1.1	0.0	4.1
Allianz Group	**0.5**	**0.1**	**2.1**	**2.7**
2011				
Property-Casualty	2.3	(0.1)	(0.2)	2.0
Life/Health	(6.9)	(0.1)	(0.4)	(7.4)
Asset Management	14.6	0.1	(4.4)	10.3
Corporate and Other	(0.4)	(3.0)	0.0	(3.4)
Allianz Group	**(2.1)**	**(0.1)**	**(0.5)**	**(2.7)**

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.

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Risk Appetite

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.

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]

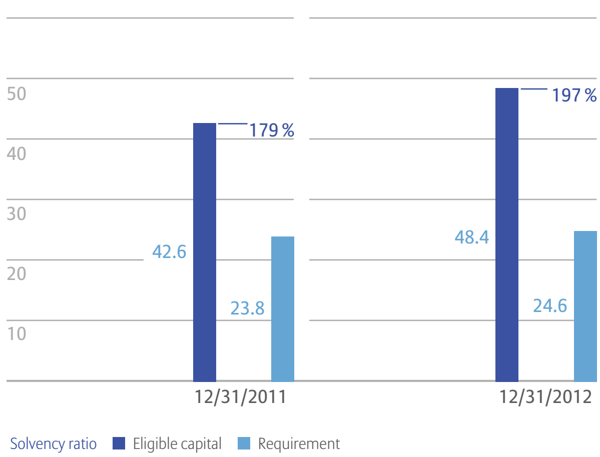
REGULATORY CAPITAL ADEQUACY

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 from page 208 and the chapter Liquidity and Funding Resources from page 175 onwards.

CONGLOMERATE SOLVENCY [1] C 082

€ BN



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.[1]

The conglomerate solvency ratio decreased by approximately 17 percentage points as of 1 January 2013 due to amended IAS 19.[2]

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 C 083

	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.

1 — For further details on changes in eligible capital and solvency requirement, please refer to the chapter Balance Sheet Review from page 166 onwards.
2 — For further details on amended IAS 19, please refer to note 4 to the consolidated financial statements.

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

RATINGS OF ALLIANZ SE C 084

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

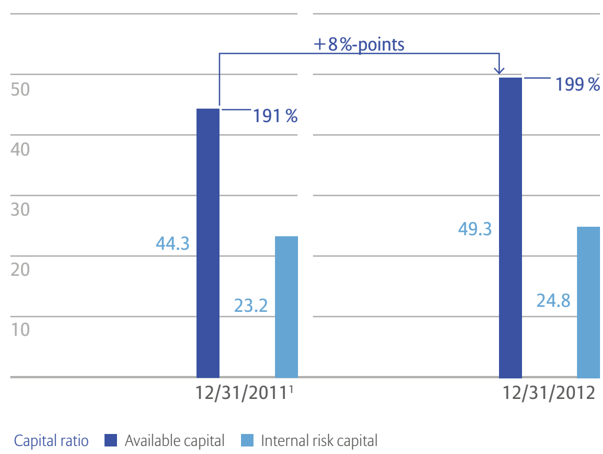
The Allianz Group's available capital is based on shareholders' equity adjusted to reflect the full economic capital base available to absorb unexpected economic losses.[1] For example, hybrid capital and the present value of future profits of in-force business in the Life/Health segment are added to 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 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 C 085

€ BN



1 — Recalculated based on model updated in 2012. For further information, please refer to Model updates in 2012 from page 193 onwards.

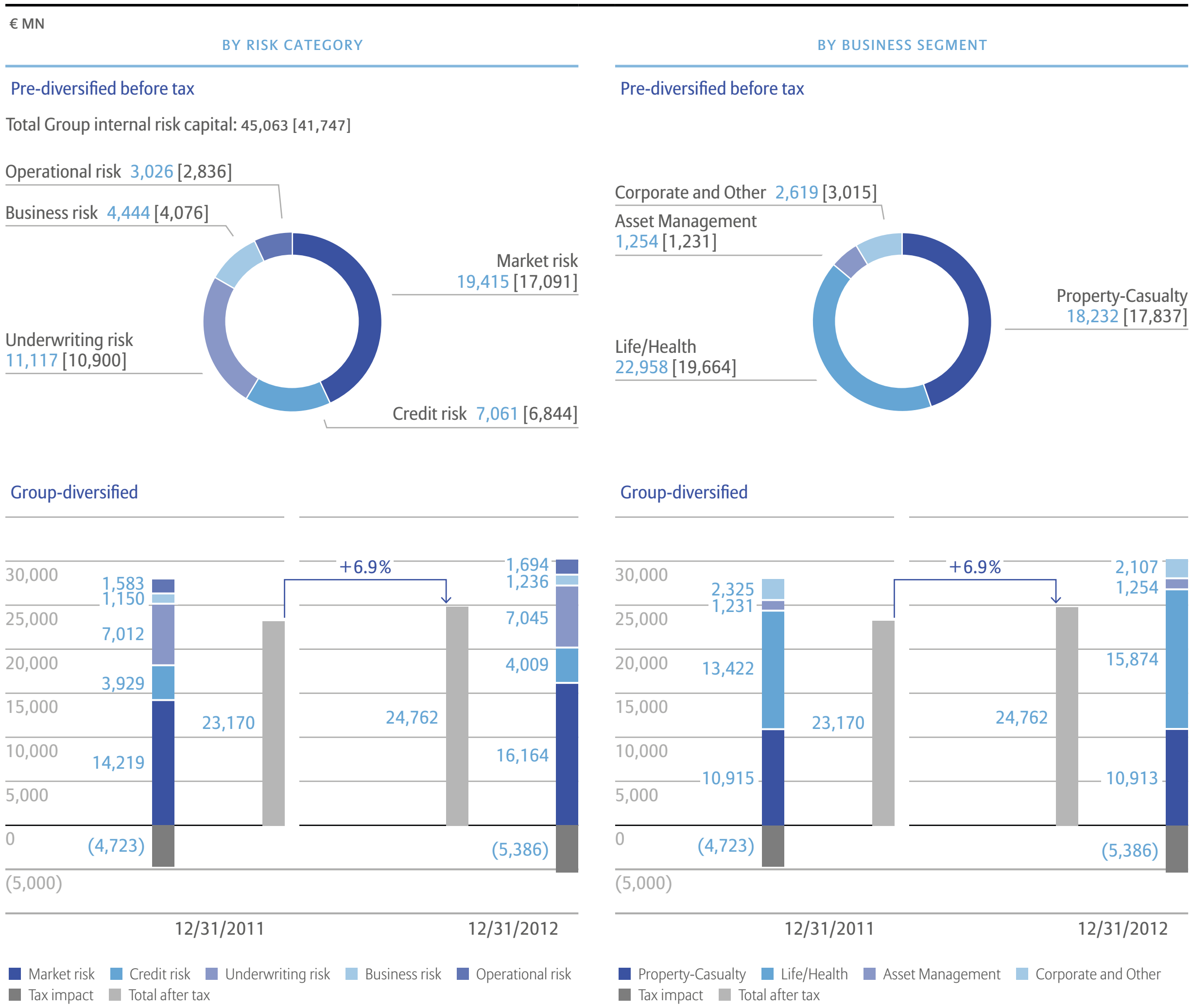
Overall, our internal model solvency ratio rose from 191% to 199%. This was due to two factors: First, a strong increase in available capital – which was mainly driven by a growth in operating profit and tighter credit spreads. Second, partially offsetting the increase in available capital, internal 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.

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 189.

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 2011[1]] C 086



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.

378 Yield Curve Extension

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.

377 Replicating Portfolio

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 Controls and Procedures from page 214 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 C 087

RISK CATEGORY	INSURANCE	ASSET MANAGEMENT	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, morbiditiy 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.

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;[1]
- 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.[2]

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.

1 — For further information about participating life business, please refer to note 20 to the consolidated financial statements.
2 — For further information about additional risk disclosure regarding derivative financial instruments, please refer to note 43 to the consolidated financial statements.

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.

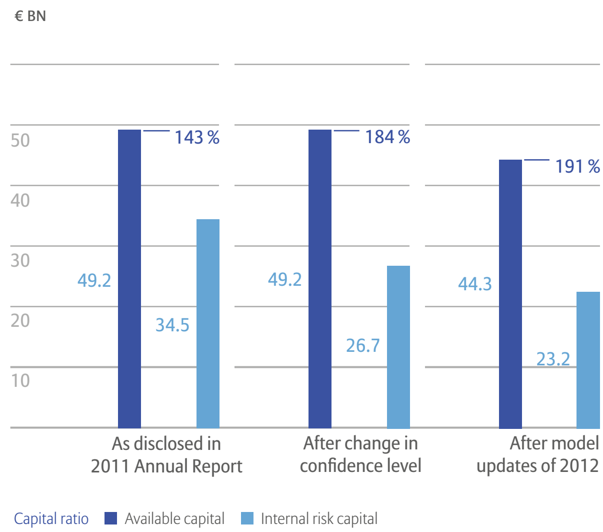
Since internal risk capital takes into account the change in the economic fair value of our assets and liabilities, it is crucial to accurately estimate the fair market value of each item. For some assets and liabilities, it may be difficult, if not impossible – notably in distressed financial markets – 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 C 088



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.

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) C 089

€ 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**

375
Counter-Cyclical Premium

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.

376 Financial VaR

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 (CRisP[1]), 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.

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] C 090

€ MN	Market risk		Credit risk		Underwriting risk		Business risk		Operational risk		Total	
as of 31 December	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.[1]

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.

1 — For further information about the concentration of life business, please refer to note 20 to the consolidated financial statements.

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] C 091

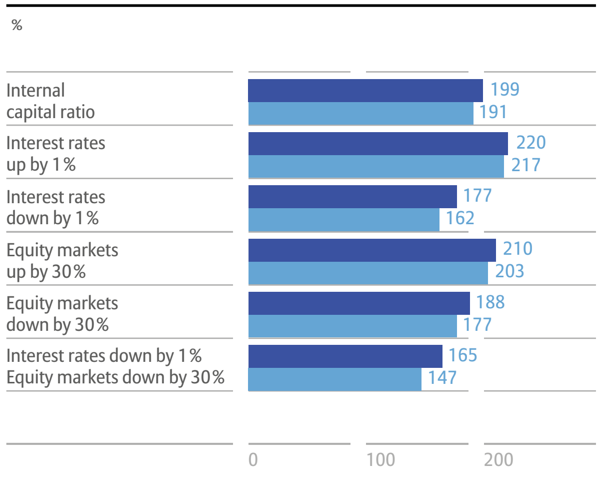
€ MN	Interest rate		Credit spread		Equity		Real estate		Currency		Total	
as of 31 December	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
PRE-DIVERSIFIED												
Property-Casualty	402	424	1,309	859	768	1,399	880	789	574	729	3,933	4,200
Life/Health	5,227	4,516	2,795	1,433	3,570	3,198	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] C 092



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

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.

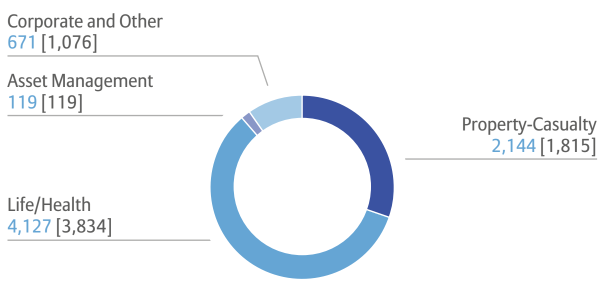
1 — Exposures to the national governments of OECD and EEA states are modeled as risk free in the credit risk internal model, if the exposure is issued in the local currency of the government. This is in line with the EIOPA's advice on Level 2 Implementation Measures on Solvency II.

ALLOCATED INTERNAL CREDIT RISK CAPITAL BY BUSINESS SEGMENT, (TOTAL PORTFOLIO BEFORE TAX AND NON-CONTROLLING INTERESTS) AS OF 31 DECEMBER 2012 [31 DECEMBER 2011[1]]

C 093

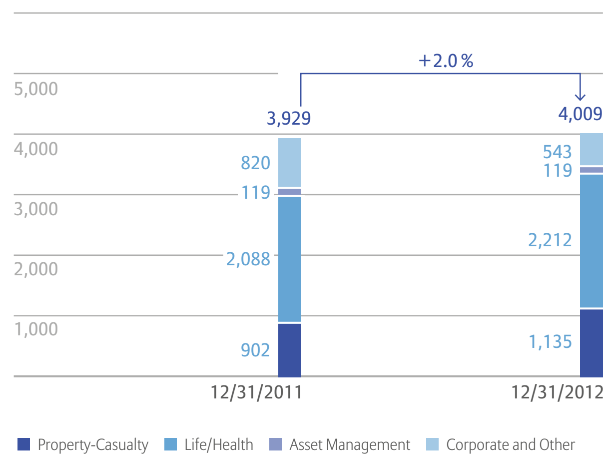
Pre-diversified

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 rating[1] 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]

C 094

€ MN

	Total	
as of 31 December	2012	2011[2]
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 C 095

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

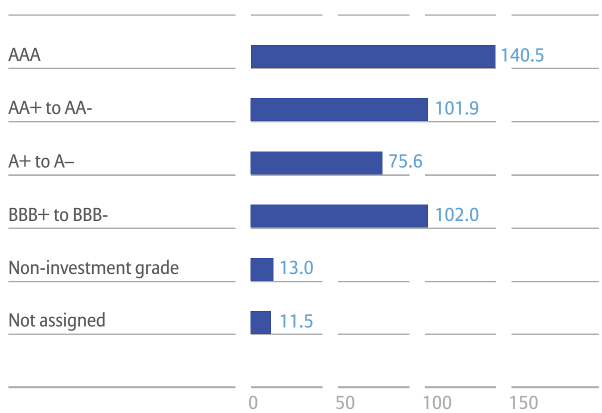
As of 31 December 2012, 83.4% of our total Group pre-diversified internal credit risk capital was allocated to investment exposures of the Property-Casualty, Life/Health as well as Corporate and Other segments – 55.5% of which was related to issuers and counterparties in the United States and Germany. We limit the credit risk of our fixed income investments by setting high requirements on the creditworthiness 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 C 096

Total: €444.5 BN
€ BN



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.

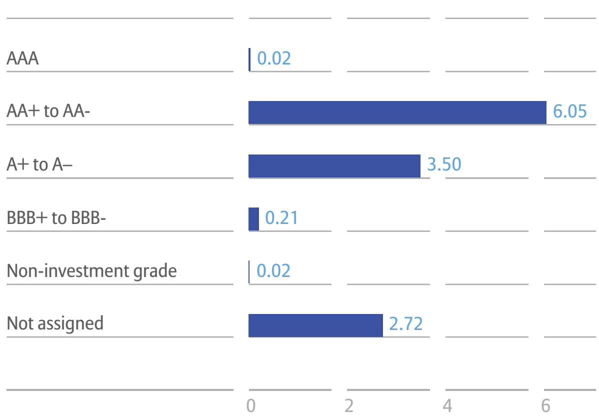
Credit risk – reinsurance

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 CLASS[1]
AS OF 31 DECEMBER 2012 — C 097

Total: € 12.5 BN
€ BN



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.

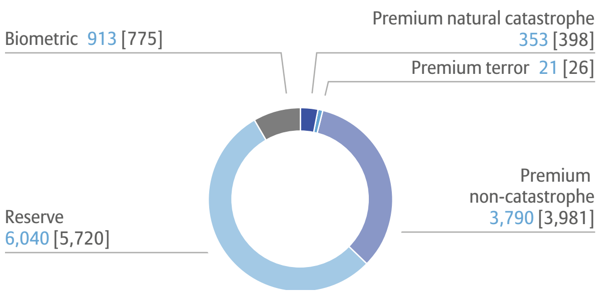
ALLOCATED INTERNAL UNDERWRITING RISK CAPITAL (TOTAL PORTFOLIO BEFORE TAX AND NON-CONTROLLING INTERESTS) AS OF 31 DECEMBER 2012 [31 DECEMBER 2011[1]] C 098

€ MN

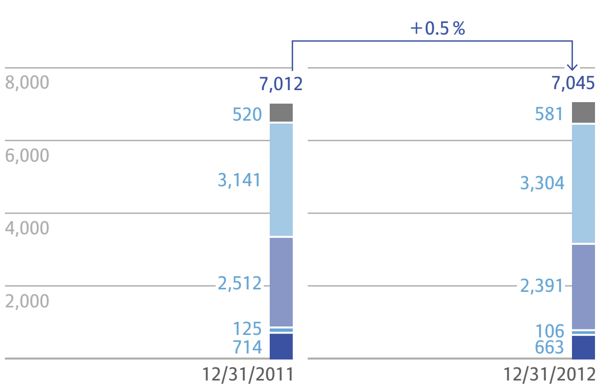
BY SOURCE OF RISK[2]

Pre-diversified

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



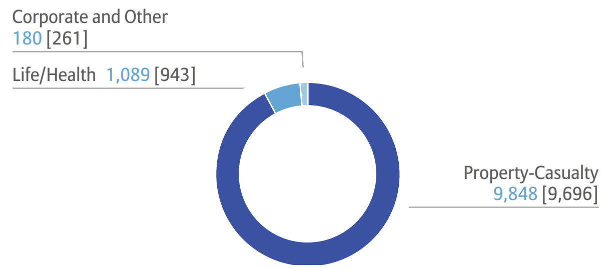
Group-diversified



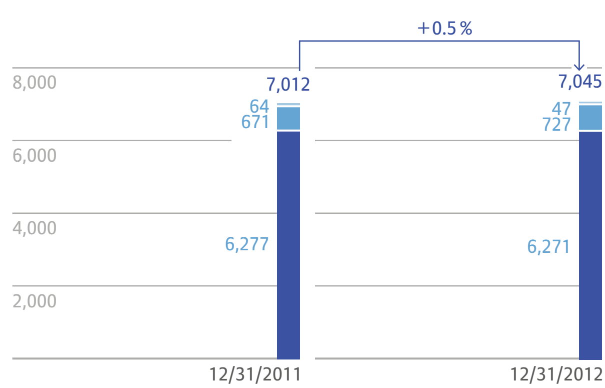
Premium natural catastrophe · Premium terror · Premium non-catastrophe · Reserve · Biometric

BY BUSINESS SEGMENT[3]

Pre-diversified



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.

AVERAGE, HIGH AND LOW ALLOCATED INTERNAL UNDERWRITING RISK CAPITAL BY SOURCE OF RISK (TOTAL PORTFOLIO BEFORE NON-CONTROLLING INTERESTS AND AFTER GROUP DIVERSIFICATION)[1] C 099

€ 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.

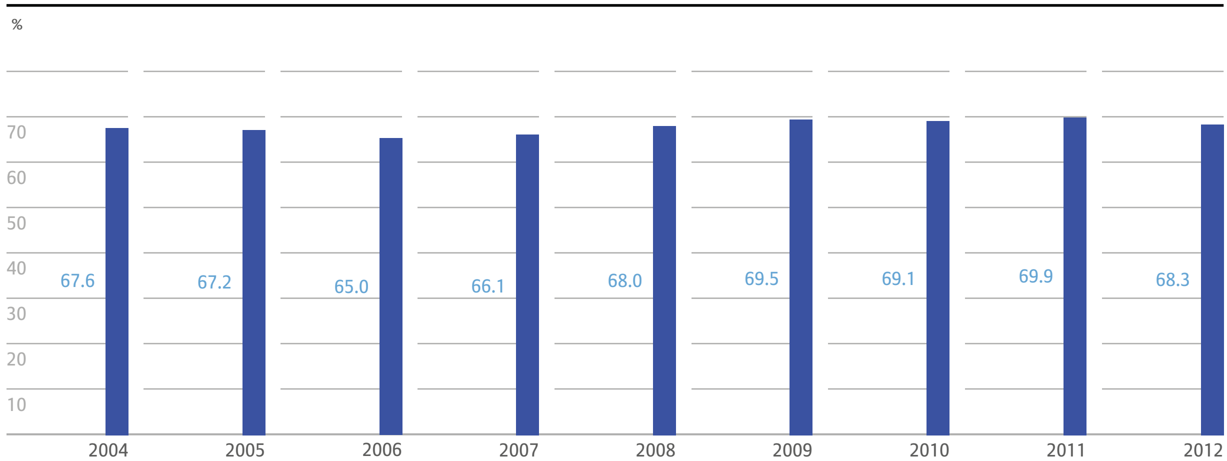
Our Property-Casualty insurance businesses are exposed to premium risk related to the current year's new and renewed business as well as reserve risks related to the business in force. A substantial portion of the Property-Casualty segment's pre-diversified internal underwriting risk capital arises from 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.[1]

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 RATIOS[1] FOR THE PAST NINE YEARS C 100



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.

1 — Please refer to the section Property-Casualty insurance operations – Property-Casualty operations by business division on page 138 for a regional breakdown of loss ratios over the past three years.

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 5 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) C 101

€ MN

As of 31 December 2012	Loss potential[1]
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 surplus[1] compared to the initial reserves.[2]

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.[3] 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. For further information, please refer to note 19 to the consolidated financial statements.
2 — This figure is provided on a calendar year basis in note 19 to the consolidated financial statements.
3 — For further information, please refer to note 19 to the consolidated financial statements.

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.[1]

Business risk

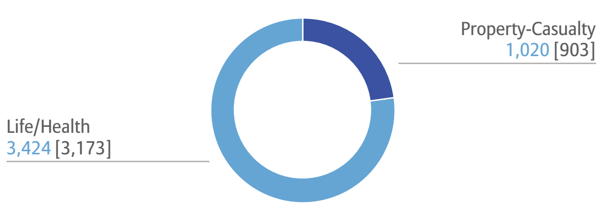
Business risks consist of cost risks and policyholder behavior risks. Cost risks consist of unexpected changes in business assumptions and unanticipated fluctuations in earnings arising from a decline in income without a corresponding decrease in expenses. They include the risk that expenses incurred 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 2011[1]] C 102

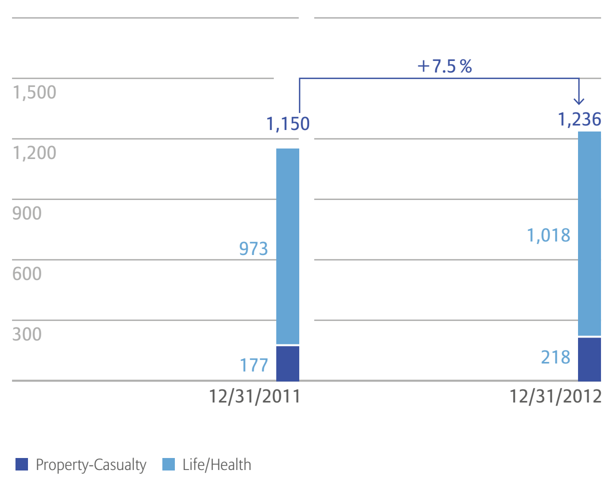
Pre-diversified

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.

1 — For further information about insurance risk in the Life/Health segment, please refer to note 20 to the consolidated financial statements.

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.

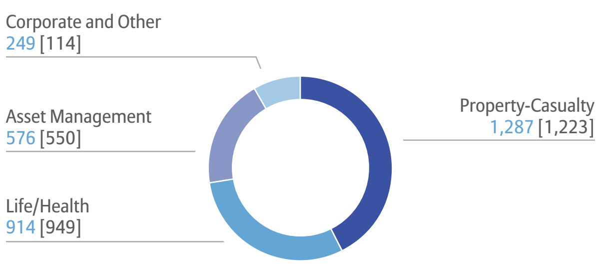
Operational risk remained mostly stable in the course of 2012. Small changes were driven by refinements in exposure coverage.

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 2011[1]] C 103

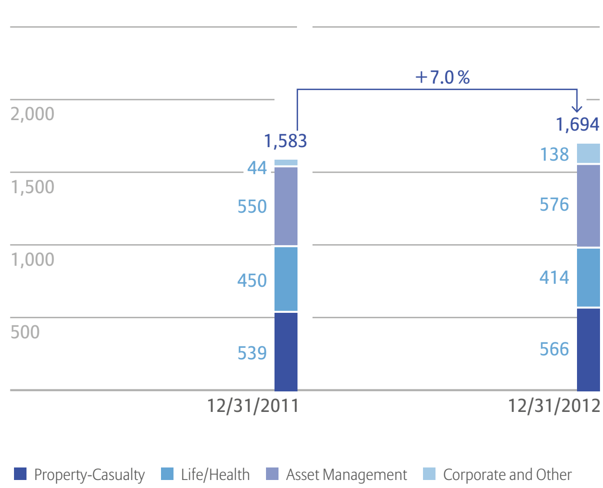
Pre-diversified

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.

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.

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Liquidity and Funding Resources

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.

Detailed information regarding Allianz Group's liquidity risk exposure, liquidity and funding – including changes in cash and cash equivalents – is provided in the chapter Liquidity and Funding Resources starting on page 175 and notes 17, 23, 24 and 43 to the consolidated financial statements.

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 Controls and Procedures from page 214 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

Board[1] 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 Outlook 2013 and 2014 from page 154 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.

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 aforementioned 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.

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.

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.

Controls and Procedures

Statements pursuant to § 289 (5) and § 315 (2) no. 5 of the German Commercial Code (“Handelsgesetzbuch – HGB”) and explanatory report.

Internal controls over financial reporting

In line with both our prudent approach to risk governance and compliance with regulatory requirements, we have created a structure to identify and mitigate the risk of material errors in our consolidated financial statements. 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 C 104

FINANCIAL MISSTATEMENT RISK ASSESSMENT

Scoping	Risks	Key controls	Assessment
Determination of significant accounts and operating entities to be covered by systems of internal control	Identification of risk scenarios that could result in a material financial misstatement	Identification of key controls that prevent or detect errors or fraud resulting from risk scenarios	Assessment of the design and operating effectiveness of key controls

Our approach can be summarized as follows:

- We use a top-down, risk-based approach to determine the accounts and operating entities that should fall under the *scope of our internal control systems*. We do so by carrying out an annual, qualitative and quantitative analysis of our consolidated financial statements and disclosures.

- Then, our local entities *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 over the Group as a whole, 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 across the Allianz Group 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 and local internal audit functions ensure that the overall quality of our control system is kept under constant scrutiny.

GOVERNANCE

Responsibility for ensuring the completeness, accuracy and reliability of our consolidated financial statements rests with the Chairman of the Board of Management and the board member responsible for Finance, Controlling and Risk of Allianz SE, supported by Group Center functions, the Group Disclosure Committee and operating entities.

The Group Disclosure Committee ensures that these board members are made aware of all material information that could affect our disclosures and determines the completeness and accuracy of the information provided in the quarterly and annual financial reports. The committee meets on a quarterly basis before the financial reports are issued.

Subsidiaries within the scope of our control system are individually responsible for adhering to the Group's internal control policy and for creating local Disclosure Committees that are similar to the Group-level committee. The entities' CEOs and CFOs provide periodic sign-offs to the management of Allianz SE, certifying the effectiveness of their local system of internal controls as well as the completeness, accuracy and reliability of financial data reported to the Group.

FURTHER CONTROL MECHANISMS

In our opinion, a strong internal control environment as critical to managing our company successfully and reinforcing trust with our stakeholders. For example, we have therefore implemented an enhanced internal control environment similar to the one we currently have for financial reporting across our largest Life insurance operating entities for the Market Consistent Embedded Value (MCEV) reporting process.

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.

CONSOLIDATED FINANCIAL STATEMENTS

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D

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED BALANCE SHEETS — D 001

€ MN as of 31 December	Note	2012	2011
ASSETS			
Cash and cash equivalents	7	12,437	10,492
Financial assets carried at fair value through income[1]	8	7,283	8,466
Investments[2]	9	401,628	350,645
Loans and advances to banks and customers	10	119,369	124,738
Financial assets for unit-linked contracts		71,197	63,500
Reinsurance assets	11	13,254	12,874
Deferred acquisition costs	12	19,452	20,772
Deferred tax assets	42	1,270	2,321
Other assets	13	35,626	34,346
Non-current assets and assets of disposal groups classified as held for sale	14	15	14
Intangible assets	15	13,090	13,304
Total assets		**694,621**	**641,472**
LIABILITIES AND EQUITY			
Financial liabilities carried at fair value through income	16	5,397	6,610
Liabilities to banks and customers	17	22,425	22,155
Unearned premiums	18	17,939	17,255
Reserves for loss and loss adjustment expenses	19	72,540	68,832
Reserves for insurance and investment contracts	20	390,987	361,954
Financial liabilities for unit-linked contracts	21	71,197	63,500
Deferred tax liabilities	42	5,169	3,881
Other liabilities	22	33,175	31,210
Liabilities of disposal groups classified as held for sale	14	–	–
Certificated liabilities	23	7,960	7,649
Participation certificates and subordinated liabilities	24	11,614	11,173
Total liabilities		**638,403**	**594,219**
Shareholders' equity		53,553	44,915
Non-controlling interests		2,665	2,338
Total equity	**25**	**56,218**	**47,253**
Total liabilities and equity		**694,621**	**641,472**

1 — As of 31 December 2012 and 2011, no financial assets carried at fair value through income are pledged to creditors and can be sold or repledged.

2 — As of 31 December 2012, €2,460 MN (2011: €2,541 MN) are pledged to creditors and can be sold or repledged.

CONSOLIDATED INCOME STATEMENTS

CONSOLIDATED INCOME STATEMENTS D 002

€ MN

	Note	2012	2011	2010
Gross premiums written		72,086	69,299	68,582
Ceded premiums written		(5,336)	(5,136)	(4,873)
Change in unearned premiums		(705)	(495)	(372)
Premiums earned (net)	26	**66,045**	**63,668**	**63,337**
Interest and similar income	27	21,084	20,502	19,428
Income from financial assets and liabilities carried at fair value through income (net)	28	(511)	(1,287)	(38)
Realized gains/losses (net)	29	4,327	3,435	3,708
Fee and commission income	30	9,812	8,406	7,920
Other income	31	214	150	118
Income from fully consolidated private equity investments	32	789	1,618	1,701
Total income		**101,760**	**96,492**	**96,174**
Claims and insurance benefits incurred (gross)		(51,745)	(51,376)	(48,038)
Claims and insurance benefits incurred (ceded)		2,871	2,509	1,942
Claims and insurance benefits incurred (net)	33	**(48,874)**	**(48,867)**	**(46,096)**
Change in reserves for insurance and investment contracts (net)	34	(14,359)	(10,993)	(13,871)
Interest expenses	35	(1,477)	(1,491)	(1,411)
Loan loss provisions	36	(111)	(121)	(50)
Impairments of investments (net)	37	(934)	(3,661)	(844)
Investment expenses	38	(876)	(852)	(827)
Acquisition and administrative expenses (net)	39	(22,133)	(20,762)	(20,883)
Fee and commission expenses	40	(2,896)	(2,564)	(2,561)
Amortization of intangible assets	15	(259)	(449)	(327)
Restructuring charges	49	(268)	(168)	(271)
Other expenses	41	(94)	(65)	(57)
Expenses from fully consolidated private equity investments	32	(848)	(1,653)	(1,803)
Total expenses		**(93,129)**	**(91,646)**	**(89,001)**
Income before income taxes		**8,631**	**4,846**	**7,173**
Income taxes	42	(3,140)	(2,042)	(1,964)
Net income		**5,491**	**2,804**	**5,209**
Net income attributable to:				
Non-controlling interests		322	259	156
Shareholders		5,169	2,545	5,053
Basic earnings per share (€)	50	11.42	5.63	11.20
Diluted earnings per share (€)	50	11.34	5.48	11.12

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME D 003

€ MN

	2012	2011	2010
Net income	**5,491**	**2,804**	**5,209**
Other comprehensive income			
Foreign currency translation adjustments			
Reclassifications to net income	–	4	(9)
Changes arising during the year	(85)	344	1,347
Subtotal	**(85)**	**348**	**1,338**
Available-for-sale investments			
Reclassifications to net income	(689)	623	(1,353)
Changes arising during the year	6,270	(1,096)	925
Subtotal	**5,581**	**(473)**	**(428)**
Cash flow hedges			
Reclassifications to net income	(2)	(1)	(2)
Changes arising during the year	67	(4)	11
Subtotal	**65**	**(5)**	**9**
Share of other comprehensive income of associates			
Reclassifications to net income	(1)	–	(2)
Changes arising during the year	10	46	41
Subtotal	**9**	**46**	**39**
Miscellaneous			
Reclassifications to net income	–	–	(1)
Changes arising during the year	176	4	194
Subtotal	**176**	**4**	**193**
Total other comprehensive income	**5,746**	**(80)**	**1,151**
Total comprehensive income	**11,237**	**2,724**	**6,360**
Total comprehensive income attributable to:			
Non-controlling interests	566	307	169
Shareholders	10,671	2,417	6,191

For further details concerning income taxes relating to components of the other comprehensive income, please see note 42.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY — D 004

€ MN

	Paid-in capital	Retained earnings	Foreign currency translation adjustments	Unrealized gains and losses (net)	Shareholders' equity	Non-controlling interests	Total equity
Balance as of 1 January 2010	**28,635**	**9,642**	**(3,626)**	**5,457**	**40,108**	**2,121**	**42,229**
Total comprehensive income[1]	–	5,294	1,297	(400)	6,191	169	6,360
Paid-in capital	50	–	–	–	50	–	50
Treasury shares	–	(24)	–	–	(24)	–	(24)
Transactions between equity holders	–	26	(10)	–	16	(91)	(75)
Dividends paid	–	(1,850)	–	–	(1,850)	(128)	(1,978)
Balance as of 31 December 2010	**28,685**	**13,088**	**(2,339)**	**5,057**	**44,491**	**2,071**	**46,562**
Total comprehensive income[1]	–	2,505	343	(431)	2,417	307	2,724
Paid-in capital	78	–	–	–	78	–	78
Treasury shares	–	14	–	–	14	–	14
Transactions between equity holders	–	(53)	–	–	(53)	126	73
Dividends paid	–	(2,032)	–	–	(2,032)	(166)	(2,198)
Balance as of 31 December 2011	**28,763**	**13,522**	**(1,996)**	**4,626**	**44,915**	**2,338**	**47,253**
Total comprehensive income[1]	–	5,263	(85)	5,493	10,671	566	11,237
Paid-in capital	52	–	–	–	52	–	52
Treasury shares	–	5	–	–	5	–	5
Transactions between equity holders	–	(64)	8	3	(53)	(62)	(115)
Dividends paid	–	(2,037)	–	–	(2,037)	(177)	(2,214)
Balance as of 31 December 2012	**28,815**	**16,689**	**(2,073)**	**10,122**	**53,553**	**2,665**	**56,218**

1 — Total comprehensive income in shareholders' equity for the year ended 2012 comprises net income attributable to shareholders of €5,169 MN (2011: €2,545 MN, 2010: €5,053).

CONSOLIDATED STATEMENTS OF CASH FLOWS

CONSOLIDATED STATEMENTS OF CASH FLOWS D 005

€ MN	2012	2011	2010
SUMMARY			
Net cash flow provided by operating activities	17,793	16,642	15,414
Net cash flow used in investing activities	(14,860)	(17,043)	(19,536)
Net cash flow provided by (used in) financing activities	(941)	2,035	4,465
Effect of exchange rate changes on cash and cash equivalents	(47)	111	265
Change in cash and cash equivalents	**1,945**	**1,745**	**608**
Cash and cash equivalents at beginning of period	10,492	8,747	6,089
Reclassifications[1]	–	–	2,050
Cash and cash equivalents at end of period	**12,437**	**10,492**	**8,747**
CASH FLOW FROM OPERATING ACTIVITIES			
Net income	**5,491**	**2,804**	**5,209**
Adjustments to reconcile net income to net cash flow provided by operating activities			
Share of earnings from investments in associates and joint ventures	(143)	(201)	(183)
Realized gains/losses (net) and impairments of investments (net) of:			
Available-for-sale and held-to-maturity investments, investments in associates and joint ventures, real estate held for investment, loans and advances to banks and customers	(3,393)	226	(2,864)
Other investments, mainly financial assets held for trading and designated at fair value through income	518	957	444
Depreciation and amortization	1,124	1,053	1,098
Loan loss provisions	111	121	50
Interest credited to policyholder accounts	4,790	4,686	4,747
Net change in:			
Financial assets and liabilities held for trading	(2,242)	399	(1,525)
Reverse repurchase agreements and collateral paid for securities borrowing transactions	256	277	(189)
Repurchase agreements and collateral received from securities lending transactions	724	900	346
Reinsurance assets	(266)	425	1,143
Deferred acquisition costs	(656)	(899)	(821)
Unearned premiums	766	658	247
Reserves for loss and loss adjustment expenses	1,101	1,921	74
Reserves for insurance and investment contracts	8,554	5,399	8,138
Deferred tax assets/liabilities	(68)	163	159
Other (net)	1,126	(2,247)	(659)
Subtotal	**12,302**	**13,838**	**10,205**
Net cash flow provided by operating activities	**17,793**	**16,642**	**15,414**

1 — Includes reclassifications from loans and advances to banks and customers to cash and cash equivalents at the U.S. subsidiaries.

CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED

CONSOLIDATED STATEMENTS OF CASH FLOWS D 005

€ MN	2012	2011	2010
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from the sale, maturity or repayment of:			
Financial assets designated at fair value through income	2,076	6,210	14,161
Available-for-sale investments	124,720	129,383	125,134
Held-to-maturity investments	990	181	242
Investments in associates and joint ventures	211	164	1,042
Non-current assets and assets of disposal groups classified as held for sale	276	142	–
Real estate held for investment	425	916	682
Loans and advances to banks and customers (purchased loans)	11,424	8,090	9,248
Property and equipment	229	145	380
Subtotal	**140,351**	**145,231**	**150,889**
Payments for the purchase or origination of:			
Financial assets designated at fair value through income	(1,121)	(4,930)	(8,973)
Available-for-sale investments	(144,354)	(143,928)	(153,527)
Held-to-maturity investments	(1,012)	(362)	(463)
Investments in associates and joint ventures	(538)	(176)	(448)
Non-current assets and assets of disposal groups classified as held for sale	(229)	–	–
Real estate held for investment	(1,112)	(671)	(1,610)
Loans and advances to banks and customers (purchased loans)	(5,811)	(8,485)	(7,624)
Property and equipment	(1,607)	(1,201)	(1,472)
Subtotal	**(155,784)**	**(159,753)**	**(174,117)**
Business combinations (note 5):			
Proceeds from sale of subsidiaries, net of cash disposed	–	(14)	193
Acquisitions of subsidiaries, net of cash acquired	(8)	(69)	–
Change in other loans and advances to banks and customers (originated loans)	330	(2,181)	3,696
Other (net)	**251**	**(257)**	**(197)**
Net cash flow used in investing activities	**(14,860)**	**(17,043)**	**(19,536)**
CASH FLOW FROM FINANCING ACTIVITIES			
Policyholders' account deposits	17,467	17,508	20,061
Policyholders' account withdrawals	(16,372)	(15,116)	(12,958)
Net change in liabilities to banks and customers	(419)	378	(272)
Proceeds from the issuance of certificated liabilities, participation certificates and subordinated liabilities	9,084	7,486	7,157
Repayments of certificated liabilities, participation certificates and subordinated liabilities	(8,315)	(5,953)	(7,428)
Cash inflow from capital increases	44	70	44
Transactions between equity holders	(115)	(64)	(75)
Dividends paid to shareholders	(2,214)	(2,198)	(1,978)
Net cash from sale or purchase of treasury shares	6	12	(21)
Other (net)	(107)	(88)	(65)
Net cash flow provided by (used in) financing activities	**(941)**	**2,035**	**4,465**

CONSOLIDATED STATEMENTS OF CASH FLOWS — CONTINUED

CONSOLIDATED STATEMENTS OF CASH FLOWS D 005

€ MN

	2012	2011	2010
SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS			
Income taxes paid	(2,233)	(2,073)	(1,347)
Dividends received	1,156	1,144	1,015
Interest received	18,975	18,137	17,129
Interest paid	(1,503)	(1,456)	(1,468)
Significant non-cash transactions			
Effects from liquidation of Palmer Square 2 CDO Tranche			
Loans and advances to banks and customers	–	(314)	–
Financial assets held for trading	–	(5)	–
Available-for-sale investments	–	294	–
Other assets	–	2	–
Foreign currency translation adjustment	–	1	–
Realized loss from loans and advances to banks and customers	–	22	–
Proceeds from sales of available-for-sale investments			
Debt securities	95,325	89,309	85,481
Equity securities	8,834	9,081	8,754
Total	**104,159**	**98,390**	**94,235**

Notes to the Consolidated Financial Statements

GENERAL INFORMATION

1 — Nature of operations and basis of presentation

NATURE OF OPERATIONS

Allianz SE and its subsidiaries (the Allianz Group) maintain Property-Casualty insurance, Life/Health insurance and Asset Management operations in over 70 countries, with the largest of its operations in Europe. The Allianz Group's headquarters and Allianz SE as its parent company are located in Munich, Germany. Allianz SE is recorded in the Commercial Register of the municipal court in Munich under its registered address at Koeniginstraße 28, 80802 Munich.

Allianz SE is a stock corporation in the form of a European Company (Societas Europaea). Allianz SE shares are listed on all German stock exchanges and Allianz SE American Depositary Receipts (ADRs) are traded in the U.S. over the counter on OTCQX.

The consolidated financial statements of the Allianz Group for the year ended 31 December 2012 were authorized for issue by the Board of Management on 18 February 2013.

BASIS OF PRESENTATION

The consolidated financial statements of the Allianz Group have been prepared in conformity with International Financial Reporting Standards (IFRS), as adopted under European Union (E.U.) regulations in accordance with § 315a of the German Commercial Code (HGB). Within these consolidated financial statements, the Allianz Group has applied all standards and interpretations issued by the IASB and endorsed by the E.U., that are compulsory as of 31 December 2012. IFRS comprise International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretations developed by the IFRS Interpretations Committee (formerly called the IFRIC) or the former Standing Interpretations Committee (SIC).

IFRS does not provide specific guidance concerning all aspects of the recognition and measurement of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. Therefore, as envisioned in IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, to those aspects where specific guidance is not provided by IFRS 4, Insurance Contracts, the provisions embodied under accounting principles generally accepted in the United States of America (US GAAP) as at first-time adoption of IFRS 4 on 1 January 2005, have been applied.

The accounting policies adopted are consistent with those of the previous financial year, except for recently adopted IFRS effective 1 January 2012.

The consolidated financial statements are prepared as of and for the year ended 31 December and presented in millions of Euro (€), unless otherwise stated.

2 — Summary of significant accounting policies

PRINCIPLES OF CONSOLIDATION

Scope of consolidation

The consolidated financial statements of the Allianz Group comprise the financial statements of Allianz SE, its subsidiaries and certain investment funds and Special Purpose Entities (SPEs). Subsidiaries, investment funds and SPEs, hereafter "subsidiaries", which are directly or indirectly controlled by the Allianz Group, are consolidated. Control exists when the Allianz Group has the power to govern the financial and operating policies of the subsidiary generally either when the Allianz Group owns directly or indirectly more than half of the voting rights of the subsidiary or when control can be legally evidenced otherwise because of an agreement with other investors or of a specific corporate charter. In order to determine whether control exists, potential voting rights that are currently exercisable or convertible are taken into consideration. If no control exists from a legal perspective, it is assessed whether control exists from an economic perspective, as in the case of SPEs.

Subsidiaries are consolidated as from the date on which control is obtained by the Allianz Group. Subsidiaries are consolidated up to the date on which the Allianz Group no longer maintains control. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Allianz Group. The effects of intra-Allianz Group transactions have been eliminated.

Third-party assets held in an agency or fiduciary capacity are not assets of the Allianz Group and are not presented in these consolidated financial statements.

Business combinations including acquisitions and disposals of non-controlling interests

A business combination occurs when the Allianz Group obtains control over a business.

Business combinations from 1 January 2010 are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquired. Acquisition-related costs are generally recognized as expenses. For each business combination, the Allianz Group has an option to measure any non-controlling interests in the acquired either at the acquisition date fair value or at the non-controlling interest's proportionate share of the acquired's identifiable net assets. The Allianz Group uses an expanded presentation for insurance contracts acquired in a business combination or portfolio transfer to measure insurance contracts in line with the accounting policy of the Allianz Group, while presenting the difference to fair value at inception as an intangible asset.

Goodwill is measured as the difference at the acquisition date between the cost of the acquisition and the fair value of the net assets acquired. The acquirer recalculates any previously-held equity interest to fair value at the date of obtaining control, with the difference being recorded in the consolidated income statement. If the Allianz Group's proportionate share in the fair value of the net assets exceeds the acquisition cost, the Allianz Group reassesses the identification and measurement of the identifiable assets, liabilities and contingent liabilities, as well as the measurement of the cost of the combination and recognizes any excess remaining after that assessment immediately in income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration – which is deemed to be an asset or a liability – will be recognized in accordance with the applicable IFRS. If the contingent consideration is classified as equity, it will not be remeasured and its subsequent settlement will be accounted for within equity.

Any additional acquired share of interest after having obtained control does not affect previously recognized goodwill. Transactions with non-controlling interests, i.e. changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, are accounted for as equity transactions. Losses are allocated to a non-controlling interest even if they exceed the non-controlling interest's share of equity in the subsidiary. Any retained non-controlling investment at the date that control is lost is remeasured to fair value.

When the Allianz Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date.

Business combinations prior to 1 January 2010 are accounted for using the purchase method. The purchase method requires that the Allianz Group allocates the cost of a business combination on the date of acquisition by recognizing the acquired's identifiable assets, liabilities and certain contingent liabilities at their fair values. The cost of a business combination represents the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date, plus any costs directly attributable to the acquisition. If the acquisition cost of the business combination exceeds the Allianz Group's proportionate share of the fair value of the net assets of the acquiree, the difference is recorded as goodwill. Any non-controlling interest is recorded at the non-controlling interest's proportion of the fair value of the net identifiable assets of the acquiree.

For *Business combinations with an agreement date before 31 March 2004,* non-controlling interests are recorded at their proportion of the pre-acquisition carrying amounts of the identifiable assets and liabilities.

Associated enterprises and joint ventures

Associated enterprises are entities over which the Allianz Group can exercise significant influence and which are neither subsidiaries nor joint ventures. Significant influence is the power to participate in, but not to control, the financial and operating policies of an enterprise. Significant influence is presumed to exist where the Allianz Group has at least 20% but not more than 50% of the voting rights, unless it can be clearly demonstrated that this is not the case. If the Allianz Group holds less than 20% of the voting power of the investee, it is presumed that the Allianz Group does not have significant influence unless such influence can be clearly demonstrated. In general, the Allianz Group accounts for its investments in limited partnerships with ownership interests of 20% or greater using the equity method due to the rebuttable presumption that the limited partner has no control over the limited partnership. Joint ventures are entities over which the Allianz Group and one or more other parties have joint control.

Investments in associated enterprises and joint ventures are generally accounted for using the equity method of accounting, in which the results and the carrying amount of the investment represent the Allianz Group's proportionate share of the entity's net income and net assets, respectively. The investments are initially recognized at cost. The positive difference between the cost of the investment and the Allianz Group's share of the net fair value of the associate's or joint ventures identifiable assets and liabilities is accounted for as goodwill and included in the carrying amount of the investment. The carrying amount of the investment is subsequently increased or decreased to recognize the Allianz Group's share in profit or loss after the date of acquisition. The investments are tested for impairment when respective triggering events occur. Any impairment loss will correspond to the excess of the investment's carrying amount over its recoverable amount. In general, the triggering events are similar to those used for impairment testing for financial instruments while the measurement of impairment losses is similar to the measurement of impairment losses for other assets.

The Allianz Group accounts for all material investments in associates on a time lag of no more than three months. Income from investments in associated enterprises and joint ventures, which reflects the earnings rather than the distributions of the associate or jointly-controlled entity, is included in interest and similar income. Profits or losses resulting from transactions between the Allianz Group and the associated enterprise or joint venture are eliminated to the extent of the interest in the associate or joint venture. Accounting policies of associated enterprises and joint ventures have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Allianz Group.

In the event that significant influence or joint control over an associate or jointly controlled entity is lost, a gain or loss equal to the difference between (i) the sum of any proceeds from interests disposed of, fair value of any interests retained and any amounts reclassified from equity and (ii) the carrying amount of the investment at the date significant influence or joint control was lost, is recognized in profit or loss.

FOREIGN CURRENCY TRANSLATION

Translation from any foreign currency into functional currency

The individual financial statements of each of the Allianz Group's subsidiaries are prepared in the prevailing currency in the primary economic environment where the subsidiary conducts its ordinary activities (its functional currency). Transactions recorded in currencies other than the functional currency (foreign currencies) are recorded at the exchange rate prevailing on the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the closing exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated at historical rates and non-monetary items that are measured at fair value are translated using the closing rate. Foreign currency gains and losses arising from foreign currency transactions are reported in income from financial assets and liabilities carried at fair value through income (net), except when the gain or loss on a non-monetary item measured at fair value is recognized directly in other comprehensive income. In this case, any foreign exchange component of that gain or loss is also directly recognized in other comprehensive income.

Translation to the presentation currency

For the purposes of the consolidated financial statements, the results and financial position of each of the Allianz Group's subsidiaries are expressed in Euro, the presentation currency of the Allianz Group. Assets and liabilities of subsidiaries not reporting in Euro are translated at the closing rate on the balance sheet date and income and expenses are translated at the quarterly average exchange rate.

Any foreign currency translation differences, including those arising from the equity method, are recorded directly in other comprehensive income, as foreign currency translation adjustments.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include balances with banks payable on demand, balances with central banks, cash on hand, treasury bills to the extent they are not included in financial assets held for trading, as well as checks and bills of exchange which are eligible for refinancing at central banks, subject to a maximum term of three months from the date of acquisition.

REAL ESTATE HELD FOR INVESTMENT

Real estate held for investment (i.e. real estate and rights equivalent to real property and buildings, including buildings on leased land) is carried at cost less accumulated depreciation and impairments. Real estate held for investment is depreciated on a straight-line basis over its estimated life, with a maximum of 50 years. At each reporting date or whenever there are any indications that the carrying amount may not be recoverable, real estate is tested for impairment by determining its fair value using discounted cash flow methods. Subsequent costs are capitalized if they extend the useful life or increase the value of the asset; otherwise they are expensed as incurred.

FINANCIAL INSTRUMENTS

Classification, recognition and initial measurement

Financial assets within the scope of IAS 39 are either classified as

- financial assets carried at fair value through income,
- available-for-sale investments,
- held-to-maturity investments,
- loans and advances to banks and customers, or
- derivative financial instruments used for hedging.

Furthermore, financial assets include funds held by others under reinsurance contracts assumed and financial assets for unit-linked contracts.

Financial liabilities within the scope of IAS 39 are either classified as

- financial liabilities carried at fair value through income,
- liabilities to banks and customers,
- investment contracts with policyholders,
- derivative financial instruments used for hedging,
- financial liabilities for puttable equity instruments,
- certificated liabilities, or
- participation certificates and subordinated liabilities.

Furthermore, financial liabilities comprise financial liabilities for unit-linked contracts.

The classification depends on the nature and purpose of the financial instrument and is determined at initial recognition.

Financial instruments are initially recognized at fair value plus, in the case of financial instruments not carried at fair value through income, directly attributable transaction costs.

Financial instruments are generally recognized and derecognized on trade date, i.e. when the Allianz Group commits to purchase or sell securities or incur a liability.

Fair value of financial instruments

The Allianz Group applies the IAS 39 fair value measurement rules to determine the fair value of financial instruments.

Active markets – Quoted market price – Fair value Level 1: The fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations on the last exchange trading day prior to and at the balance sheet date. The quoted market price used for a financial asset held by the Allianz Group is the current bid price; the quoted market price used for financial liabilities is the current ask price.

No active markets – Valuation techniques – Fair value Level 2: If the market for a financial instrument is not active, the fair value is determined by using valuation techniques. The valuation techniques used are based on market observable inputs when available. Such market inputs include references to formerly quoted prices for identical instruments from an active market, quoted prices for identical instruments from an inactive market, quoted prices for similar instruments from active markets and quoted prices for similar instruments from inactive markets. Market observable inputs also include interest rate yield curves, option volatilities and foreign currency exchange rates.

No active markets – Valuation techniques – Fair value Level 3: Where observable market inputs are not available, fair value is based on appropriate valuation techniques using non-market observable inputs. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which observable market prices exist and other valuation models. In the process, appropriate adjustments are made for credit risks. In particular when observable market inputs are not available, the use of estimates and assumptions may have a high impact on the valuation outcome.

Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

No active markets – Equity instruments – Fair value Levels 2 and 3: Equity securities are measured at fair value when the ownership interest is less than 20% and no significant influence exists, and the fair value is reliably measurable. If the fair value cannot be measured reliably, unquoted equity instruments and derivatives linked to such instruments are stated at cost until a fair value can be measured reliably. These financial instruments are subject to the normal impairment procedures.

Please refer to note 44 Financial instruments for further details.

Amortized cost of financial instruments

The amortized cost of a financial instrument is the amount at which the financial instrument is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the redemption amount, minus any subsequent reduction for impairment or uncollectability.

Recognition of a day one profit or loss

A day one profit or loss is recognized when the fair value of a financial instrument differs from its initial transaction price. In this case the fair value is evidenced by comparison with other observable current market transactions in the same instrument class or is based on a valuation technique incorporating only observable market data.

SUBSEQUENT MEASUREMENT OF FINANCIAL INSTRUMENTS

The subsequent measurement of financial instruments depends on their classification as follows:

Financial assets and liabilities carried at fair value through income

Financial assets and liabilities carried at fair value through income include financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through income. Financial assets held for trading consist of debt and equity securities that have been principally acquired for the purpose of generating a profit from short-term fluctuations in price or for the purpose of selling in the near future and derivative financial instruments with positive fair values that do not meet the criteria for hedge accounting.

Financial liabilities held for trading primarily consist of derivative financial instruments with negative fair values that do not meet the criteria for hedge accounting.

Derivative financial instruments include separated embedded derivatives of hybrid financial instruments.

Financial assets and liabilities carried at fair value through income are measured at fair value. Changes in fair value are recognized directly in the consolidated income statement. The recognized net gains and losses include dividends and interest of the underlying financial instruments. A financial instrument may only be designated at inception as held at fair value through income and cannot be subsequently changed.

Available-for-sale investments

Available-for-sale investments comprise debt and equity securities that are designated as available-for-sale or are not classified as held-to-maturity, loans and advances to banks and customers, or financial assets carried at fair value through income. Available-for-sale investments are measured at fair value. Unrealized gains and losses, which are the difference between fair value and cost or amortized cost, are recognized as a separate component of other comprehensive income, net of deferred taxes and the latent reserve for premium refunds to the extent that policyholders will participate in such gains and losses on the basis of statutory or contractual regulations when they are realized. When an available-for-sale investment is derecognized or determined to be impaired, the cumulative gain or loss previously recorded in other comprehensive income is transferred and recognized in the consolidated income statement. Realized gains and losses on securities are generally determined by applying the average cost method at the subsidiary level.

Available-for-sale equity securities are measured at fair value when the ownership interest is less than 20% and no significant influence exists, and the fair value is reliably measurable. Available-for-sale equity securities include investments in limited partnerships. The Allianz Group records its investments in limited partnerships at cost, where the ownership interest is less than 20%, and when the limited partnerships do not have a quoted market price and fair value cannot be reliably measured.

Held-to-maturity investments

Held-to-maturity investments are debt securities with fixed or determinable payments and fixed maturities for which the Allianz Group has the positive intent and ability to hold to maturity. These securities are recorded at amortized cost using the effective interest method over the life of the security, less any impairment losses. Amortization of a premium or discount is included in interest and similar income.

Loans and advances to banks and customers

Loans and advances to banks and customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as financial assets held for trading, designated at fair value through income or designated as available-for-sale investments. Loans to banks and customers are initially recognized at fair value. Subsequently they are recorded at amortized cost using the effective interest method. Interest income is accrued on the unpaid principal balance, net of impairments. Using the effective interest method, net deferred fees and premiums or discounts are recorded as an adjustment of interest income yield over the lives of the related loans.

Loans and advances to banks and customers include reverse repurchase ("reverse repo") agreements and collateral paid for securities borrowing transactions. Reverse repo transactions involve the purchase of securities by the Allianz Group from a counterparty, subject to a simultaneous obligation to sell these securities at a certain later date, at an agreed upon price. If all of the risks and rewards of the securities remain substantially with the counterparty over the entire lifetime of the agreement of the transaction, the securities concerned are not recognized as assets. The amounts of cash disbursed are recorded under loans and advances to banks and customers. Interest income on reverse repo agreements is accrued over the duration of the agreements and is reported in interest and similar income.

Securities borrowing transactions generally require the Allianz Group to deposit cash with the security's lender. Fees paid are reported as interest expenses.

Funds held by others under reinsurance contracts

Funds held by others under reinsurance contracts assumed relate to cash deposits to which the Allianz Group is entitled, but which the ceding insurer retains as collateral for future obligations of the Allianz Group. The cash deposits are recorded at face value, less any impairments for balances that are deemed not to be recoverable.

Financial assets for unit-linked contracts

Financial assets for unit-linked contracts are recorded at fair value with changes in fair value recorded in net income together with the offsetting changes in fair value of the corresponding financial liabilities for unit-linked contracts.

Liabilities to banks and customers

Liabilities to banks and customers are subsequently measured at amortized cost. Herein included are repurchase ("repo") agreements and securities lending transactions. Repo transactions involve the sale of securities by the Allianz Group to a counterparty, subject to the simultaneous agreement to repurchase these securities at a certain later date, at an agreed upon price. If all of the risks and rewards of the securities remain substantially with the Allianz Group over the entire lifetime of the transaction, the securities concerned are not derecognized by the Allianz Group. The proceeds of the sale are reported under liabilities to banks or customers. Interest expenses from repo transactions are accrued over the duration of the agreements and reported in interest expenses.

In securities lending transactions, the Allianz Group generally receives cash collateral which is recorded as liabilities to banks or customers. Fees received are recognized as interest income.

Investment contracts with policyholders

Fair values for investment and annuity contracts are determined using the cash surrender values of policyholders' and contract holders' account balances.

Financial liabilities for unit-linked contracts
The fair value of financial liabilities for unit-linked contracts is equal to the fair value of the financial assets for unit-linked contracts.

Financial liabilities for puttable equity instruments
Financial liabilities for puttable equity instruments include the non-controlling interests in shareholders' equity of certain consolidated investment funds. These interests qualify as a financial liability of the Allianz Group, as they give the holder the right to put the instrument back to the Allianz Group for cash or another financial asset (puttable instrument). These liabilities are generally required to be recorded at the redemption amount with changes recognized in income.

Certificated liabilities, participation certificates and subordinated liabilities
Certificated liabilities, participation certificates and subordinated liabilities are subsequently measured at amortized cost, using the effective interest method to amortize the premium or discount to the redemption value over the life of the liability.

Financial guarantee contracts
Financial guarantee contracts issued by the Allianz Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts which are not accounted for as insurance contracts are recognized initially at fair value. Subsequently, unless the financial guarantee contract was designated at inception as at fair value through income, the Allianz Group measures it at the higher of the best estimate of the expenditure required to settle the present obligation and the amount initially recognized less cumulative amortization when appropriate.

IMPAIRMENT OF FINANCIAL ASSETS

Impairment of held-to maturity and available-for-sale debt securities and of loans
A held-to-maturity or available-for-sale debt security, as well as a loan is impaired if there is objective evidence that a loss event has occurred after initial recognition of the security and up to the relevant date of the Allianz Group's consolidated balance sheet, and that loss event has negatively affected the estimated future cash flows, i.e. amounts due according to the contractual terms of the security are not considered collectible.

If a held-to-maturity debt security or a loan is impaired, the related impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If an available-for-sale debt security is impaired, the related impairment loss is measured as the difference between the security's amortized cost and current fair value, less any previously recognized impairment losses.

If the amount of the impairment of a held-to-maturity debt security or a loan subsequently increases or decreases due to an event occurring after the initial measurement of impairment, the change is recorded in the income statement.

In a subsequent period, if the fair value of an available-for-sale debt security instrument increases and the increase can be objectively related to an event occurring after the recognition of an impairment loss, such as an improvement in the debtor's credit rating, the impairment is reversed through impairments of investments (net).

Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

Impairment of available-for-sale equity securities
If there is objective evidence that the cost may not be recovered, an available-for-sale equity security is considered to be impaired. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant or prolonged decline in the fair value below cost. The Allianz Group's policy considers a significant decline to be one in which the fair value is below the weighted average cost by more than 20%. A prolonged decline is considered to be one in which the fair value is below the weighted average cost for a period of more than nine months.

If an available-for-sale equity security is impaired, any further declines in the fair value at subsequent reporting dates are recognized as impairments. Therefore, at each reporting period, for an equity security that was determined to be impaired, additional impairments are recognized for the difference between the fair value and the original cost basis, less any previously recognized impairments. Reversals of impairments of available-for-sale equity securities are not recorded through the income statement but recycled out of other comprehensive income when sold.

RECLASSIFICATION OF FINANCIAL INSTRUMENTS

Once a financial instrument has been classified into a particular category at initial recognition, transfers into or out of that category from or to another category are prohibited for some categories and are expected to be rare in all other circumstances.

The 2008 amendments to IAS 39 permit an entity to reclassify certain non-derivative financial assets out of the "held for trading" (at fair value through income) category and out of the "available-for-sale" category if the following specific conditions are met.

- Debt instruments, classified as "held for trading" (at fair value through income) or as "available for sale" may be reclassified to the "loans and receivables" category, if they meet the definition of loans and receivables at the reclassification date and where the Allianz Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

- Any other debt instrument and any other equity instrument, classified as "held for trading" (at fair value through income) may be reclassified to the "held-to-maturity" category (debt instruments) or to the "available-for-sale" category in rare circumstances (e.g. deterioration of the world's financial markets in 2008) and where the Allianz Group does not have the intention to sell or trade the assets in the short term.

At the reclassification date, non-derivative financial assets have to be reclassified at their fair value, which becomes the new cost or amortized cost of the financial asset, as applicable. Previously recognized gains and losses cannot be reversed. After the reclassification date, the existing requirements of IAS 39 for measuring financial assets at cost or at amortized cost apply.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

DERECOGNITION OF FINANCIAL INSTRUMENTS

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the Allianz Group transfers the asset and substantially all of the risks and rewards of ownership. A financial liability is derecognized when it is extinguished.

DERIVATIVE FINANCIAL INSTRUMENTS

The Allianz Group uses derivative financial instruments such as swaps, options and futures to hedge against market risks (i.e. interest rates, equity prices or foreign exchange rates) or credit risks in its investment portfolios.

Derivative financial instruments that do not meet the criteria for hedge accounting are recognized at fair value as financial assets held for trading when the fair value is positive or financial liabilities held for trading when the fair value is negative. Gains or losses from valuation at fair value are included in income from financial assets and liabilities held for trading. This treatment is also applicable for bifurcated embedded derivatives of hybrid financial instruments.

A component that meets the definition of a derivative must be separated from its host contract (bifurcated) and measured as if it were a stand-alone derivative if its economic characteristics are not closely related to those of the host contract.

For derivative financial instruments used in hedge transactions that meet the criteria for hedge accounting (accounting hedges), the Allianz Group designates the derivative as a hedging instrument in a fair value hedge, cash flow hedge, or hedge of a net investment in a foreign entity. The Allianz Group documents the hedge relationship, as well as its risk management objective and strategy for entering into the hedge transaction. The Allianz Group assesses, both at the hedge's inception and on an ongoing basis, whether the derivative financial instruments that are used for hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items. Derivative financial instruments used in accounting hedges are recognized as follows:

Fair value hedges

Fair value hedges are hedges of a change in the fair value of a recognized financial asset or liability or a firm commitment due to a specified risk. Changes in the fair value of a derivative financial instrument, together with the change in fair value of the hedged item attributable to the hedged risk, are recognized in income from financial assets and liabilities carried at fair value through income (net).

Cash flow hedges

Cash flow hedges offset the exposure to variability in expected future cash flows that is attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction. Changes in the fair value of a derivative financial instrument that represent an effective hedge are recorded in unrealized gains and losses (net) in other comprehensive income, and are transferred to the consolidated income statement when the offsetting gain or loss associated with the hedged item is recognized. Any ineffectiveness of the cash flow hedge is recognized directly in income from financial assets and liabilities carried at fair value through income (net).

Hedges of a net investment in a foreign entity

Hedge accounting may be applied to derivative financial instruments used to hedge the foreign currency risk associated with a net investment in a foreign entity. The proportion of gains or losses arising from valuation of the derivative financial instrument, which is determined to be an effective hedge, is recognized in foreign currency translation adjustments in other comprehensive income, while any ineffectiveness is recognized directly in income from financial assets and liabilities carried at fair value through income (net).

For all fair value hedges, cash flow hedges, and hedges of a net investment in a foreign entity, the derivative financial instruments are included in other assets or other liabilities.

The Allianz Group discontinues hedge accounting prospectively when it is determined that the derivative financial instrument is no longer highly effective, when the derivative financial instrument or the hedged item expires, or is sold, terminated or exercised, or when the Allianz Group determines that designation of the derivative financial instrument as a hedging instrument is no longer appropriate. After a fair value hedge is discontinued, the Allianz Group continues to report the derivative financial instrument at its fair value with changes in fair value recognized in the consolidated income statement, but changes in the fair value of the hedged item are no longer recognized in the consolidated income statement. After hedge accounting for a cash flow hedge is discontinued, the Allianz Group continues to record the derivative financial instrument at its fair value; any net unrealized gains and losses accumulated in other comprehensive income are recognized in the consolidated income statement (i.e. recycled) when the planned transaction affects the consolidated income statement. After a hedge of a net investment in a foreign entity is discontinued, the Allianz Group continues to report the derivative financial instrument at its fair value and any net unrealized gains or losses accumulated in other comprehensive income remain there until the disposal of the foreign entity.

DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

IFRS 7, Financial Instruments: Disclosures, requires the grouping of financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. The scope of IFRS 7 includes recognized and unrecognized financial instruments. Recognized financial instruments are those financial assets and financial liabilities within the scope of IAS 39. Unrecognized financial instruments, such as loan commitments, are financial instruments that are outside of the scope of IAS 39 but within the scope of IFRS 7. The classes of financial instruments within the Allianz Group are mainly in line with the categories according to IAS 39.

Certain risk disclosure requirements of IFRS 7 are reflected in the following sections within the Risk Report in the Group Management Report:

- Internal Risk Capital Model including all subsections other than Assessment of assumptions,
- Limitations,
- Concentration of risks,
- Quantifiable risks including all subsections other than Business risk and Operational risk,
- Liquidity risk.

The following table summarizes the relationship between the balance sheet positions and the classes of financial instruments according to IFRS 7. The balance sheet positions are the same as the IAS 39 categories except when noted in parenthesis.

BALANCE SHEET LINE ITEMS, IAS 39 CATEGORIES AND IFRS 7 CLASSES OF FINANCIAL INSTRUMENTS D 006

	Measurement basis
FINANCIAL ASSETS	
Cash and cash equivalents	Nominal value
Financial assets carried at fair value through income	
– Financial assets held for trading	Fair value
– Financial assets designated at fair value through income	Fair value
Investments	
– Available-for-sale investments	Fair value
– Held-to-maturity investments	Amortized cost
Loans and advances to banks and customers (Loans and receivables)	Amortized cost
Financial assets for unit-linked contracts	Fair value
Other assets	
– Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	Fair value
Assets held in trust[1]	Fair value
FINANCIAL LIABILITIES	
Financial liabilities carried at fair value through income	
– Financial liabilities held for trading	Fair value
– Financial liabilities designated at fair value through income	Fair value
Liabilities to banks and customers (Other liabilities)	Amortized cost
Reserves for insurance and investment contracts	
– Non-unit-linked investment contracts	Amortized cost
Financial liabilities for unit-linked contracts	Fair value
Other liabilities	
– Derivative financial instruments used for hedging purposes that meet the criteria for hedge accounting and firm commitments	Fair value
– Financial liabilities for puttable equity instruments	Redemption amount
Certificated liabilities (Other liabilities)	Amortized cost
Participation certificates and subordinated liabilities (Other liabilities)	Amortized cost
Liabilities held in trust[1]	Fair value
OFF-BALANCE SHEET	
Financial guarantees	Nominal value
Irrevocable loan commitments	Nominal value

1 — Include receivables and obligations of deferred compensation plans outsourced to a trust.

INSURANCE, INVESTMENT AND REINSURANCE CONTRACTS

Insurance and investment contracts

Contracts issued by insurance subsidiaries of the Allianz Group are classified according to IFRS 4 as insurance or investment contracts. Contracts under which the Allianz Group accepts significant insurance risk from a policyholder are classified as insurance contracts. Contracts under which the Allianz Group does not accept significant insurance risk are classified as investment contracts. Certain investment contracts include discretionary participation features. All insurance contracts and investment contracts with discretionary participating features are accounted for under the related insurance accounting provisions of US GAAP as at first-time adoption of IFRS 4 on 1 January 2005 when IFRS 4 does not provide specific guidance. Investment contracts without discretionary participation features are accounted for as financial instruments in accordance with IAS 39.

Reinsurance contracts

The Allianz Group's consolidated financial statements reflect the effects of ceded and assumed reinsurance contracts. Assumed reinsurance refers to the acceptance of certain insurance risks by the Allianz Group that other companies have underwritten. Ceded reinsurance refers to the transfer of insurance risk, along with the respective premiums, to one or more reinsurers who will share in the risks. When the reinsurance contracts do not transfer significant insurance risk, deposit accounting is applied as required under the related reinsurance accounting provisions of US GAAP or under IAS 39.

Assumed reinsurance premiums, commissions and claim settlements, as well as the reinsurance element of technical provisions are accounted for in accordance with the conditions of the reinsurance contracts and with consideration of the original contracts for which the reinsurance was concluded.

Premiums ceded for reinsurance and reinsurance recoveries on benefits and claims incurred are deducted from premiums earned and insurance and investment contract benefits, respectively. Assets and liabilities related to reinsurance are reported on a gross basis. The amount of reserves ceded to reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured risks. Revenues and expenses related to reinsurance agreements are recognized in a manner consistent with the underlying risk of the business reinsured.

To the extent that the assuming reinsurers are unable to meet their obligations, the respective ceding insurers of the Allianz Group remain liable to its policyholders for the portion reinsured. Consequently, allowances are made for receivables on reinsurance contracts which are deemed uncollectible.

Deferred acquisition costs

Deferred acquisition costs (DAC), present value of future profits (PVFP) and deferred sales inducements comprise the deferred acquisition costs in the consolidated balance sheets.

Costs that vary with and are directly related to the acquisition and renewal of insurance contracts are deferred by recognizing a DAC asset. DAC generally consists of commissions, underwriting expenses and policy issuance costs. At inception, DAC is tested to ensure that it is recoverable over the life of the contracts. Subsequently, loss recognition tests at the end of each reporting period ensure that only the amount of DAC that is covered by future profits is carried on the consolidated balance sheet. For short-duration contracts, traditional long-duration contracts, and limited-payment contracts, DAC is amortized in proportion to premium revenue recognized.

For universal life-type contracts, participating life insurance contracts and investment contracts with discretionary participation features, DAC is amortized over the contract life of a book of contracts based on estimated gross profits (EGP) or estimated gross margins (EGM), as appropriate, based on historical and anticipated future experience, which is evaluated at the end of each reporting period.

For unit-linked investment contracts without discretionary participation features (DPF) accounted for under IAS 39 at fair value, acquisition costs are deferred in accordance with IAS 18, Revenue, if the costs are incremental. Acquisition costs are incremental, so long as no costs are incurred from non-issuance of the related contracts. For non-unit-linked investment contracts without discretionary participation features accounted for under IAS 39 at amortized cost, acquisition costs that meet the definition of transaction costs under IAS 39, are considered in the aggregate policy reserves.

The value of an insurance business or an insurance portfolio acquired is measured by the PVFP, which is the present value of net cash flows anticipated in the future from insurance contracts in force at the date of acquisition. It is amortized over the life of the related contracts. PVFP was determined using discount rates ranging from 8.0% to 12.0%. Interest accrues on the PVFP balance based upon the policy liability rate or contract rate. Interest currently accrues on PVFP at rates between 2.0% and 6.5%.

Sales inducements on insurance contracts that meet the following criteria are generally deferred and amortized using the same methodology and assumptions used for amortized deferred acquisition costs:

- recognized as part of reserves for insurance and investment contracts,
- explicitly identified in the contract at inception,
- incremental to amounts the Allianz Group credits on similar contracts without sales inducements, and
- higher than the contract's expected ongoing crediting rates for periods after the inducement.

Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

Shadow Accounting

For insurance contracts and investment contracts with discretionary participation features, shadow accounting is applied to DAC, PVFP and deferred sales inducements. The Allianz Group uses EGPs or EGMs, which include realized gains and losses in measuring these assets. Shadow accounting is applied in order to include the effect of unrealized gains or losses in the measurement of these intangible assets in the same way as it is done for realized gains or losses. Accordingly, the assets are adjusted with corresponding charges or credits recognized directly in other comprehensive income as a component of the related unrealized gain or loss. When the gains or losses are realized, they are recorded in the income statement through recycling and prior adjustments due to shadow accounting are reversed.

Unearned premiums

For short-duration insurance contracts, like most of the property and casualty contracts, premiums to be earned in future years are recorded as unearned premiums according to the insurance accounting provisions of US GAAP. These premiums are earned in subsequent periods in relation to the insurance coverage provided.

Amounts charged as consideration for origination of certain long-duration insurance contracts (i.e. initiation or front-end fees) are reported as unearned revenue which are included in unearned premiums. According to the insurance accounting provisions of US GAAP, these fees are recognized using the same amortization methodology as DAC.

Unbundling

Certain insurance contracts contain both an insurance component and a deposit component. The Allianz Group has recognized all rights and obligations related to issued insurance contracts according to its accounting policies. As a result, the Allianz Group has not separately recognized an unbundled deposit component in respect of any of its insurance contracts.

Bifurcation

Some of the Allianz Group's universal life-type and investment-type insurance contracts contain features, which are not closely related to the underlying insurance contracts. These features are bifurcated from the insurance contracts and accounted for as derivatives in line with IFRS 4 and IAS 39.

Reserves for loss and loss adjustment expenses

Reserves are established for the payment of losses and loss adjustment expenses (LAE) on claims which have occurred but are not yet settled. Reserves for loss and loss adjustment expenses fall into two categories: case reserves for reported claims and reserves for incurred but not reported losses (IBNR).

Case reserves for reported claims are based on estimates of future payments that will be made with respect to claims, including LAE relating to such claims. Such estimates are made on a case-by-case basis, based on the facts and circumstances available at the time the reserves are established. The estimates reflect the informed judgment of claims personnel based on general insurance reserving practices and knowledge of the nature and value of a specific type of claim. These case reserves are regularly re-evaluated in the ordinary course of the settlement process and adjustments are made as new information becomes available.

IBNR reserves are established to recognize the estimated cost of losses that have occurred but where the Allianz Group has not yet been notified. IBNR reserves, similar to case reserves for reported claims, are established to recognize the estimated costs, including expenses, necessary to bring claims to final settlement. The Allianz Group relies on its past experience, adjusted for current trends and any other relevant factors to estimate IBNR reserves. IBNR reserves are estimates based on actuarial and statistical projections of the expected cost of the ultimate settlement and administration of claims. The analyses are based on facts and circumstances known at the time, predictions of future events, estimates of future inflation and other societal and economic factors. Trends in claim frequency, severity and time lag in reporting are examples of factors used in projecting the IBNR reserves. IBNR reserves are reviewed and revised periodically as additional information becomes available and actual claims are reported.

The process of estimating loss and LAE reserves is by nature uncertain due to the large number of variables affecting the ultimate amount of claims. The Allianz Group reduces the uncertainty in reserve estimates through the use of multiple actuarial and reserving techniques and certain Group-wide processes and controls. For further information please see note 3 Use of estimates and assumptions.

There is no adequate statistical data available for some risk exposures in liability insurance, such as environmental and asbestos claims and large-scale individual claims, because some aspects of these types of claims become known very slowly and continue to evolve. Appropriate provisions have been made for such cases based on the Allianz Group's judgment and analyses of the portfolios in which such risks occur. These provisions represent the Allianz Group's best estimate. Current reserves reflect subsequent loss development and re-estimation of initial reserves. The reserves for loss and loss adjustment expenses for asbestos and environmental claims are regularly reviewed and respective trends are monitored. Changes in the asbestos and environmental reserves during 2012 are described in more detail in Note 19 Reserves for loss and loss adjustment expenses on page 289.

Reserves for insurance and investment contracts

Reserves for insurance and investment contracts include aggregate policy reserves, reserves for premium refunds and other insurance reserves.

Aggregate policy reserves for participating life insurance contracts

The aggregate policy reserves for participating life insurance contracts are computed in accordance with the related insurance accounting provisions under US GAAP using the net level premium method. The method uses assumptions for mortality, morbidity and interest rates that are guaranteed in the contract or used in determining the policyholder dividends (or premium refunds). DAC and PVFP for traditional participating insurance products are amortized over the expected life of the contracts in proportion to EGMs based upon historical and anticipated future experience, which is determined on a best estimate basis and evaluated at the end of each reporting period. The present value of EGMs is computed using the expected investment yield. EGMs include premiums, investment income including realized gains and losses, insurance benefits, administration costs, changes in the aggregate reserves and policyholder dividends. The effect of changes in EGMs are recognized in net income in the period revised.

Aggregate policy reserves for traditional long-duration insurance contracts

Aggregate policy reserves for traditional long-duration insurance contracts, such as traditional life and health products, are computed in accordance with the related insurance accounting provisions under US GAAP using the net level premium method, which represents the present value of estimated future policy benefits to be paid including future claims handling costs and administration fees less the present value of estimated future net premiums to be collected from policyholders. The method uses best estimate assumptions adjusted for a provision for adverse deviation for mortality, morbidity, expected investment yields, surrenders and expenses at the policy inception date, which remain locked in thereafter unless a premium deficiency occurs. DAC and PVFP for traditional life and health products are amortized over the premium paying period of the related policies in proportion to the earned premium using assumptions consistent with those used in computing the aggregate policy reserves.

Aggregate policy reserves for universal life-type insurance contracts

The aggregate policy reserves for universal life-type insurance contracts in accordance with the related insurance accounting provisions under US GAAP are equal to the account balance, which represents premiums received and investment return credited to the policy less deductions for mortality costs and expense charges. The aggregate policy reserve for universal life-type contracts includes insurance reserves for unit-linked insurance contracts and investment contracts with discretionary participation features. DAC and PVFP for universal life-type contracts are amortized over the expected life of the contracts in proportion to EGPS based upon historical and anticipated future experience, which is determined on a best estimate basis and evaluated at the end of each reporting period. The present value of EGPS is computed using the interest rate that accrues to the policyholders, or the credited rate. EGPS include margins from mortality, administration, investment income including realized gains and losses and surrender charges. The effect of changes in EGPS are recognized in net income in the period revised.

Aggregate policy reserves also consider liabilities for guaranteed minimum death and similar mortality and morbidity benefits related to non-traditional contracts with annuitization options. These liabilities are calculated based on contractual obligations using actuarial assumptions.

Assumptions used for aggregate policy reserves for participating life insurance contracts, traditional long-duration insurance contracts and universal life-type insurance contracts

Current and historical client data, as well as industry data is used to determine the assumptions.

Assumptions for interest reflect expected earnings on assets, which back the future policyholder benefits. The information used by the Allianz Group's actuaries in setting such assumptions includes, but is not limited to, pricing assumptions, available experience studies, and profitability analyses.

The interest rate assumptions used in the calculation of deferred acquisition costs and aggregate policy reserves were as follows:

INTEREST RATE ASSUMPTIONS D 007

	Traditional long-duration insurance contracts	Participating life insurance contracts
Deferred acquisition costs	2.5 – 6.0%	2.2 – 5.0%
Aggregate policy reserves	2.5 – 6.0%	0.8 – 4.3%

Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

Reserves for premium refunds

Reserves for premium refunds include the amounts allocated under the relevant local statutory or contractual regulations to the accounts of the policyholders and the amounts resulting from the differences between these IFRS based financial statements and the local financial statements (latent reserve for premium refunds), which will reverse and enter into future profit participation calculations. Unrealized gains and losses recognized for available-for-sale investments are recognized in the latent reserve for premium refunds to the extent that policyholders will participate in such gains and losses on the basis of statutory or contractual regulations when they are realized. The profit participation allocated to participating policyholders or disbursed to them reduces the reserve for premium refunds.

Methods and corresponding percentages for participation in profits by the policyholders are set out below for the most significant countries for latent reserves:

PARTICIPATION IN PROFITS BY POLICYHOLDERS D 008

Country	Base	Percentage
Germany		
Life	all sources of profit	90%
Health	all sources of profit	80%
France		
Life	all sources of profit	85%
Italy		
Life	investment result	85%
Switzerland		
Group Life	all sources of profit	90%
Individual Life	all sources of profit	100%

Aggregate policy reserves for non-unit-linked investment contracts

Non-unit-linked investment contracts without DPF are accounted for under IAS 39. The aggregate policy reserve for those contracts is initially recognized at amortized cost, or the amount of the deposit by the contract holder, net of the transaction costs that are directly attributable to the issuance of the contract. Subsequently, those contracts are measured at amortized cost using the effective interest rate method.

Liability adequacy testing

Liability adequacy tests are performed for each insurance portfolio on the basis of estimates of future claims, costs, premiums earned and proportionate investment income. For short-duration contracts, a premium deficiency is recognized if the sum of expected claim costs and claim adjustment expenses, expected dividends to policyholders, capitalized DAC, and maintenance expenses exceeds related unearned premiums while considering anticipated investment income. For traditional long-duration contracts and limited payment contracts, if actual experience regarding investment yields, mortality, morbidity, terminations or expense indicate that existing contract liabilities, along with the present value of future gross premiums, will not be sufficient to cover the present value of future benefits and to recover capitalized DAC, a premium deficiency is recognized. For other long-duration contracts, if the present value of estimated gross profits or margins, plus unearned revenue liability if applicable, will not be sufficient to recover capitalized DAC, a premium deficiency is recognized.

Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

OTHER ASSETS

Other assets primarily consist of receivables, prepaid expenses, derivative financial instruments used for hedging that meet the criteria for hedge accounting, firm commitments, property and equipment and other assets.

Receivables are generally recorded at face value less any payments received, net of valuation allowances.

Property and equipment includes real estate held for own use, software, equipment and fixed assets of fully consolidated private equity investments and Alternative Investments.

Real estate held for own use (e.g. real estate and buildings, including buildings on leased land) is carried at cost less accumulated depreciation and impairments. The capitalized cost of buildings is calculated on the basis of acquisition cost and depreciated on a straight-line basis over a maximum of 50 years in accordance with their useful lives. An impairment is recognized when the recoverable amount of these assets is less than their carrying amount. Where it is not possible to identify separate cash flows for estimating the recoverable amount of an individual asset, an estimate of the recoverable amount of the cash generating unit to which the asset belongs is used.

Software, which includes software purchased from third parties or developed internally, is initially recorded at cost and is amortized on a straight-line basis over the estimated useful service lives or contractual terms, generally over 2 to 10 years.

Equipment is carried at cost less accumulated depreciation and impairments. Depreciation is generally computed using the straight-line method over the estimated useful lives of the assets. The estimated useful life of equipment ranges from 2 to 10 years.

The Allianz Group also records the fixed assets of its fully consolidated private equity investments and Alternative Investments, e.g. wind parks, solar parks and vending machines, within property and equipment. These assets are carried at cost less accumulated depreciation and impairments. Depreciation is generally computed using the straight-line method over estimated useful lives of the assets. The estimated useful life for the wind parks ranges from 20 to 25 years and for the vending machines from 4 to 8 years.

Costs for repairs and maintenance are expensed as incurred, while improvements, if they extend the useful life of the asset, provide additional functionality or otherwise enhance the value of the asset, are capitalized.

NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

Non-current assets or disposal groups are classified as held for sale if their carrying amounts will be principally recovered through a sale transaction rather than through continuing use. This requires that the asset or disposal group must be available for immediate sale in its present condition and its sale must be highly probable. The appropriate level of management must be committed to a plan to sell the asset or disposal group and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Any subsequent increases in fair value less costs to sell are recognized as a gain but not in excess of the cumulative impairment loss that has been recognized previously. A non-current asset is not depreciated while classified as held for sale. A gain or loss on the date of the sale not previously recognized is recorded at the date of derecognition.

GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible assets include intangible assets with indefinite useful lives like goodwill and brand names and intangible assets with finite useful lives like long-term distribution agreements and customer relationships.

Goodwill resulting from business combinations is initially recorded at cost and subsequently measured at cost less accumulated impairments. Goodwill is allocated to each of the Allianz Group's cash generating units expected to benefit from the business combination.

The Allianz Group conducts an annual impairment test of goodwill during the fourth quarter or more frequently if there is an indication that goodwill is not recoverable. The impairment test includes comparing the recoverable amount to the carrying amount, including goodwill, of all relevant cash generating units. A cash generating unit is impaired if the carrying amount is greater than the recoverable amount. The impairment amount is allocated to first reduce any goodwill, followed by allocation to the carrying amount of any remaining non financial assets of the cash generating unit. Impairments of goodwill are not reversed. Gains or losses realized on the disposal of subsidiaries include any related goodwill. Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

Separately acquired intangible assets are initially recorded at cost which is usually its purchase price and any directly attributable costs. Intangible assets acquired in business combinations are initially recorded at fair value on the acquisition date if the intangible asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Internally generated intangible assets are initially recorded at cost which is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria in the development phase.

Indefinite life intangibles are not amortized but are tested for impairment at least annually or more frequently if events or changes in circumstances indicate that impairment may have occurred. Intangible assets with finite useful lives are amortized over their useful lives and are subsequently recorded at cost less accumulated amortization and impairments. An intangible asset is impaired and a respective impairment amount is recognized to the extent the carrying amount exceeds the recoverable amount. Where it is not possible to identify separate cash flows for estimating the recoverable amount of an individual asset, an estimate of the recoverable amount of the cash generating unit to which the asset belongs is used.

OTHER LIABILITIES

Other liabilities include payables, unearned income, provisions, deposits retained for reinsurance ceded, derivative financial instruments used for hedging that meet the criteria for hedge accounting, firm commitments, financial liabilities for puttable equity instruments and other liabilities. These liabilities are reported at redemption value.

Tax payables are calculated in accordance with relevant local tax regulations.

EQUITY

Issued capital represents the mathematical per share value received from the issuance of shares.

Capital reserves represent the premium, or additional paid-in capital, received from the issuance of shares.

Retained earnings comprise the net income of the current year, not yet distributed earnings of prior years and treasury shares as well as any amounts directly recognized in equity according to IFRS. Treasury shares are deducted from shareholders' equity. No gain or loss is recognized on the sale, issuance, acquisition or cancellation of these shares. Any consideration paid or received is recorded directly in shareholders' equity.

Foreign currency translation differences, including those arising in the application of the equity method of accounting, are recorded as foreign currency translation adjustments directly in shareholders' equity without affecting earnings.

Unrealized gains and losses (net) include unrealized gains and losses from available-for-sale investments and derivative financial instruments that meet the criteria for hedge accounting, including cash flow hedges and hedges of a net investment in a foreign entity.

Non-controlling interests represent the proportion of equity that is attributable to the respective shareholders of subsidiaries.

PREMIUMS EARNED AND CLAIMS AND INSURANCE BENEFITS PAID

Premiums for short-duration contracts are recognized as revenues over the period of the contract in proportion to the amount of insurance protection provided. Unearned premiums are calculated separately for each individual policy to cover the unexpired portion of written premiums. Premiums for short-duration contracts could arise from Property-Casualty, Life and Health insurance contracts. For those contracts, claims and insurance benefits are recognized when incurred.

Long-duration contracts are contracts that are non-cancelable by the insurance company and guaranteed renewable and that are expected to remain in force over an extended period of time. Premiums for long-duration contracts are recognized as earned when due. Long-duration contracts can comprise Life and Health, and certain Property-Casualty insurance contracts.

Revenues for universal life-type and investment contracts, such as universal life and variable annuity contracts, represent charges assessed against the policyholders' account balances for the front-end loads, net of the change in unearned revenue liability, cost of insurance, surrenders and policy administration and are included within premiums earned (net).

Benefits charged to expense include benefit claims incurred during the period in excess of policy account balances and interest credited to policy account balances.

INTEREST AND SIMILAR INCOME/EXPENSES

Interest income and interest expenses are recognized on an accrual basis. Interest income is recognized using the effective interest method. This line item also includes dividends from available-for-sale equity securities, interest recognized on finance leases and income from investments in associated entities and joint ventures. Dividends are recognized in income when the right to receive the dividend is established. Interest on finance leases is recognized in income over the term of the respective lease so that a constant period yield based on the net investment is attained.

Income from investments in associated entities and joint ventures (net) represents the share of net income from entities accounted for using the equity method.

INCOME FROM FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE THROUGH INCOME (NET)

Income from financial assets and liabilities carried at fair value through income includes all investment income, and realized and unrealized gains and losses from financial assets and liabilities carried at fair value through income. In addition, commissions attributable to trading operations and related interest expenses and transaction costs are included in this line item. Foreign currency gains and losses are also reported within income from financial assets and liabilities carried at fair value through income (net).

FEE AND COMMISSION INCOME AND EXPENSES

Fee and commission income is recognized when the corresponding service is provided. Such fees comprise commission income received on security transactions, financial advisory services, trust and custody services, brokerage of insurance policies, and services related to credit cards, home loans, savings contracts and real estate.

Assets and liabilities held in trust by the Allianz Group in its own name, but for the account of third parties, are not reported in its consolidated balance sheet. Commissions received from such business are shown in fee and commission income.

Investment advisory fees are recognized as the services are performed. Such fees are primarily based on percentages of the market value of the assets under management. Investment advisory fees receivable for private accounts consist primarily of accounts billed on a quarterly basis. Private accounts may also generate a fee based on investment performance, which is recognized at the end of the respective contract period if the prescribed performance hurdles have been achieved.

Distribution, servicing and administration fees are recognized as the services are performed. Such fees are generally based on percentages of the market value of assets under management.

INCOME AND EXPENSES FROM FULLY CONSOLIDATED PRIVATE EQUITY INVESTMENTS

All of the income and expenses from fully consolidated private equity investments are presented in separate income and expense line items. Revenue from fully consolidated private equity investments is recognized upon customer acceptance of goods delivered and when services have been rendered.

INCOME TAXES

Income tax expense consists of current taxes on taxable income actually charged to the individual Allianz Group companies and changes in deferred tax assets and liabilities. Expense and income from interest and penalties to or from tax authorities are included in current taxes. The calculation of deferred taxes is based on tax loss carry forwards, unused tax credits and on temporary differences between the Allianz Group's carrying amounts of assets or liabilities in its consolidated balance sheet and their tax bases. The tax rates used for the calculation of deferred taxes are the local rates applicable in the countries concerned; changes to tax rates which have been substantively enacted prior to or as of the consolidated balance sheet date are taken into account. Deferred tax assets on losses carried forward are recognized only to the extent it is probable that sufficient future taxable income will be available for their realization.

Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

LEASES

Payments made under operating leases to the lessor are charged to administrative expenses using the straight-line method over the period of the lease. When an operating lease is terminated before the lease period has expired, any penalty is recognized in full as an expense at the time when such termination takes place.

PENSIONS AND SIMILAR OBLIGATIONS

Contributions to defined contribution plans are recognized as an expense when employees have rendered services entitling them to the contributions.

For defined benefit plans, the Allianz Group uses the projected unit credit actuarial method to determine the present value of its defined benefit plans and the related service cost and, where applicable, past service cost. The principal assumptions used by the Allianz Group are included in note 47. The census date for the primary pension plans is October or November, with any significant changes through 31 December taken into account.

The Allianz Group applies the corridor approach. For each individual defined benefit pension plan, the Allianz Group recognizes a portion of its actuarial gains and losses as an income or expense if the net cumulative unrecognized actuarial gains or losses at the end of the previous reporting period exceeded the greater of:

a) 10% of the defined benefit obligation at that date, or
b) 10% of the fair value of any plan assets at that date.

Any unrecognized actuarial net gain or loss exceeding the greater of these two values is generally recognized as an income or expense in the consolidated income statements over the expected average remaining working lives of the employees participating in the plans.

Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

SHARE-BASED COMPENSATION PLANS

The share-based compensation plans of the Allianz Group are classified as either equity settled or cash settled plans. Equity settled plans are measured at fair value on the grant date and recognized as an expense, with a corresponding increase to shareholders' equity, over the vesting period. Equity settled plans include a best estimate of the number of equity instruments that are expected to vest in determining the amount of expense to be recognized. For cash settled plans, the Allianz Group accrues the fair value of the award as a compensation expense over the vesting period. Upon vesting, any change in the fair value of any unexercised awards is also recognized as a compensation expense.

RESTRUCTURING PLANS

Provisions for restructuring plans are recognized when the Allianz Group has a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or by announcing its main features. The detailed formal plan includes the business concerned, approximate number of employees who will be compensated for terminating their services, the expenses to be incurred and the time period over which the plan will be implemented. The detailed plan must be communicated such that those affected have an expectation that the plan will be implemented.

The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, i.e. those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity. The income statement line item restructuring charges includes additional restructuring related expenditures that are necessarily entailed by the restructuring and not associated with the ongoing activities of the entity but which are not included in the restructuring provisions, such as impairments of assets affected by restructuring.

Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

3 — Use of estimates and assumptions

The preceding note 2 describes the accounting policies that the Allianz Group follows in preparing its consolidated financial statements. The section below describes how certain reported figures can be significantly affected by the use of estimates and assumptions, and the processes the Allianz Group has in place to control the judgments which are made.

Both sides of the Allianz Group's balance sheet have a high degree of estimation and numerous assumptions embedded in the valuation of assets and liabilities. The estimation process and selection of appropriate assumptions requires significant judgment to be applied and management decisions to be taken in order to establish appropriate values for these assets and liabilities. Any change in the assumptions and estimates could, in certain circumstances, significantly affect the reported results and values because the range of reasonable judgment in some cases may be very large. The Allianz Group understands the degree of impact that these judgments may have and has established a strong system of governance as well as controls, procedures and guidelines to ensure consistency and soundness over these judgments.

Subsidiaries of the Allianz Group are required to establish controls which promote a culture of good judgment and sound decision-making around accounting estimates. These include providing training programs, hiring people with the right background for the job (i.e., certified or experienced accountants, actuaries and finance professionals), and providing formalized policies and procedures manuals for accounting and internal controls.

At the Allianz Group level, processes and committees have been established to ensure sound judgment and consistent application of the Allianz Group's standards. Furthermore, the Allianz Group has a culture that is strongly committed to reliability, encourages open and transparent discussions, provides a venue for asking questions and admitting mistakes, recognizes experts and expertise, and respects the four eyes principle of review. Committees, none of which are chaired by the CFO of the Allianz Group, ensure that judgmental decisions and selection of assumptions are discussed in an open setting among experts and that inconsistencies are identified and resolved.

Complex accounting areas that are especially sensitive to the estimates and assumptions are described in the following sections.

RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES, INSURANCE AND INVESTMENT CONTRACTS AND DEFERRED ACQUISITION COSTS

As of 31 December 2012, the Allianz Group reported:[1]

- reserves for loss and loss adjustments expenses of €72,540 MN mainly for the Property-Casualty operations, including run-off business and reinsurance business assumed,
- reserves for insurance and investment contracts of €390,987 MN mainly for the Life/Health operations and
- deferred acquisition costs of €19,452 MN for both insurance operations.

Life/Health reserves are dependent on estimates and assumptions, especially on the life expectancy of an insured individual (mortality and longevity risk) and on the development of interest rates and investment returns (asset-liability mismatch risk). These assumptions also have an impact on the presentation of costs arising from the origination of insurance business (acquisition costs and sales inducements) and the value of acquired insurance business (PVFP). To ensure consistency in the application of

1 — Please refer to note 2 Summary of significant accounting policies. For further details, please refer to note 12 Deferred acquisition costs, note 19 Reserves for loss and loss adjustment expenses, and note 20 Reserves for insurance and investment contracts.

actuarial methods and assumptions in the Life/Health reserving process, the Allianz Group has designed a two stage reserving process. In a first stage, Life/Health reserves are calculated by qualified local staff experienced in the business of the subsidiaries. Actuaries in the local entities also conduct tests of the adequacy of the premiums and reserves to cover future claims and expenses (liability adequacy tests). The process follows Group-wide standards for applying consistent and plausible assumptions. The appropriateness of the reserves and compliance with the Group-wide standards is confirmed by the local actuary. In a second stage, the Allianz Group Actuarial Department regularly reviews the local reserving processes, including the appropriateness and consistency of assumptions, and analyzes the movements of reserves. Any adjustments to reserves and other insurance related reporting items are reported to and analyzed together with the Allianz Group Reserve Committee.

Property-Casualty reserves are particularly dependent on the use of estimates and judgment regarding the development of loss reserves. Similar to Life/Health, a two stage reserving process is in place.

In a first stage, in each jurisdiction, reserves are calculated for individual lines of business, taking into consideration a wide range of local factors. This local reserving process begins with local reserving actuaries gathering data, typically dividing reserving data into the smallest possible homogeneous segments, while maintaining sufficient volume to form the basis for stable projections. Once data is collected, they derive patterns of loss payment and emergence of claims based on historical data organized into development triangles arrayed by accident year versus development year. Loss payment and reporting patterns are selected based on observed historical development factors and also on the judgment of the reserving actuary using an understanding of the underlying business, claims processes, data and systems as well as the market, economic, societal and legal environment. Expected loss ratios are then developed, which are derived from the analysis of historical observed loss ratios, adjusted for a range of factors such as loss development, claims inflation, changes in premium rates, changes in portfolio mix and changes in policy terms and conditions.

Using the development patterns and expected loss ratios described above, local reserving actuaries produce estimates of ultimate loss and allocated loss adjustment expenses using several methods, such as Loss Development or Chain-Ladder Method, Bornhuetter-Ferguson Method, or Frequency-Severity Methods.

Using the above estimate of ultimate loss and LAE by accident year – with respect to the origin year of losses – subsidiaries of the Allianz Group directly estimate the total loss and LAE reserves by subtracting cumulative payments for claims and LAE through the relevant balance sheet date. Finally, local reserving actuaries calculate the relevant IBNR reserves as the difference between

- the total loss and LAE reserves, and
- the case reserves as established by claims adjusters on a case-by-case basis.

Estimates for the current accident year determine the loss ratios and profitability of the business of the most recent year. For all prior accident years the change in estimates is reported as a run-off – adverse or favorable – in the consolidated income statement.

As loss reserves represent estimates of uncertain future events, the local reserving actuaries determine a range of reasonably possible outcomes. To analyze the variability of loss reserve estimates, actuaries employ a range of methods and approaches, including simple sensitivity testing using alternative assumptions, as well as more sophisticated stochastic techniques. The Allianz Group's reserving standards require that all local reserve committees in Allianz subsidiaries meet quarterly to discuss and document reserving decisions as well as to select the best estimate of the ultimate amount of reserves within a range of possible outcomes and to document the rationale for that selection for the particular entity.

In a second stage, the Allianz Group Actuarial department regularly reviews the local reserving processes, including the appropriateness and consistency of assumptions. Significant aspects are reported to the Allianz Group Reserve Committee to initiate actions when necessary.

For Life/Health, as well as for Property-Casualty the central oversight process includes the following key components:

Group-wide standards and guidelines: They define the reserving practices which must be conducted by each subsidiary including aspects of assumptions and estimates. This includes the organization and structure, data, methods, and reporting. The Allianz Group Actuarial Department monitors compliance with these standards and guidelines.

Regular site visits: The Allianz Group Actuarial Department regularly visits Allianz subsidiaries in order to ensure that they apply the Group-wide standards and guidelines. The on-site review focuses on all significant changes in assumptions and methodologies as well as on procedures and professional practices relevant for the reserving process. Furthermore, these meetings are to update knowledge of the underlying local business developments.

Regular quantitative and qualitative reserve monitoring: On a quarterly basis, the Allianz Group Actuarial Department monitors reserve levels, movements and trends across the Allianz Group. This monitoring is conducted on the basis of quarterly data submitted by the subsidiaries as well as through frequent dialogue with local actuaries.

The oversight and monitoring of the Allianz Group's reserves culminate in quarterly meetings of the Allianz Group Reserve Committee, which is the supervising body that governs all significant reserves. It particularly monitors key developments across the Allianz Group affecting the adequacy of loss reserves.

FAIR VALUE AND IMPAIRMENTS OF FINANCIAL INSTRUMENTS

As of 31 December 2012, the Allianz Group reported financial instruments carried at fair value of:[1]

- €266,915 MN of the financial assets and €71,949 MN of the financial liabilities carried at fair value are classified within Level 1 of the fair value hierarchy (quoted prices in active markets)

- €185,448 MN of the financial assets and €3,997 MN of the financial liabilities carried at fair value are classified within Level 2 of the fair value hierarchy (valuation technique with observable market inputs)

- €9,872 MN of the financial assets and €5,413 MN of the financial liabilities carried at fair value are classified within level 3 of the fair value hierarchy (valuation technique with significant input being non-observable). Level 3 financial assets represent less than 2% of the Allianz Group's total financial assets carried at fair value

Estimates and assumptions are particularly significant when determining the fair value of financial instruments for which at least one significant input is not based on observable market data (classified within Level 3 of the fair value hierarchy). The availability of market information is determined by the relative trading levels of identical or similar instruments in the market, with emphasis placed on information that represents actual market activity or binding quotations from brokers or dealers. When appropriate, values are adjusted on the basis of available market information including pricing, credit-related factors, volatility levels, and liquidity considerations. If sufficient market information is unavailable, management's best estimate of a particular input is used to determine the value.

The evaluation of whether a financial debt security is impaired requires analysis of the underlying credit of the relevant issuer and involves significant management judgment. In particular, current publicly available information relating to the issuer and the particular security is considered relating to factors including, but not limited to, evidence of significant financial difficulty of the issuer and breach of contractual obligations of the security, such as a default or delinquency on interest or principal payments. The Allianz Group also considers other factors which could provide objective evidence of a loss event, including the probability of bankruptcy and the lack of an active market due to financial difficulty. The presence of either a decline in fair value below amortized cost or the downgrade of an issuer's credit rating does not by itself represent objective evidence of a loss event, but may represent objective evidence of a loss event when considered with other available information.

In general, the subsidiaries assume responsibility for assessing fair values and evaluating impairments of financial instruments. This process is consistent with the decentralized organizational structure and reflects the fact that local managers are often best suited to analyze securities trading in local markets. Nevertheless, the subsidiaries are responsible for adhering to the Allianz Group's internal control policy regarding impairment assessment, measurement and disclosure. Subsidiaries must report all impairment decisions on debt securities to the Allianz Group Accounting department, which then reviews them for consistency and resolves discrepancies.

1 — Please refer to the consolidated financial statements note 2 Summary of significant accounting policies, note 37 Impairments of investments (net), and note 44 Financial instruments, for further details regarding financial instruments and impairments.

GOODWILL

As of 31 December 2012, the Allianz Group reported total goodwill of €11,679 MN, of which: [1]

- €2,164 MN related to the Property-Casualty business
- €2,175 MN related to the Life/Health business
- €6,937 MN related to the Asset Management business
- €403 MN related to the business segment Corporate and Other

Goodwill represents the excess of the cost of a business over the fair value of net assets acquired. Upon acquisition, goodwill is allocated to the cash generating units (CGU) that are expected to benefit from the acquisition. Since goodwill is not amortized, the Allianz Group must evaluate at least annually whether the carrying value per CGU is deemed recoverable. This is assumed as long as the carrying value is not in excess of the unit's estimated recoverable amount (present value of expected cash flows). If it is not deemed recoverable, the excess goodwill will need to be impaired. The determination of a CGU's recoverable amount requires significant judgment regarding the selection of appropriate valuation techniques and assumptions. These assumptions include selection of appropriate discount rates, planning horizons, capitalization requirements and the expected future business results. Assumptions may need to change as economic, market and business conditions change. As such, the Allianz Group continuously evaluates external conditions and the operating performances of the CGUs.

The Allianz Group's processes and controls around the estimation of recoverable amounts are generally applied at the Allianz Group level and are designed to minimize subjectivity. For example, the assumptions used are required to be consistent with the parameters of the well defined planning and controlling processes. The recoverable amounts of all cash generating units are determined on the basis of value in use calculations. Important input factors for those calculations are the business plan, the estimate of the sustainable returns and eternal growth rates as is further explained in note 15. The Allianz Group also performs sensitivity tests with regard to key value drivers, such as projected long-term combined ratios or discount rates. Furthermore, the Allianz Group reviews market-based business transaction multiples where available. This information is used to assess reasonableness since directly comparable market value information is not generally available. Although the Allianz Group believes short-term fluctuations in the market capitalization do not reflect the long-term value of the aggregate of the CGUs, the market capitalization is also compared to the aggregate of the CGU's recoverable amounts as a high level test of the entire process. The Allianz Group believes that the controls over assessing the recoverability of goodwill ensure both consistent and reliable results.

DEFERRED TAX ASSETS

As of 31 December 2012, the Allianz Group reported deferred tax assets of €1,270 MN. The deferred tax assets before netting with deferred tax liabilities amounted to €13,139 MN. €1,834 MN thereof resulted from tax losses which are carried forward to future periods.[2]

Deferred taxes are determined based on tax loss carry forwards, unused tax credits and on temporary differences between the Allianz Group's carrying amounts of assets and liabilities in its consolidated balance sheet and their tax bases. Deferred tax assets are recognized only to the extent it is probable that sufficient future taxable income will be available for their realization. Assessments as to the recoverability of deferred tax assets require the use of judgment regarding assumptions related to estimated future taxable profits. This includes the character and amounts of taxable future profits, the periods in which those profits are expected to occur as well as the availability of tax planning opportunities.

The analysis and forecasting required in this process, and in result the determination of the deferred tax assets, is performed for individual jurisdictions by qualified local tax and financial professionals. Given the potential significance surrounding the underlying estimates and assumptions, Group-wide policies and procedures have been designed to ensure consistency and reliability around the recoverability assessment process. Forecasted operating results are based upon approved business plans which are themselves subject to a well defined process of control. As a matter of policy, especially strong evidence supporting the recognition of deferred tax assets is required if an entity has suffered a loss in either the current or preceding period.

1 — Please refer to note 2 Summary of significant accounting policies, and note 15 Intangible assets, for further details.

2 — Please refer to note 2 Summary of significant accounting policies, and note 42 Income taxes, for further details.

Recognition and recoverability of all significant deferred tax assets are reviewed by tax professionals at Group level and the Allianz Group Tax Committee.

PENSION LIABILITIES AND SIMILAR OBLIGATIONS

As of 31 December 2012, the Allianz Group reported pension liabilities for defined benefit plans of €19,228 MN which is offset by the fair value of plan assets of €11,206 MN. [1]

Liabilities for pension and similar obligations and related net pension expenses are determined in accordance with actuarial valuation models. These valuations rely on extensive assumptions. Key assumptions including discount rates, inflation rates, expected returns on plan assets, compensation increases, pension increases and rates of medical cost trend are defined centrally at the Allianz Group level considering the circumstances in the particular countries. In order to ensure their thorough and consistent determination all input parameters are discussed and defined, taking into consideration economic developments, peer reviews, currently available market and industry data as well as historical performance of the plans and their assets. The discount rate assumptions are determined by reference to yields of high-quality corporate bonds of appropriate duration and currency at the balance sheet date. In countries where there is no deep market in such bonds, market yields on government bonds are generally used as discount rates. Expected returns on plan assets are determined based on the plan asset mix and observed historical returns.

Due to changing market and economic conditions the underlying assumptions may differ from actual developments. Potential financial impacts from deviations in certain critical assumptions based on respective sensitivity analyses are disclosed in note 47.

RESTRUCTURING PROVISIONS

As of 31 December 2012, the Allianz Group reported a provision for restructuring programs of €304 MN. [2]

Provisions for restructuring programs are recognized when the Allianz Group has a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or by announcing its main features. The detailed formal plan of a restructuring program is in particular based on estimates and assumptions, such as the number of employees to be dismissed, amount of compensation payments, impacts of onerous contracts, possibilities of sub-leases, timing of the various steps of the program and in consequence timing of the expected cash flows.

Generally, the subsidiaries, which are undertaking the restructuring program, set up a formal plan and determine all underlying estimates and assumptions. Therefore, it is the Allianz Group's policy that the subsidiaries are responsible for an adequate planning process, controlling the execution of the program, and for the fulfillment of all requirements of IFRS. The respective documentation has to be submitted to the Allianz Group Accounting department, where qualified staff members review all restructuring programs. This includes a review of all estimates and assumptions, and an assessment of whether all requirements for setting up a restructuring provision are satisfied including which cost components can be treated as restructuring charges.

1 — Please refer to note 2 Summary of significant accounting policies, and note 47 Pensions and similar obligations, for further details.
2 — Please refer to note 2 Summary of significant accounting policies, and note 49 Restructuring plans, for further details.

4 — Recently adopted and issued accounting pronouncements

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS effective 1 January 2012

The following amendments and revisions to standards and interpretations became effective for the Allianz Group's consolidated financial statements as of 1 January 2012:

- IFRS 7, Financial Instruments: Disclosures – Amendments for Transfers of Financial Assets
- IAS 12, Income Tax: Deferred Tax – Recovery of underlying assets

The Allianz Group adopted the revisions, amendments and interpretations as of 1 January 2012, with no material impact on its financial result or financial position.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

effective on or after 1 January 2013 and not adopted early

IFRS 9, Financial Instruments: Classification and Measurement

IFRS 9, Financial Instruments: Classification and Measurement, was issued by the IASB in November 2009 and is part of the project to replace IAS 39 with a new standard. The project is divided into three phases, classification and measurement of financial instruments, impairment and hedge accounting. IFRS 9 will become effective for annual periods starting on or after 1 January 2015. The IASB recently issued exposure drafts on classification and measurement as well as on hedge accounting. For impairment, an exposure draft is expected to be released in 2013. The Allianz Group is currently evaluating the impact of IFRS 9 on its consolidated financial statements. Early adoption is generally allowed but not intended by the Allianz Group.

IFRSs 10, 11, 12, Amendments to IAS 27 and 28 – Consolidation

As part of the consolidation project, the IASB issued IFRSs 10, 11 and 12 as well as amendments to IAS 27 and IAS 28 in May 2011. Further amendments were issued in 2012 on transition guidance and investment entities. These new standards and amendments generally are effective for periods beginning on or after 1 January 2013, however, the E.U. endorsed these IFRSs with a mandatory effective date for periods beginning on or after 1 January 2014. Early adoption is generally allowed but not intended by the Allianz Group.

The aim of the consolidation project was to develop a single consolidation model that applies the same criteria for all entities. In this context, the IASB reaffirmed the control concept as primary determinant for consolidation, revised the definition of 'control' and enhanced related disclosure requirements. IFRS 10, Consolidated Financial Statements, supersedes the requirements of IAS 27, Consolidated and Separate Financial Statements, for consolidated financial statements as well as SIC-12, Consolidation – Special Purpose Entities. Financial reporting in separate financial statements is set out by the amended version of IAS 27. The revised version of IAS 28, Investments in Associates and Joint Ventures, supersedes the former IAS 28, Investments in Associates. It defines 'significant influence', provides guidance on the application of the equity method of accounting and describes how impairment is assessed in associates and joint ventures. IFRS 11, Joint Arrangements, supersedes IAS 31, Interests in Joint Ventures, as well as SIC-13, Jointly Controlled Entities – Non-Monetary Contributions by Ventures. The standard requires entities to define their rights and obligations arising from a joint arrangement such as joint operations or joint ventures and provides guidance on how to account for these rights and obligations. IFRS 12, Disclosure of Interests in Other Entities, contains disclosure requirements previously set out in IASs 27, 28 and 31. The adoption of these standards and the amendments are not expected to have a material impact on the financial position and financial results of the Allianz Group.

IFRS 13, Fair Value Measurement

IFRS 13, Fair Value Measurement, was issued in May 2011 and is effective for annual periods beginning on or after 1 January 2013. It defines the term 'fair value', sets out a framework how fair value is to be measured as well as the disclosure requirements when fair value is applied. However, the standard does not determine when an asset, a liability or an entity's own equity instrument is required or permitted to be measured at fair value. The requirements of IFRS 13 regarding measurement and disclosure apply when another IFRS requires or permits an item to be measured at fair value. The adoption of this standard is not expected to have a material impact on the financial position and financial results of the Allianz Group.

Amendments to IAS 19 – Employee Benefits

In June 2011, the IASB issued an amended version of IAS 19 which will be effective for annual periods beginning on or after 1 January 2013. The amendments in particular eliminate the corridor approach and require all actuarial gains and losses to be recognized in the other comprehensive income (OCI). While all remeasurements need to be recorded in the OCI, service and interest costs have to be recognized in the profit and loss account. The long-term return on plan assets has to be calculated using the same interest rate as used to discount the defined benefit obligation (DBO). Disclosure requirements are increased under the amended IAS 19. The Allianz Group will apply the amended IAS 19 for periods beginning on or after 1 January 2013. The adoption of this standard is expected to increase the net amount recognized for defined benefit plans by approximately €4.7 BN and to decrease total equity by approximately €3.3 BN net of tax as of 1 January 2013. The overall impact of the adoption of this standard on net income is not expected to be significant.

Further amendments and interpretations

In addition to the above mentioned recently issued accounting pronouncements, the following amendments and revisions to standards and interpretations have been issued by the IASB but are not yet effective for or early adopted by the Allianz Group.

FURTHER AMENDMENTS AND INTERPRETATIONS D 009

STANDARD/INTERPRETATION	EFFECTIVE DATE
IAS 1, Presentation of Financial Statements: Amendment for Presentation of Items of Other Comprehensive Income	Annual periods beginning on or after 1 July 2012
IFRS 7 Financial Instruments Disclosures: Amendments to Offsetting Financial Assets and Financial Liabilities	Annual periods beginning on or after 1 January 2013
IAS 32 Financial Instruments Presentation: Amendments to Offsetting Financial Assets and Financial Liabilities	Annual periods beginning on or after 1 January 2014
Annual Improvements to IFRSS 2009 – 2011	Annual periods beginning on or after 1 January 2013

The amendments and interpretations are not expected to have a material impact on the financial position and financial results of the Allianz Group. Early adoption is generally allowed but not intended by the Allianz Group.

OTHER RECLASSIFICATIONS

Certain prior period amounts have been reclassified to conform to the current period presentation.

5 — Consolidation

SCOPE OF CONSOLIDATION

In addition to Allianz SE, the consolidated financial statements for the period ended 31 December 2012 generally include all German and foreign operating companies in which Allianz SE directly or indirectly holds a majority of voting rights, or whose activities it can in some other way control. The companies are consolidated from the date on which Allianz SE is able to exercise control.

The companies listed in the table below are consolidated in addition to the parent company Allianz SE.

SCOPE OF CONSOLIDATION D 010

	2012	2011	2010
Number of fully consolidated companies (subsidiaries)[1]			
Germany	130	129	139
Other countries	701	699	775
Subtotal	**831**	**828**	**914**
Number of fully consolidated investment funds			
Germany	40	44	46
Other countries	34	29	22
Subtotal	**74**	**73**	**68**
Number of fully consolidated Special Purpose Entities (SPE)	7	7	4
Total number of fully consolidated entities	**912**	**908**	**986**
Number of joint ventures valued at equity	17	16	17
Number of associated entities valued at equity	125	112	125

1 — Includes 5 (2011: 5; 2010: 6) subsidiaries, where the Allianz Group owns less than the majority of the voting power, including CreditRas Vita S.p.A. and CreditRas Assicurazioni S.p.A. (CreditRas) as well as Antoniana Veneta Popolare Vita S.p.A. and Antoniana Veneta Popolare Assicurazioni S.p.A. (Antoniana). The Allianz Group controls these entities on the basis of shareholder agreements between the Allianz Group subsidiary owning 50.0% of each such entity and the other shareholders. Pursuant to these shareholder agreements, the Allianz Group has the power to govern the financial and operating policies of these subsidiaries and the right to appoint the general manager, in the case of CreditRas, and the CEO, in the case of Antoniana, who have been given unilateral authority over all aspects of the financial and operating policies of these entities, including the hiring and termination of staff and the purchase and sale of assets. Furthermore, all management functions of these subsidiaries are performed by the employees of the Allianz Group. The Allianz Group also develops all insurance products written through these subsidiaries. Although the Allianz Group and the other shareholders each have the right to appoint half of the directors of each subsidiary, the rights of the other shareholders are limited to matters specifically reserved to the board of directors and shareholders under Italian law, such as decisions concerning capital increases, amendments to articles and similar matters. In addition, in the case of Antoniana, the Allianz Group has the right to appoint the Chairman.

All subsidiaries, joint ventures and associated enterprises are individually listed in the list of participations of the Allianz Group from page 357 of this Annual Report onwards.

SIGNIFICANT ACQUISITIONS

SIGNIFICANT ACQUISITIONS — D 011

	Equity interest %	Date of first-time consolidation	Segment	Goodwill[1] € MN	Transaction
2012					
Insurance activities of Mensura CCA, Brussels	–	8/1/2012	Property-Casualty	(3)	Acquisition
Brokerage portfolio-related activities of Gan Eurocourtage, Paris	–	10/1/2012	Property-Casualty	67	Acquisition
2011					
Europensiones S.A. Entidad Gestora de Fondos de Pensiones, Madrid	60.0	9/8/2011	Asset Management	452	Acquisition
Popular Gestión S.G.I.I.C. S.A., Madrid	60.0	9/8/2011	Asset Management	–	Obtain control

1 — At the date of first-time consolidation.

2012 significant acquisitions

Insurance activities of Mensura CCA including Mensura Assurances SA, Brussels

Effective as of 1 August 2012, Allianz Belgium acquired the assets and assumed the liabilities related to the insurance activities of Mensura CCA and its 100% subsidiary Mensura Assurances SA. Through this acquisition, Allianz Belgium completed its range of products for the self-employed, SMEs and large companies with worker's accident insurance.

The transaction was approved by the General Assembly of Mensura CCA on 13 July 2012 and by the Belgian National Bank on 17 July 2012.

No consideration has been paid in the course of this transaction. Acquisition-related costs in the amount of €1 MN are included in administrative expenses.

The amounts recognized for major classes of identifiable assets acquired and liabilities assumed are as follows:

MENSURA – MAJOR CLASSES OF ASSETS ACQUIRED AND LIABILITIES ASSUMED — D 012

€ MN	Fair value
Cash and cash equivalents	22
Investments	918
Reinsurance assets	30
Deferred acquisition costs	2
Deferred tax assets	5
Other assets	80
Total assets	**1,057**
Financial liabilities carried at fair value through income	4
Unearned premiums	26
Reserves for loss and loss adjustment expenses	992
Other liabilities	32
Total liabilities	**1,054**
Total identifiable net assets	3
Goodwill	(3)
Consideration paid in cash	–

The negative goodwill of €3 MN arising from the acquisition is derived from the development of the value of the acquired business between 1 January 2012 and 1 August 2012. The amount has been recognized, as of the acquisition date, in the consolidated income statement and is reported in realized gains/losses (net).

The impact of the insurance activities acquired from Mensura CCA, including Mensura Assurances SA, on the Allianz Group's total revenues and net income since the acquisition was €32 MN and €21 MN, respectively.

In the fourth quarter of 2012, Mensura Assurances SA has been merged into Allianz Belgium. The merger was completed retrospectively with an effective date as of 1 August 2012.

The gross premiums written, total revenues and net income of the combined entity (Allianz Group including the insurance activities acquired from Mensura CCA) for the year ended 31 December 2012 would have been €72,223 MN, €106,520 MN and €5,513 MN, respectively, if the acquisition date was 1 January 2012.

The impact of the insurance activities acquired from Mensura CCA, net of cash acquired, on the consolidated statement of cashflows for the year ended 31 December 2012, was:

MENSURA — IMPACT ON THE CONSOLIDATED STATEMENT OF CASH FLOWS D013

€ MN

Investments	(918)
Reinsurance assets	(30)
Deferred acquisition costs	(2)
Deferred tax assets	(5)
Other assets	(80)
Financial liabilities carried at fair value through income	4
Unearned premiums	26
Reserves for loss and loss adjustment expenses	992
Other liabilities	32
Total equity	3
Acquisition, net of cash acquired	**22**

Brokerage portfolio-related activities of Gan Eurocourtage, Paris

Effective as of 1 October 2012, Allianz France acquired the Property-Casualty brokerage portfolio-related activities (excluding transport) of Gan Eurocourtage, a wholly owned subsidiary of Groupama SA, after having received the formal approvals from the European anti-trust authorities and from the French regulatory authority, Autorité de Contrôle Prudentiel (ACP). Gan Eurocourtage is a leading Property and Casualty franchise in the French brokerage market. This acquisition will create one of the largest brokerage franchises in France.

The total consideration paid in cash amounted to €160 MN. Acquisition-related costs in the amount of €20 MN are included in administrative expenses.

The following table summarizes the fair values of identifiable assets acquired and liabilities assumed as of 1 October 2012 by major classes, the recognized goodwill and the consideration paid:

GAN EUROCOURTAGE — MAJOR CLASSES OF ASSETS ACQUIRED AND LIABILITIES ASSUMED D014

€ MN	Fair value
Cash and cash equivalents	130
Investments	1,313
Reinsurance assets	190
Deferred tax assets	20
Other assets	319
Intangible assets	34
Total assets	**2,006**
Reserves for loss and loss adjustment expenses	1,633
Reserves for insurance and investment contracts	1
Deferred tax liabilities	35
Other liabilities	244
Total liabilities	**1,913**
Total identifiable net assets	93
Goodwill	67
Consideration paid in cash	160

The goodwill of €67 MN arising from the acquisition reflects mainly the market position and growth potential of the acquired business and the French property-casualty insurance market. The goodwill is expected to be deductible for tax purposes in case of impairment or disposal of the acquired business.

The impact of the brokerage portfolio-related activities of Gan Eurocourtage on the Allianz Group's total revenues and net income since the acquisition was €152 MN and €4 MN, respectively.

The gross premiums written, total revenues and net income of the combined entity (Allianz Group including the Property-Casualty brokerage portfolio-related activities of Gan Eurocourtage) for the year ended 31 December 2012, would have been €72,756 MN, €107,053 MN and €5,476 MN, respectively, if the acquisition date was 1 January 2012.

The impact of the brokerage portfolio-related activities of Gan Eurocourtage, net of cash acquired, on the consolidated statement of cashflows for the year ended 31 December 2012, was:

GAN EUROCOURTAGE – IMPACT ON THE CONSOLIDATED STATEMENT OF CASH FLOWS — D 015

€ MN	
Investments	(1,313)
Reinsurance assets	(190)
Deferred tax assets	(20)
Other assets	(319)
Intangible assets excluding goodwill	(34)
Goodwill	(67)
Reserves for loss and loss adjustment expenses	1,633
Reserves for insurance and investment contracts	1
Deferred tax liabilities	35
Other liabilities	244
Acquisition, net of cash acquired	**(30)**

2011 significant acquisitions

Europensiones S.A. Entidad Gestora de Fondos de Pensiones, Madrid, and Popular Gestión S.G.I.I.C. S.A., Madrid
To strengthen the existing partnership with Banco Popular, on 23 March 2011, the Allianz Group signed a share purchase agreement to acquire 11% of the shares in the pension fund manager Europensiones S.A., Madrid, and 60% of the shares in the asset manager Popular Gestión S.G.I.I.C. S.A., Madrid. After the approval of the relevant regulatory and competition authorities the transactions were closed on 8 September 2011, so that the Allianz Group now holds 60% of the shares in each company.

The total consideration comprises the following components:

EUROPENSIONES + POPULAR GESTION – TOTAL CONSIDERATION — D 016

€ MN	
Cash and cash equivalents	84
Contingent consideration arrangement	1
Total consideration transferred	**85**
Fair value of the Allianz Group's equity interest in Europensiones held before the business combination	120
Total consideration	**205**

The contingent consideration arrangement requires the Allianz Group to pay the former owner 20% of the difference between the net income and the agreed net income targets for Eurovida S.A., Europensiones S.A. and Popular Gestión S.G.I.I.C. S.A. The contingent consideration will be paid out in five installments until 2026, each installment comprising a time period of three years. The minimum potential amount of all future payments that the Allianz Group could be required to make under the contingent consideration agreement is zero, the maximum amount is unlimited.

The fair value of the contingent consideration arrangement is €1 MN.

Immediately before the acquisition date, the acquisition-date fair value of the interest in Europensiones S.A. amounted to €120 MN. As a result of remeasuring to fair value the interest in Europensiones S.A., a gain of €99 MN was recognized in the consolidated income statement and is reported in the line realized gains/losses (net).

The amounts recognized for major classes of assets and liabilities were as follows:

EUROPENSIONES + POPULAR GESTION – MAJOR CLASSES OF ASSETS ACQUIRED AND LIABILITIES ASSUMED — D 017

€ MN	Fair value
Cash and cash equivalents	15
Loans and advances to banks and customers	78
Other assets	8
Intangible assets	368
Total assets	**469**
Deferred tax liabilities	111
Other liabilities	17
Total equity	341
Total liabilities and equity	**469**

As of the acquisition date, the non-controlling interests in Europensiones and Popular Gestión, both unlisted companies, amounted to €137 MN and were measured at the non-controlling interest's proportionate share of the acquirees' identifiable net assets.

The impact of Europensiones S.A., Madrid, and Popular Gestión S.G.I.I.C. S.A., Madrid, on the Allianz Group's net income for the year ended 31 December 2011, was €11 MN.

The total revenues of the combined entity (Allianz Group including Europensiones and Popular Gestión) for the year ended 31 December 2011, would have been €103,595 mn if the acquisition date had been 1 January 2011. The net income of the combined entity for the year ended 31 December 2011, would have been €2,824 mn if the acquisition date had been 1 January 2011.

The impact of the acquisition of Europensiones and Popular Gestión, net of cash acquired, on the consolidated statement of cashflows for the year ended 31 December 2011, was:

EUROPENSIONES + POPULAR GESTION – IMPACT ON THE CONSOLIDATED STATEMENT OF CASH FLOWS D 018

€ MN	
Intangible assets	(368)
Loans and advances to banks and customers	(78)
Other assets	(8)
Deferred tax liabilities	111
Other liabilities	17
Non-controlling interests	137
Less: fair value of previous investment in Europensiones	120
Acquisition of subsidiaries, net of cash acquired	**(69)**

SIGNIFICANT DISPOSALS AND DECONSOLIDATIONS

During 2012, no significant disposals occurred. The disposals and deconsolidations of 2011 and 2010 are summarized in the following table.

SIGNIFICANT DISPOSALS AND DECONSOLIDATIONS D 019

	Equity interest %	Date of deconsolidation	Proceeds from sale € MN	Segment	Goodwill € MN	Transaction
2011						
Allianz Bank Polska S.A., Warsaw	100.0	5/31/2011	38	Corporate and Other	–	Sale to third party
Coparc, Paris	100.0	12/21/2011	27	Life/Health	–	Sale to third party
Allianz Asset Management a.s., Bratislava	100.0	11/30/2011	–	Asset Management	–	Sale to third party
W Finance, Paris	100.0	12/21/2011	27	Life/Health	–	Sale to third party
Allianz Takaful, Manama	100.0	11/30/2011	–	Property-Casualty Life/Health	–	Sale to third party
Allianz Kazakhstan ZAO, Almaty	100.0	12/6/2011	–	Property-Casualty	7	Sale to third party
manroland AG, Offenbach	74.0	11/25/2011	–	Corporate and Other	28	Deconsolidation due to insolvency
2010						
Alba Allgemeine Versicherungs-Gesellschaft AG, Basel	100.0	11/1/2010	219	Property-Casualty	–	Sale to third party
Phenix Compagnie d'assurances SA, Lausanne	100.0			Property-Casualty		
Phenix Compagnie d'assurances sur la vie SA, Lausanne	100.0			Life/Health		
Allianz Bank Zrt., Budapest	100.0	9/30/2010	10	Corporate and Other	–	Sale to third party

2011 significant disposals and deconsolidations

Allianz Bank Polska S.A., Warsaw

In May 2011, the Allianz Group sold Allianz Bank Polska S.A., Warsaw. The impact of the disposal, net of cash disposed, on the consolidated statement of cash flows for the year ended 31 December 2011, was:

ALLIANZ BANK POLSKA – IMPACT ON THE CONSOLIDATED STATEMENT OF CASH FLOWS D 020

€ MN	
Non-current assets and assets of disposal groups classified as held for sale	220
Liabilities of disposal groups classified as held for sale	(176)
Other comprehensive income	11
Deconsolidation result	(21)
Consolidation	(34)
Disposal of subsidiary, net of cash disposed	**–**

Coparc, Paris

In December 2011, the Allianz Group sold Coparc, Paris. The impact of the disposal, net of cash disposed, on the consolidated statement of cash flows for the year ended 31 December 2011, was:

COPARC – IMPACT ON THE CONSOLIDATED STATEMENT OF CASH FLOWS D 021

€ MN	
Financial assets carried at fair value through income	4
Investments	529
Financial assets for unit-linked contracts	490
Other assets	11
Reserves for loss and loss adjustment expenses	(7)
Reserves for insurance and investment contracts	(519)
Financial liabilities for unit-linked contracts	(490)
Deferred tax liabilities	(1)
Other liabilities	(1)
Other comprehensive income	(2)
Realized gain from the disposal	1
Less non-cash components:	
Impairment losses	(3)
Disposal of subsidiary, net of cash disposed	**12**

manroland AG, Offenbach

In November 2011, the Allianz Group deconsolidated manroland AG, Offenbach, and its subsidiaries. The impact of the deconsolidation, net of cash balances, on the consolidated statement of cash flows for the year ended 31 December 2011, was:

MANROLAND – IMPACT ON THE CONSOLIDATED STATEMENT OF CASH FLOWS D 022

€ MN	
Investments	5
Loans to banks and customers	143
Intangible assets	86
Other assets	595
Liabilities to banks and customers	(315)
Other liabilities	(560)
Other comprehensive income	5
Non-controlling interests	8
Deconsolidation result[1]	5
Effect from deconsolidation of subsidiaries, net of cash balances	**(28)**

1 — Thereof a gain of €5 MN is attributable to the retained investment, which was remeasured to its fair value at the date of deconsolidation.

2010 significant disposals

Alba Allgemeine Versicherungs-Gesellschaft AG (Alba), Basel, Phenix Compagnie d'assurances SA (Phenix), Lausanne, and Phenix Compagnie d'assurances sur la vie SA (Phenix Vie), Lausanne

On 1 November 2010, the Allianz Group sold Alba, Phenix and Phenix Vie. The impact of the disposal, net of cash disposed, on the consolidated statement of cash flows for the year ended 31 December 2010, was:

ALBA + PHENIX – IMPACT ON THE CONSOLIDATED STATEMENT OF CASH FLOWS D 023

€ MN	
Investments	686
Reinsurance assets	29
Deferred acquisition costs	16
Other assets	39
Unearned premiums	(38)
Reserves for insurance and investment contracts	(548)
Other liabilities	(80)
Other comprehensive income	(27)
Realized gain from the disposal	130
Consolidation	(7)
Disposal of subsidiaries, net of cash disposed	**200**

Allianz Bank Zrt., Budapest

In September 2010, the Allianz Group completed the sale of Allianz Bank Zrt., Budapest. The impact of the disposal, net of cash disposed, on the consolidated statement of cash flows for the year ended 31 December 2010, was:

ALLIANZ BANK ZRT. — IMPACT ON THE CONSOLIDATED STATEMENT OF CASH FLOWS D 024

€ MN	
Investments	284
Other assets	15
Liabilities to banks and customers	(173)
Other liabilities	(32)
Other comprehensive income	2
Less non-cash components:	
Available-for-sale investments received	(8)
Impairment losses	(42)
Consolidation	(53)
Disposal of subsidiary, net of cash disposed	**(7)**

SIGNIFICANT CHANGES IN NON-CONTROLLING INTERESTS

ACQUISITIONS OF SIGNIFICANT NON-CONTROLLING INTERESTS D 025

	Date of acquisition	Equity interest change %	Costs of acquisition € MN	Increase/(decrease) in shareholders' equity € MN	Decrease in non-controlling interests € MN
2012					
Alida Grundstücksgesellschaft mbH & Co. KG, Hamburg	4/4/2012	39.8	22	12	(34)
Allianz-Slovenská poist'ovna a.s., Bratislava	6/1/2012	15.0	144	(49)	(95)
Allianz Insurance plc, Guildford	9/3/2012	2.0	29	(2)	(27)
2011					
Eurovida S.A., Madrid	9/8/2011	9.0	61	(53)	(8)
2010					
Allianz Seguros S.A., São Paulo	1/14/2010	14.0	77	(14)	(63)

DISPOSALS OF SIGNIFICANT CONTROLLING INTERESTS D 026

	Date of disposal	Equity interest change %	Price of sale € MN	Increase in shareholders' equity € MN	Increase in non-controlling interests € MN
2012					
Euler Hermes Real Estate OPCI, Paris	12/12/2012	(40.0)	55	7	48

6 — Segment reporting

IDENTIFICATION OF REPORTABLE SEGMENTS

The business activities of the Allianz Group are first organized by product and type of service: insurance activities, asset management activities and corporate and other activities. Due to differences in the nature of products, risks and capital allocation, insurance activities are further divided into Property-Casualty and Life/Health categories. In accordance with the responsibilities of the Board of Management, each of the insurance categories is grouped into the following reportable segments:

- German Speaking Countries
- Western & Southern Europe
- Iberia & Latin America
- USA
- Global Insurance Lines & Anglo Markets
- Growth Markets
- Global Assistance (Property-Casualty only)

Asset management activities represent a separate reportable segment. Due to differences in the nature of products, risks and capital allocation, corporate and other activities are divided into three reportable segments: Holding & Treasury, Banking and Alternative Investments. In total, the Allianz Group has identified 17 reportable segments in accordance with IFRS 8, Operating Segments.

The types of products and services from which reportable segments derive revenue are described below.

Property-Casualty

In the Property-Casualty category, reportable segments offer a wide variety of insurance products to both private and corporate customers, including motor liability and own damage, accident, general liability, fire and property, legal expense, credit and travel insurance.

Life/Health

In the Life/Health category, reportable segments offer a comprehensive range of life and health insurance products on both an individual and a group basis, including annuities, endowment and term insurance, unit-linked and investment-oriented products as well as full private health and supplemental health and long-term care insurance.

Asset Management

The reportable segment Asset Management operates as a global provider of institutional and retail asset management products and services to third-party investors and provides investment management services to the Allianz Group's insurance operations. The products for retail and institutional customers include equity and fixed income funds as well as alternative products. The United States and Germany as well as France, Italy and the Asia-Pacific region represent the primary asset management markets.

Corporate and Other

The reportable segment Holding & Treasury includes the management and support of the Allianz Group's businesses through its strategy, risk, corporate finance, treasury, financial reporting, controlling, communication, legal, human resources and technology functions. The reportable segment Banking consists of the banking activities in Germany, France, Italy, the Netherlands and Bulgaria. The banks offer a wide range of products for corporate and retail clients with the main focus on the latter. The reportable segment Alternative Investments provides global alternative investment management services in the private equity, real estate, renewable energy and infrastructure sectors, mainly on behalf of the Allianz Group's insurance operations. The Alternative Investments reportable segment also includes a fully consolidated private equity investment. The income and expenses of this investment are included in the non-operating result.

Prices for transactions between reportable segments are set on an arm's length basis in a manner similar to transactions with third parties. Transactions between reportable segments are eliminated in Consolidation. For the reportable segment Asset Management, interest revenues are reported net of interest expenses.

REPORTABLE SEGMENTS MEASURE OF PROFIT OR LOSS

The Allianz Group uses operating profit to evaluate the performance of its reportable segments and the Allianz Group as a whole. Operating profit highlights the portion of income before income taxes attributable to the ongoing core operations of the Allianz Group. The Allianz Group considers the presentation of operating profit to be useful and meaningful to investors because it enhances the understanding of the Allianz Group's underlying operating performance and the comparability of its operating performance over time.

To better understand the ongoing operations of the business, the Allianz Group generally excludes the following non-operating effects:

- acquisition-related expenses and the amortization of intangible assets, as these relate to business combinations;
- restructuring charges, because the timing of these is largely at the discretion of the Allianz Group;
- interest expenses from external debt, as these relate to the capital structure of the Allianz Group;
- income from fully consolidated private equity investments (net), as this represents income from industrial holdings, which is outside the Allianz Group's normal scope of operating business;
- income from financial assets and liabilities carried at fair value through income (net), as this does not reflect the Allianz Group's long-term performance;
- realized capital gains and losses (net) or impairments of investments (net), as the timing of sales that would result in such realized gains or losses is largely at the discretion of the Allianz Group and impairments are largely dependent on market cycles or issuer-specific events over which the Allianz Group has little or no control and which can and do vary, sometimes materially, through time.

Against this general rule, the following exceptions apply:

- in all segments, income from financial assets and liabilities carried at fair value through income (net) is treated as operating profit if the income refers to operating business;
- for Life/Health insurance business and Property-Casualty insurance products with premium refunds, all items listed above are included in operating profit if the profit sources are shared with policyholders. This is also applicable to tax benefits, which are shared with policyholders. IFRS requires that the consolidated income statements present all tax benefits in the income taxes line item, even though these belong to policyholders. In the segment reporting, the tax benefits are reclassified and shown within operating profit in order to adequately reflect the policyholder participation in tax benefits.

Operating profit should be viewed as complementary to, and not as a substitute for, income before income taxes or net income as determined in accordance with IFRS.

UPCOMING CHANGE OF THE REPORTABLE SEGMENTS MEASURE OF PROFIT OR LOSS

As of the first quarter 2013, all restructuring charges will be presented within operating profit. The Allianz Group believes this change will result in information that is more relevant to the economic decision-making needs of users of financial statements as it better reflects that restructuring charges relate to improving the competitiveness of ordinary business activities. There is neither an impact on recognition and measurement of the restructuring charges, nor on the shareholders' equity or the net income arising out of this change. If this change of the reportable segments measure of profit or loss had been applied in 2012, the operating profit would have been reduced by €252 MN (2011: €167 MN; 2010: €263 MN).

RECENT ORGANIZATIONAL CHANGES

At the beginning of 2012, the Allianz Group reorganized the structure of its insurance activities to reflect the changes in the responsibilities of the Board of Management. The insurance activities of Spain, Portugal, Mexico and South America were combined in the newly created reportable segment Iberia & Latin America. As a consequence, the former Europe incl. South America was renamed into Western & Southern Europe and NAFTA Markets was reduced to USA. Previously reported information has been adjusted to reflect this change in the composition of the Allianz Group's reportable segments. Additionally, some minor reallocations between the reportable segments have been made.

BUSINESS SEGMENT INFORMATION – CONSOLIDATED BALANCE SHEETS

BUSINESS SEGMENT INFORMATION - CONSOLIDATED BALANCE SHEETS

€ MN

	Property-Casualty		Life/Health	
as of 31 December	2012	2011	2012	2011
ASSETS				
Cash and cash equivalents	2,707	2,405	5,574	5,301
Financial assets carried at fair value through income	624	1,187	6,150	6,518
Investments	90,168	84,195	301,111	262,126
Loans and advances to banks and customers	18,331	17,842	94,080	98,019
Financial assets for unit-linked contracts	–	–	71,197	63,500
Reinsurance assets	8,432	8,050	4,858	4,846
Deferred acquisition costs	4,323	4,197	14,990	16,429
Deferred tax assets	895	1,050	240	236
Other assets	22,044	20,772	16,756	16,085
Non-current assets and assets of disposal groups classified as held for sale	–	3	12	4
Intangible assets	2,336	2,232	2,207	2,195
Total assets	**149,860**	**141,933**	**517,175**	**475,259**

€ MN

	Property-Casualty		Life/Health	
as of 31 December	2012	2011	2012	2011
LIABILITIES AND EQUITY				
Financial liabilities carried at fair value through income	100	122	5,255	6,302
Liabilities to banks and customers	1,146	1,488	1,972	2,348
Unearned premiums	15,328	14,697	2,618	2,562
Reserves for loss and loss adjustment expenses	62,711	59,493	9,854	9,357
Reserves for insurance and investment contracts	10,174	9,520	380,995	352,558
Financial liabilities for unit-linked contracts	–	–	71,197	63,500
Deferred tax liabilities	2,584	2,246	3,272	2,186
Other liabilities	16,428	14,999	14,102	13,077
Liabilities of disposal groups classified as held for sale	–	–	–	–
Certificated liabilities	25	25	–	–
Participation certificates and subordinated liabilities	–	–	95	65
Total liabilities	**108,496**	**102,590**	**489,360**	**451,955**

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Asset Management		Corporate and Other		Consolidation		Group	
2012	2011	2012	2011	2012	2011	2012	2011
1,514	1,406	4,209	1,846	(1,567)	(466)	12,437	10,492
699	726	170	312	(360)	(277)	7,283	8,466
1,116	1,087	100,082	93,665	(90,849)	(90,428)	401,628	350,645
395	1,443	16,896	17,717	(10,333)	(10,283)	119,369	124,738
–	–	–	–	–	–	71,197	63,500
–	–	–	–	(36)	(22)	13,254	12,874
139	146	–	–	–	–	19,452	20,772
248	262	1,050	1,657	(1,163)	(884)	1,270	2,321
2,322	1,889	5,580	5,066	(11,076)	(9,466)	35,626	34,346
–	7	3	–	–	–	15	14
7,407	7,498	1,140	1,379	–	–	13,090	13,304
13,840	**14,464**	**129,130**	**121,642**	**(115,384)**	**(111,826)**	**694,621**	**641,472**

Asset Management		Corporate and Other		Consolidation		Group	
2012	2011	2012	2011	2012	2011	2012	2011
–	–	403	516	(361)	(330)	5,397	6,610
1,398	2,231	22,791	20,112	(4,882)	(4,024)	22,425	22,155
–	–	–	–	(7)	(4)	17,939	17,255
–	–	–	–	(25)	(18)	72,540	68,832
–	–	–	–	(182)	(124)	390,987	361,954
–	–	–	–	–	–	71,197	63,500
174	168	302	165	(1,163)	(884)	5,169	3,881
2,760	3,237	18,020	15,822	(18,135)	(15,925)	33,175	31,210
–	–	–	–	–	–	–	–
–	–	14,675	13,845	(6,740)	(6,221)	7,960	7,649
14	14	11,569	11,349	(64)	(255)	11,614	11,173
4,346	**5,650**	**67,760**	**61,809**	**(31,559)**	**(27,785)**	**638,403**	**594,219**
				Total equity		**56,218**	**47,253**
				Total liabilities and equity		**694,621**	**641,472**

BUSINESS SEGMENT INFORMATION – TOTAL REVENUES AND RECONCILIATION OF OPERATING PROFIT (LOSS) TO NET INCOME (LOSS)

BUSINESS SEGMENT INFORMATION – TOTAL REVENUES AND RECONCILIATION OF OPERATING PROFIT (LOSS) TO NET INCOME (LOSS)

€ MN	Property-Casualty			Life/Health		
	2012	2011	2010	2012	2011	2010
Total revenues[1]	**46,889**	**44,772**	**43,895**	**52,347**	**52,863**	**57,098**
Premiums earned (net)	41,705	39,898	39,303	24,393	23,770	24,034
Operating investment result						
Interest and similar income	3,770	3,771	3,680	16,832	16,107	15,085
Operating income from financial assets and liabilities carried at fair value through income (net)	(46)	48	18	(727)	(866)	19
Operating realized gains/losses (net)	168	21	42	3,044	2,188	2,125
Interest expenses, excluding interest expenses from external debt	(47)	(54)	(92)	(84)	(108)	(103)
Operating impairments of investments (net)	(17)	(46)	(9)	(428)	(1,684)	(434)
Investment expenses	(307)	(236)	(240)	(759)	(745)	(704)
Subtotal	**3,521**	**3,504**	**3,399**	**17,878**	**14,892**	**15,988**
Fee and commission income	1,165	1,154	1,099	534	538	539
Other income	35	31	22	154	99	81
Claims and insurance benefits incurred (net)	(28,492)	(27,920)	(27,141)	(20,386)	(20,947)	(18,955)
Change in reserves for insurance and investment contracts (net)[2]	(430)	(272)	(300)	(13,970)	(10,618)	(13,329)
Loan loss provisions	–	–	–	–	–	6
Acquisition and administrative expenses (net), excluding acquisition-related expenses	(11,673)	(11,115)	(11,044)	(5,316)	(5,027)	(5,175)
Fee and commission expenses	(1,089)	(1,070)	(1,024)	(228)	(210)	(258)
Operating restructuring charges	–	–	–	(16)	(1)	(8)
Other expenses	(23)	(14)	(10)	(88)	(76)	(55)
Reclassification of tax benefits	–	–	–	–	–	–
Operating profit (loss)	**4,719**	**4,196**	**4,304**	**2,955**	**2,420**	**2,868**
Non-operating investment result						
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(80)	(52)	(64)	13	(24)	(40)
Non-operating realized gains/losses (net)	671	562	605	132	3	36
Non-operating impairments of investments (net)	(232)	(452)	(191)	(49)	(291)	(47)
Subtotal	**359**	**58**	**350**	**96**	**(312)**	**(51)**
Income from fully consolidated private equity investments (net)	–	(3)	–	–	–	–
Interest expenses from external debt	–	–	–	–	–	–
Acquisition-related expenses	–	–	–	–	–	–
Amortization of intangible assets	(31)	(107)	(156)	(4)	(155)	(3)
Non-operating restructuring charges	(146)	(127)	(178)	(11)	(21)	(31)
Reclassification of tax benefits	–	–	–	–	–	–
Non-operating items	**182**	**(179)**	**16**	**81**	**(488)**	**(85)**
Income (loss) before income taxes	**4,901**	**4,017**	**4,320**	**3,036**	**1,932**	**2,783**
Income taxes	(1,430)	(1,205)	(1,216)	(1,001)	(734)	(934)
Net income (loss)	**3,471**	**2,812**	**3,104**	**2,035**	**1,198**	**1,849**
Net income (loss) attributable to:						
Non-controlling interests	174	174	161	84	74	72
Shareholders	3,297	2,638	2,943	1,951	1,124	1,777

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

2 — In 2012 includes expenses for premium refunds (net) in Property-Casualty of €(292) MN (2011: €(110) MN; 2010: €(181) MN).

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	Asset Management			Corporate and Other			Consolidation			Group		
	2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010
	6,786	**5,502**	**4,986**	**590**	**567**	**587**	**(229)**	**(144)**	**(115)**	**106,383**	**103,560**	**106,451**
	–	–	–	–	–	–	(53)	–	–	66,045	63,668	63,337
	52	57	51	980	1,103	978	(550)	(536)	(366)	21,084	20,502	19,428
	16	(11)	19	30	(11)	(41)	6	(4)	4	(721)	(844)	19
	–	–	–	–	–	–	3	11	2	3,215	2,220	2,169
	(28)	(35)	(30)	(765)	(811)	(714)	438	490	417	(486)	(518)	(522)
	–	–	–	–	–	–	24	–	59	(421)	(1,730)	(384)
	–	–	–	(103)	(100)	(97)	293	229	214	(876)	(852)	(827)
	40	**11**	**40**	**142**	**181**	**126**	**214**	**190**	**330**	**21,795**	**18,778**	**19,883**
	8,041	6,592	6,054	614	680	761	(542)	(558)	(533)	9,812	8,406	7,920
	15	21	19	8	4	4	2	(5)	(8)	214	150	118
	–	–	–	–	–	–	4	–	–	(48,874)	(48,867)	(46,096)
	–	–	–	–	–	–	41	(103)	(242)	(14,359)	(10,993)	(13,871)
	–	–	–	(111)	(121)	(56)	–	–	–	(111)	(121)	(50)
	(3,772)	(3,246)	(2,926)	(1,284)	(1,220)	(1,350)	13	55	52	(22,032)	(20,553)	(20,443)
	(1,310)	(1,122)	(1,127)	(494)	(420)	(424)	225	258	272	(2,896)	(2,564)	(2,561)
	–	–	–	–	–	–	–	–	–	(16)	(1)	(8)
	–	–	–	(3)	(1)	(3)	20	26	11	(94)	(65)	(57)
	–	–	–	–	–	–	17	28	71	17	28	71
	3,014	**2,256**	**2,060**	**(1,128)**	**(897)**	**(942)**	**(59)**	**(109)**	**(47)**	**9,501**	**7,866**	**8,243**
	–	–	–	236	(426)	51	41	59	(4)	210	(443)	(57)
	26	6	35	166	500	788	117	144	75	1,112	1,215	1,539
	(1)	(4)	(1)	(222)	(1,005)	(221)	(9)	(179)	–	(513)	(1,931)	(460)
	25	**2**	**34**	**180**	**(931)**	**618**	**149**	**24**	**71**	**809**	**(1,159)**	**1,022**
	–	–	–	(26)	(98)	(215)	(33)	66	113	(59)	(35)	(102)
	–	–	–	(991)	(973)	(889)	–	–	–	(991)	(973)	(889)
	(94)	(213)	(440)	(7)	4	–	–	–	–	(101)	(209)	(440)
	(45)	(34)	(30)	(203)	(153)	(197)	24	–	59	(259)	(449)	(327)
	(63)	(12)	(19)	(32)	(7)	(35)	–	–	–	(252)	(167)	(263)
	–	–	–	–	–	–	(17)	(28)	(71)	(17)	(28)	(71)
	(177)	**(257)**	**(455)**	**(1,079)**	**(2,158)**	**(718)**	**123**	**62**	**172**	**(870)**	**(3,020)**	**(1,070)**
	2,837	**1,999**	**1,605**	**(2,207)**	**(3,055)**	**(1,660)**	**64**	**(47)**	**125**	**8,631**	**4,846**	**7,173**
	(1,028)	(687)	(659)	320	554	775	(1)	30	70	(3,140)	(2,042)	(1,964)
	1,809	**1,312**	**946**	**(1,887)**	**(2,501)**	**(885)**	**63**	**(17)**	**195**	**5,491**	**2,804**	**5,209**
	51	18	–	13	(7)	(77)	–	–	–	322	259	156
	1,758	1,294	946	(1,900)	(2,494)	(808)	63	(17)	195	5,169	2,545	5,053

REPORTABLE SEGMENTS – PROPERTY-CASUALTY

REPORTABLE SEGMENTS – PROPERTY-CASUALTY

€ MN

	German Speaking Countries[1]			Western & Southern Europe[2,3]		
	2012	2011	2010	2012	2011	2010
Gross premiums written	**11,630**	**11,328**	**11,292**	**9,496**	**9,158**	**9,227**
Ceded premiums written	(1,955)	(1,892)	(1,956)	(655)	(638)	(740)
Change in unearned premiums	(1)	34	18	(158)	(51)	73
Premiums earned (net)	**9,674**	**9,470**	**9,354**	**8,683**	**8,469**	**8,560**
Interest and similar income	1,197	1,216	1,180	868	908	866
Operating income from financial assets and liabilities carried at fair value through income (net)	(4)	(8)	28	5	7	1
Operating realized gains/losses (net)	168	21	42	–	–	–
Fee and commission income	147	152	131	20	22	31
Other income	29	25	12	4	2	1
Operating revenues	**11,211**	**10,876**	**10,747**	**9,580**	**9,408**	**9,459**
Claims and insurance benefits incurred (net)	(6,704)	(7,023)	(6,838)	(5,642)	(5,862)	(6,301)
Change in reserves for insurance and investment contracts (net)	(385)	(229)	(280)	–	–	–
Interest expenses	(76)	(73)	(79)	(9)	(10)	(48)
Operating impairments of investments (net)	(17)	(46)	(9)	–	–	–
Investment expenses	(96)	(87)	(89)	(86)	(83)	(82)
Acquisition and administrative expenses (net)	(2,590)	(2,546)	(2,475)	(2,333)	(2,266)	(2,301)
Fee and commission expenses	(148)	(150)	(125)	(34)	(29)	(29)
Other expenses	(18)	(12)	(9)	(4)	(2)	–
Operating expenses	**(10,034)**	**(10,166)**	**(9,904)**	**(8,108)**	**(8,252)**	**(8,761)**
Operating profit (loss)	**1,177**	**710**	**843**	**1,472**	**1,156**	**698**
Loss ratio[6] in %	69.3	74.1	73.1	64.9	69.2	73.6
Expense ratio[7] in %	26.8	26.9	26.5	26.9	26.8	26.9
Combined ratio[8] in %	**96.1**	**101.0**	**99.6**	**91.8**	**96.0**	**100.5**

1 — In 2012, Münchener und Magdeburger Agrarversicherung AG was transferred from Consolidation and Other to German Speaking Countries. Prior year figures have not been adjusted.
2 — From 2012 on, AGF UK is shown in Global Insurance Lines & Anglo Markets instead of Western & Southern Europe. Prior year figures have been adjusted.
3 — The reserve strengthening for asbestos risks in 2012 at Fireman's Fund Insurance Company of €71 MN had no impact on the financial results of the Allianz Group and Fireman's Fund's combined ratio under IFRS. The reserve strengthening for asbestos risks in 2011 at Allianz S.p.A., at Fireman's Fund Insurance Company and at AGCS of in total €153 MN had no impact on the financial results of the Allianz Group and the single entities' combined ratio under IFRS.
4 — From the third quarter of 2012 on, Allianz Worldwide Care is shown in Global Assistance instead of Global Insurance Lines & Anglo Markets. Prior year figures have been adjusted.
5 — The 2011 analysis of the Allianz Group's asbestos risks resulted in a reduction of reserves and a positive run-off result of €130 MN, which is included in claims and insurance benefits incurred (net) within Consolidation and Other.
6 — Represents claims and insurance benefits incurred (net) divided by premiums earned (net).
7 — Represents acquisition and administrative expenses (net) divided by premiums earned (net).
8 — Represents the total of acquisition and administrative expenses (net) and claims and insurance benefits incurred (net) divided by premiums earned (net).
9 — Presentation not meaningful.

Iberia & Latin America			USA[3]			Global Insurance Lines & Anglo Markets[2,3,4]			Growth Markets		
2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010
4,659	**4,433**	**4,094**	**3,550**	**3,415**	**3,349**	**16,577**	**15,291**	**14,848**	**3,057**	**3,117**	**3,191**
(830)	(902)	(736)	(962)	(908)	(775)	(3,832)	(3,502)	(3,336)	(716)	(659)	(690)
(147)	(90)	(107)	66	87	135	(181)	(176)	(219)	7	(24)	(84)
3,682	**3,441**	**3,251**	**2,654**	**2,594**	**2,709**	**12,564**	**11,613**	**11,293**	**2,348**	**2,434**	**2,417**
208	179	170	239	275	335	1,129	1,074	1,022	166	156	160
20	75	59	(1)	–	–	(61)	(31)	(71)	(4)	3	1
–	–	–	–	–	–	–	–	–	–	–	–
1	–	2	–	–	–	582	627	582	61	61	60
–	4	–	–	–	–	1	–	4	1	–	5
3,911	**3,699**	**3,482**	**2,892**	**2,869**	**3,044**	**14,215**	**13,283**	**12,830**	**2,572**	**2,654**	**2,643**
(2,533)	(2,305)	(2,211)	(2,683)	(2,244)	(1,892)	(8,187)	(7,953)	(7,268)	(1,438)	(1,488)	(1,570)
(1)	(1)	(1)	(1)	–	–	(46)	(42)	(18)	2	–	(1)
(9)	(5)	(3)	–	–	–	(20)	(30)	(36)	(3)	(6)	(6)
–	–	–	–	–	–	–	–	–	–	–	–
(14)	(13)	(12)	(3)	(4)	(5)	(95)	(41)	(38)	(9)	(10)	(14)
(938)	(844)	(804)	(755)	(751)	(881)	(3,560)	(3,226)	(3,131)	(822)	(858)	(870)
(1)	1	(1)	–	–	–	(473)	(522)	(506)	(65)	(68)	(75)
–	–	–	–	–	–	(1)	–	–	–	–	(1)
(3,496)	**(3,167)**	**(3,032)**	**(3,442)**	**(2,999)**	**(2,778)**	**(12,382)**	**(11,814)**	**(10,997)**	**(2,335)**	**(2,430)**	**(2,537)**
415	**532**	**450**	**(550)**	**(130)**	**266**	**1,833**	**1,469**	**1,833**	**237**	**224**	**106**
68.8	67.0	68.0	101.1	86.5	69.9	65.2	68.5	64.4	61.3	61.1	65.0
25.5	24.5	24.7	28.4	29.0	32.5	28.3	27.8	27.7	35.0	35.3	36.0
94.3	**91.5**	**92.7**	**129.5**	**115.5**	**102.4**	**93.5**	**96.3**	**92.1**	**96.3**	**96.4**	**101.0**

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	Global Assistance[4]			Consolidation and Other[1,5]			Property-Casualty		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Gross premiums written	**2,186**	**1,988**	**1,785**	**(4,266)**	**(3,958)**	**(3,891)**	**46,889**	**44,772**	**43,895**
Ceded premiums written	(43)	(22)	(16)	4,266	3,971	3,903	(4,727)	(4,552)	(4,346)
Change in unearned premiums	(43)	(102)	(62)	–	–	–	(457)	(322)	(246)
Premiums earned (net)	**2,100**	**1,864**	**1,707**	**–**	**13**	**12**	**41,705**	**39,898**	**39,303**
Interest and similar income	34	33	27	(71)	(70)	(80)	3,770	3,771	3,680
Operating income from financial assets and liabilities carried at fair value through income (net)	(1)	1	(2)	–	1	2	(46)	48	18
Operating realized gains/losses (net)	–	–	–	–	–	–	168	21	42
Fee and commission income	433	367	358	(79)	(75)	(65)	1,165	1,154	1,099
Other income	–	2	–	–	(2)	–	35	31	22
Operating revenues	**2,566**	**2,267**	**2,090**	**(150)**	**(133)**	**(131)**	**46,797**	**44,923**	**44,164**
Claims and insurance benefits incurred (net)	(1,305)	(1,164)	(1,052)	–	119	(9)	(28,492)	(27,920)	(27,141)
Change in reserves for insurance and investment contracts (net)	1	–	–	–	–	–	(430)	(272)	(300)
Interest expenses	(1)	–	(1)	71	70	81	(47)	(54)	(92)
Operating impairments of investments (net)	–	–	–	–	–	–	(17)	(46)	(9)
Investment expenses	(4)	(1)	(1)	–	3	1	(307)	(236)	(240)
Acquisition and administrative expenses (net)	(690)	(627)	(581)	15	3	(1)	(11,673)	(11,115)	(11,044)
Fee and commission expenses	(432)	(367)	(347)	64	65	59	(1,089)	(1,070)	(1,024)
Other expenses	–	–	–	–	–	–	(23)	(14)	(10)
Operating expenses	**(2,431)**	**(2,159)**	**(1,982)**	**150**	**260**	**131**	**(42,078)**	**(40,727)**	**(39,860)**
Operating profit	**135**	**108**	**108**	**–**	**127**	**–**	**4,719**	**4,196**	**4,304**
Loss ratio[6] in %	62.1	62.5	61.7	–[9]	–[9]	–[9]	68.3	69.9	69.1
Expense ratio[7] in %	32.9	33.6	34.0	–[9]	–[9]	–[9]	28.0	27.9	28.1
Combined ratio[8] in %	**95.0**	**96.1**	**95.7**	**–[9]**	**–[9]**	**–[9]**	**96.3**	**97.8**	**97.2**

REPORTABLE SEGMENTS — LIFE/HEALTH

REPORTABLE SEGMENTS — LIFE/HEALTH

€ MN

	German Speaking Countries			Western & Southern Europe			Iberia & Latin America		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Statutory premiums[1]	**20,758**	**21,004**	**21,070**	**16,897**	**16,462**	**18,590**	**1,520**	**1,377**	**1,276**
Ceded premiums written	(161)	(176)	(187)	(1,102)	(436)	(329)	(30)	(49)	(27)
Change in unearned premiums	(194)	(183)	(57)	45	30	39	–	–	(1)
Statutory premiums (net)	**20,403**	**20,645**	**20,826**	**15,840**	**16,056**	**18,300**	**1,490**	**1,328**	**1,248**
Deposits from insurance and investment contracts	(4,879)	(5,246)	(5,095)	(11,572)	(11,691)	(13,875)	(786)	(760)	(689)
Premiums earned (net)	**15,524**	**15,399**	**15,731**	**4,268**	**4,365**	**4,425**	**704**	**568**	**559**
Interest and similar income	8,782	8,388	7,848	3,999	4,038	3,814	370	355	331
Operating income from financial assets and liabilities carried at fair value through income (net)	48	172	148	(50)	(127)	65	22	2	4
Operating realized gains/losses (net)	2,277	1,464	1,331	587	544	593	(38)	1	4
Fee and commission income	44	40	30	350	366	405	6	4	5
Other income	134	94	65	20	5	2	–	–	–
Operating revenues	**26,809**	**25,557**	**25,153**	**9,174**	**9,191**	**9,304**	**1,064**	**930**	**903**
Claims and insurance benefits incurred (net)	(13,942)	(14,944)	(12,974)	(3,804)	(3,691)	(3,908)	(595)	(571)	(603)
Changes in reserves for insurance and investment contracts (net)	(9,277)	(6,378)	(8,640)	(2,377)	(1,880)	(2,249)	(127)	(33)	7
Interest expenses	(97)	(119)	(114)	(27)	(39)	(33)	(3)	(3)	(2)
Loan loss provisions	–	–	(3)	–	–	–	–	–	–
Operating impairments of investments (net)	(231)	(914)	(274)	(193)	(762)	(150)	–	(1)	(1)
Investment expenses	(512)	(470)	(422)	(179)	(202)	(199)	(7)	(6)	(7)
Acquisition and administrative expenses (net)	(1,303)	(1,524)	(1,381)	(1,677)	(1,698)	(1,715)	(207)	(158)	(149)
Fee and commission expenses	(18)	(17)	(30)	(171)	(161)	(194)	(1)	(1)	–
Operating restructuring charges	(16)	(1)	(8)	–	–	–	–	–	–
Other expenses	(78)	(72)	(51)	(10)	(4)	(2)	–	–	–
Operating expenses	**(25,474)**	**(24,439)**	**(23,897)**	**(8,438)**	**(8,437)**	**(8,450)**	**(940)**	**(773)**	**(755)**
Operating profit	**1,335**	**1,118**	**1,256**	**736**	**754**	**854**	**124**	**157**	**148**
Margin on reserves[2] in basis points	**64**	**57**	**68**	**57**	**61**	**70**	**173**	**235**	**226**

1 — Statutory premiums are gross premiums written from sales of life and health insurance policies, as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.

2 — Represents operating profit divided by the average of the current and previous year-end net reserves, whereby net reserves equal reserves for loss and loss adjustment expenses, reserves for insurance and investment contracts and financial liabilities for unit-linked contracts less reinsurance assets.

3 — Presentation not meaningful.

D 030

USA			Global Insurance Lines & Anglo Markets			Growth Markets			Consolidation			Life/Health		
2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010
7,289	7,786	8,155	484	374	314	6,453	6,250	7,951	(1,054)	(390)	(258)	52,347	52,863	57,098
(121)	(119)	(143)	(59)	(32)	(10)	(274)	(247)	(126)	1,054	390	258	(693)	(669)	(564)
2	(2)	14	–	1	3	(101)	(18)	(125)	–	–	–	(248)	(172)	(127)
7,170	7,665	8,026	425	343	307	6,078	5,985	7,700	–	–	–	51,406	52,022	56,407
(6,322)	(7,005)	(7,402)	–	–	–	(3,454)	(3,550)	(5,312)	–	–	–	(27,013)	(28,252)	(32,373)
848	660	624	425	343	307	2,624	2,435	2,388	–	–	–	24,393	23,770	24,034
2,823	2,565	2,376	76	75	73	841	756	695	(59)	(70)	(52)	16,832	16,107	15,085
(717)	(858)	(220)	(35)	(36)	(35)	3	(10)	68	2	(9)	(11)	(727)	(866)	19
194	88	156	–	–	–	24	91	41	–	–	–	3,044	2,188	2,125
65	55	49	(1)	(1)	–	73	76	62	(3)	(2)	(12)	534	538	539
–	–	–	–	–	–	–	–	14	–	–	–	154	99	81
3,213	2,510	2,985	465	381	345	3,565	3,348	3,268	(60)	(81)	(75)	44,230	41,836	41,883
(99)	(74)	(71)	(352)	(331)	(307)	(1,594)	(1,336)	(1,092)	–	–	–	(20,386)	(20,947)	(18,955)
(1,497)	(1,559)	(1,548)	15	38	48	(707)	(806)	(947)	–	–	–	(13,970)	(10,618)	(13,329)
(7)	(7)	(7)	(1)	(1)	(2)	(7)	(9)	(6)	58	70	61	(84)	(108)	(103)
–	–	3	–	–	–	–	–	6	–	–	–	–	–	6
–	22	(8)	–	–	–	(4)	(28)	(1)	–	(1)	–	(428)	(1,684)	(434)
(35)	(41)	(46)	–	(2)	(3)	(26)	(24)	(24)	–	–	(3)	(759)	(745)	(704)
(1,077)	(513)	(902)	(80)	(57)	(58)	(971)	(1,075)	(970)	(1)	(2)	–	(5,316)	(5,027)	(5,175)
(41)	(33)	(45)	–	–	–	–	–	(1)	3	2	12	(228)	(210)	(258)
–	–	–	–	–	–	–	–	–	–	–	–	(16)	(1)	(8)
–	–	–	–	–	–	–	–	(2)	–	–	–	(88)	(76)	(55)
(2,756)	(2,205)	(2,624)	(418)	(353)	(322)	(3,309)	(3,278)	(3,037)	60	69	70	(41,275)	(39,416)	(39,015)
457	305	361	47	28	23	256	70	231	–	(12)	(5)	2,955	2,420	2,868
69	49	67	208	126	102	99	28	104	–[3]	–[3]	–[3]	67	58	73

REPORTABLE SEGMENTS — ASSET MANAGEMENT

REPORTABLE SEGMENTS — ASSET MANAGEMENT D 031

€ MN	2012	2011	2010
Net fee and commission income[1]	6,731	5,470	4,927
Net interest income[2]	24	22	21
Income from financial assets and liabilities carried at fair value through income (net)	16	(11)	19
Other income	15	21	19
Operating revenues	**6,786**	**5,502**	**4,986**
Administrative expenses (net), excluding acquisition-related expenses	(3,772)	(3,246)	(2,926)
Operating expenses	**(3,772)**	**(3,246)**	**(2,926)**
Operating profit	**3,014**	**2,256**	**2,060**
Cost-income ratio[3] in %	**55.6**	**59.0**	**58.7**

1 — Represents fee and commission income less fee and commission expenses.
2 — Represents interest and similar income less interest expenses.
3 — Represents operating expenses divided by operating revenues.

REPORTABLE SEGMENTS — CORPORATE AND OTHER

REPORTABLE SEGMENTS — CORPORATE AND OTHER

€ MN

	Holding & Treasury			Banking		
	2012	2011	2010	2012	2011	2010
Interest and similar income	245	354	293	719	734	683
Operating income from financial assets and liabilities carried at fair value through income (net)	18	(9)	(41)	14	(2)	1
Fee and commission income	17	132	198	456	430	445
Other income	6	1	–	–	–	–
Operating revenues	**286**	**478**	**450**	**1,189**	**1,162**	**1,129**
Interest expenses, excluding interest expenses from external debt	(414)	(438)	(383)	(350)	(374)	(333)
Loan loss provisions	–	–	–	(111)	(121)	(56)
Investment expenses	(101)	(98)	(94)	(1)	(1)	–
Administrative expenses (net), excluding acquisition-related expenses	(637)	(566)	(621)	(511)	(512)	(591)
Fee and commission expenses	(249)	(200)	(215)	(247)	(221)	(210)
Other expenses	–	–	–	(3)	(1)	(3)
Operating expenses	**(1,401)**	**(1,302)**	**(1,313)**	**(1,223)**	**(1,230)**	**(1,193)**
Operating profit (loss)	**(1,115)**	**(824)**	**(863)**	**(34)**	**(68)**	**(64)**
Cost-income ratio[1] for the reportable segment Banking in %				**87.0**	**90.7**	**101.4**

1 — Represents investment expenses, administrative expenses (net), excluding acquisition-related expenses and other expenses divided by interest and similar income, operating income from financial assets and liabilities carried at fair value through income (net), fee and commission income, other income, interest expenses, excluding interest expenses from external debt and fee and commission expenses.

D 032

Alternative Investments			Consolidation			Corporate and Other		
2012	2011	2010	2012	2011	2010	2012	2011	2010
17	18	6	(1)	(3)	(4)	980	1,103	978
(1)	(1)	(1)	(1)	1	–	30	(11)	(41)
149	125	123	(8)	(7)	(5)	614	680	761
4	6	6	(2)	(3)	(2)	8	4	4
169	**148**	**134**	**(12)**	**(12)**	**(11)**	**1,632**	**1,776**	**1,702**
(2)	(2)	(1)	1	3	3	(765)	(811)	(714)
–	–	–	–	–	–	(111)	(121)	(56)
(3)	(3)	(3)	2	2	–	(103)	(100)	(97)
(142)	(148)	(145)	6	6	7	(1,284)	(1,220)	(1,350)
–	–	–	2	1	1	(494)	(420)	(424)
–	–	–	–	–	–	(3)	(1)	(3)
(147)	**(153)**	**(149)**	**11**	**12**	**11**	**(2,760)**	**(2,673)**	**(2,644)**
22	**(5)**	**(15)**	**(1)**	**–**	**–**	**(1,128)**	**(897)**	**(942)**

NOTES TO THE CONSOLIDATED BALANCE SHEETS

7 — Cash and cash equivalents

CASH AND CASH EQUIVALENTS D 033

€ MN as of 31 December	2012	2011
Balances with banks payable on demand	7,295	7,498
Balances with central banks	2,277	389
Cash on hand	223	263
Treasury bills, discounted treasury notes, similar treasury securities, bills of exchange and checks	2,642	2,342
Total	**12,437**	**10,492**

As of 31 December 2012, compulsory deposits on accounts with national central banks under restrictions due to required reserves from the European Central Bank totaled €305 MN (2011: €389 MN).

8 — Financial assets carried at fair value through income

FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH INCOME D 034

€ MN as of 31 December	2012	2011
Financial assets held for trading		
Debt securities	328	238
Equity securities	153	135
Derivative financial instruments	1,865	2,096
Subtotal	**2,346**	**2,469**
Financial assets designated at fair value through income		
Debt securities	2,349	3,375
Equity securities	2,588	2,622
Subtotal	**4,937**	**5,997**
Total	**7,283**	**8,466**

DEBT AND EQUITY SECURITIES INCLUDED IN FINANCIAL ASSETS HELD FOR TRADING

Debt and equity securities included in financial assets held for trading are primarily marketable and listed securities. As of 31 December 2012, the debt securities include €29 MN (2011: €74 MN) from public sector issuers and €299 MN (2011: €164 MN) from other issuers.

9 — Investments

INVESTMENTS D 035

€ MN as of 31 December	2012	2011
Available-for-sale investments	383,254	333,880
Held-to-maturity investments	4,321	4,220
Funds held by others under reinsurance contracts assumed	1,188	1,123
Investments in associates and joint ventures	3,219	2,758
Real estate held for investment	9,646	8,664
Total	**401,628**	**350,645**

AVAILABLE-FOR-SALE INVESTMENTS

AVAILABLE-FOR-SALE INVESTMENTS — D 036

€ MN as of 31 December	2012				2011			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Debt securities								
Government and agency mortgage-backed securities (residential and commercial)	4,026	291	(2)	4,315	5,095	300	(1)	5,394
Corporate mortgage-backed securities (residential and commercial)	10,778	1,202	(107)	11,873	10,868	863	(182)	11,549
Other asset-backed securities	2,532	276	(27)	2,781	2,393	196	(30)	2,559
Government and government agency bonds								
Germany	13,066	1,521	(5)	14,582	11,988	1,269	(3)	13,254
Italy	29,762	1,483	(206)	31,039	30,158	4	(3,263)	26,899
France	31,384	4,431	(34)	35,781	25,326	1,531	(45)	26,812
United States	8,489	851	(10)	9,330	7,202	704	(3)	7,903
Spain	2,582	32	(136)	2,478	5,097	46	(286)	4,857
Belgium	8,537	1,372	(1)	9,908	5,801	175	(25)	5,951
Greece	7	4	–	11	303	–	–	303
Portugal	251	1	(11)	241	761	–	(209)	552
Ireland	76	3	–	79	439	–	(51)	388
Hungary	662	42	–	704	723	–	(60)	663
All other countries	51,213	5,329	(52)	56,490	41,887	2,903	(155)	44,635
Subtotal	**146,029**	**15,069**	**(455)**	**160,643**	**129,685**	**6,632**	**(4,100)**	**132,217**
Corporate bonds[1]	161,150	14,142	(954)	174,338	151,481	6,571	(4,298)	153,754
Other	2,574	266	(23)	2,817	2,045	190	(16)	2,219
Subtotal	**327,089**	**31,246**	**(1,568)**	**356,767**	**301,567**	**14,752**	**(8,627)**	**307,692**
Equity securities[2]	17,950	8,632	(95)	26,487	18,746	7,623	(181)	26,188
Total	**345,039**	**39,878**	**(1,663)**	**383,254**	**320,313**	**22,375**	**(8,808)**	**333,880**

1 — Includes bonds issued by Spanish banks with a fair value of €508 MN (2011: €1,115 MN), thereof subordinated bonds with a fair value of €107 mn (2011: €322 MN).

2 — Includes shares invested in Spanish banks with a fair value of €279 MN (2011: €521 MN).

HELD-TO-MATURITY INVESTMENTS

HELD-TO-MATURITY INVESTMENTS — D 037

€ MN as of 31 December	2012				2011			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Government and government agency bonds	2,598	331	–	2,929	2,462	196	(31)	2,627
Corporate bonds[1]	1,723	68	(1)	1,790	1,756	54	(17)	1,793
Other	–	–	–	–	2	–	–	2
Total	**4,321**	**399**	**(1)**	**4,719**	**4,220**	**250**	**(48)**	**4,422**

1 — Also includes corporate mortgage-backed securities.

UNREALIZED LOSSES ON AVAILABLE-FOR-SALE INVESTMENTS AND HELD-TO-MATURITY INVESTMENTS

The following table sets forth gross unrealized losses on available-for-sale investments and held-to-maturity investments and the related fair value, broken down by investment category and length of time such investments have been in a continuous unrealized loss position as of 31 December 2012 and 2011.

UNREALIZED LOSSES ON AVAILABLE-FOR-SALE INVESTMENTS AND HELD-TO-MATURITY INVESTMENTS D 038

€ MN

	Less than 12 months		Greater than 12 months		Total	
as of 31 December	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
2012						
Debt securities						
Government and agency mortgage-backed securities (residential and commercial)	86	(1)	9	(1)	95	(2)
Corporate mortgage-backed securities (residential and commercial)	402	(26)	782	(81)	1,184	(107)
Other asset-backed securities	208	(10)	228	(17)	436	(27)
Government and government agency bonds	3,881	(80)	5,528	(375)	9,409	(455)
Corporate bonds	5,759	(88)	8,623	(867)	14,382	(955)
Other	434	(22)	5	(1)	439	(23)
Subtotal	**10,770**	**(227)**	**15,175**	**(1,342)**	**25,945**	**(1,569)**
Equity securities	1,377	(90)	33	(5)	1,410	(95)
Total	**12,147**	**(317)**	**15,208**	**(1,347)**	**27,355**	**(1,664)**
2011						
Debt securities						
Government and agency mortgage-backed securities (residential and commercial)	22	(1)	–	–	22	(1)
Corporate mortgage-backed securities (residential and commercial)	1,333	(101)	455	(81)	1,788	(182)
Other asset-backed securities	470	(13)	161	(17)	631	(30)
Government and government agency bonds	20,821	(1,728)	15,584	(2,403)	36,405	(4,131)
Corporate bonds	33,874	(2,443)	11,004	(1,872)	44,878	(4,315)
Other	290	(15)	27	(1)	317	(16)
Subtotal	**56,810**	**(4,301)**	**27,231**	**(4,374)**	**84,041**	**(8,675)**
Equity securities	2,160	(175)	55	(6)	2,215	(181)
Total	**58,970**	**(4,476)**	**27,286**	**(4,380)**	**86,256**	**(8,856)**

Corporate mortgage-backed securities (residential and commercial)

Total unrealized losses amounted to €107 MN as of 31 December 2012. The unrealized loss positions mainly stem from issues in the securities markets of certain European countries. Based on a detailed analysis of the underlying securities and collaterals, the Allianz Group did not consider these investments to be impaired as of 31 December 2012.

Government and government agency bonds

Total unrealized losses amounted to €455 MN as of 31 December 2012. The Allianz Group holds a large variety of government bonds, mostly of OECD countries (Organization of Economic Cooperation and Development). In general, the credit risk of government and government agency bonds is rather moderate since they are backed by the fiscal capacity of the issuers who typically hold an "investment grade" country- and/or issue-rating.

The unrealized losses on the Allianz Group's investment in government bonds were mainly caused by investments in certain European countries. These unrealized losses are attributable to changes in credit spreads, caused by concerns in the market. The Allianz Group believes that this is a temporary issue and that markets will recover. During 2012, government and government agency bond performance has been positive with spreads narrowing which resulted in a decrease of the unrealized losses of €3,676 MN. Based on a detailed analysis of the underlying securities, the Allianz Group did not consider these investments to be impaired as of 31 December 2012.

Corporate bonds

Total unrealized losses amounted to €955 MN as of 31 December 2012. The Allianz Group holds a large variety of bonds issued by corporations mostly domiciled in OECD countries. For the vast majority of the Allianz Group's corporate bonds, issuers and/or issues are of "investment grade". The unrealized losses have decreased by €3,360 MN, primarily due to the recovering bond market performance of the financial sector. Based on a detailed analysis of the underlying securities, the Allianz Group did not consider these investments to be impaired as of 31 December 2012.

Equity securities

As of 31 December 2012, unrealized losses from equity securities amounted to €95 MN. These unrealized losses concern equity securities that did not meet the criteria of the Allianz Group's impairment policy for equity securities as described in note 2. Substantially all of the unrealized losses have been in a continuous loss position for less than 6 months.

CONTRACTUAL TERM TO MATURITY

The amortized cost and fair value of available-for-sale debt securities and held-to-maturity debt securities as of 31 December 2012, by contractual term to maturity, are as follows:

CONTRACTUAL TERM TO MATURITY D 039

€ MN as of 31 December 2012	Amortized Cost	Fair Value
AVAILABLE-FOR-SALE DEBT SECURITIES		
Due in 1 year or less	29,960	30,383
Due after 1 year and up to 5 years	93,455	98,507
Due after 5 years and up to 10 years	86,766	95,539
Due after 10 years	116,908	132,338
Total	**327,089**	**356,767**
HELD-TO-MATURITY DEBT SECURITIES		
Due in 1 year or less	252	248
Due after 1 year and up to 5 years	1,660	1,812
Due after 5 years and up to 10 years	886	997
Due after 10 years	1,523	1,662
Total	**4,321**	**4,719**

Actual maturities may deviate from the contractually defined maturities, because certain security issuers have the right to call or repay certain obligations ahead of schedule, with or without redemption or early repayment penalties. Investments that are not due at a single maturity date are, in general, not allocated over various maturity buckets, but are shown within their final contractual maturity dates.

EQUITY INVESTMENTS CARRIED AT COST

As of 31 December 2012, fair values could not be reliably measured for equity investments with carrying amounts totaling €223 MN (2011: €418 MN). These investments are primarily investments in privately held corporations and partnerships. During the year ended 31 December 2012, such investments with carrying amounts of €99 MN (2011: €96 MN) were sold leading to no gains or losses (2011: gains of €1 MN and losses of €1 MN).

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

As of 31 December 2012, loans to associated enterprises and joint ventures and available-for-sale debt securities issued by associated enterprises and joint ventures held by the Allianz Group amounted to €290 MN (2011: €136 MN). As of 31 December 2012, the fair value of investments in associates and joint ventures was €3,378 MN (2011: €2,801 MN).

REAL ESTATE HELD FOR INVESTMENT

REAL ESTATE HELD FOR INVESTMENT D 040

€ MN	2012	2011	2010
Cost as of 1 January	11,383	11,630	10,413
Accumulated depreciation as of 1 January	(2,719)	(2,958)	(2,899)
Carrying amount as of 1 January	**8,664**	**8,672**	**7,514**
Additions	978	666	1,041
Changes in the consolidated subsidiaries of the Allianz Group	317	1	544
Disposals	(192)	(393)	(409)
Reclassifications	84	110	(22)
Reclassifications into non-current assets and assets of disposal groups classified as held for sale	(20)	(238)	(46)
Foreign currency translation adjustments	20	48	292
Depreciation	(190)	(185)	(171)
Impairments	(48)	(52)	(106)
Reversals of impairments	33	35	35
Carrying amount As of 31 December	**9,646**	**8,664**	**8,672**
Accumulated depreciation as of 31 December	2,797	2,719	2,958
Cost as of 31 December	12,443	11,383	11,630

As of 31 December 2012, the fair value of real estate held for investment was €14,247 MN (2011: €13,168 MN). As of 31 December 2012, real estate held for investment pledged as security and other restrictions on title were €37 MN (2011: €37 MN).

10 — Loans and advances to banks and customers

LOANS AND ADVANCES TO BANKS AND CUSTOMERS D 041

€ MN as of 31 December	2012			2011		
	Banks	Customers	Total	Banks	Customers	Total
Short-term investments and certificates of deposit	4,207	–	4,207	6,341	–	6,341
Reverse repurchase agreements	789	–	789	1,147	–	1,147
Collateral paid for securities borrowing transactions and derivatives	365	–	365	264	–	264
Loans	64,049	49,633	113,682	67,442	48,393	115,835
Other	436	42	478	1,310	38	1,348
Subtotal	**69,846**	**49,675**	**119,521**	**76,504**	**48,431**	**124,935**
Loan loss allowance	–	(152)	(152)	–	(197)	(197)
Total	**69,846**	**49,523**	**119,369**	**76,504**	**48,234**	**124,738**

LOANS AND ADVANCES TO BANKS AND CUSTOMERS BY CONTRACTUAL MATURITY

LOANS AND ADVANCES TO BANKS AND CUSTOMERS BY CONTRACTUAL MATURITY D 042

€ MN as of 31 December 2012	Up to 3 months	> 3 months up to 1 year	> 1 year up to 3 years	> 3 years up to 5 years	Greater than 5 years	Total
Loans and advances to banks	4,115	4,568	8,383	8,258	44,522	69,846
Loans and advances to customers	2,597	3,749	6,441	5,995	30,893	49,675
Total	**6,712**	**8,317**	**14,824**	**14,253**	**75,415**	**119,521**

LOANS AND ADVANCES TO BANKS AND CUSTOMERS BY GEOGRAPHIC REGION

LOANS AND ADVANCES TO BANKS AND CUSTOMERS BY GEOGRAPHIC REGION D 043

€ MN as of 31 December	2012			2011		
	Germany	Other Countries	Total	Germany	Other Countries	Total
Short-term investments and certificates of deposit	848	3,359	4,207	1,510	4,831	6,341
Reverse repurchase agreements	95	694	789	484	663	1,147
Collateral paid for securities borrowing transactions and derivatives	6	359	365	46	218	264
Loans	91,003	22,679	113,682	93,396	22,439	115,835
Other	201	277	478	594	754	1,348
Subtotal	**92,153**	**27,368**	**119,521**	**96,030**	**28,905**	**124,935**
Loan loss allowance	(76)	(76)	(152)	(127)	(70)	(197)
Total	**92,077**	**27,292**	**119,369**	**95,903**	**28,835**	**124,738**

LOANS AND ADVANCES TO CUSTOMERS (PRIOR TO LOAN LOSS ALLOWANCES) BY ECONOMIC SECTOR

LOANS AND ADVANCES TO CUSTOMERS (PRIOR TO LOAN LOSS ALLOWANCES) BY ECONOMIC SECTOR D 044

€ MN as of 31 December	2012	2011
GERMANY		
Corporate Customers		
Manufacturing industry	1,082	1,063
Construction	370	358
Wholesale and retail trade	487	423
Financial institutions (excluding banks) and insurance companies	106	370
Service providers	4,174	3,200
Other	2,899	2,763
Subtotal	**9,118**	**8,177**
Public authorities	6,955	7,143
Private customers	17,677	17,413
Subtotal	**33,750**	**32,733**
OTHER COUNTRIES		
Corporate Customers		
Industry, wholesale and retail trade and service providers	6,240	6,023
Financial institutions (excluding banks) and insurance companies	316	1,056
Other	2,452	2,098
Subtotal	**9,008**	**9,177**
Public authorities	570	504
Private customers	6,347	6,017
Subtotal	**15,925**	**15,698**
Total	**49,675**	**48,431**

RECONCILIATION OF ALLOWANCES FOR CREDIT LOSSES BY CLASS OF FINANCIAL ASSETS

As of 31 December 2012, the overall volume of allowances for credit losses includes loan loss allowances deducted from loans and advances to banks and customers totaling €152 MN (2011: €197 MN; 2010: €146 MN) and provisions for credit losses included in other liabilities totaling €67 MN (2011: €24 MN; 2010: €7 MN).

RECONCILIATION OF ALLOWANCES FOR CREDIT LOSSES BY CLASS OF FINANCIAL ASSETS D 045

€ MN	Loan loss allowance			Provision for credit losses			Total		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
As of 1 January	**197**	**146**	**144**	**24**	**7**	**8**	**221**	**153**	**152**
Changes in the consolidated subsidiaries of the Allianz Group	–	–	(19)	–	–	(1)	–	–	(20)
Additions charged to the consolidated income statements	129	156	110	61	20	13	190	176	123
Charge-offs	(112)	(48)	(35)	(1)	–	–	(113)	(48)	(35)
Releases	(60)	(40)	(46)	(17)	(3)	(7)	(77)	(43)	(53)
Other additions (reductions)	(2)	(17)	(9)	–	–	–	(2)	(17)	(9)
Foreign currency translation adjustments	–	–	1	–	–	–	–	–	1
Reclassifications to non-current assets and assets of disposal groups classified as held for sale	–	–	–	–	–	(6)	–	–	(6)
As of 31 December	**152**	**197**	**146**	**67**	**24**	**7**	**219**	**221**	**153**

The following table presents information relating to the Allianz Group's impaired loans:

IMPAIRED LOANS D 046

€ MN as of 31 December	2012	2011
Impaired loans	881	766
Impaired loans with specific allowances	875	762
Average balance of impaired loans	442	688
Interest income recognized on impaired loans	10	8

11 — Reinsurance assets

REINSURANCE ASSETS D 047

€ MN as of 31 December	2012	2011
Unearned premiums	1,546	1,394
Reserves for loss and loss adjustment expenses	7,318	7,006
Aggregate policy reserves	4,295	4,364
Other insurance reserves	95	110
Total	**13,254**	**12,874**

Changes in aggregate policy reserves ceded to reinsurers are as follows:

CHANGES IN AGGREGATE POLICY RESERVES CEDED TO REINSURERS D 048

€ MN	2012	2011	2010
Carrying amount as of 1 January	**4,364**	**4,674**	**4,613**
Foreign currency translation adjustments	(47)	102	193
Changes recorded in the consolidated income statements	66	(4)	(46)
Other changes	(88)	(408)	(86)
Carrying amount as of 31 December	**4,295**	**4,364**	**4,674**

The Allianz Group reinsures a portion of the risks it underwrites in an effort to control its exposure to losses and events and to protect its capital resources. For natural catastrophe events, the Allianz Group maintains a centralized program that pools exposures from a number of subsidiaries by internal reinsurance agreements. Allianz SE limits exposures in this portfolio through external reinsurance. For other risks, the subsidiaries of the Allianz Group have individual reinsurance programs in place. Allianz SE participates as a reinsurer on an arm's length basis in these programs.

Reinsurance involves credit risk and is subject to aggregate loss limits. Reinsurance does not legally discharge the respective Allianz company from primary liability under the reinsured policies. Although the reinsurer is liable to this company to the extent of the business ceded, the Allianz company remains primarily liable as the direct insurer on all the risks it underwrites, including the share that is reinsured. The Allianz Group monitors the financial condition of its reinsurers on a regular basis and reviews its reinsurance arrangements periodically in order to evaluate the reinsurer's ability to fulfill its obligations to the Allianz Group companies under existing and planned reinsurance contracts. The Allianz Group's evaluation criteria, which include the degree of creditworthiness, capital and surplus levels, and marketplace reputation of its reinsurers, are such that the Allianz Group believes that its reinsurance credit risk is not significant, and historically has not experienced noteworthy difficulty in collecting claims from its reinsurers. Additionally, and as appropriate, the Allianz Group may also require letters of credit, deposits, or other financial guarantees to further minimize its exposure to credit risk. In certain cases, however, the Allianz Group does establish an allowance for doubtful amounts related to reinsurance as appropriate, although this amount was not significant as of 31 December 2012 and 2011. The Allianz Group primarily maintains business relations with highly rated reinsurers.

12 — Deferred acquisition costs

DEFERRED ACQUISITION COSTS — D 049

€ MN as of 31 December	2012	2011
Deferred acquisition costs		
Property-Casualty	4,323	4,197
Life/Health	13,521	14,579
Asset Management	139	146
Subtotal	**17,983**	**18,922**
Present value of future profits	945	1,053
Deferred sales inducements	524	797
Total	**19,452**	**20,772**

DEFERRED ACQUISITION COSTS

CHANGES IN DEFERRED ACQUISITION COSTS — D 050

€ MN	2012	2011	2010
PROPERTY-CASUALTY			
Carrying amount as of 1 January	**4,197**	**4,121**	**3,789**
Additions	5,359	4,939	4,798
Changes in the consolidated subsidiaries of the Allianz Group	2	1	(4)
Foreign currency translation adjustments	3	(5)	151
Amortization	(5,238)	(4,859)	(4,613)
Carrying amount as of 31 December	**4,323**	**4,197**	**4,121**
LIFE/HEALTH			
Carrying amount as of 1 January	**14,579**	**14,459**	**14,452**
Additions	2,621	2,867	2,719
Changes in the consolidated subsidiaries of the Allianz Group	–	–	(10)
Foreign currency translation adjustments	(27)	195	492
Shadow accounting	(1,668)	(874)	(977)
Amortization	(1,984)	(2,068)	(2,217)
Carrying amount as of 31 December	**13,521**	**14,579**	**14,459**
ASSET MANAGEMENT	139	146	152
Total	**17,983**	**18,922**	**18,732**

PRESENT VALUE OF FUTURE PROFITS

PRESENT VALUE OF FUTURE PROFITS — D 051

€ MN	2012	2011	2010
Cost as of 1 January	2,778	2,782	2,694
Accumulated amortization as of 1 January	(1,725)	(1,602)	(1,482)
Carrying amount as of 1 January	**1,053**	**1,180**	**1,212**
Foreign currency translation adjustments	5	(10)	48
Shadow accounting	(24)	11	(1)
Amortization[1]	(89)	(128)	(79)
Carrying amount as of 31 December	**945**	**1,053**	**1,180**
Accumulated amortization as of 31 December	1,838	1,725	1,602
Cost as of 31 December	2,783	2,778	2,782

1 — During the year ended 31 December 2012, includes interest accrued on unamortized PVFP of €59 MN (2011: €63 MNN; 2010: €65 MN).

As of 31 December 2012, the percentage of PVFP that is expected to be amortized in 2013 is 15.30% (12.11% in 2014, 10.63% in 2015, 9.63% in 2016 and 8.84% in 2017).

DEFERRED SALES INDUCEMENTS

DEFERRED SALES INDUCEMENTS D 052

€ MN	2012	2011	2010
Carrying amount as of 1 January	**797**	**821**	**693**
Additions	138	231	335
Foreign currency translation adjustments	(17)	43	46
Shadow accounting	(253)	(193)	(124)
Amortization	(141)	(105)	(129)
Carrying amount as of 31 December	**524**	**797**	**821**

13 — Other assets

OTHER ASSETS D 053

€ MN as of 31 December	2012	2011
Receivables		
Policyholders	6,005	5,653
Agents	4,497	4,352
Reinsurers	2,421	2,497
Other	4,054	3,405
Less allowance for doubtful accounts	(730)	(669)
Subtotal	**16,247**	**15,238**
Tax receivables		
Income taxes	1,363	1,708
Other taxes	1,278	1,150
Subtotal	**2,641**	**2,858**
Accrued dividends, interest and rent	7,780	7,672
Prepaid expenses		
Interest and rent	17	18
Other prepaid expenses	300	286
Subtotal	**317**	**304**
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	129	430
Property and equipment		
Real estate held for own use	2,885	2,806
Software	1,590	1,393
Equipment	967	849
Fixed assets of Alternative Investments	1,225	1,113
Subtotal	**6,667**	**6,161**
Other assets[1]	1,845	1,683
Total	**35,626**	**34,346**

1 — As of 31 December 2012, includes prepaid benefit costs for defined benefit plans of €490 MN (2011: €385 MN).

As of 31 December 2012, other assets due within one year totaled €27,367 MN (2011: €27,746 MN), and those due in more than one year totaled €8,259 MN (2011: €6,600 MN).

PROPERTY AND EQUIPMENT

Real estate held for own use

REAL ESTATE HELD FOR OWN USE D 054

€ MN	2012	2011	2010
Cost as of 1 January	4,022	4,269	4,008
Accumulated depreciation as of 1 January	(1,216)	(1,194)	(1,092)
Carrying amount as of 1 January	**2,806**	**3,075**	**2,916**
Additions	198	115	243
Changes in the consolidated subsidiaries of the Allianz Group	60	(124)	(97)
Disposals	(45)	(53)	(70)
Reclassifications	(85)	(128)	96
Reclassifications into non-current assets and assets of disposal groups classified as held for sale	–	–	(11)
Foreign currency translation adjustments	14	(5)	89
Depreciation	(71)	(76)	(92)
Reversals of impairments	8	2	1
Carrying amount as of 31 December	**2,885**	**2,806**	**3,075**
Accumulated depreciation as of 31 December	1,136	1,216	1,194
Cost as of 31 December	4,021	4,022	4,269

As of 31 December 2012, the fair value of real estate held for own use was €4,189 MN (2011: €4,128 MN). As of 31 December 2012, assets pledged as security and other restrictions on title were €113 MN (2011: €119 MN).

Software

SOFTWARE D 055

€ MN	2012	2011	2010
Cost as of 1 January	4,584	4,162	3,828
Accumulated amortization as of 1 January	(3,191)	(2,875)	(2,531)
Carrying amount as of 1 January	**1,393**	**1,287**	**1,297**
Additions	638	530	426
Changes in the consolidated subsidiaries of the Allianz Group	(1)	(20)	(5)
Disposals	(42)	(31)	(88)
Reclassification into non-current assets and assets of disposal groups classified as held for sale	–	–	(8)
Foreign currency translation adjustments	5	(2)	21
Amortization	(393)	(352)	(329)
Impairments	(10)	(19)	(27)
Carrying amount as of 31 December[1]	**1,590**	**1,393**	**1,287**
Accumulated amortization as of 31 December	3,467	3,191	2,875
Cost as of 31 December	5,057	4,584	4,162

1 — As of 31 December 2012, includes €980 MN (2011: € 865 MN; 2010: 829 MN) for software developed in-house and €610 MN (2011: €528 MN; 2010: €458 MN) for software purchased from third parties.

Equipment

EQUIPMENT D 056

€ MN	2012	2011	2010
Cost as of 1 January	3,480	3,297	3,311
Accumulated depreciation as of 1 January	(2,631)	(2,562)	(2,508)
Carrying amount as of 1 January	**849**	**735**	**803**
Additions	485	380	318
Changes in the consolidated subsidiaries of the Allianz Group	(8)	3	3
Disposals	(110)	(86)	(101)
Reclassifications	(3)	5	(27)
Reclassifications into non-current assets and assets of disposal groups classified as held for sale	–	–	(22)
Foreign currency translation adjustments	–	8	22
Depreciation	(244)	(195)	(244)
Impairments	(2)	(1)	(17)
Carrying amount as of 31 December	**967**	**849**	**735**
Accumulated depreciation as of 31 December	2,673	2,631	2,562
Cost as of 31 December	3,640	3,480	3,297

Fixed assets of Alternative Investments

FIXED ASSETS OF ALTERNATIVE INVESTMENTS[1] D 057

€ MN	2012	2011	2010
Cost as of 1 January	1,573	1,587	1,152
Accumulated depreciation as of 1 January	(460)	(470)	(330)
Carrying amount as of 1 January	**1,113**	**1,117**	**822**
Additions	237	176	177
Changes in the consolidated subsidiaries of the Allianz Group	–	(46)	248
Disposals	(7)	(6)	(3)
Foreign currency translation adjustments	–	2	13
Depreciation	(118)	(130)	(140)
Carrying amount as of 31 December	**1,225**	**1,113**	**1,117**
Accumulated depreciation as of 31 December	579	460	470
Cost as of 31 December	1,804	1,573	1,587

1 — Includes fixed assets of wind parks, solar parks, manroland and Selecta.

14 — Non-current assets and assets of disposal groups classified as held for sale

NON-CURRENT ASSETS AND ASSETS OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE D 058

€ MN as of 31 December	2012	2011
Assets of disposal groups classified as held for sale		
LLC Allianz Life, Moscow	–	4
Seed money investments	–	7
Subtotal	**–**	**11**
Non-current assets classified as held for sale		
Real estate held for investment	15	3
Subtotal	**15**	**3**
Total	**15**	**14**

Non-current assets classified as held for sale of € 15 MN comprise real estate held for investment allocated to the Life/Health segment in the U.S. and Corporate and Other segment in Germany, none of which is individually material. The sale of these assets is expected to be completed during the first quarter of 2013. Upon measurement of the non-current assets at fair value less costs to sell an impairment loss of € 3 MN was recognized for the year ended 31 December 2012.

15 — Intangible assets

INTANGIBLE ASSETS D 059

€ MN as of 31 December	2012	2011
Intangible assets with indefinite useful lives		
Goodwill	11,679	11,722
Brand names[1]	302	310
Subtotal	**11,981**	**12,032**
Intangible assets with finite useful lives		
Long-term distribution agreements[2]	796	941
Customer relationships	152	207
Other[3]	161	124
Subtotal	**1,109**	**1,272**
Total	**13,090**	**13,304**

1 — Includes primarily the brand name of Selecta AG, Muntelier.
2 — Consists of the long-term distribution agreements with Commerzbank AG of €410 MN (2011: €539 MN) and Banco Popular S.A. of €386 MN (2011: €402 MN).
3 — Includes primarily acquired business portfolios and renewal rights of €67 MN (2011: €44 MN), other distribution rights of €20 MN (2011: €22 MN), heritable building rights of €15 MN (2011: €– MN), bancassurance agreements of €10 MN (2011: €12 MN) and research and development costs of €11 MN (2011: €9 MN).

INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Goodwill

GOODWILL D 060

€ MN	2012	2011	2010
Cost as of 1 January	12,527	12,603	12,291
Accumulated impairments as of 1 January	(805)	(583)	(277)
Carrying amount as of 1 January	**11,722**	**12,020**	**12,014**
Additions	72	7	56
Disposals	–	(28)	–
Foreign currency translation adjustments	(26)	67	256
Impairments	(89)	(337)	(306)
Reclassifications into non-current assets and assets of disposal groups classified as held for sale	–	(7)	–
Carrying amount as of 31 December	**11,679**	**11,722**	**12,020**
Accumulated impairments as of 31 December	894	805	583
Cost as of 31 December	12,573	12,527	12,603

2012

Additions of 2012 mainly include goodwill from the acquisition relating to the brokerage portfolio of GAN Eurocourtage S.A., Paris.

The allocated goodwill of the Cash Generating Unit (CGU) Selecta AG was impaired by €89 MN in the segment Corporate and Other. This impairment was triggered by lower expectations regarding future economic developments of Selecta's core markets and lower multiples.

2011

Disposals of 2011 include goodwill from the loss of control in manroland AG, Offenbach, due to the opening of insolvency proceedings during the fourth quarter.

As a result of the annual impairment test, the goodwill of the CGU Property-Casualty Insurance USA[1] was impaired by €93 MN, the goodwill of the CGU Life/Health Asia-Pacific and Middle East was impaired by €149 MN, the goodwill of the CGU Banking Germany was impaired by €95 MN and the intangible asset of the CGU Banking Germany was impaired by €19 MN.

The reclassification of 2011 affects the goodwill of Allianz Kazakhstan ZAO, Almaty, as this subsidiary was reclassified to non-current assets and assets and liabilities of disposal groups classified as held for sale.

2010

Additions of 2010 include goodwill from the acquisition of a 100% participation in Windpark Werder Zinndorf GmbH & Co. KG, Sehestedt, the acquisition of a 100% participation in Solarpark BPS Brindisi S.r.l., Brindisi, and the acquisition of a 100% participation in Solarpark Orsa Maggiore PV S.r.l., Milan.

The allocated goodwill of the CGU Banking Europe, Central and Eastern Europe in the Property-Casualty segment and manroland AG in the Corporate and Other segment was impaired as a result of the annual impairment test 2010.

Brand names

The position brand names consists primarily of the brand name "Selecta". The brand name "Selecta" has an indefinite life, as there is no foreseeable end to its economic life.

1 — In 2011, the CGU was named NAFTA Markets.

The fair value of this brand name, registered as a trade name, was determined using a royalty savings approach.

The brand name of the Insurance Company "Progress Garant" was impaired in the second quarter of 2012 and the brand name of Russian People's Insurance Society "ROSNO" is amortized over the next four years due to the rebranding activities of Allianz Group in the Russian market.

Impairment test for goodwill and intangible assets with indefinite useful lives

Allocation principles

For the purpose of impairment testing, the Allianz Group has allocated goodwill to Cash Generating Units (CGU). These CGU represent the lowest level at which goodwill is monitored for internal management purposes.

Cash generating units in the Property-Casualty segment are:

- German Speaking Countries,
- Insurance Western & Southern Europe including France, the Netherlands, Turkey, Belgium, Italy, Greece, Luxembourg and Africa,
- Iberia & Latin America including South America, Mexico, Portugal and Spain,
- Asia-Pacific and Middle East,
- Central and Eastern Europe including Bulgaria, Croatia, the Czech Republic, Hungary, Slovakia, Poland, Romania and Russia,
- Global Insurance Lines & Anglo Markets including United Kingdom, Ireland and Australia,
- Specialty Lines I including Allianz SE Re, Allianz Global Corporate & Specialty, ART and Credit Insurance,
- Specialty Lines II including Travel Insurance and Assistance Services.

Cash generating units in the Life/Health segment are:

- German Speaking Countries,
- Health Germany,
- Insurance Western & Southern Europe including France, the Netherlands, Turkey, Belgium, Italy, Greece, Luxembourg and Africa,
- Asia-Pacific and Middle East,
- Insurance USA.

Cash generating units in the Corporate and Other segment consist of Selecta AG.

The carrying amounts of goodwill and brand names are allocated to the Allianz Group's CGU as of 31 December 2012 and 2011 as follows:[1]

ALLOCATION OF CARRYING AMOUNTS OF GOODWILL AND BRAND NAMES TO CGU D 061

€ MN as of 31 December	2012		2011	
Cash generating unit	Goodwill	Brand names	Goodwill	Brand names
PROPERTY-CASUALTY				
German Speaking Countries	284	–	284	–
Insurance Western & Southern Europe	924	–	851	–
Iberia & Latin America	21	–	22	–
Asia-Pacific and Middle East	89	–	88	–
Central and Eastern Europe	467	16	454	24
Global Insurance Lines & Anglo Markets	323	–	317	–
Specialty Lines I	38	–	38	–
Specialty Lines II	18	–	18	–
Subtotal	**2,164**	**16**	**2,072**	**24**
LIFE/HEALTH				
German Speaking Countries	592	–	592	–
Health Germany	325	–	325	–
Insurance Western & Southern Europe	645	–	642	–
Asia-Pacific and Middle East	171	–	171	–
Insurance USA	442	–	444	–
Subtotal	**2,175**	**–**	**2,174**	**–**
ASSET MANAGEMENT	**6,937**	**–**	**6,985**	**–**
CORPORATE AND OTHER				
Selecta AG	403	286	491	286
Subtotal	**403**	**286**	**491**	**286**
Total	**11,679**	**302**	**11,722**	**310**

Valuation techniques

The recoverable amounts for all CGU are determined on the basis of value in use calculations. The Allianz Group applies generally acknowledged valuation principles to determine the value in use.

For all CGU in the Property-Casualty segment and for the CGU Asset Management, the Allianz Group uses the capitalized earnings method to derive the value in use. Generally, the basis for the determination of the capitalized earnings value is the business plan ("detailed planning period") as well as the estimate of the sustainable returns and eternal growth rates which can be assumed to be realistic on a long-term basis ("terminal value") for the operating entities included in the CGU. The capitalized earnings value is calculated by discounting the future earnings using an appropriate discount rate. The business plans applied in the value in use calculations are the results of the structured management dialogues between the Board of Management of the Allianz Group and the operating entities in connection with a reporting process integrated into these dialogues. Generally, the business plans comprise a planning horizon of three years and are based on the current market environment.

The terminal values are largely based on the expected profits of the final year of the detailed planning period. Where necessary, the planned profits are adjusted to reflect long-

1 — The overview shows all CGU that contain goodwill.

term sustainable earnings. The financing of the assumed eternal growth in the terminal values is accounted for by appropriate profit retention.

For all CGU in the Life/Health segment the value in use is based on an Appraisal Value method which is derived from the Embedded Value and new business value calculation.

As a starting point for the impairment test for the CGU in the Life/Health segment, the Market Consistent Embedded Value (MCEV) and a multiple of the Market Consistent Value of New Business is used. The MCEV is an industry specific valuation method to assess the current value of the in force portfolio and is in compliance with the general principles of the discounted earnings methods. The Market Consistent Embedded Value approach applied is based on the CFO Forum Principles and the Allianz Group's Embedded Value guidelines. It is a risk-neutral valuation that includes explicit allowance for non-financial risk as well as allowance for options and guarantees using market consistent stochastic simulations that are in line with market prices for similar financial instruments.

In cases where no adequate valuation reflecting a long-term view in line with management judgement and market experience could be derived from a market consistent methodology (MCEV), the Appraisal Value was derived from a Traditional Embedded Value and new business calculation. The Traditional Embedded Value and new business calculation was used in the impairment test in the Life/Health segment for entities in Taiwan, the United States and Italy.

Significant assumptions

In determining the business plans, certain key assumptions were taken in order to project future earnings.

For entities included in the CGU of the Property-Casualty segment, the business plans are mainly based on key assumptions including expense ratio, loss ratio, investment income, risk capital, market share, premium rate changes and taxes. The basis for determining the values assigned to the key assumptions are current market trends and earnings projections.

The discount rate is based on the capital asset pricing model (CAPM) and appropriate eternal growth rates. The assumptions, including the risk free interest rate, market risk premium, segment beta and leverage ratio, used to calculate the discount rates are in general consistent with the parameters used in the Allianz Group's planning and controlling process. The discount rates and eternal growth rates for the CGU in the Property-Casualty segment are as follows:

DISCOUNT RATE AND ETERNAL GROWTH RATE FOR THE CGU IN THE PROPERTY-CASUALTY SEGMENT D 062

%

Cash generating unit	Discount rate	Eternal growth rate
German Speaking Countries	7.3	1.0
Insurance Western & Southern Europe	8.2	1.0
Iberia & Latin America	11.6	3.0
Asia-Pacific and Middle East	9.7	3.0
Central and Eastern Europe	9.9	2.0
Global Insurance Lines & Anglo Markets	7.0	1.0
Specialty Lines I	7.9	1.0
Specialty Lines II	8.0	1.0

For entities included in the CGU of the segment Life/Health, the projection of profits underlying the MCEV and the Traditional Embedded Value calculation is based on assumptions set with allowance for profit-sharing as well as a projection of unrealized capital gains and unallocated premium reserves. The profits estimated for the MCEV and the Traditional Embedded Value calculation consist of premium income, investment return on technical reserves, expenses, commissions, death and morbidity claims, surrender claims, maturity claims, increases in technical reserves, taxation and levies. For projecting future profits, assumptions have to be made on the asset performance of the operating entity. This requires consideration of the development of the market together with assumptions on the operating entity's investment strategy as well as the current asset portfolio and allocation. The projection of investment returns includes the consideration of projection of returns for the current asset portfolio and a projection of returns for reinvestments. All assumptions have been developed by management under consideration of internal and external sources.

For the calculation of the MCEV the projected future profits were discounted using risk-neutral discount rates, as the risks are already explicitly allowed for in the market consistent valuation. Time-dependent and scenario-dependent discount factors are applied. As a reference rate, the swap yield curve with appropriate adjustments for, e.g., credit risk and illiquidity premium, was used for determining the

MCEV. For the calculation of the Traditional Embedded Value a discount rate based on 10-year government bonds plus 4.5% Equity Risk Premium was used. For the valuation of the Traditional Embedded Value the underlying government bonds were consistently used for the valuation of starting asset values as well as for the projection of the cash flows. The following table provides an overview of the discount rates for the CGU in the Life/Health segment:

REFERENCE RATE AND RISK DISCOUNT RATE FOR THE CGU IN THE LIFE/HEALTH SEGMENT D 063

Cash generating unit in the Life/Health segment	Reference rate for entities with Appraisal Value based on MCEV and risk discount rate for entities with Appraisal Value based on Traditional Embedded Value (TEV)
German Speaking Countries	MCEV: EUR swap curve minus 10 BPS credit risk adjustment plus 33 BPS illiquidity premium CHF swap curve minus 10 BPS credit risk adjustment plus 2 BPS illiquidity premium
Health Germany	MCEV: EUR swap curve minus 10 BPS credit risk adjustment plus 33 BPS illiquidity premium
Insurance Western & Southern Europe	MCEV: EUR swap curve minus 10 BPS credit risk adjustment plus 33 BPS illiquidity premium TEV: 9.56% for Allianz S.p.A.
Asia-Pacific and Middle East	MCEV: Local swap curve minus 10 BPS credit risk adjustment plus 0 BPS illiquidity premium TEV: 5.76% for Allianz Taiwan
Insurance USA	TEV: 6.24%

The new business value calculation is based on a best-estimate of one year of value of new business, multiplied by a factor (multiple) to capture expected future new business. The best-estimate of new business is generally derived from the achieved value of new business. The new business multiple accounts for the risk and growth associated with future new business in analogy to the discount rate and the growth rate in a capitalized earnings method. For all CGU in the Life/Health segment, a multiple of not more than ten times value of new business is applied.

For entities included in the CGU of the Asset Management segment, key assumptions include assets under management growth, cost-income ratio and risk capital. The key assumptions are based on the current market environment. The discount rate is 9.0% and the eternal growth rate is 1.0% for the CGU Asset Management.

For the CGU Selecta AG, the discount rate applied to determine the value in use is 8.0%. The value in use results from the discounted expected sales proceeds, assuming a sale to occur in the mid-term future. The sale proceeds are estimated by using a multiple valuation. The multiple is derived from industry peer companies and management judgment and is applied to projected results derived from the internal business plan, which is mainly based on expectations regarding future economic developments of Selecta's core markets.

Sensitivity analysis

Sensitivity analyses were performed with regard to discount rates and key value drivers of the business plans.

For the CGU in the segments Property-Casualty and Asset Management, sensitivity analyses were performed in respect to the long-term sustainable combined ratios and cost income ratios. For all CGU excluding Property-Casualty Asia-Pacific and Middle East as well as Property-Casualty Central and Eastern Europe, capitalized earnings value sensitivities still exceeded their respective carrying values. An increase of more than 0.5% points in the discount rate or the combined ratio may result in the recoverable amount for the CGU Central and Eastern Europe getting close to its carrying value. The recoverable amount of the CGU Asia-Pacific and Middle East may decline to its carrying value as a result of an increase in the combined ratio of more than 1.5% points.

In the Life/Health segment, for life entities where the Appraisal Value is based on MCEV, sensitivity analyses were performed based on MCEV sensitivity testing on the reference rate. For life entities where the Appraisal Value is based on Traditional Embedded Value, sensitivity analyses were performed with respect to the risk discount rate. For the CGU Insurance USA, any increase in the risk discount rate would lead to the Appraisal Value not exceeding its carrying value assuming ten times the new business value. For the CGU Asia-Pacific and Middle East, an increase in the risk discount rate in Taiwan of 100 basis points would lead to the Appraisal Value still exceeding its carrying value assuming seven times the new business value.

It has to be noted, however, that these sensitivity analyses for the Traditional Embedded Value with an adverse variation in the risk discount rate were performed on a ceteris paribus basis. Investment income and the respective associated profits underlying the Traditional Embedded Values were not adjusted correspondingly.

INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

Amortization expenses of intangible assets with finite useful lives are estimated to be €131 MN in 2013, €130 MN in 2014, €126 MN in 2015, €120 MN in 2016 and €120 MN in 2017. Thereof, the amortization expenses relating to the intangible assets of Selecta AG are included in the line item "Expenses from fully consolidated private equity investments".

The long-term distribution agreements with Commerzbank AG have useful lives of 13.5 years and 15 years, which were determined by contractual agreements. They are amortized on a straight-line basis over the remaining useful life of 11 years. The long-term distribution agreements were impaired by €84 MN in the fourth quarter 2012 as a result of adjusted estimated distribution volumes. The long-term distribution agreements with Banco Popular S.A. have useful lives of 25 years, which were determined by contractual agreements. They are amortized on a straight-line basis over the remaining useful lives of 23.75 years.

The customer relationships of cominvest and Selecta have useful lives of 4 years and 10 years, which were determined by average customer retention period for German mutual funds and by the multi-period excess earnings method. The customer relationships of cominvest were fully amortized by the end of 2012. The customer relationships of Selecta are amortized on a straight-line basis over the remaining useful lives of 4.5 years.

16 — Financial liabilities carried at fair value through income

FINANCIAL LIABILITIES CARRIED AT FAIR VALUE THROUGH INCOME D 064

€ MN as of 31 December	2012	2011
Financial liabilities held for trading		
Derivative financial instruments	5,395	6,608
Other trading liabilities	2	2
Subtotal	**5,397**	**6,610**
Financial liabilities designated at fair value through income	–	–
Total	**5,397**	**6,610**

17 — Liabilities to banks and customers

LIABILITIES TO BANKS AND CUSTOMERS D 065

€ MN as of 31 December	2012			2011		
	Banks	Customers	Total	Banks	Customers	Total
Payable on demand	135	4,724	4,859	409	4,138	4,547
Savings deposits	–	2,897	2,897	–	2,879	2,879
Term deposits and certificates of deposit	986	1,651	2,637	1,107	2,234	3,341
Repurchase agreements	743	656	1,399	229	106	335
Collateral received from securities lending transactions and derivatives	1,793	–	1,793	2,151	–	2,151
Other	5,420	3,420	8,840	5,693	3,209	8,902
Total	**9,077**	**13,348**	**22,425**	**9,589**	**12,566**	**22,155**

LIABILITIES TO BANKS AND CUSTOMERS BY CONTRACTUAL MATURITY

LIABILITIES TO BANKS AND CUSTOMERS BY CONTRACTUAL MATURITY D 066

€ MN as of 31 December 2012	Up to 3 months	> 3 months up to 1 year	> 1 year up to 3 years	> 3 years up to 5 years	Greater than 5 years	Total
Liabilities to banks	3,378	1,372	1,471	1,084	1,772	9,077
Liabilities to customers	10,623	884	441	121	1,279	13,348
Total	**14,001**	**2,256**	**1,912**	**1,205**	**3,051**	**22,425**

LIABILITIES TO BANKS AND CUSTOMERS BY TYPE OF CUSTOMER AND GEOGRAPHIC REGION

LIABILITIES TO BANKS AND CUSTOMERS BY TYPE OF CUSTOMER AND GEOGRAPHIC REGION — D 067

€ MN as of 31 December	2012			2011		
	Germany	Other countries	Total	Germany	Other countries	Total
Liabilities to banks	4,960	4,117	9,077	3,982	5,607	9,589
Liabilities to customers						
Corporate customers	3,211	2,421	5,632	2,545	1,766	4,311
Public authorities	192	39	231	166	11	177
Private customers	5,037	2,448	7,485	4,898	3,180	8,078
Subtotal	**8,440**	**4,908**	**13,348**	**7,609**	**4,957**	**12,566**
Total	**13,400**	**9,025**	**22,425**	**11,591**	**10,564**	**22,155**

As of 31 December 2012, liabilities to customers include €1,625 MN (2011: €1,049 MN) of non-interest bearing deposits.

18 — Unearned premiums

UNEARNED PREMIUMS — D 068

€ MN as of 31 December	2012	2011
Property-Casualty	15,328	14,697
Life/Health	2,618	2,562
Consolidation	(7)	(4)
Total	**17,939**	**17,255**

19 — Reserves for loss and loss adjustment expenses

RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES — D 069

€ MN as of 31 December	2012	2011
Property-Casualty	62,711	59,493
Life/Health	9,854	9,357
Consolidation	(25)	(18)
Total	**72,540**	**68,832**

Reserves for loss and loss adjustment expenses for the *Property-Casualty* segment are described in detail in the following sections.

CHANGE IN RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES

The following table reconciles the beginning and ending reserves of the Allianz Group, including the effect of reinsurance ceded, for the Property-Casualty segment for each year in the three-year period ended 31 December 2012.

CHANGE IN RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES

D 070

€ MN

	2012			2011			2010		
	Gross	Ceded	Net	Gross	Ceded	Net	Gross	Ceded	Net
As of 1 January	**59,493**	**(6,658)**	**52,835**	**57,509**	**(6,659)**	**50,850**	**55,715**	**(7,175)**	**48,540**
Loss and loss adjustment expenses incurred									
Current year	32,109	(2,410)	29,699	32,024	(2,444)	29,580	31,158	(2,473)	28,685
Prior years	(1,271)	64	(1,207)	(2,080)	420	(1,660)	(2,551)	1,007	(1,544)
Subtotal	**30,838**	**(2,346)**	**28,492**	**29,944**	**(2,024)**	**27,920**	**28,607**	**(1,466)**	**27,141**
Loss and loss adjustment expenses paid									
Current year	(15,017)	574	(14,443)	(15,011)	695	(14,316)	(14,899)	805	(14,094)
Prior years	(15,132)	1,747	(13,385)	(13,646)	1,417	(12,229)	(13,860)	1,495	(12,365)
Subtotal	**(30,149)**	**2,321**	**(27,828)**	**(28,657)**	**2,112**	**(26,545)**	**(28,759)**	**2,300**	**(26,459)**
Foreign currency translation adjustments and other changes[1]	(96)	(2)	(98)	684	(84)	600	2,188	(344)	1,844
Changes in the consolidated subsidiaries of the Allianz Group	2,625	(220)	2,405	13	(3)	10	(242)	26	(216)
As of 31 December	**62,711**	**(6,905)**	**55,806**	**59,493**	**(6,658)**	**52,835**	**57,509**	**(6,659)**	**50,850**

1 — Includes effects of foreign currency translation adjustments for prior years claims of gross €47 MN (2011: €295 MN; 2010: €1,999 MN) and of net €70 MN (2011: €247 MN; 2010: €1,707 MN) and for current year claims of gross €(156) MN (2011: €444 MN; 2010: €101 MN) and of net €(127) MN (2011: €345 MN; 2010: €63 MN).

Prior years' net loss and loss adjustment expenses incurred reflect the changes in estimation charged or credited to the consolidated income statement in each year with respect to the reserves for loss and loss adjustment expenses established as of the beginning of that year. During the year ended 31 December 2012, the Allianz Group recorded additional income of €1,207 MN (2011: €1,660 MN; 2010: €1,544 MN) net in respect of losses occurring in prior years. During the year ended 31 December 2012, this amount as a percentage of the net balance of the beginning of the year was 2.3% (2011: 3.3%; 2010: 3.2%).

CHANGES IN HISTORICAL RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES (LAE)

The analysis of loss and LAE reserves by actuaries and management is conducted by line of business and separately for specific claim types such as asbestos and environmental claims. The origin year of losses is taken into consideration by analyzing each line of business by accident year. While this determines the estimates of reserves for loss and LAE by accident year, the effect in the consolidated income statement in the respective calendar year combines the accident year loss ratio for the current year with the favorable or adverse development from prior years (run-off). The tables below first show the loss development by accident year followed by the resulting change for the most recent calendar years.

The run-off triangle, also known as the "loss triangle" is a tabular representation of loss-related data (such as payments, loss reserves, ultimate losses) in two, time-related dimensions. One of these is the calendar year, while the other is the accident year (year of loss occurrence). Run-off triangles – as the basis for measuring loss reserves – demonstrate how the loss reserves change over the course of time due to payments made and new estimates of the expected ultimate loss at the respective balance sheet date.

Loss payments for the individual accident years (per calendar year, net)

LOSS PAYMENTS FOR THE INDIVIDUAL ACCIDENT YEARS (PER CALENDAR YEAR, NET) D 071

€ MN

	Accident year										
Calendar Year	2003 & Prior	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
2003	25,015										**25,015**
2004	11,808	11,445									**23,253**
2005	4,827	5,889	11,881								**22,597**
2006	4,049	1,561	6,632	11,760							**24,002**
2007	2,831	962	2,058	6,403	12,631						**24,885**
2008	2,163	644	1,158	1,643	6,397	13,130					**25,135**
2009	1,907	312	531	955	1,744	7,350	13,368				**26,167**
2010	1,363	211	432	586	934	2,151	6,688	14,094			**26,459**
2011	927	220	294	397	687	1,034	1,725	6,945	14,316		**26,545**
2012	1,035	176	197	265	483	716	1,107	1,972	7,434	14,443	**27,828**

Reserves for loss and loss adjustment expenses for the individual accident years at the respective reporting date (net)

RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES FOR THE INDIVIDUAL ACCIDENT YEARS AT THE RESPECTIVE REPORTING DATE (NET) D 072

€ MN

	Accident year										
as of 31 December	2003 & Prior	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
2003	44,683										**44,683**
2004	31,454	14,025									**45,479**
2005	27,221	7,658	14,777								**49,656**
2006	22,324	4,920	8,238	13,848							**49,330**
2007	18,820	3,354	4,878	7,612	14,012						**48,676**
2008	16,007	2,382	3,248	4,488	7,449	14,222					**47,796**
2009	14,055	1,987	2,334	3,432	5,038	7,620	14,074				**48,540**
2010	12,838	1,624	1,811	2,815	3,911	5,666	7,456	14,729			**50,850**
2011	12,258	1,424	1,442	2,440	2,973	4,337	5,147	7,218	15,596		**52,835**
2012	12,352	1,398	1,640	2,026	2,417	3,249	4,061	5,238	7,861	15,564	**55,806**

Ultimate loss for the individual accident years at the respective reporting date (net)

ULTIMATE LOSS FOR THE INDIVIDUAL ACCIDENT YEARS AT THE RESPECTIVE REPORTING DATE (NET) D 073

€ MN

as of 31 December	2003 & Prior	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
	Accident year										
2003	69,698										
2004	68,278	25,470									
2005	68,871	24,993	26,658								
2006	68,022	23,816	26,751	25,610							
2007	67,349	23,212	25,450	25,776	26,643						
2008	66,699	22,884	24,977	24,295	26,477	27,353					
2009	66,654	22,801	24,594	24,194	25,810	28,100	27,442				
2010	66,800	22,650	24,502	24,164	25,617	28,297	27,512	28,823			
2011	67,149	22,669	24,427	24,185	25,367	28,002	26,928	28,257	29,912		
2012	68,276	22,820	24,822	24,037	25,294	27,630	26,950	28,250	29,610	30,007	
Surplus[1]	1,422	2,650	1,836	1,573	1,349	(277)	492	573	302	–[2]	**9,920**
Reduction/(increase) 2012 to 2011[1]	(1,127)	(151)	(395)	148	73	372	(22)	7	302	–[2]	**(793)**

1 — Includes effects from foreign currency translation adjustments and other changes.
2 — Presentation not meaningful.

Calendar year premiums earned and ultimate loss ratio for the individual accident years at the respective reporting date (net)

CALENDAR YEAR PREMIUMS EARNED AND ULTIMATE LOSS RATIO FOR THE INDIVIDUAL ACCIDENT YEARS AT THE RESPECTIVE REPORTING DATE (NET) D 074

as of 31 December	Premiums earned (net)	Accident year								
		2004	2005	2006	2007	2008	2009	2010	2011	2012
	€ MN	%	%	%	%	%	%	%	%	%
2004	37,385	68.1								
2005	37,686	66.9	70.7							
2006	37,950	63.7	71.0	67.5						
2007	38,553	62.1	67.5	67.9	69.1					
2008	38,213	61.2	66.3	64.0	68.7	71.6				
2009	37,828	61.0	65.3	63.8	66.9	73.5	72.5			
2010	39,303	60.6	65.0	63.7	66.4	74.1	72.7	73.3		
2011	39,898	60.6	64.8	63.7	65.8	73.3	71.2	71.9	75.0	
2012	41,705	61.0	65.9	63.3	65.6	72.3	71.2	71.9	74.2	72.0

The ultimate loss of an accident year comprises all payments made for that accident year up to the reporting date, plus the loss reserve at the reporting date. Given complete information regarding all losses incurred up to the balance sheet date, the ultimate loss for each accident-year period would remain the same. In practice, however, the ultimate loss (based on estimates) is exposed to fluctuations that reflect the increase in knowledge regarding the loss cases. The loss ratio presented above varies slightly from the reported loss ratio because the ultimate loss in the table above is based on the sum of the payments plus the loss reserve, and not the incurred loss from the profit and loss account.

The run-off triangles are not prepared on a currency-adjusted basis. This means all figures are translated from the respective local currency into the Allianz Group currency (Euro), consistently using the exchange rates applicable at the reporting date. This ensures that the reserves reconcile with reserves in the consolidated balance sheet.

Development of reserves for loss and loss adjustment expenses

The following table summarizes the development of the Allianz Group's loss and LAE reserves over the past eight years. The table presents calendar year data, not accident year data.

Each column of this table shows reserves as of a single reporting date and subsequent development of these reserves. The top section of each column shows reserves as initially established at the end of each stated year. The next section, reading down, shows the cumulative net amounts paid as of the end of the successive years with respect to the reserve initially established. The next section shows the retroactive re-estimation of the initially established net reserves for loss and LAE as of the end of each successive year. This re-estimation results primarily from additional facts and circumstances that pertain to open claims.

The bottom section compares the latest re-estimated gross and net reserves for loss and LAE to the gross and net reserves, respectively, as initially established, and indicates the cumulative development of the initially established reserves until 31 December 2012. The surplus shown in the table for each year represents the aggregate amount by which the original estimates of reserves at that year-end have changed in subsequent years. Accordingly, the cumulative surplus for a year-end relates only to reserves at that year-end and such amounts are not additive. Caution should be exercised in evaluating the information shown in this table, as each amount includes the effects of all changes in amounts for prior periods. For example, the development of the 2005 reserves during 2012 is shown in the cumulative surplus columns from 2005 to 2011.

The cumulative surplus can be distorted due to various effects. The liabilities will change if, through either acquisition, sale of a company or reclassification, entire new portfolios of claim payments and reserves are added to or subtracted from the data. In addition, changes in currency exchange rates can lead to distortions in the cumulative surplus. The effective run-off result is derived after adjusting for these effects.

Given that the table below presents calendar year data and not, as in the tables above, accident year data, conclusions about future results may not be derived from the information presented in this table.

DEVELOPMENT OF RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES D 075

€ MN

	Calendar year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Reserves for loss and loss adjustment expenses (gross)	55,528	60,259	58,664	56,943	55,616	55,715	57,509	59,493	62,711
Reserves for loss and loss adjustment expenses (ceded)	10,048	10,603	9,333	8,266	7,820	7,176	6,659	6,658	6,905
Reserves for loss and loss adjustment expenses (net)	**45,480**	**49,656**	**49,331**	**48,677**	**47,796**	**48,539**	**50,850**	**52,835**	**55,806**
Net paid (cumulative) as of									
One year later	10,716	12,242	12,255	12,005	12,799	12,364	12,229	13,385	
Two years later	16,326	18,093	17,863	17,455	18,476	17,648	18,180		
Three years later	20,119	22,058	21,568	20,980	22,035	21,628			
Four years later	22,926	24,807	24,159	23,505	24,906				
Five years later	25,145	26,812	25,997	25,661					
Six years later	26,719	28,254	27,670						
Seven years later	27,867	29,661							
Eight years later	29,077								
Net liabilities re-estimated as of									
One year later	45,595	47,725	46,919	45,579	47,265	48,486	49,469	53,628	
Two years later	43,570	45,145	43,988	44,300	47,142	47,671	50,563		
Three years later	42,293	43,695	43,375	43,980	46,911	48,771			
Four years later	41,315	43,183	43,248	44,044	47,989				
Five years later	41,187	43,086	43,562	45,494					
Six years later	41,181	43,379	45,086						
Seven years later	41,550	45,052							
Eight years later	42,827								
Cumulative surplus									
Net surplus before adjustments[1]	2,653	4,604	4,245	3,183	(193)	(232)	287	(793)	
Net surplus	457	1,199	969	1,360	1,067	1,544	1,660	1,207	
Net surplus before adjustments as a % of initial reserves	**5.8%**	**9.3%**	**8.6%**	**6.5%**	**(0.4)%**	**(0.5)%**	**0.6%**	**(1.5)%**	
Gross surplus before adjustments[1]	3,470	6,198	5,771	4,318	867	606	702	(940)	
Gross surplus	1,293	1,632	1,186	1,708	1,962	2,551	2,080	1,271	

1 — Gross/Net surplus before adjustments represents the cumulative surplus from re-estimating the reserves for loss and loss adjustment expenses for prior years claims and includes changes in the consolidated subsidiaries of the Allianz Group of gross €2,114 MN (2011: €(2) MN) and net €1,924 MN (2011: €(2) MN), foreign currency translation adjustments, reclassifications and other changes. This leads to an effective run-off result of gross €1,271 MN (2011: €2,080 MN) and net €1,207 MN (2011: €1,660 MN), which can be found in the table "Change in the reserves for loss and loss adjustment expenses" within this section.

In 2012, net loss and LAE reserves increased by €2,971 MN or 5.6% to €55,806 MN, resulting partially from the acquired insurance activities of Mensura CCA by the Belgian subsidiary and the acquired brokerage portfolio-related activities of Gan Eurocourtage by the French subsidiary. Reserve developments during 2012 are described in further detail in the section "Changes in reserves for loss and LAE during 2012".

COMPOSITION OF RESERVES FOR LOSS AND LAE BY LINE OF BUSINESS

The time lag until claims are reported and subsequently settled is an important consideration in establishing reserves. Short-tail claims, such as motor property damage claims, are typically reported within a few days or weeks and are generally settled within two to three years. Medium-tail claims such as personal and commercial motor liability claims generally take four to six years to settle, while long-tail claims, such as general liability, workers compensation, construction and professional liability claims take longer.

The Allianz Group estimates that loss and LAE reserves consist of approximately 10% short-tail, 45% medium-tail and 45% long-tail business.

The following table breaks down the loss and LAE reserves of the Allianz Group in total and separately by IBNR and case reserves, gross of reinsurance, by line of business for the years ended 31 December 2012, 2011 and 2010.

COMPOSITION OF RESERVES FOR LOSS AND LAE BY LINE OF BUSINESS D 076

€ MN

	2012	2011	2010
Motor	**18,741**	**18,783**	**19,088**
Case reserves	14,917	15,297	15,540
IBNR reserves	3,824	3,486	3,548
General Liability	**11,921**	**11,390**	**11,619**
Case reserves	7,338	7,128	7,211
IBNR reserves	4,583	4,262	4,408
Workers Compensation/ Employers Liability	**5,809**	**4,559**	**4,560**
Case reserves	3,560	2,309	2,227
IBNR reserves	2,249	2,250	2,333
Property	**4,770**	**4,571**	**4,127**
Case reserves	4,147	4,088	3,862
IBNR reserves	623	483	265
Inwards and Group Internal Reinsurance	**2,862**	**2,521**	**2,186**
Case reserves	1,419	1,522	1,219
IBNR reserves	1,443	999	967
Personal Accident	**1,496**	**1,462**	**1,377**
Case reserves	1,515	1,507	1,366
IBNR reserves	(19)	(45)	11
Construction Damage and Liability	**2,448**	**2,096**	**2,020**
Case reserves	602	525	505
IBNR reserves	1,846	1,571	1,515
Credit Insurance	**1,393**	**1,406**	**1,302**
Case reserves	1,246	1,109	1,179
IBNR reserves	147	297	123
AGCS	**8,464**	**8,307**	**7,632**
Case reserves	5,019	4,906	4,553
IBNR reserves	3,445	3,401	3,079
Other[1]	**4,807**	**4,398**	**3,598**
Case reserves	2,378	2,210	2,221
IBNR reserves	2,429	2,188	1,377
Allianz Group Total[2]	**62,711**	**59,493**	**57,509**
Case reserves	42,141	40,601	39,883
IBNR reserves	20,570	18,892	17,626

1 — Other comprises primarily Package/Multiple Perils, Legal Protection, Aviation and Travel Insurance lines of business.
2 — Insurance activities of Mensura and brokerage portfolio-related activities of Gan Eurocourtage were acquired in 2012. The gross reserves associated with the acquisitions were €2,625 MN.

When reviewing the previous table, caution should be used in comparing the split between case and IBNR reserves across lines of business. The portion of IBNR on total loss reserves varies by line of business due to different reporting and settlement patterns. For short-tail lines of business, such as property, claims are generally reported immediately after occurrence and settled in a period of only a few years. For long-tail lines of business, such as product liability, it is not unusual that a claim is reported years after its occurrence and settlement can also take a significant length of time. This is particularly the case for bodily injury claims.

CHANGES IN RESERVES FOR LOSS AND LAE DURING 2012

As noted above, prior year loss and LAE reserves of the Allianz Group developed favorably during 2012 by €1,271 MN gross of reinsurance and €1,207 MN net of reinsurance, representing 2.1% of gross reserves and 2.3% of net reserves as of 31 December 2011. The following table provides a breakdown of these amounts by line of business.

CHANGES IN RESERVES FOR LOSS AND LAE DURING 2012 | D 077

	Gross reserves as of 31 December 2011 € MN	Gross development related to prior years € MN	%[1]	Net reserves as of 31 December 2011 € MN	Net development related to prior years € MN	%[2]
Motor	18,783	(762)	(4.1)	17,056	(692)	(4.1)
General Liability	11,390	86	0.8	9,631	207	2.1
Workers Compensation/Employers Liability	4,559	29	0.6	4,534	71	1.6
Property	4,571	(145)	(3.2)	3,238	(253)	(7.8)
Inwards and Group Internal Reinsurance	2,521	(55)	(2.2)	4,722	73	1.5
Personal Accident	1,462	29	2.0	1,155	(46)	(4.0)
Construction Damage and Liability	2,096	(22)	(1.0)	1,959	7	0.4
Credit Insurance	1,406	(271)	(19.3)	1,115	(206)	(18.5)
AGCS	8,307	(458)	(5.5)	6,110	(348)	(5.7)
Other	4,398	298	6.8	3,315	(20)	(0.6)
Allianz Group	**59,493**	**(1,271)**	**(2.1)**	**52,835**	**(1,207)**	**(2.3)**

1 — In % of gross reserves as of 31 December 2011.
2 — In % of net reserves as of 31 December 2011.

The major highlights of the reserve developments in 2012 are discussed by line of business below. The discussion is based on net loss and LAE reserves in the local currency of the relevant local operating entity before consolidation and converted into Euro for uniform presentation. Only significant developments for the Allianz Group's major operating entities are included and therefore the amounts do not fully reconcile to the line of business totals in the above table.

Motor

For Motor, net loss and LAE reserves developed favorably during 2012 by €692 MN, or 4.1% of reserves at 31 December 2011. Favorable development was caused by different effects across several operating entities. The following subsidiaries were the largest contributors:

€161 MN at Allianz Italy. The reduction was driven by a further decrease in claims frequency as compared to the expectation, due to the implications of difficult economic climate. This was only offset to a small extent by other factors such as an increase in VAT.

€114 MN at Allianz Australia mainly driven by a favorable incurred cost experience in motor third party liability.

€108 MN at Allianz Spain. The reduction was driven by lower claim frequency and severity. This development is mainly due to the economic environment. Furthermore, Allianz Spain reached more favorable terms through improved price agreements with external suppliers, such as repair shops, lawyers and doctors. In addition, the number of claims managed directly by Allianz Global Assistance increased with the benefit of a lower cost to the company.

€70 MN at Allianz United Kingdom with savings mainly arising from more recent accident years; contributing to the savings are reductions in larger claims across the portfolio and favorable development of bodily injury claims.

€59 MN at Allianz France due to a trend of decreasing claims frequency, especially for Motor Own Damage and Motor Third Party Liability property damage losses, as well as favorable development on large bodily injury losses in Motor Third Party Liability.

General Liability

For General Liability, net loss and LAE reserves developed unfavorably during 2012 by €207 MN, or 2.1% of reserves at 31 December 2011. This development was caused by different effects across several operating entities. The following subsidiaries were the largest contributors:

€209 MN at Fireman's Fund Insurance Company, was driven mainly by €124 MN in Professional Liability Lawyers, where results have been affected by an unfavorable economic environment and a change in portfolio mix towards slower emerging losses. Furthermore, an unfavorable run-off of

€36 MN in environmental claims driven by higher defence costs and higher severity for more serious diseases and €35 MN in Construction Defect coverages was observed.

€72 MN unfavorable run-off at Allianz Germany due to an ongoing review of the related methods and assumptions.

€65 MN unfavorable development at Allianz Italy, mainly due to an allowance made for an increase in VAT and the uncertain economic conditions. Furthermore as part of the ongoing monitoring of the portfolio an additional IBNR of €27 MN for latent man-made claims was booked during 2012.

Workers Compensation / Employers Liability

For Workers Compensation/Employers Liability, net loss and LAE reserves developed unfavorably during 2012 by €71 MN, or 1.6% of reserves at 31 December 2011. This development was caused by different effects across several operating entities. The largest contributor was Fireman's Fund Insurance Company, with an unfavorable development of €73 MN due to higher trends for medical inflation.

Property

For Property Insurance, net loss and LAE reserves developed favorably during 2012 by €253 MN, or 7.8% of reserves at 31 December 2011. Favorable development was caused by different effects across several operating entities. The following subsidiaries were the largest contributors:

€88 MN at Allianz Germany, mainly due to the release of IBNR for natural catastrophes, favorable development of large claims and overall improved claims handling.

€43 MN at Allianz France, mainly due to favorable development on large losses.

Inwards and Group Internal Reinsurance

For Inwards and Group Internal Reinsurance, net loss and LAE reserves developed unfavorably during 2012 by €73 MN or 1.5% of reserves at December 2011. This development was caused by different effects across several operating entities. The largest contributor was Allianz Re with an increase of €46 MN, driven by an unfavorable development of the claims arising from the 2011 floods in Thailand in the amount of approximately €217 MN. This development was partially offset by a favorable development of the claims arising from the 2011 earthquake in Japan in the amount of €49 MN.

Credit Insurance

Credit Insurance is underwritten in the Allianz Group by Euler Hermes. During 2012, Euler Hermes experienced a favorable development of €206 MN net of reinsurance, or 18.5% of reserves, mainly driven by a better than expected development of the previous years claims in almost all regions where Euler Hermes operates.

Allianz Global Corporate and Specialty

Allianz Global Corporate and Specialty (AGCS) is the Allianz Group's global carrier for corporate and specialty risks and also includes the corporate branch of the German business. Overall, AGCS experienced a favorable development of €348 MN in 2012, net of reinsurance, or 5.7% of reserves as of 31 December 2011. The major contributors of the run-off included:

€91 MN favorable from the German branch corporate liability portfolio and €65 MN from the German branch aviation portfolio due to the release of IBNR on prior year reserves based on better than expected experience.

€51 MN favorable from all AGCS entities and classes of business due to an unallocated LAE estimate reduction following an enhancement of the unallocated LAE estimation methodology.

DISCOUNTING OF RESERVES FOR LOSS AND LAE

As of 31 December 2012, 2011 and 2010, the Allianz Group's consolidated Property-Casualty reserves included discounted reserves of €3,583 MN, €1,981 MN and €1,846 MN, respectively.

In general, reserves for loss and loss adjustment expenses are not discounted, except when payment amounts are fixed and timing is reasonably determinable. Reserves are discounted to varying degrees in the United States, Germany, the United Kingdom, Switzerland, Portugal, Belgium and France. The reserve discounts relate to reserves for structured settlements in various lines of business. These lines of business include personal accident, general liability and motor liability in Germany and France, workers' compensation, general liability and motor liability in the United Kingdom and the United States and workers' compensation in Switzerland, Portugal and Belgium.

The following table shows, by line of business, the carrying amounts of reserves for loss and LAE that have been discounted, and the interest rates used for discounting for the years ended 31 December:

DISCOUNTING OF RESERVES FOR LOSS AND LAE

D 078

as of 31 December	Discounted reserves			Amount of the discount			Interest rate used for discounting[1]		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
	€ MN	€ MN	€ MN	€ MN	€ MN	€ MN	%	%	%
Motor liability	800	669	626	665	557	452	1.75 - 5.52	2.25 - 5.98	2.25 - 5.98
General liability	216	192	187	171	163	161	1.75 - 5.52	2.25 - 5.98	2.25 - 5.98
Personal accident	458	419	387	257	245	229	1.75 - 3.64	2.25 - 3.92	2.25 - 4.00
Workers compensation/ Employers liability[2,3]	2,093	683	630	775	356	350	0.58 - 5.52	1.00 - 5.98	2.00 - 5.98
Others	16	18	16	12	13	12	1.75 - 5.52	2.25 - 5.98	2.25 - 5.98
Total	**3,583**	**1,981**	**1,846**	**1,880**	**1,334**	**1,204**			

1 — The wide range of interest rates is the result of the presentation of the above information by line of business thus each line reflecting interest rates used in various countries. Overall, due to the low interest rate environment, interest rates used for discounting reduced.

2 — The development in workers compensation/employers liability in 2012 is due to the insurance activities of Mensura CCA acquired by Allianz Belgium with discounted reserves of €1,410 MN and amount of the discount of €451 MN.

3 — Prior year figures adjusted due to a correction of the determination of discounted reserves.

ASBESTOS AND ENVIRONMENTAL (A&E) LOSS RESERVES

There are significant uncertainties in estimating A&E reserves for loss and LAE. Reserves for asbestos-related illnesses and environmental clean up losses cannot be estimated using traditional actuarial techniques due to the long latency period and changes in the legal, socio-economic and regulatory environment. Case reserves are established when sufficient information is available to indicate the involvement of a specific insurance policy. In addition, IBNR reserves are established to cover additional exposures on both known and not yet reported claims. To the extent possible, A&E loss reserve estimates are based not only on claims reported to date, but also on a survey of policies that may be exposed to claims reported in the future (i. e. an exposure analysis).

In establishing liabilities for A&E claims, management considers facts currently known and the current state of the law and coverage litigation. However, given the expansion of coverage and liability by the courts and the legislatures in the past and the possibilities of similar interpretation in the future, there is significant uncertainty regarding the extent of remediation and insurer liability. As a result, the range of reasonable potential outcomes for A&E liabilities provided in these analyses is particularly large. Given this inherent uncertainty in estimating A&E liabilities, significant deviation from the currently carried A&E reserve position is possible.

While the U.S. A&E claims still represent a majority of the total A&E claims reported to the Allianz Group, the insurance industry is facing an increased prominence in exposures to A&E claims on a global basis. The Allianz Group continues to monitor these A&E exposures. During 2012 the acquired brokerage portfolio-related activities of Gan Eurocourtage resulted in a portfolio entry of €23 MN asbestos reserves. An additional increase of €75 MN for higher defense costs and large claims contributed to the overall reserve change of €130 MN or 4.2% of the A&E reserves as at 31 December 2011.

The following table summarizes the gross and net loss and LAE reserves for A&E claims.

GROSS AND NET RESERVES FOR LOSS AND LAE FOR A&E CLAIMS D079

€ MN as of 31 December	2012	2011	2010
A&E net reserves	2,537	2,586	2,713
A&E gross reserves	3,066	3,124	3,272
As percentage of the Allianz Group's Property-Casualty gross reserves	4.9%	5.3%	5.7%

The following table shows total A&E loss activity for the past three years.

CHANGE IN A&E GROSS RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES D080

€ MN	2012	2011	2010
Reserves for loss and LAE as of 1 January	**3,124**	**3,272**	**3,099**
– Loss and LAE payments	(188)	(124)	(195)
+ Change in reserves for loss and LAE	130	(24)	368
Reserves for loss and LAE as of 31 December	**3,066**	**3,124**	**3,272**

20 — Reserves for insurance and investment contracts

RESERVES FOR INSURANCE AND INVESTMENT CONTRACTS D081

€ MN as of 31 December	2012	2011
Aggregate policy reserves	350,244	338,318
Reserves for premium refunds	40,033	22,868
Other insurance reserves	710	768
Total	**390,987**	**361,954**

AGGREGATE POLICY RESERVES

AGGREGATE POLICY RESERVES D082

€ MN as of 31 December	2012	2011
Participating life insurance contracts	146,609	141,776
Traditional long-duration insurance contracts	58,222	56,520
Universal life-type insurance contracts	144,083	138,846
Non-unit-linked investment contracts	1,330	1,176
Total	**350,244**	**338,318**

Changes in aggregate policy reserves for participating life insurance contracts and traditional long-duration insurance contracts for the years ended 31 December 2012 and 2011 were as follows:

CHANGES IN AGGREGATE POLICY RESERVES FOR PARTICIPATING LIFE INSURANCE CONTRACTS AND TRADITIONAL LONG-DURATION INSURANCE CONTRACTS D083

€ MN	2012		2011	
	Participating life insurance contracts	Traditional long-duration insurance contracts	Participating life insurance contracts	Traditional long-duration insurance contracts
As of 1 January	**141,776**	**56,520**	**138,588**	**54,860**
Foreign currency translation adjustments	30	340	151	124
Changes recorded in consolidated income statements	3,623	990	2,037	1,170
Dividends allocated to policyholders	1,048	458	1,023	123
Additions and disposals	4	(34)	3	47
Other changes[1]	128	(52)	(26)	196
As of 31 December	**146,609**	**58,222**	**141,776**	**56,520**

1 — For the year ended 31 December 2012, includes changes in shadow accounting of €128 MN (2011: €(26) MN) for participating life insurance contracts.

Changes in aggregate policy reserves for universal life-type insurance contracts and non-unit-linked investment contracts for the years ended 31 December 2012 and 2011 were as follows:

CHANGES IN AGGREGATE POLICY RESERVES FOR UNIVERSAL LIFE-TYPE INSURANCE CONTRACTS AND NON-UNIT-LINKED INVESTMENT CONTRACTS D 084

€ MN

	2012		2011	
	Universal life-type insurance contracts	Non-unit-linked investment contracts	Universal life-type insurance contracts	Non-unit-linked investment contracts
As of 1 January	**138,846**	**1,176**	**129,680**	**1,061**
Foreign currency translation adjustments	(573)	14	1,912	(16)
Changes in the consolidated subsidiaries of the Allianz Group	–	–	(513)	–
Premiums collected	16,869	598	16,933	575
Separation of embedded derivatives	(314)	(2)	(307)	–
Interest credited	4,754	36	4,647	39
Releases upon death, surrender and withdrawal	(14,351)	(496)	(13,379)	(474)
Policyholder charges	(1,449)	(15)	(1,245)	(16)
Portfolio acquisitions and disposals	(61)	–	(2)	–
Reclassifications[1]	362	19	1,120	7
As of 31 December	**144,083**	**1,330**	**138,846**	**1,176**

1 — The reclassifications mainly relate to insurance contracts when policyholders change their contract from a unit-linked to a universal life-type contract.

As of 31 December 2012, participating life business represented approximately 56% (2011: 57%) of the Allianz Group's gross insurance in force. During the year ended 31 December 2012, participating policies represented approximately 65% (2011: 64%) of gross statutory premiums written and 63% (2011: 63%) of life premiums earned. As of 31 December 2012, reserves for conventional participating policies were approximately 48% (2011: 48%) of the Allianz Group's consolidated aggregate policy reserves.

RESERVES FOR PREMIUM REFUNDS

RESERVES FOR PREMIUM REFUNDS D 085

€ MN	2012	2011	2010
Amounts already allocated under local statutory or contractual regulations			
As of 1 January	**12,124**	**11,565**	**12,409**
Foreign currency translation adjustments	4	5	35
Changes in the consolidated subsidiaries of the Allianz Group	(1)	(2)	(20)
Changes	(148)	556	(859)
As of 31 December	**11,979**	**12,124**	**11,565**
Latent reserves for premium refunds			
As of 1 January	**10,744**	**13,237**	**12,021**
Foreign currency translation adjustments	7	29	150
Changes in the consolidated subsidiaries of the Allianz Group	–	(22)	(7)
Changes due to fluctuations in market value	14,690	(2,886)	(682)
Changes due to valuation differences charged to income	2,613	386	1,755
As of 31 December	**28,054**	**10,744**	**13,237**
Total	**40,033**	**22,868**	**24,802**

CONCENTRATION OF INSURANCE RISK IN THE LIFE/HEALTH SEGMENT

The Allianz Group's Life/Health segment provides a wide variety of insurance and investment contracts to individuals and groups in over 30 countries around the world. Individual contracts include both traditional contracts and unit-linked contracts. Without taking policyholder participation into account, traditional contracts generally incorporate significant investment risk for the Allianz Group, while unit-linked contracts generally result in the contract holder assuming the investment risk. Traditional contracts include life, endowment, annuity, and health contracts. Traditional annuity contracts are issued in both deferred and immediate types. In addition, the Allianz Group's life insurance operations in the United States issue a significant amount of equity-indexed deferred annuities. In certain markets, the Allianz Group also issues group life, group health and group pension contracts.

As of 31 December 2012 and 2011, the Allianz Group's deferred acquisition costs and reserves for insurance and investment contracts for the Life/Health segment are summarized as follows:

SUMMARY OF INSURANCE RISK IN THE LIFE/HEALTH SEGMENT D 086

€ MN

as of 31 December	Deferred acquisition costs	Aggregate policy reserves	Reserves for premium refunds	Other insurance reserves	Total non-unit-linked reserves	Liabilities for unit-linked contracts	Total
2012							
Germany Life	6,822	146,120	23,558	11	169,689	4,062	173,751
Germany Health	1,084	17,725	6,423	12	24,160	–	24,160
France	1,409	51,220	5,558	224	57,002	12,994	69,996
Italy	597	26,993	306	–	27,299	17,800	45,099
Switzerland	218	9,667	1,618	170	11,455	784	12,239
Belgium	101	7,560	250	37	7,847	258	8,105
Spain	19	5,868	277	–	6,145	24	6,169
Austria	123	3,400	370	–	3,770	777	4,547
Eastern Europe	395	2,093	25	3	2,121	1,198	3,319
Other Western and Southern Europe	270	3,238	62	4	3,304	5,469	8,773
United States	2,225	51,488	–	–	51,488	19,471	70,959
South America	2	706	–	–	706	3	709
South Korea	505	8,628	40	–	8,668	914	9,582
Taiwan	327	1,216	21	27	1,264	3,828	5,092
Other Asia-Pacific	870	4,498	162	54	4,714	3,527	8,241
Other	23	1,355	7	1	1,363	88	1,451
Total	**14,990**	**341,775**	**38,677**	**543**	**380,995**	**71,197**	**452,192**
2011							
Germany Life	6,616	139,571	15,844	80	155,495	3,483	158,978
Germany Health	1,029	16,682	5,411	14	22,107	–	22,107
France	1,554	50,528	1,043	208	51,779	11,586	63,365
Italy	777	26,513	(1,942)	–	24,571	17,401	41,972
Switzerland	193	9,176	1,238	149	10,563	722	11,285
Belgium	111	7,083	(31)	38	7,090	236	7,326
Spain	20	5,695	(65)	–	5,630	28	5,658
Austria	206	3,362	215	–	3,577	608	4,185
Eastern Europe	365	1,926	(5)	3	1,924	1,029	2,953
Other Western and Southern Europe	307	2,529	15	4	2,548	4,649	7,197
United States	3,622	52,177	–	–	52,177	15,837	68,014
South America	1	568	–	–	568	3	571
South Korea	536	7,693	34	–	7,727	748	8,475
Taiwan	303	1,141	20	27	1,188	3,695	4,883
Other Asia-Pacific	769	4,194	129	73	4,396	3,415	7,811
Other	20	1,211	6	1	1,218	60	1,278
Total	**16,429**	**330,049**	**21,912**	**597**	**352,558**	**63,500**	**416,058**

The majority of the Allianz Group's Life/Health segment operations are conducted in Western Europe. Insurance laws and regulations in Western Europe have historically been characterized by legal or contractual minimum participation of contract holders in the profits of the insurance company issuing the contract. In particular, Germany, Switzerland and Austria, which comprise approximately 49% (2011: 48%) of the Allianz Group's reserves for insurance and investment contracts as of 31 December 2012, include a substantial level of policyholder participation in all sources of profit including mortality/morbidity, investment and expense. As a result of this policyholder participation, the Allianz Group's exposure to insurance, investment and expense risk is mitigated.

Furthermore, all of the Allianz Group's annuity policies issued in the United States meet the criteria for classification as insurance contracts under IFRS 4, because they include options for contract holders to elect a life-contingent annuity. These contracts currently do not expose the Allianz Group to significant longevity risk, nor are they expected to do so in the future, as the projected and observed annuitization rates are very low. Additionally, many of the Allianz Group's traditional contracts issued in France and Italy do not incorporate significant insurance risk, although they are accounted for as insurance contracts because of their discretionary participation features. Similarly, a significant portion of the Allianz Group's unit-linked contracts in France and Italy do not incorporate significant insurance risk.

As a result of the considerable diversity in types of contracts issued, including the offsetting effects of mortality risk and longevity risk inherent in a combined portfolio of life insurance and annuity products, and the geographic diversity of the Allianz Group's Life/Health segment, as well as the substantial level of policyholder participation in mortality/morbidity risk in certain countries in Western Europe, the Allianz Group does not believe its Life/Health segment has any significant concentrations of insurance risk, nor does it believe its net income or shareholders' equity is highly sensitive to insurance risk.

The Allianz Group's Life/Health segment is exposed to significant investment risk as a result of guaranteed minimum interest rates included in most of its non-unit-linked contracts. The weighted average guaranteed minimum interest rates of the Allianz Group's largest operating entities in the Life/Health segment (comprising 87% of non-unit-linked reserves in both 2012 and 2011) can be summarized by country as follows:

WEIGHTED AVERAGE GUARANTEED MINIMUM INTEREST RATES — D 087

as of 31 December	2012			2011		
	Guaranteed rate	Non-unit-linked reserves	% of non-unit-linked reserves	Guaranteed rate	Non-unit-linked reserves	% of non-unit-linked reserves
	%	€ BN	%	%	€ BN	%
Germany Life	3.1	138.9	97.7	3.2	133.3	98.0
France	0.7	52.1	79.2	1.0	50.6	80.7
Italy[1]	2.5	27.0	60.0	2.5	26.2	60.1
United States	1.3	54.9	73.8	1.4	55.5	77.8
Switzerland	2.2	9.7	92.5	2.0	9.3	92.8
South Korea	4.7	8.6	90.4	4.8	7.7	91.1
Belgium	3.4	7.6	96.7	3.6	7.6	87.0

1 — Excludes for 2011 L'Assicuratrice Italiana Vita S.p.A. (€283 MN of non-unit-linked reserves).

In most of these markets, the effective interest rates earned on the investment portfolio exceed these guaranteed minimum interest rates. In addition, the operations in these markets may also have significant mortality and expense margins. As a result, as of 31 December 2012 and 2011, the Allianz Group does not believe that it is exposed to a significant risk of premium deficiencies in its Life/Health segment. However, the Allianz Group's Life/Health operations in Switzerland, Belgium, South Korea and Taiwan have high guaranteed minimum interest rates on older contracts in their portfolios and, as a result, may be sensitive to declines in investment rates or a prolonged low interest rate environment.

21 — Financial liabilities for unit-linked contracts

FINANCIAL LIABILITIES FOR UNIT-LINKED CONTRACTS D 088

€ MN as of 31 December	2012	2011
Unit-linked insurance contracts	50,078	43,446
Unit-linked investment contracts	21,119	20,054
Total	**71,197**	**63,500**

Changes in financial liabilities for unit-linked insurance contracts and unit-linked investment contracts for the years ended 31 December 2012 and 2011 were as follows:

CHANGES IN FINANCIAL LIABILITIES FOR UNIT-LINKED INSURANCE CONTRACTS AND UNIT-LINKED INVESTMENT CONTRACTS D 089

€ MN	2012		2011	
	Unit-linked insurance contracts	Unit-linked investment contracts	Unit-linked insurance contracts	Unit-linked investment contracts
As of 1 January	**43,446**	**20,054**	**43,027**	**21,820**
Foreign currency translation adjustments	(520)	41	697	(71)
Changes in the consolidated subsidiaries of the Allianz Group	–	–	(588)	–
Premiums collected	7,754	4,438	8,090	5,001
Interest credited	5,467	1,623	(1,502)	(583)
Releases upon death, surrender and withdrawal	(4,423)	(4,957)	(3,748)	(6,034)
Policyholder charges	(1,287)	(78)	(1,182)	(87)
Portfolio acquisitions and disposals	(18)	(3)	(24)	(1)
Reclassifications[1]	(341)	1	(1,324)	9
As of 31 December	**50,078**	**21,119**	**43,446**	**20,054**

1 — These reclassifications mainly relate to insurance contracts when policyholders change their contract from a unit-linked to a universal life-type contract.

22 — Other liabilities

OTHER LIABILITIES D 090

€ MN as of 31 December	2012	2011
Payables		
Policyholders	4,710	4,979
Reinsurance	1,845	1,990
Agents	1,529	1,443
Subtotal	**8,084**	**8,412**
Payables for social security	458	469
Tax payables		
Income taxes	2,680	1,504
Other taxes	1,143	1,086
Subtotal	**3,823**	**2,590**
Accrued interest and rent	671	695
Unearned income		
Interest and rent	5	6
Other	288	268
Subtotal	**293**	**274**
Provisions		
Pensions and similar obligations	3,852	3,754
Employee related	2,100	1,901
Share-based compensation plans	558	792
Restructuring plans	304	280
Loan commitments	67	24
Contingent losses from non-insurance business	166	374
Other provisions	1,632	1,430
Subtotal	**8,679**	**8,555**
Deposits retained for reinsurance ceded	1,834	1,760
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	462	237
Financial liabilities for puttable equity instruments	2,601	2,881
Other liabilities	6,270	5,337
Total	**33,175**	**31,210**

As of 31 December 2012, other liabilities due within one year amounted to €25,121 MN (2011: €23,181 MN) and those due after more than one year amounted to €8,054 MN (2011: €8,028 MN).

23 — Certificated liabilities

CERTIFICATED LIABILITIES

D 091

€ MN[1]	Contractual Maturity Date						as of 31 December 2012	as of 31 December 2011
	2013	2014	2015	2016	2017	Thereafter		
Allianz SE[2]								
Senior bonds[3]								
Fixed rate	1,485	–	–	1,492	–	2,965	5,942	5,343
Contractual interest rate	5.00%	–	–	4.00%	–	4.12%	–	–
Money market securities								
Fixed rate	1,180	–	–	–	–	–	1,180	1,119
Contractual interest rate	0.80%	–	–	–	–	–	–	–
Total Allianz SE[2]	**2,665**	**–**	**–**	**1,492**	**–**	**2,965**	**7,122**	**6,462**
Banking subsidiaries								
Senior bonds								
Fixed rate	318	38	46	7	–	–	409	640
Contractual interest rate	2.41%	2.59%	2.60%	3.15%	–	–	–	–
Floating rate	–	–	–	–	–	404	404	522
Current interest rate	–	–	–	–	–	1.08%	–	–
Total banking subsidiaries	**318**	**38**	**46**	**7**	**–**	**404**	**813**	**1,162**
All other subsidiaries								
Certificated liabilities								
Floating rate	25	–	–	–	–	–	25	25
Current interest rate	1.18%	–	–	–	–	–	–	–
Total all other subsidiaries	**25**	**–**	**–**	**–**	**–**	**–**	**25**	**25**
Total	**3,008**	**38**	**46**	**1,499**	**–**	**3,369**	**7,960**	**7,649**

1 — Except for the interest rates. The interest rates represent the weighted average.
2 — Includes senior bonds issued by Allianz Finance II B.V., guaranteed by Allianz SE and money market securities issued by Allianz Finance Corporation, a wholly-owned subsidiary of Allianz SE, which are fully and unconditionally guaranteed by Allianz SE.
3 — Change due to the issuance of a € 1.5 BN bond in the first quarter of 2012 and the repayment of a € 0.9 BN bond in the fourth quarter of 2012.

24 — Participation certificates and subordinated liabilities

PARTICIPATION CERTIFICATES AND SUBORDINATED LIABILITIES D 092

€ MN[1]

	Contractual Maturity Date						as of 31 December 2012	as of 31 December 2011
	2013	2014	2015	2016	2017	Thereafter		
Allianz SE[2]								
Subordinated bonds[3]								
Fixed rate	–	–	–	–	–	3,063	3,063	2,326
Contractual interest rate	–	–	–	–	–	6.89%	–	–
Floating rate	–	–	–	–	–	7,833	7,833	8,130
Current interest rate	–	–	–	–	–	5.56%	–	–
Total Allianz SE[2]	**–**	**–**	**–**	**–**	**–**	**10,896**	**10,896**	**10,456**
Banking subsidiaries								
Subordinated bonds								
Fixed rate	70	48	–	15	83	58	274	274
Contractual interest rate	5.66%	5.04%	–	5.61%	4.27%	5.08%	–	–
Total banking subsidiaries	**70**	**48**	**–**	**15**	**83**	**58**	**274**	**274**
All other subsidiaries								
Subordinated liabilities								
Fixed rate	–	–	–	–	–	399	399	398
Contractual interest rate	–	–	–	–	–	4.63%	–	–
Hybrid equity								
Floating rate	–	–	–	–	–	45	45	45
Current interest rate	–	–	–	–	–	2.33%	–	–
Total all other subsidiaries	**–**	**–**	**–**	**–**	**–**	**444**	**444**	**443**
Total	**70**	**48**	**–**	**15**	**83**	**11,398**	**11,614**	**11,173**

1 — Except for interest rates. Interest rates represent the weighted average.
2 — Includes subordinated bonds issued by Allianz Finance II B.V. and guaranteed by Allianz SE.
3 — Change due to redemption of a €2 BN subordinated bond in the second quarter of 2012, the issuance of a €1.5 BN subordinated bond in the fourth quarter of 2012 and the issuance of a 1 BN USD subordinated bond in the fourth quarter of 2012.

25 — Equity

EQUITY D 093

€ MN as of 31 December	2012	2011
Shareholders' equity		
Issued capital	1,167	1,166
Capital reserves	27,648	27,597
Retained earnings[1]	16,689	13,522
Foreign currency translation adjustments	(2,073)	(1,996)
Unrealized gains and losses (net)[2]	10,122	4,626
Subtotal	**53,553**	**44,915**
Non-controlling interests	2,665	2,338
Total	**56,218**	**47,253**

1 — As of 31 December 2012, includes €(218) MN (2011: €(223) MN) related to treasury shares.
2 — As of 31 December 2012, includes €256 MN (2011: €191 MN) related to cash flow hedges.

ISSUED CAPITAL

Issued capital as of 31 December 2012, amounted to €1,167 MN 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 MN (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 MN (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 €10 MN (3,809,375 shares).

Further, as of 31 December 2012, Allianz SE had conditional capital totaling €250 MN (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 MN which may be converted into Allianz shares were issued against cash in July 2011. Within 10 years after the issuance, a mandatory conversion of the notes into Allianz shares at the then prevailing share price may apply 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

NUMBER OF ISSUED SHARES OUTSTANDING — D 094

	2012	2011	2010
Issued shares outstanding as of 1 January	**452,473,025**	**451,548,760**	**451,197,223**
Capital increase for employee shares	650,000	800,000	600,000
Change in treasury shares held for non-trading purposes	48,951	124,265	(248,463)
Issued shares outstanding as of 31 December	**453,171,976**	**452,473,025**	**451,548,760**
Treasury shares	2,778,024	2,826,975	2,951,240
Total number of issued shares	**455,950,000**	**455,300,000**	**454,500,000**

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 and capital reserves increased by €52 MN. 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, 2011, and 2010 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 Annual General Meeting the distribution of a dividend of €4.50 per qualifying share. For the years ended 31 December 2011 and 2010, 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: 78,233) shares which corresponds to €58,578 (2011: €200,276) or 0.01% (2011: 0.02%) of issued capital.

Changes in the treasury shares were:

CHANGES IN TREASURY SHARES — D 095

as of 31 December	Acquisition costs € MN	Number of shares	Issued capital %
2012			
Allianz SE	218	2,777,438	0.61
Other	–	586	0.00
Total	**218**	**2,778,024**	**0.61**
2011			
Allianz SE	214	2,754,556	0.60
Other	9	72,419	0.02
Total	**223**	**2,826,975**	**0.62**

NON-CONTROLLING INTERESTS

NON-CONTROLLING INTERESTS D 096

€ MN as of 31 December	2012	2011
Unrealized gains and losses (net)	135	(13)
Share of earnings	322	259
Other equity components	2,208	2,092
Total	**2,665**	**2,338**

CAPITAL REQUIREMENTS

The Allianz Group's capital requirements are primarily dependent on the growth and the type of business that it underwrites, as well as the industry and geographic locations in which it operates. In addition, the allocation of the Allianz Group's investments plays an important role. During the Allianz Group's annual planning dialogues with its operating entities, capital requirements are determined through business plans regarding the levels and timing of capital expenditures and investments. Regulators impose minimum capital rules at the level of the Allianz Group's operating entities and the Allianz Group as a whole.

On 1 January 2005, the Financial Conglomerates Directive, a supplementary European Union (E.U.) directive, became effective in Germany. Under this directive, a financial conglomerate is defined as any financial parent holding company that, together with its subsidiaries, has significant cross-border and cross-sector activities. The Allianz Group is a financial conglomerate within the scope of the directive and the related German laws. The directive requires that the financial conglomerate calculates the capital needed to meet the respective solvency requirement on a consolidated basis.

As of 31 December 2012, the Allianz Group's eligible capital for the solvency margin, required for the insurance segments and the Asset Management and Banking business, was €48.4 BN (2011: €42.6 BN) including off-balance sheet reserves[1] of €2.2 BN (2011: €2.2 BN), surpassing the minimum legally stipulated level by €23.8 BN (2011: €18.8 BN). This margin resulted in a preliminary cover ratio of 197% (2011: 179%) as of 31 December 2012. The ratio decreased by approximately 17%-points as of 1 January 2013 due to amendments to IAS 19.

1 — Off-balance sheet reserves are accepted by the authorities as eligible capital only upon request; Allianz SE has not submitted an application so far. The solvency ratio excluding off-balance sheet reserves would be 188% (2011: 170%).

In addition to regulatory capital requirements, Allianz SE also uses an internal risk capital model to determine how much capital is required to absorb any unexpected volatility in results of operations.

Insurance subsidiaries of the Allianz Group including Allianz SE prepare individual financial statements based on local laws and regulations. These laws establish to some extent different restrictions on the minimum level of capital and the amount of dividends that may be paid to shareholders. The minimum capital requirements are based on various criteria including, but not limited to, volume of premiums written or claims paid, amount of insurance reserves, investment risks, mortality risks, credit risks, underwriting risks and off-balance sheet risks.

As of 31 December 2012, the Allianz Group's insurance subsidiaries were in compliance with all applicable regulatory solvency and capital adequacy requirements.

Some insurance subsidiaries are subjected to regulatory restrictions on the amount of dividends which can be remitted to Allianz SE without prior approval by the appropriate regulatory body. Such restrictions provide that a company may only pay dividends up to an amount in excess of certain regulatory capital levels or based on the levels of undistributed earned surplus or current year income or a percentage thereof. By way of example only, the operations of the Allianz Group's insurance subsidiaries located in the United States are subject to limitations on the payment of dividends to their parent company under applicable state insurance laws. Dividends paid in excess of these limitations generally require prior approval of the insurance commissioner of the state of domicile. The Allianz Group believes that these restrictions will not affect the ability of Allianz SE to pay dividends to its shareholders in the future.

NOTES TO THE CONSOLIDATED INCOME STATEMENTS

26 — Premiums earned (net)

PREMIUMS EARNED (NET) D 097

€ MN

	Property-Casualty	Life/Health	Consolidation	Group
2012				
Premiums written				
Direct	43,824	24,693	(53)	68,464
Assumed	3,065	610	(53)	3,622
Subtotal	**46,889**	**25,303**	**(106)**	**72,086**
Ceded	(4,727)	(662)	53	(5,336)
Net	**42,162**	**24,641**	**(53)**	**66,750**
Change in unearned premiums				
Direct	(587)	(243)	–	(830)
Assumed	(18)	–	4	(14)
Subtotal	**(605)**	**(243)**	**4**	**(844)**
Ceded	148	(5)	(4)	139
Net	**(457)**	**(248)**	**–**	**(705)**
Premiums earned				
Direct	43,237	24,450	(53)	67,634
Assumed	3,047	610	(49)	3,608
Subtotal	**46,284**	**25,060**	**(102)**	**71,242**
Ceded	(4,579)	(667)	49	(5,197)
Net	**41,705**	**24,393**	**(53)**	**66,045**
2011				
Premiums written				
Direct	41,777	24,050	–	65,827
Assumed	2,995	507	(30)	3,472
Subtotal	**44,772**	**24,557**	**(30)**	**69,299**
Ceded	(4,552)	(614)	30	(5,136)
Net	**40,220**	**23,943**	**–**	**64,163**
Change in unearned premiums				
Direct	(478)	(169)	–	(647)
Assumed	105	(1)	4	108
Subtotal	**(373)**	**(170)**	**4**	**(539)**
Ceded	51	(3)	(4)	44
Net	**(322)**	**(173)**	**–**	**(495)**
Premiums earned				
Direct	41,299	23,881	–	65,180
Assumed	3,100	506	(26)	3,580
Subtotal	**44,399**	**24,387**	**(26)**	**68,760**
Ceded	(4,501)	(617)	26	(5,092)
Net	**39,898**	**23,770**	**–**	**63,668**

26 — Premiums earned (net) – continued

PREMIUMS EARNED (NET) D 097

€ MN	Property-Casualty	Life/Health	Consolidation	Group
2010				
Premiums written				
Direct	40,720	24,294	–	65,014
Assumed	3,175	415	(22)	3,568
Subtotal	**43,895**	**24,709**	**(22)**	**68,582**
Ceded	(4,346)	(549)	22	(4,873)
Net	**39,549**	**24,160**	**–**	**63,709**
Change in unearned premiums				
Direct	(110)	(126)	–	(236)
Assumed	50	–	(4)	46
Subtotal	**(60)**	**(126)**	**(4)**	**(190)**
Ceded	(186)	–	4	(182)
Net	**(246)**	**(126)**	**–**	**(372)**
Premiums earned				
Direct	40,610	24,168	–	64,778
Assumed	3,225	415	(26)	3,614
Subtotal	**43,835**	**24,583**	**(26)**	**68,392**
Ceded	(4,532)	(549)	26	(5,055)
Net	**39,303**	**24,034**	**–**	**63,337**

27 — Interest and similar income

INTEREST AND SIMILAR INCOME D 098

€ MN	2012	2011	2010
Interest from held-to-maturity investments	204	188	177
Dividends from available-for-sale investments	1,156	1,145	1,001
Interest from available-for-sale investments	13,325	12,553	11,699
Share of earnings from investments in associates and joint ventures	143	201	183
Rent from real estate held for investment	740	754	699
Interest from loans to banks and customers	5,368	5,477	5,507
Other interest	148	184	162
Total	**21,084**	**20,502**	**19,428**

28 — Income from financial assets and liabilities carried at fair value through income (net)

INCOME FROM FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE THROUGH INCOME (NET) D 099

€ MN

	Property-Casualty	Life/Health	Asset Management	Corporate and Other	Consolidation	Group
2012						
Income/(expenses) from financial assets and liabilities held for trading (net)	(98)	(832)	(2)	237	48	(647)
Income/(expenses) from financial assets and liabilities designated at fair value through income (net)	(25)	454	72	(1)	(1)	499
Income/(expenses) from financial liabilities for puttable equity instruments (net)	46	(240)	(50)	–	–	(244)
Foreign currency gains and losses (net)	(49)	(96)	(4)	30	–	(119)
Total	**(126)**	**(714)**	**16**	**266**	**47**	**(511)**
2011						
Income/(expenses) from financial assets and liabilities held for trading (net)	(99)	(731)	(5)	(427)	56	(1,206)
Income/(expenses) from financial assets and liabilities designated at fair value through income (net)	59	(169)	(40)	(3)	(1)	(154)
Income/(expenses) from financial liabilities for puttable equity instruments (net)	11	85	39	–	–	135
Foreign currency gains and losses (net)	25	(75)	(5)	(7)	–	(62)
Total	**(4)**	**(890)**	**(11)**	**(437)**	**55**	**(1,287)**
2010						
Income/(expenses) from financial assets and liabilities held for trading (net)	(114)	(1,040)	1	76	3	(1,074)
Income/(expenses) from financial assets and liabilities designated at fair value through income (net)	107	867	27	2	(1)	1,002
Income/(expenses) from financial liabilities for puttable equity instruments (net)	(21)	(286)	(12)	–	–	(319)
Foreign currency gains and losses (net)	(18)	438	3	(68)	(2)	353
Total	**(46)**	**(21)**	**19**	**10**	**–**	**(38)**

INCOME/(EXPENSES) FROM FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING (NET)

Life/Health segment

For the year ended 31 December 2012, income/(expenses) from financial assets and liabilities held for trading (net) in the Life/Health segment include expenses of €878 MN (2011: €735 MN; 2010: €1,072 MN) from derivative financial instruments. This includes income of €107 MN (2011: income of €276 MN; 2010: expenses of €366 MN) of German entities from financial derivative positions held for duration management and protection against equity and foreign exchange rate fluctuations. Also included are expenses related to fixed-indexed annuity products and guaranteed benefits under unit-linked contracts of €736 MN (2011: €864 MN; 2010: €681 MN) from U.S. entities.

Corporate and Other segment

For the year ended 31 December 2012, income/(expenses) from financial assets and liabilities held for trading (net) in the Corporate and Other segment include income of €354 MN (2011: expenses of €458 MN; 2010: income of €72 MN) from derivative financial instruments. This includes expenses of €14 MN (2011: expenses of €9 MN; 2010: income of €33 MN) from financial derivative instruments to protect investments and liabilities against foreign exchange rate fluctuations. In 2012, hedging of strategic equity investments not designated for hedge accounting produced income of €3 MN (2011: expenses of €36 MN; 2010: expenses of €16 MN). Financial derivatives related to investment strategies produced income of €180 MN (2011: expenses of €316 MN; 2010: income of €68 MN). Expenses of €126 MN (2011: income of €32 MN; 2010: expenses of €14 MN) from the hedges of share based compensation plans (restricted stock units) are also included.

INCOME/(EXPENSES) FROM FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH INCOME (NET)

For the year ended 31 December 2012, income/(expenses) from financial assets and liabilities designated at fair value through income (net) in the Life/Health segment include income from equity investments of €273 MN (2011: expenses of €217 MN; 2010: income of €132 MN) and income of €181 MN (2011: €48 MN; 2010: €735 MN) from debt investments.

FOREIGN CURRENCY GAINS AND LOSSES (NET)

Foreign currency gains and losses are reported within income from financial assets and liabilities carried at fair value through income (net). These foreign currency gains and losses arise subsequent to initial recognition on all assets and liabilities denominated in a foreign currency, that are monetary items. This excludes exchange differences arising on financial assets and liabilities measured at fair value through profit or loss, which do not have to be disclosed separately. The Allianz Group uses freestanding derivatives to hedge against foreign currency fluctuations, for which it recognized income of €20 MN (2011: expenses of €251 MN; 2010: expenses of €267 MN) for the year ended 31 December 2012.

29 — Realized gains/losses (net)

REALIZED GAINS/LOSSES (NET) D 100

€ MN	2012	2011	2010
REALIZED GAINS			
Available-for-sale investments			
Equity securities	2,524	2,303	2,587
Debt securities	2,325	1,935	1,834
Subtotal	**4,849**	**4,238**	**4,421**
Investments in associates and joint ventures[1]	15	120	237
Real estate held for investment	221	285	277
Loans and advances to banks and customers	829	215	135
Non-current assets and assets and liabilities of disposal groups classified as held for sale	36	104	–
Subtotal	**5,950**	**4,962**	**5,070**
REALIZED LOSSES			
Available-for-sale investments			
Equity securities	(377)	(339)	(204)
Debt securities	(1,230)	(1,104)	(1,052)
Subtotal	**(1,607)**	**(1,443)**	**(1,256)**
Investments in associates and joint ventures[2]	(8)	(29)	(21)
Real estate held for investment	(2)	(8)	(3)
Loans and advances to banks and customers	(6)	(29)	(82)
Non-current assets and assets and liabilities of disposal groups classified as held for sale	–	(18)	–
Subtotal	**(1,623)**	**(1,527)**	**(1,362)**
Total	**4,327**	**3,435**	**3,708**

1 — During the year ended 31 December 2012, includes realized gains from the disposal of subsidiaries and businesses of €12 MN (2011: €18 MN; 2010: €224 MN).
2 — During the year ended 31 December 2012, includes realized losses from the disposal of subsidiaries of €8 MN (2011: €27 MN; 2010: €15 MN).

30 — Fee and commission income

FEE AND COMMISSION INCOME D 101

€ MN

	2012			2011			2010		
	Segment	Consolidation	Group	Segment	Consolidation	Group	Segment	Consolidation	Group
PROPERTY-CASUALTY									
Fees from credit and assistance business	721	(6)	715	673	(4)	669	661	(4)	657
Service agreements	443	(56)	387	481	(63)	418	438	(53)	385
Investment advisory	1	–	1	–	–	–	–	–	–
Subtotal	**1,165**	**(62)**	**1,103**	**1,154**	**(67)**	**1,087**	**1,099**	**(57)**	**1,042**
LIFE/HEALTH									
Service agreements	69	(4)	65	79	(16)	63	107	(31)	76
Investment advisory	465	(58)	407	457	(50)	407	432	(33)	399
Other	–	–	–	2	–	2	–	–	–
Subtotal	**534**	**(62)**	**472**	**538**	**(66)**	**472**	**539**	**(64)**	**475**
ASSET MANAGEMENT									
Management fees	6,528	(145)	6,383	5,522	(125)	5,397	5,012	(110)	4,902
Loading and exit fees	635	–	635	401	–	401	381	–	381
Performance fees	766	(9)	757	455	(19)	436	514	(14)	500
Other	112	(17)	95	214	(14)	200	147	(5)	142
Subtotal	**8,041**	**(171)**	**7,870**	**6,592**	**(158)**	**6,434**	**6,054**	**(129)**	**5,925**
CORPORATE AND OTHER									
Service agreements	19	(13)	6	131	(17)	114	198	(31)	167
Investment advisory and Banking activities	595	(234)	361	549	(250)	299	563	(252)	311
Subtotal	**614**	**(247)**	**367**	**680**	**(267)**	**413**	**761**	**(283)**	**478**
Total	**10,354**	**(542)**	**9,812**	**8,964**	**(558)**	**8,406**	**8,453**	**(533)**	**7,920**

31 — Other income

OTHER INCOME D 102

€ MN	2012	2011	2010
Income from real estate held for own use			
Realized gains from disposals of real estate held for own use	23	10	18
Other income from real estate held for own use	8	2	1
Subtotal	**31**	**12**	**19**
Income from non-current assets and assets and liabilities of disposal groups classified as held for sale	–	1	–
Income from alternative investments	169	118	78
Other	14	19	21
Total	**214**	**150**	**118**

32 — Income and expenses from fully consolidated private equity investments

INCOME AND EXPENSES FROM FULLY CONSOLIDATED PRIVATE EQUITY INVESTMENTS D 103

€ MN	2012	2011	2010
Income			
Sales and service revenues	789	1,552	1,684
Other operating revenues	–	65	15
Interest income	–	1	2
Subtotal	**789**	**1,618**	**1,701**
Expenses			
Cost of goods sold	(250)	(871)	(1,040)
Commissions	–	(86)	(114)
General and administrative expenses	(524)	(627)	(573)
Other operating expenses	–	(81)	(112)
Interest expenses	(41)	(65)	(77)
Subtotal[1]	**(815)**	**(1,730)**	**(1,916)**
Total[1]	**(26)**	**(112)**	**(215)**

1 — The presented subtotal for expenses and total income and expenses from fully consolidated private equity investments for the year ended 31 December 2012 differs from the amounts presented in the "Consolidated Income Statements" and in "Total revenues and reconciliation of Operating profit (loss) to Net income (loss)". This difference is due to a consolidation effect of €(33) MN (2011: €77 MN; 2010: €113 MN) for the year ended 31 December 2012. This consolidation effect results from the deferred policyholder participation, recognized on the result from fully consolidated private equity investments within operating profit in the Life/Health segment, that was reclassified into expenses from fully consolidated private equity investments in non-operating profit to ensure a consistent presentation of the Allianz Group's operating profit.

33 — Claims and insurance benefits incurred (net)

CLAIMS AND INSURANCE BENEFITS INCURRED (NET) D 104

€ MN	Property-Casualty	Life/Health	Consolidation	Group
2012				
Gross				
Claims and insurance benefits paid	(30,149)	(20,529)	25	(50,653)
Change in loss and loss adjustment expenses	(689)	(411)	8	(1,092)
Subtotal	**(30,838)**	**(20,940)**	**33**	**(51,745)**
Ceded				
Claims and insurance benefits paid	2,321	479	(22)	2,778
Change in loss and loss adjustment expenses	25	75	(7)	93
Subtotal	**2,346**	**554**	**(29)**	**2,871**
Net				
Claims and insurance benefits paid	(27,828)	(20,050)	3	(47,875)
Change in loss and loss adjustment expenses	(664)	(336)	1	(999)
Total	**(28,492)**	**(20,386)**	**4**	**(48,874)**
2011				
Gross				
Claims and insurance benefits paid	(28,657)	(21,180)	15	(49,822)
Change in loss and loss adjustment expenses	(1,287)	(266)	(1)	(1,554)
Subtotal	**(29,944)**	**(21,446)**	**14**	**(51,376)**
Ceded				
Claims and insurance benefits paid	2,112	481	(15)	2,578
Change in loss and loss adjustment expenses	(88)	18	1	(69)
Subtotal	**2,024**	**499**	**(14)**	**2,509**
Net				
Claims and insurance benefits paid	(26,545)	(20,699)	–	(47,244)
Change in loss and loss adjustment expenses	(1,375)	(248)	–	(1,623)
Total	**(27,920)**	**(20,947)**	**–**	**(48,867)**
2010				
Gross				
Claims and insurance benefits paid	(28,759)	(19,189)	11	(47,937)
Change in loss and loss adjustment expenses	152	(258)	5	(101)
Subtotal	**(28,607)**	**(19,447)**	**16**	**(48,038)**
Ceded				
Claims and insurance benefits paid	2,300	451	(11)	2,740
Change in loss and loss adjustment expenses	(834)	41	(5)	(798)
Subtotal	**1,466**	**492**	**(16)**	**1,942**
Net				
Claims and insurance benefits paid	(26,459)	(18,738)	–	(45,197)
Change in loss and loss adjustment expenses	(682)	(217)	–	(899)
Total	**(27,141)**	**(18,955)**	**–**	**(46,096)**

34 — Change in reserves for insurance and investment contracts (net)

CHANGE IN RESERVES FOR INSURANCE AND INVESTMENT CONTRACTS (NET) D 105

€ MN	Property-Casualty	Life/Health	Consolidation	Group
2012				
Gross				
Aggregate policy reserves	(135)	(7,666)	50	(7,751)
Other insurance reserves	(5)	(78)	–	(83)
Expenses for premium refunds	(292)	(6,376)	(9)	(6,677)
Subtotal	**(432)**	**(14,120)**	**41**	**(14,511)**
Ceded				
Aggregate policy reserves	2	131	–	133
Other insurance reserves	–	6	–	6
Expenses for premium refunds	–	13	–	13
Subtotal	**2**	**150**	**–**	**152**
Net				
Aggregate policy reserves	(133)	(7,535)	50	(7,618)
Other insurance reserves	(5)	(72)	–	(77)
Expenses for premium refunds	(292)	(6,363)	(9)	(6,664)
Total	**(430)**	**(13,970)**	**41**	**(14,359)**
2011				
Gross				
Aggregate policy reserves	(157)	(6,210)	–	(6,367)
Other insurance reserves	10	(152)	–	(142)
Expenses for premium refunds	(118)	(4,388)	(103)	(4,609)
Subtotal	**(265)**	**(10,750)**	**(103)**	**(11,118)**
Ceded				
Aggregate policy reserves	(16)	113	–	97
Other insurance reserves	1	12	–	13
Expenses for premium refunds	8	7	–	15
Subtotal	**(7)**	**132**	**–**	**125**
Net				
Aggregate policy reserves	(173)	(6,097)	–	(6,270)
Other insurance reserves	11	(140)	–	(129)
Expenses for premium refunds	(110)	(4,381)	(103)	(4,594)
Total	**(272)**	**(10,618)**	**(103)**	**(10,993)**
2010				
Gross				
Aggregate policy reserves	(146)	(8,126)	–	(8,272)
Other insurance reserves	3	(255)	–	(252)
Expenses for premium refunds	(185)	(5,010)	(242)	(5,437)
Subtotal	**(328)**	**(13,391)**	**(242)**	**(13,961)**
Ceded				
Aggregate policy reserves	23	32	–	55
Other insurance reserves	1	12	–	13
Expenses for premium refunds	4	18	–	22
Subtotal	**28**	**62**	**–**	**90**
Net				
Aggregate policy reserves	(123)	(8,094)	–	(8,217)
Other insurance reserves	4	(243)	–	(239)
Expenses for premium refunds	(181)	(4,992)	(242)	(5,415)
Total	**(300)**	**(13,329)**	**(242)**	**(13,871)**

35 — Interest expenses

INTEREST EXPENSES D 106

€ MN	2012	2011	2010
Liabilities to banks and customers	(339)	(389)	(379)
Deposits retained on reinsurance ceded	(51)	(47)	(74)
Certificated liabilities	(341)	(300)	(300)
Participation certificates and subordinated liabilities	(649)	(658)	(557)
Other	(97)	(97)	(101)
Total	**(1,477)**	**(1,491)**	**(1,411)**

36 — Loan loss provisions

LOAN LOSS PROVISIONS D 107

€ MN	2012	2011	2010
Additions to allowances including direct impairments	(207)	(186)	(123)
Amounts released	77	47	53
Recoveries on loans previously impaired	19	18	20
Total	**(111)**	**(121)**	**(50)**

37 — Impairments of investments (net)

IMPAIRMENTS OF INVESTMENTS (NET) D 108

MN €	2012	2011	2010
IMPAIRMENTS			
Available-for-sale investments			
Equity securities	(804)	(2,487)	(531)
Debt securities	(87)	(1,109)	(142)
Subtotal	**(891)**	**(3,596)**	**(673)**
Held-to-maturity investments	–	(33)	(1)
Investments in associates and joint ventures	(23)	–	–
Real estate held for investment	(48)	(52)	(106)
Loans and advances to banks and customers	(58)	(26)	(28)
Non-current assets and assets and liabilities of disposal groups classified as held for sale	(3)	(33)	(82)
Subtotal	**(1,023)**	**(3,740)**	**(890)**
REVERSALS OF IMPAIRMENTS			
Available-for-sale investments			
Debt securities	17	11	10
Real estate held for investment	33	35	35
Loans and advances to banks and customers	39	33	1
Subtotal	**89**	**79**	**46**
Total	**(934)**	**(3,661)**	**(844)**

IMPAIRMENTS OF GREEK SOVEREIGN BOND PORTFOLIO

In 2011, Greek sovereign bonds were impaired and consequently written down to the current market value in accordance with IFRS impairment rules for available-for-sale debt securities.

38 — Investment expenses

INVESTMENT EXPENSES D 109

€ MN

	2012	2011	2010
Investment management expenses	(525)	(477)	(466)
Depreciation of real estate held for investment	(190)	(185)	(171)
Other expenses from real estate held for investment	(161)	(190)	(190)
Total	**(876)**	**(852)**	**(827)**

39 — Acquisition and administrative expenses (net)

ACQUISITION AND ADMINISTRATIVE EXPENSES (NET) D 110

€ MN

	2012			2011			2010		
	Segment	Consoli-dation	Group	Segment	Consoli-dation	Group	Segment	Consoli-dation	Group
PROPERTY-CASUALTY									
Acquisition costs									
Incurred	(9,473)	1	(9,472)	(8,947)	1	(8,946)	(8,936)	1	(8,935)
Commissions and profit received on reinsurance business ceded	498	(12)	486	490	(4)	486	509	(3)	506
Deferrals of acquisition costs	5,715	–	5,715	5,253	–	5,253	5,081	–	5,081
Amortization of deferred acquisition costs	(5,605)	–	(5,605)	(5,186)	–	(5,186)	(4,966)	–	(4,966)
Subtotal	**(8,865)**	**(11)**	**(8,876)**	**(8,390)**	**(3)**	**(8,393)**	**(8,312)**	**(2)**	**(8,314)**
Administrative expenses	(2,808)	71	(2,737)	(2,725)	14	(2,711)	(2,732)	9	(2,723)
Subtotal	**(11,673)**	**60**	**(11,613)**	**(11,115)**	**11**	**(11,104)**	**(11,044)**	**7**	**(11,037)**
LIFE/HEALTH									
Acquisition costs									
Incurred	(4,535)	13	(4,522)	(4,448)	6	(4,442)	(4,365)	3	(4,362)
Commissions and profit received on reinsurance business ceded	110	(1)	109	99	(1)	98	94	(1)	93
Deferrals of acquisition costs	2,790	(1)	2,789	3,133	(2)	3,131	3,069	–	3,069
Amortization of deferred acquisition costs	(2,241)	–	(2,241)	(2,302)	–	(2,302)	(2,450)	1	(2,449)
Subtotal	**(3,876)**	**11**	**(3,865)**	**(3,518)**	**3**	**(3,515)**	**(3,652)**	**3**	**(3,649)**
Administrative expenses	(1,440)	(64)	(1,504)	(1,509)	61	(1,448)	(1,523)	40	(1,483)
Subtotal	**(5,316)**	**(53)**	**(5,369)**	**(5,027)**	**64**	**(4,963)**	**(5,175)**	**43**	**(5,132)**
ASSET MANAGEMENT									
Personnel expenses	(2,580)	(1)	(2,581)	(2,240)	–	(2,240)	(2,272)	–	(2,272)
Non-personnel expenses	(1,286)	27	(1,259)	(1,219)	31	(1,188)	(1,094)	13	(1,081)
Subtotal	**(3,866)**	**26**	**(3,840)**	**(3,459)**	**31**	**(3,428)**	**(3,366)**	**13**	**(3,353)**
CORPORATE AND OTHER									
Administrative expenses	(1,291)	(20)	(1,311)	(1,216)	(51)	(1,267)	(1,350)	(11)	(1,361)
Subtotal	**(1,291)**	**(20)**	**(1,311)**	**(1,216)**	**(51)**	**(1,267)**	**(1,350)**	**(11)**	**(1,361)**
Total	**(22,146)**	**13**	**(22,133)**	**(20,817)**	**55**	**(20,762)**	**(20,935)**	**52**	**(20,883)**

40 — Fee and commission expenses

FEE AND COMMISSION EXPENSES D 111

€ MN

	2012			2011			2010		
	Segment	Consolidation	Group	Segment	Consolidation	Group	Segment	Consolidation	Group
PROPERTY-CASUALTY									
Fees from credit and assistance business	(711)	5	(706)	(612)	4	(608)	(597)	–	(597)
Service agreements	(378)	50	(328)	(458)	61	(397)	(427)	51	(376)
Subtotal	**(1,089)**	**55**	**(1,034)**	**(1,070)**	**65**	**(1,005)**	**(1,024)**	**51**	**(973)**
LIFE/HEALTH									
Service agreements	(42)	4	(38)	(34)	4	(30)	(61)	13	(48)
Investment advisory	(186)	5	(181)	(176)	3	(173)	(197)	5	(192)
Subtotal	**(228)**	**9**	**(219)**	**(210)**	**7**	**(203)**	**(258)**	**18**	**(240)**
ASSET MANAGEMENT									
Commissions	(1,243)	130	(1,113)	(1,091)	173	(918)	(1,099)	168	(931)
Other	(67)	1	(66)	(31)	1	(30)	(28)	7	(21)
Subtotal	**(1,310)**	**131**	**(1,179)**	**(1,122)**	**174**	**(948)**	**(1,127)**	**175**	**(952)**
CORPORATE AND OTHER									
Service agreements	(247)	9	(238)	(198)	10	(188)	(215)	27	(188)
Investment advisory and Banking activities	(247)	21	(226)	(222)	2	(220)	(209)	1	(208)
Subtotal	**(494)**	**30**	**(464)**	**(420)**	**12**	**(408)**	**(424)**	**28**	**(396)**
Total	**(3,121)**	**225**	**(2,896)**	**(2,822)**	**258**	**(2,564)**	**(2,833)**	**272**	**(2,561)**

41 — Other expenses

OTHER EXPENSES D 112

€ MN

	2012	2011	2010
Realized losses from disposals of real estate held for own use	(3)	–	(3)
Expenses from alternative investments	(88)	(64)	(51)
Other	(3)	(1)	(3)
Total	**(94)**	**(65)**	**(57)**

42 — Income taxes

INCOME TAXES D 113

€ MN

	2012	2011	2010
Current income taxes			
Germany	(766)	(516)	(198)
Other countries	(2,558)	(1,281)	(1,723)
Subtotal	**(3,324)**	**(1,797)**	**(1,921)**
Deferred income taxes			
Germany	214	188	89
Other countries	(30)	(433)	(132)
Subtotal	**184**	**(245)**	**(43)**
Total	**(3,140)**	**(2,042)**	**(1,964)**

For the years ended 31 December 2012, 2011 and 2010, the income taxes relating to components of other comprehensive income consist of the following:

INCOME TAXES RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME D 114

€ MN	2012	2011	2010
Foreign currency translation adjustments	(11)	(1)	41
Available-for-sale investments	(2,522)	81	(146)
Cash flow hedges	(27)	4	(9)
Share of other comprehensive income of associates	–	(1)	(6)
Miscellaneous	42	66	23
Total	**(2,518)**	**149**	**(97)**

During the year ended 31 December 2012, current income taxes included expenses of €264 MN (2011: expenses of €92 MN, 2010: income of €150 MN) related to prior years.

Due to the transition from the imputation system to the classical tax system in Germany (so called "Halbeinkünfteverfahren"), provided by the Tax Reduction Act 2001, the Allianz Group lost potential tax savings. This has been corrected by the Annual German Tax Act published in December 2010, leading to a tax income of €110 MN from the recognition of additional corporate tax credits. This tax benefit is included in current income taxes related to prior years in 2010.

Of the deferred income taxes for the year ended 31 December 2012, income of €420 MN (2011: expenses of €224 MN; 2010: income of €69 MN) is attributable to the recognition of deferred taxes on temporary differences and expenses of €233 MN (2011: income of €25 MN; 2010: expenses of €117 MN) are attributable to tax losses carried forward. Additionally, changes of applicable tax rates due to changes in tax law produced deferred tax expenses of €3 MN (2011: expenses of €46 MN; 2010: income of €5 MN).

The recognized income taxes for the year ended 31 December 2012 are €591 MN above (2011: €644 MN above; 2010: €135 MN below) the expected income taxes. The following table shows the reconciliation from the expected income taxes of the Allianz Group to the effectively recognized taxes. The Allianz Group's reconciliation is a summary of the individual company-related reconciliations, which are based on the respective country-specific tax rates after taking into consideration consolidation effects with an impact on the Group result. The expected tax rate for domestic Allianz Group companies applied in the reconciliation includes corporate tax, trade tax and the solidarity surcharge, and amounts to 31.0% (2011: 31.0%; 2010: 31.0%).

The effective tax rate is determined on the basis of the effective income tax expenses on income before income taxes.

EFFECTIVE TAX RATE D 115

€ MN	2012	2011	2010
Income before income taxes			
Germany	963	(711)	651
Other countries	7,668	5,557	6,522
Total	**8,631**	**4,846**	**7,173**
Expected income tax rate	29.5%	28.8%	29.3%
Expected income taxes	**2,548**	**1,398**	**2,099**
Trade tax and similar taxes	237	201	176
Net tax exempt income	(189)	(40)	(571)
Effects of tax losses	2	178	279
Other effects	542	305	(19)
Income taxes	**3,140**	**2,042**	**1,964**
Effective tax rate	**36.4%**	**42.1%**	**27.4%**

In the tax reconciliation for 2012, the other effects of €542 MN include €373 MN current and deferred taxes for prior years and a one-off tax expense from a tax law change in France of €64 MN.

For the year ended 31 December 2012, the write-down of deferred tax assets on tax losses carried forward resulted in deferred tax expenses of €– MN (2011: €33 MN; 2010: €153 MN). The non-recognition of deferred taxes on tax losses for the current fiscal year increased the tax expenses by €52 MN (2011: €161 MN; 2010: €142 MN). Due to the use of tax losses carried forward for which no deferred tax asset was recognized, the current income tax expenses decreased by €8 MN (2011: €14 MN; 2010: €15 MN). Deferred tax income of €42 MN (2011: €2 MN; 2010: €1 MN) resulted from the recognition of deferred tax assets on tax losses carried forward from earlier periods for which no deferred taxes had yet been recognized. The above mentioned effects are shown in the reconciliation statement as "effects of tax losses".

The tax rates used in the calculation of the Allianz Group's deferred taxes are the applicable national rates, which in 2012 ranged from 10.0% to 40.0%. Changes to tax rates already adopted on 31 December 2012 are taken into account.

Deferred tax assets on losses carried forward are recognized to the extent to which it is more likely than not that sufficient future taxable profits will be available for realization. Entities which suffered a tax loss in either the current or the preceding period recognized deferred tax assets in excess of deferred tax liabilities amounting to €332 MN (2011: €846 MN).

DEFERRED TAX ASSETS AND LIABILITIES

DEFERRED TAX ASSETS AND LIABILITIES D 116

€ MN as of 31 December	2012	2011
Deferred tax assets		
Financial assets carried at fair value through income	34	103
Investments	2,871	3,597
Deferred acquisition costs	1,984	1,449
Other assets	1,184	923
Intangible assets	156	136
Tax losses carried forward	2,548	2,834
Insurance reserves	3,935	3,824
Pensions and similar obligations	149	171
Other liabilities	992	810
Total deferred tax assets	**13,853**	**13,847**
Non-recognition or valuation allowance for deferred tax assets on tax losses carried forward	(714)	(753)
Effect of netting	(11,869)	(10,773)
Net deferred tax assets	**1,270**	**2,321**
Deferred tax liabilities		
Financial assets carried at fair value through income	91	78
Investments	7,884	5,934
Deferred acquisition costs	4,371	4,428
Other assets	592	620
Intangible assets	381	368
Insurance reserves	2,420	2,375
Pensions and similar obligations	417	218
Other liabilities	882	633
Total deferred tax liabilities	**17,038**	**14,654**
Effect of netting	(11,869)	(10,773)
Net deferred tax liabilities	**5,169**	**3,881**
Net deferred tax assets/(liabilities)	**(3,899)**	**(1,560)**

Taxable temporary differences associated with investments in Allianz Group companies, for which no deferred tax liabilities are recognized as the Allianz Group is able to control the timing of their reversal and which will not reverse in the foreseeable future, amount to €520 MN (2011: €596 MN). Deductible temporary differences arising from investments in Allianz Group companies, for which no deferred tax assets are recognized as it is not probable that they will reverse in the foreseeable future, amount to €185 MN (2011: €102 MN).

TAX LOSSES CARRIED FORWARD

Tax losses carried forward at 31 December 2012 of €10,894 MN (2011: €11,551 MN) resulted in recognition of deferred tax assets to the extent that there is sufficient certainty that the unused tax losses will be utilized. €9,779 MN (2011: €10,518 MN) of the tax losses carried forward can be used without time limitation.

Tax losses carried forward are scheduled according to their expiry periods as follows:

TAX LOSSES CARRIED FORWARD D 117

€ MN	2012
2013	154
2014	62
2015	73
2016	189
2017	154
2018	61
2019	93
2020	17
2021	8
2022	20
>10 years	284
Unlimited	9,779
Total	**10,894**

OTHER INFORMATION

43 — Derivative financial instruments

Derivatives derive their fair values from one or more underlying assets or specified reference values.

Examples of derivatives include contracts for future delivery in the form of futures or forwards, options on shares or indices, interest rate options such as caps and floors, and swaps relating to both interest rate and non-interest rate markets. The latter include agreements to exchange previously defined assets or payment series.

Derivatives used by individual subsidiaries in the Allianz Group comply with the relevant supervisory regulations and the Allianz Group's own internal guidelines. The Allianz Group's investment and monitoring rules exceed regulations imposed by supervisory authorities. In addition to local management supervision, comprehensive financial and risk management systems are in force across the Allianz Group. Risk management is an integral part of the Allianz Group's controlling process that includes identifying, measuring, aggregating and managing risks. Risk management objectives are implemented at the Allianz Group level and by the local operational units. The use of derivatives is one key strategy used by the Allianz Group to manage its market and investment risks.

Insurance subsidiaries in the Allianz Group use derivatives to manage the risk exposures in their investment portfolios based on general thresholds and targets. The most important purpose of these instruments is hedging against adverse market movements for selected securities or for parts of a portfolio. Specifically, the Allianz Group selectively uses derivative financial instruments such as swaps, options and forwards to hedge against changes in prices or interest rates in its investment portfolio.

Within the Allianz Group's Banking business, derivatives are used both for trading purposes and to hedge against movements in interest rates, currency rates and other price risks of the Allianz Group's investments, loans, deposit liabilities and other interest-sensitive assets and liabilities.

Market and counterparty risks arising from the use of derivative financial instruments are subject to control procedures. Credit risks related to counterparties are assessed by calculating gross replacement values. Market risks are monitored by means of up-to-date value-at-risk calculations and stress tests, and are limited by specific stop-loss limits.

The counterparty settlement risk is virtually excluded in the case of exchange-traded products, as these are standardized products. By contrast, over-the-counter (OTC) products, which are individually traded contracts, carry a theoretical credit risk amounting to the replacement value. The Allianz Group therefore closely monitors the credit rating of counterparties for OTC derivatives. To reduce the counterparty risk from trading activities, so-called cross-product netting master agreements with the business partners are established. In the case of a defaulting counterparty, netting makes it possible to offset claims and liabilities not yet due.

DERIVATIVE FINANCIAL INSTRUMENTS WITHIN THE ALLIANZ GROUP

DERIVATIVE FINANCIAL INSTRUMENTS D 118

€ MN as of 31 December	2012						2011		
	Maturity by notional amount								
	Up to 1 year	1–5 years	Over 5 years	Notional principal amounts	Positive fair values	Negative fair values	Notional principal amounts	Positive fair values	Negative fair values
Interest rate contracts, consisting of:									
OTC									
Forwards	85	500	50	635	77	(2)	330	8	–
Swaps	623	3,694	17,364	21,681	878	(431)	19,442	1,114	(744)
Swaptions	–	22,000	4,027	26,027	140	(65)	6,280	118	(1)
Caps	20	1,263	3,691	4,974	–	(14)	5,310	–	(7)
Floors	–	–	–	–	–	–	129	2	–
Options	26	–	–	26	5	(5)	20	–	–
Exchange traded									
Futures	1,492	–	149	1,641	4	(51)	2,039	29	(12)
Forwards	–	200	–	200	23	–	–	–	–
Swaps	–	20	430	450	24	(39)	659	13	(43)
Options	–	–	–	–	–	–	326[2]	–	–
Subtotal	**2,246**	**27,677**	**25,711**	**55,634**	**1,151**	**(607)**	**34,535**	**1,284**	**(807)**
Equity/Index contracts, consisting of:									
OTC									
Forwards	1,131	–	50	1,181	89	(236)	1,447	240	(131)
Swaps	3,795	–	1,412	5,207	27	(88)	3,916	72	(64)
Floors	2	–	–	2	–	(2)	3	1	(1)
Options[1]	81,236	1,100	2,915	85,251	278	(4,714)	88,728[2]	553	(5,044)
Warrants	–	–	1,225	1,225	–	(66)	1,240	–	(13)
Exchange traded									
Futures	5,653	–	–	5,653	13	(20)	5,606	23	(19)
Forwards	13	–	–	13	–	–	–	–	–
Options	3,631	–	149	3,780	29	(17)	2,639	33	(27)
Warrants	1,225	6	–	1,231	84	–	1,254	16	–
Subtotal	**96,686**	**1,106**	**5,751**	**103,543**	**520**	**(5,143)**	**104,833**	**938**	**(5,299)**
Foreign exchange contracts, consisting of:									
OTC									
Futures	206	458	–	664	2	(11)	357	1	(12)
Forwards	21,062	196	78	21,336	287	(45)	29,359	226	(674)
Swaps	33	48	94	175	5	(3)	436	20	(9)
Options	11	2	–	13	–	–	914	12	–
Subtotal	**21,312**	**704**	**172**	**22,188**	**294**	**(59)**	**31,066**	**259**	**(695)**
Credit contracts, consisting of:									
OTC									
Swaps	159	1,494	259	1,912	15	(48)	1,330	39	(44)
Exchange traded									
Swaps	–	–	6	6	3	–	21[2]	6	–
Subtotal	**159**	**1,494**	**265**	**1,918**	**18**	**(48)**	**1,351**	**45**	**(44)**
Real Estate contracts, consisting of:									
OTC									
Forwards	–	291	–	291	10	–	–	–	–
Options	–	6	–	6	1	–	–	–	–
Subtotal	**–**	**297**	**–**	**297**	**11**	**–**	**–**	**–**	**–**
Total	**120,403**	**31,278**	**31,899**	**183,580**	**1,994**	**(5,857)**	**171,785**	**2,526**	**(6,845)**

1 — As of 31 December 2012, includes embedded derivatives related to equity-indexed annuities with negative fair values of €(3,578) MN (2011: €(3,513) MN).

2 — Includes a correction of the determination of the notional amounts for a sub-portfolio (increases the notional amount by a total of €58,492 MN).

DERIVATIVE FINANCIAL INSTRUMENTS USED IN ACCOUNTING HEDGES

Important hedging instruments are equity forward contracts, equity options, total returns swaps, interest rate swaps, interest rate forwards, currency swaps and currency forwards. Hedging instruments may be implemented for individual transactions (micro hedge) or for a portfolio of similar assets or liabilities (portfolio hedge).

At the local level, Allianz subsidiaries are obliged to assess whether the criteria for hedge accounting are met, in particular whether the hedge relationships are highly effective in offsetting changes in fair values or cash flows between the hedging instrument and the hedged item. Furthermore, the Allianz subsidiaries have to prepare the required hedge documentation. At inception of all hedge relationships, the conclusions reached by the Allianz subsidiaries must be approved at Group level to ensure that all hedge requirements are fulfilled and the hedge documentation is complete.

Fair value hedges

The Allianz Group uses fair value hedges to hedge its equity portfolio against equity market risk. The financial instruments used in the related fair value hedges had a negative fair value of €209 MN (2011: positive fair value of €334 MN) as of 31 December 2012.

Additionally, the Allianz Group uses fair value hedges to protect against the change in the fair value of financial assets due to movements in interest rates or exchange rates. The derivative financial instruments used for the related fair value hedges of the Allianz Group had a total negative fair value as of 31 December 2012 of €199 MN (2011: negative fair value of €139 MN).

For the year ended 31 December 2012, the Allianz Group recognized for fair value hedges a net loss of €210 MN (2011: net gain of €249 MN; 2010: net loss of €1 MN) on the hedging instrument and a net gain of €168 MN (2011: net loss of €311 MN; 2010: net loss of €30 MN) on the hedged item attributable to the hedged risk.

Cash flow hedges

During the year ended 31 December 2012, cash flow hedges were used to hedge variable cash flows exposed to interest rate, exchange rate fluctuations and inflation. As of 31 December 2012, the derivative instruments utilized had a positive fair value of €75 MN (2011: negative fair value of €2 MN). Unrealized gains and losses (net) in shareholders' equity increased by €65 MN (2011: decreased by €5 MN).

Hedge of net investment in foreign operations

As of 31 December 2012, the Allianz Group hedges part of its U.S. Dollar net investments through the issuance of U.S. Dollar denominated liabilities with a nominal amount of USD 1.0 BN.

44 — Financial instruments

Certain risk disclosure requirements of IFRS 7 are reflected in the following sections within the Risk Report in the Group Management Report:

- Internal Risk Capital Model including all subsections other than Assessment of assumptions,
- Limitations,
- Concentration of risks,
- Quantifiable risks including all subsections other than Business risk and Operational risk,
- Liquidity risk.

FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS

The following table compares the carrying amount with the fair value of the Allianz Group's financial assets and financial liabilities.

FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS — D 119

€ MN as of 31 December	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS				
Cash and cash equivalents	12,437	12,437	10,492	10,492
Financial assets held for trading	2,346	2,346	2,469	2,469
Financial assets designated at fair value through income	4,937	4,937	5,997	5,997
Available-for-sale investments	383,254	383,254	333,880	333,880
Held-to-maturity investments	4,321	4,719	4,220	4,422
Loans and advances to banks and customers	119,369	137,215	124,738	134,916[1]
Financial assets for unit-linked contracts	71,197	71,197	63,500	63,500
Derivative financial instruments and firm commitments included in other assets	129	129	430	430
Assets held in trust[3]	372	372	266	266
FINANCIAL LIABILITIES				
Financial liabilities held for trading	5,397	5,397	6,610	6,610
Liabilities to banks and customers	22,425	23,140	22,155	22,647[2]
Investment contracts with policyholders	145,413	145,413	140,022	140,022
Financial liabilities for unit-linked contracts	71,197	71,197	63,500	63,500
Derivative financial instruments and firm commitments included in other liabilities	462	462	237	237
Financial liabilities for puttable equity instruments	2,601	2,601	2,881	2,881
Certificated liabilities, participation certificates and subordinated liabilities	19,574	21,174	18,822	18,299
Liabilities held in trust[3]	372	372	266	266

1 — Includes a correction of the determination of the risk adjusted discount rate for a sub-portfolio (increases the fair value by €857 MN).
2 — Includes a correction of the determination of the risk adjusted discount rate for a sub-portfolio (decreases the fair value by €383 MN).
3 — Includes receivables and obligations of deferred compensation plans outsourced to a trust.

The fair value of a financial instrument is defined as the amount for which a financial asset could be exchanged, or a financial liability settled, between knowledgeable, willing parties in an arm's length transaction. The maximum exposure to credit risk of financial assets, without taking collateral into account, is represented by their carrying amount.

Determination of fair value for financial instruments not carried at fair value

The determination of the fair value for financial instruments that are not carried at fair value in the consolidated balance sheet, but for which a fair value has to be disclosed under IFRS 7, is described below:

Cash and cash equivalents:
Cash and cash equivalents comprises cash and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value. They are carried at nominal value, which represents a reasonable estimate of the fair value for these short-term financial instruments.

Held-to-maturity investments:
The fair value of held-to-maturity investments is determined using the quoted market price as of the balance sheet date.

Loans and advances to banks and customers:
For loans and advances to banks and customers, quoted market prices are not available as there are no active markets in which these instruments are traded. The fair value is determined using generally accepted valuation techniques with current market parameters. For short-term loans, the carrying amount represents a reasonable estimate of the fair value. For long-term loans, the fair value is estimated by discounting future contractual cash flows using risk-adjusted discount rates.

Liabilities to banks and customers:
For short-term liabilities, the carrying amount represents a reasonable estimate of the fair value. For long-term instruments, the fair value is determined by discounting future cash flows using risk specific interest rates.

Certificated liabilities, participation certificates and subordinated liabilities:
The fair value of certificated liabilities, participation certificates and subordinated liabilities is determined using quoted market prices, if available. If quoted prices are not available, for short-term liabilities the carrying amount represents a reasonable estimate of the fair value. For long-term instruments the fair value is determined by discounting the remaining contractual future cash flows at a discount rate at which the Allianz Group could issue debt with a similar remaining maturity. The fair value determination reflects current market interest rates and considers the credit rating of the Allianz Group.

Determination of fair value for financial instruments carried at fair value

For the following financial instruments, carried at fair value in the consolidated balance sheets, the fair value is determined as described in note 2 – Summary of significant accounting policies:

- Financial assets and liabilities held for trading
- Financial assets and liabilities designated at fair value through income
- Available-for-sale investments
- Financial assets and liabilities for unit-linked contracts
- Derivative financial instruments and firm commitments included in other assets and other liabilities
- Investment contracts with policyholders
- Financial liabilities for puttable equity instruments
- Assets and liabilities held in trust

FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

IFRS 7 requires that financial instruments carried at fair value in the consolidated balance sheets are classified into a three-level hierarchy ("the fair value hierarchy") depending on the valuation techniques used and whether the inputs to those valuation techniques are observable in the market.

For a further explanation of the levels in the fair value hierarchy, please refer to note 2 – Summary of significant accounting policies.

The following tables present the fair value hierarchy for financial instruments carried at fair value in the consolidated balance sheets as of 31 December 2012 and 2011.

FAIR VALUE HIERARCHY 2012

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€ MN as of 31 December	2012			
	Level 1 Quoted prices in active markets	Level 2 Valuation technique – market observable inputs	Level 3 Valuation technique – non-market observable inputs	Total fair value
FINANCIAL ASSETS				
Financial assets carried at fair value through income				
Financial assets held for trading				
Debt securities	102	226	–	328
Equity securities	69	84	–	153
Derivative financial instruments	36	1,670	159	1,865
Subtotal	**207**	**1,980**	**159**	**2,346**
Financial assets designated at fair value through income				
Debt securities	1,945	404	–	2,349
Equity securities	2,355	–	233	2,588
Subtotal	**4,300**	**404**	**233**	**4,937**
Subtotal	**4,507**	**2,384**	**392**	**7,283**
Available-for-sale investments				
Equity securities	19,933	1,291	5,263	26,487
Government and agency mortgage-backed securities (residential and commercial)	37	4,278	–	4,315
Corporate mortgage-backed securities (residential and commercial)	26	11,817	30	11,873
Other asset-backed securities	80	2,465	236	2,781
Government and government agency bonds	138,690	21,915	38	160,643
Corporate bonds	33,512	137,705	3,121	174,338
Other debt securities	1,390	960	467	2,817
Subtotal	**193,668**	**180,431**	**9,155**	**383,254**
Financial assets for unit-linked contracts	68,508	2,504	185	71,197
Derivative financial instruments and firm commitments included in other assets	–	129	–	129
Assets held in trust	232	–	140	372
Total	**266,915**	**185,448**	**9,872**	**462,235**
FINANCIAL LIABILITIES				
Financial liabilities held for trading				
Derivative financial instruments	58	756	4,581	5,395
Other trading liabilities	–	2	–	2
Subtotal	**58**	**758**	**4,581**	**5,397**
Investment contracts with policyholders[1]	656	247	427	1,330
Financial liabilities for unit-linked contracts	68,508	2,504	185	71,197
Derivative financial instruments and firm commitments included in other liabilities	–	462	–	462
Financial liabilities for puttable equity instruments	2,495	26	80	2,601
Liabilities held in trust	232	–	140	372
Total	**71,949**	**3,997**	**5,413**	**81,359**

1 — Excludes universal life-type contracts.

FAIR VALUE HIERARCHY 2011 D 121

€ MN as of 31 December	2011			
	Level 1 Quoted prices in active markets	Level 2 Valuation technique – market observable inputs	Level 3 Valuation technique – non-market observable inputs	Total fair value
FINANCIAL ASSETS				
Financial assets carried at fair value through income				
Financial assets held for trading				
Debt securities	150	85	3	238
Equity securities	37	98	–	135
Derivative financial instruments	83	1,867	146	2,096
Subtotal	**270**	**2,050**	**149**	**2,469**
Financial assets designated at fair value through income				
Debt securities	2,786	589	–	3,375
Equity securities	2,364	65	193	2,622
Subtotal	**5,150**	**654**	**193**	**5,997**
Subtotal	**5,420**	**2,704**	**342**	**8,466**
Available-for-sale investments				
Equity securities	20,955	1,083	4,150	26,188
Government and agency mortgage-backed securities (residential and commercial)	33	5,361	–	5,394
Corporate mortgage-backed securities (residential and commercial)	10	11,320	219	11,549
Other asset-backed securities	91	2,203	265	2,559
Government and government agency bonds	113,975	18,184	58	132,217
Corporate bonds	26,964	124,426	2,364	153,754
Other debt securities	784	986	449	2,219
Subtotal	**162,812**	**163,563**	**7,505**	**333,880**
Financial assets for unit-linked contracts	61,082	2,235	183	63,500
Derivative financial instruments and firm commitments included in other assets	–	430	–	430
Assets held in trust	241	–	25	266
Total	**229,555**	**168,932**	**8,055**	**406,542**
FINANCIAL LIABILITIES				
Financial liabilities held for trading				
Derivative financial instruments	47	1,885	4,676	6,608
Other trading liabilities	–	2	–	2
Subtotal	**47**	**1,887**	**4,676**	**6,610**
Investment contracts with policyholders[1]	490	268	418	1,176
Financial liabilities for unit-linked contracts	61,082	**2,235**	183	63,500
Derivative financial instruments and firm commitments included in other liabilities	–	237	–	237
Financial liabilities for puttable equity instruments	2,799	33	49	2,881
Liabilities held in trust	241	–	25	266
Total	**64,659**	**4,660**	**5,351**	**74,670**

1 — Excludes universal life-type contracts.

Significant transfers of financial instruments carried at fair value between Level 1 and Level 2

TRANSFERS BETWEEN LEVEL 1 AND LEVEL 2 — D 122

€ MN

	2012
Financial assets transferred from Level 1 to Level 2	
Available-for-sale – Government and government agency bonds	1,182
Available-for-sale corporate bonds	2,005
Financial assets transferred from Level 2 to Level 1	
Available-for-sale – Government and government agency bonds	645
Available-for-sale corporate bonds	2,649

Certain available-for-sale government and government agency as well as corporate bonds were transferred from Level 1 to Level 2 during the year ended 31 December 2012. These transfers were mainly due to decreased liquidity, trade frequency and activity of certain markets in which those bonds are traded, as well as refinements in policy.

Additionally, available-for-sale government and government agency bonds as well as certain corporate bonds were transferred from Level 2 to Level 1 during the year ended 31 December 2012 due to changes in the assessment of the liquidity of these bonds.

Level 3 portfolios

The fair value of certain financial instruments is determined using valuation techniques with significant non-market observable input parameters (Level 3).

Equity securities within financial assets designated at fair value through income and available-for-sale investments classified as level 3 mainly comprise private equity fund investments of the Allianz Group. Fund manager priced private equity fund investments are usually calculated on a net asset value basis with material non-public information about the respective private equity companies. The Allianz Group has only limited access to this company-specific data. The fund asset manager prices the underlying single portfolio companies generally on discounted cash flow or multiple approaches.

Corporate bonds classified as Level 3 consist of various portfolios for which different valuation techniques with non-observable inputs, including broker quotes and pricing services, are used. While in total the effect of changing the valuation assumptions to reasonable possible alternative values might have a significant impact on the fair values, when considered individually for each portfolio, the impact would not be significant.

Financial liabilities held for trading include €4.5 BN of embedded derivative financial instruments relating to annuity products. Internal discounted cash flow models are used to determine the present value of the underlying insurance benefits and expenses. Sensitivity analyses of the fair value with regard to changes in input parameters to reasonable possible alternative assumptions are calculated by varying policyholder assumptions, such as annuitizations and surrenders that impact future projected benefits, by plus or minus 10%. Assumption changes made to increase future projected benefits would increase the fair value by €314 MN, whereas assumption changes made to decrease future projected benefits would decrease the fair value by €339 MN.

Reconciliation of Level 3 financial instruments

The following tables show a reconciliation of the financial instruments carried at fair value and classified as Level 3:

RECONCILIATION OF LEVEL 3 FINANCIAL ASSETS

€ MN	Carrying value (fair value) as of 1 January 2012	Additions through purchases and issues	Net transfers into (out of) Level 3	Disposals through sales and settlements
FINANCIAL ASSETS				
Financial assets carried at fair value through income				
Financial assets held for trading				
Debt securities	3	2	–	(4)
Derivative financial instruments	146	69	10	(502)
Subtotal	**149**	**71**	**10**	**(506)**
Financial assets designated at fair value through income				
Equity securities	193	64	–	(12)
Subtotal	**193**	**64**	**–**	**(12)**
Available-for-sale investments				
Equity securities	4,150	1,732	7	(1,036)
Corporate mortgage-backed securities (residential and commercial)	219	–	(190)	(5)
Other asset-backed securities	265	52	2	(145)
Government and government agency bonds	58	13	(1)	(34)
Corporate bonds	2,364	731	–	(89)
Other debt securities	449	13	–	(1)
Subtotal	**7,505**	**2,541**	**(182)**	**(1,310)**
Financial assets for unit-linked contracts	183	9	3	(13)
Assets held in trust	25	91	35	(8)
Total financial assets at fair value	**8,055**	**2,776**	**(134)**	**(1,849)**

RECONCILIATION OF LEVEL 3 FINANCIAL LIABILITIES

€ MN	Carrying value (fair value) as of 1 January 2012	Additions through purchases and issues	Net transfers into (out of) Level 3	Disposals through sales and settlements
FINANCIAL LIABILITIES				
Financial liabilities held for trading				
Derivative financial instruments	4,676	893	–	(1,076)
Investment contracts with policyholders[1]	418	261	–	(278)
Financial liabilities for unit-linked contracts	183	9	3	(13)
Financial liabilities for puttable equity instruments	49	–	–	–
Liabilities held in trust	25	91	35	(8)
Total financial liabilities at fair value	**5,351**	**1,254**	**38**	**(1,375)**

1 — Excludes universal life-type contracts.

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Net gains (losses) recognized in consolidated income statement	Net gains (losses) recognized in other comprehensive income	Impairments	Foreign currency translation adjustments	Changes in the consolidated subsidiaries of the Allianz Group	Carrying value (fair value) as of 31 December 2012	Net gains (losses) for financial instruments held at the reporting date
(1)	–	–	–	–	–	–
438	–	–	1	(3)	159	(4)
437	**–**	**–**	**1**	**(3)**	**159**	**(4)**
(12)	–	–	–	–	233	–
(12)	**–**	**–**	**–**	**–**	**233**	**–**
(1)	463	(86)	23	11	5,263	–
3	3	–	–	–	30	3
11	37	(2)	(2)	18	236	6
–	2	–	–	–	38	–
(1)	129	–	(46)	33	3,121	–
–	15	(12)	–	3	467	–
12	**649**	**(100)**	**(25)**	**65**	**9,155**	**9**
3	–	–	–	–	185	–
–	–	–	(3)	–	140	–
440	**649**	**(100)**	**(27)**	**62**	**9,872**	**5**

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Net gains (losses) recognized in consolidated income statement	Net gains (losses) recognized in other comprehensive income	Impairments	Foreign currency translation adjustments	Changes in the consolidated subsidiaries of the Allianz Group	Carrying value (fair value) as of 31 December 2012	Net gains (losses) for financial instruments held at the reporting date
157	–	–	(69)	–	4,581	637
22	–	–	4	–	427	14
3	–	–	–	–	185	–
–	31	–	–	–	80	–
–	–	–	(3)	–	140	–
182	**31**	**–**	**(68)**	**–**	**5,413**	**651**

During the year ended 31 December 2012, the Allianz Group transferred certain corporate mortgage-backed securities from Level 3 into Level 2. This was due to the fact that the valuation techniques of these securities were modified and are no longer based on significant non-observable inputs.

RECLASSIFICATION OF FINANCIAL ASSETS

In January 2009, certain USD-denominated CDOs were reclassified from financial assets held for trading to loans and advances to banks and customers in accordance with IAS 39.

As of 31 December 2011, the carrying amount and fair value of the CDOs was €431 MN and €428 MN, respectively. As of 31 December 2012, the carrying amount and fair value of the CDOs was €370 MN and €366 MN, respectively. For the twelve months ended 31 December 2012, the net profit related to the CDOs was not significant.

MATURITY OF FINANCIAL LIABILITIES

Tabular disclosure of contractual obligations

The table sets forth the Allianz Group's contractual obligations as of 31 December 2012. Contractual obligations do not include contingent liabilities or commitments. Only transactions with parties outside the Allianz Group are considered.

The table includes only liabilities that represent fixed and determinable amounts. The table excludes interest on floating rate long-term debt obligations and interest on money market securities, as the contractual interest rate on floating rate obligations is not fixed and determinable. The amount and timing of interest on money market securities is not fixed and determinable since these instruments have a daily maturity. For further information, see notes 23 and 24 to the consolidated financial statements.

As of 31 December 2012, the income tax obligations amounted to €2,680 MN. The Allianz Group expects to pay €1,794 MN thereof within the twelve months after the balance sheet date. For the remaining amount of €886 MN, an estimate of the timing of cash outflows is not reasonably possible. The income tax obligations are not included in the table below.

CONTRACTUAL OBLIGATIONS

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€ MN

	Contractual cash flows as of 31 December 2012			
	Due in 2013	Due in 2014 - 2017	Due after 2017	Total
Financial liabilities				
Financial liabilities carried at fair value through income		please refer to note 43		
Liabilities to banks and customers[1]	16,257	3,117	3,051	22,425
Derivative financial instruments and firm commitments included in other liabilities		please refer to note 43		
Financial liabilities for puttable equity instruments	2,601	–	–	2,601
Certificated liabilities, participation certificates and subordinated liabilities[1]	3,078	1,729	14,767	19,574
Insurance liabilities				
Future policy benefits[2]	42,067	150,418	826,341	1,018,826
Reserves for loss and loss adjustment expenses	16,041	21,246	18,519	55,806
Other liabilities				
Operating lease obligations[3]	343	1,204	1,369	2,916
Purchase obligations[4]	602	1,286	169	2,057

1 — For materiality reasons, the carrying amount is split up into the different contractual maturities.
2 — Including investment contracts with policyholders and financial liabilities for unit-linked contracts.
3 — The amount of €2,916 MN is gross of €121 MN related to subleases, which represent cash inflow to the Allianz Group.
4 — Purchase obligations only include transactions related to goods and services; purchase obligations for financial instruments are not included.

Future policy benefits

Reserves for insurance and investment contracts of €1,018,826 MN presented in the table include contracts where the timing and amount of payments are considered fixed and determinable, and contracts which have no specified maturity dates and may result in a payment to the contract holder depending on mortality and morbidity experience and the incidence of surrenders, lapses or maturities. Furthermore, the amounts presented in the table above are undiscounted and therefore exceed the reserves for insurance and investment contracts presented in the consolidated balance sheet that reflect the time value of the money.

For contracts without fixed and determinable payments, the Allianz Group has made assumptions to estimate the undiscounted cash flows of contractual policy benefits including mortality, morbidity, interest crediting rates, policyholder participation in profits and future lapse rates. These assumptions represent current best estimates and may differ from the estimates originally used to establish the reserves for insurance and investment contracts as a result of the lock-in of assumptions on the issue dates of the contracts as required by the Allianz Group's established accounting policy. The effect of discounting and the differences between locked-in and best estimate assumptions is €393,221 MN. For further information, see note 2 to the consolidated financial statements. Due to the uncertainty of the assumptions used, the amount presented could be materially different from the actual incurred payments in future periods.

Furthermore, these amounts do not include €181,531 MN of premiums and fees expected to be received, expenses incurred to parties other than the policyholders such as agents and administrative expenses; nor do they include investment income earned. In addition, these amounts are presented net of reinsurance expected to be received as a result of these cash flows. For further information on reserves for insurance and investment contracts, see note 20 of the consolidated financial statements.

TRANSFERS OF FINANCIAL ASSETS

Amendments to IFRS 7: Disclosures – Transfers of financial assets – are effective for annual periods starting on or after July 2011. The amendments enhance disclosure requirements regarding transfers of financial assets that result in continued recognition or derecognition.

As of 31 December 2012, the Allianz Group substantially retained all the risks and rewards out of the ownership of transferred assets. There were no transfers of financial assets that were derecognized in full or partly, in which Allianz continues to control the transferred assets. Transfers of financial assets mainly relate to securities lending and repurchase agreement transactions. Transferred financial assets in repurchase agreement and securities lending transactions are mainly available-for-sale debt and equity securities for which substantially all of the risks and rewards are retained. As of 31 December 2012, the carrying amount of the assets transferred for securities lending transactions amounted to €1,531 MN (2011: €459 MN). For repurchase agreements, the carrying amount of the assets transferred amounted to €952 MN (2011: €226 MN) and the carrying amount of the associated liabilities amounted to €951 MN (2011: €227 MN). Assets pledged and collateral are described in note 46 – Contingent liabilities, commitments, guarantees, and assets pledged as collateral.

45 — Related party transactions

Information on the remuneration of Board members and transactions with these persons can be found in the "Remuneration Report", starting on page 74.

Transactions between Allianz SE and its subsidiaries that are to be deemed related parties have been eliminated in the consolidation and are not disclosed in the notes.

Business relations with joint ventures and associated enterprises are set on an arm's length basis.

46 — Contingent liabilities, commitments, guarantees, and assets pledged and collateral

CONTINGENT LIABILITIES

Litigation

Allianz Group companies are involved in legal, regulatory, and arbitration proceedings in Germany and a number of foreign jurisdictions, including the United States. Such proceedings arise in the ordinary course of businesses, including, amongst others, their activities as insurance, banking and asset management companies, employers, investors and taxpayers. It is not feasible to predict or determine the ultimate outcome of the pending or threatened proceedings. Management does not believe that the outcome of these proceedings, including those discussed below, will have a material adverse effect on the financial position and the results of operations of the Allianz Group, after consideration of any applicable reserves.

On 24 May 2002, pursuant to a statutory squeeze-out procedure, the general meeting of Dresdner Bank AG resolved to transfer shares from its minority shareholders to Allianz as principal shareholder in return for payment of a cash settlement amounting to €51.50 per share. Allianz established the amount of the cash settlement on the basis of an expert opinion, and its adequacy was confirmed by a court appointed auditor. Some of the former minority shareholders applied for a court review of the appropriate amount of the cash settlement in a mediation procedure ("Spruchverfahren"), 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.

The U.S. Department of Justice (DOJ) is conducting an investigation into whether certain employees of Fireman's Fund Insurance Company (FFIC), a subsidiary of Allianz SE, engaged in violation (criminal or civil) of the False Claims Act in connection with FFIC's involvement as a provider of federal crop insurance from 1997 to 2003. The investigation concerns the issue of whether FFIC employees submitted false claims to the government through various practices, including backdating and inappropriately designating new producer status. Two former FFIC claims employees and one contract adjuster have pled guilty to assisting farmers in asserting fraudulent crop claims. The DOJ and FFIC are in negotiations to reach a final resolution of this matter. The outcome cannot be predicted at this stage.

Allianz Life Insurance Company of North America (Allianz Life) has been named as a defendant in various putative class action lawsuits in connection with the marketing and sale of deferred annuity products. Two of those lawsuits are currently pending as certified class actions in California. The complaints allege generally that the defendant engaged in, among other practices, deceptive trade practices and misleading advertising in connection with the sale of such products. These lawsuits have not yet progressed to a stage at which the outcome or exposure can be determined. In a class action lawsuit in Minnesota the Court, based upon a jury trial, entered final judgment in favor of Allianz Life in January 2010. In another California class action the parties reached settlement, which the court approved in 2011.

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. Management believes that the tax liability does not exist and intends to take legal remedy against the tax assessment notice.

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 by reason of supporting measures taken in favor of Oldenburgische Landesbank AG (OLB), Münsterländische Bank Thie & CO. KG and Bankhaus W. Fortmann & Söhne KG.

With the sale of Dresdner Bank becoming effective on 12 January 2009, Allianz terminated the indemnification undertaking issued in 2001 in favor of the Federal Association of German Banks with respect to Dresdner Bank. As a result, the indemnification is only relevant for supporting measures that are based on facts that were already existing at the time of the termination.

Allianz and HT1 Funding GmbH have signed a Contingent Indemnity Agreement in July 2006, pursuant to which Allianz may, in certain circumstances, be obliged to make payments to HT1 Funding GmbH. HT1 Funding GmbH issued nominal €1,000 MN Tier 1 Capital Securities with an annual coupon of 6.352% (as of 30 June 2017, the coupon will be 12-months EURIBOR plus a margin of 2.0% p.a.). The contingent payment obligation of the Allianz Group was reduced in 2012 following a reduction of the nominal amount of the Tier 1 Capital Securities from €1,000 MN to €416 MN. The securities have no scheduled maturity and the security holders have no right to call for their redemption. The securities may be redeemed at the option of the issuer on 30 June 2017, and thereafter. 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.

COMMITMENTS

Loan commitments

The Allianz Group engages in various lending commitments to meet the financing needs of its customers. The following table represents the amounts at risk should customers draw fully on all facilities and then default, excluding the effect of any collateral. Since the majority of these commitments may expire without being drawn upon, the amounts shown are not representative of actual liquidity requirements for such commitments.

LOAN COMMITMENTS D 126

€ MN as of 31 December	2012	2011
Advances	496	430
Stand-by facilities	–	29
Guarantee credits	95	97
Mortgage loans/Public-sector loans	445	100
Total	**1,036**	**656**

Leasing commitments

The Allianz Group occupies property in many locations under various long-term operating leases and has entered into various operating leases covering the long-term use of data processing equipment and other office equipment.

As of 31 December 2012, the future minimum lease payments under non-cancelable operating leases were as follows:

FUTURE MINIMUM LEASE PAYMENTS D 127

€ MN	2012
2013	343
2014	330
2015	313
2016	295
2017	266
Thereafter	1,369
Subtotal	**2,916**
Subleases	(121)
Total	**2,795**

For the year ended 31 December 2012, rental expenses totaled €325 MN (2011: €268 MN; 2010: €239 MN), net of sublease rental income received of €12 MN.

Purchase obligations

The Allianz Group has commitments for mortgage loans and to buy multi-tranche loans of €2,906 MN (2011: €2,913 MN) as well as to invest in private equity funds and similar financial instruments totaling €2,507 MN (2011: €3,536 MN) as of 31 December 2012. As of 31 December 2012, commitments outstanding to invest in real estate used by third parties or used by the Allianz Group for its own activities and for infrastructure investments amounted to €962 MN (2011: €1,565 MN).

In addition, as of 31 December 2012, the Allianz Group has other commitments of €241 MN (2011: €121 MN) mainly referring to maintenance, real estate development, sponsoring and other purchase obligations.

Other commitments

Other principal commitments of the Allianz Group include the following:

Pursuant to §§ 124 ff. of the German Insurance Supervision Act ("Versicherungsaufsichtsgesetz" – VAG), a mandatory insurance guarantee scheme ("Sicherungsfonds") for life insurers is implemented in Germany. Each member of the scheme is obliged to make annual contributions to the scheme as well as special payments under certain circumstances. The exact amount of obligations for each member is calculated according to the provisions of a Federal Regulation ("Sicherungsfonds-Finanzierungs-Verordnung (Leben)" – SichLVFinV). As of 31 December 2012, the future liabilities of Allianz Lebensversicherungs-Aktiengesellschaft and its subsidiaries to the insurance guarantee scheme amount to annual contributions of €6.7 MN (2011: €5.3 MN) and an obligation for special payments of €124 MN (2011: €118 MN).

In accordance with §§ 124 ff. of the German Insurance Supervision Act ("Versicherungsaufsichtsgesetz" - VAG), Allianz Private Krankenversicherungs-AG is a member of the mandatory insurance guarantee scheme (Sicherungsfonds) for German health insurers. In case the guarantee scheme has to resume responsibility for insurance contracts, it will collect special payments from its members to fulfill its tasks. Until today, no contributions have been requested by the scheme. As of 31 December 2012, the potential liabilities of Allianz Private Krankenversicherungs-AG to the insurance guarantee scheme amount to an obligation for special payments of €45 MN (2011: €43 MN).

In December 2002, Protektor Lebensversicherungs-Aktiengesellschaft ("Protektor"), a life insurance company whose role is to protect policyholders of all German life insurers was founded. Allianz Lebensversicherungs-Aktiengesellschaft and some of its subsidiaries are obligated to provide additional funds either to the mandatory insurance guarantee scheme or to Protektor, in the event that the funds provided to the mandatory insurance guarantee scheme are not sufficient to handle an insolvency case. Such obligation amounts to a maximum of 1% of the sum of the net underwriting reserve with deduction of payments already provided to the insurance guarantee scheme. As of 31 December 2012, and under inclusion of the contributions to the mandatory insurance scheme mentioned above, the aggregate outstanding commitment of Allianz Lebensversicherungs-Aktiengesellschaft and its subsidiaries to the insurance guarantee scheme and to Protektor was €1,123 MN (2011: €1,071 MN).

According to the German Deposit Guarantee and Investor Compensation Act (EAEG – "Einlagensicherungs- und Anlegerentschädigungsgesetz") all credit institutions, investment companies and financial services institutions licensed to do business in Germany must adhere to a statutory compensation scheme. Allianz Global Investors Europe GmbH (former Allianz Global Investors Kapitalanlagegesellschaft mbH), PIMCO Deutschland GmbH and risklab GmbH are currently members of EdW ("Entschädigungseinrichtung der Wertpapierhandelsunternehmen", Berlin). The annual contribution is determined in consideration of each member's scope of business. In addition, EdW may levy special contributions from its members, if the funds available to EdW are insufficient to satisfy all eligible claims. Special contributions are determined by reference to the preceding yearly contribution. For 2012, the yearly contributions for above mentioned entities have been determined by notification from the EdW in the amount of €1 MN (2011: €2 MN). With respect to the insolvency of Phoenix Kapitaldienst GmbH, the German Federal Financial Supervisory Authority ("Bundesanstalt für Finanzdienstleistungsaufsicht" – BaFin) has determined that certain investor claims will be covered under the compensation scheme and special contributions have been levied. In this regard, special contributions have been notified by EdW to above mentioned entities in 2012 in the amount of €7 MN (2011: €4 MN). The above mentioned entities have appealed against the special contributions. For received, but not yet paid notifications, and for the estimated special contribution for 2013, adequate provisions have been accrued.

GUARANTEES

A summary of guarantees issued by the Allianz Group by maturity and related collateral-held is as follows:

GUARANTEES D 128

€ MN

	Letters of credit and other financial guarantees	Market value guarantees	Indemnification contracts	Performance guarantees
2012				
Up to 1 year	387	271	1	24
1-3 years	16	614	–	19
3-5 years	14	60	1	2
Over 5 years	164	652	107	173
Total	**581**	**1,597**	**109**	**218**
Collateral	130	–	–	36
2011				
Up to 1 year	424	90	–	26
1-3 years	40	415	–	11
3-5 years	23	478	–	1
Over 5 years	123	714	108	119
Total	**610**	**1,697**	**108**	**157**
Collateral	112	–	–	29

Nearly all customers of the letters of credit and of the indemnification contracts have no external credit ranking.

Letters of credit and other financial guarantees

The majority of the Allianz Group's letters of credit and other financial guarantees are issued to customers through the normal course of banking business in return for fee and commission income, which is generally determined based on rates subject to the nominal amount of the guarantees and inherent credit risks. Once a guarantee has been drawn upon, any amount paid by the Allianz Group to third parties is treated as a loan to the customer, and is, therefore, principally subject to collateral pledged by the customer as specified in the agreement.

Market value guarantees

Market value guarantees represent assurances given to customers of certain mutual funds and fund management agreements, under which initial investment values and/or minimum market performance of such investments are guaranteed at levels as defined under the relevant agreements. The obligation to perform under a market value guarantee is triggered when the market value of such investments does not meet the guaranteed targets at predefined dates.

The Allianz Group's Asset Management segment, in the ordinary course of business, issues market value guarantees in connection with investment trust accounts and mutual funds it manages. The levels of market value guarantees and maturity dates differ based on the separate governing agreements of the respective investment trust accounts and mutual funds. As of 31 December 2012, the maximum potential amount of future payments of the market value guarantees was €652 MN (2011: €714 MN), which represents the total value guaranteed under the respective agreements including the obligation that would have been due had the investments matured on that date. The fair value of the investment trust accounts and mutual funds related to these guarantees as of 31 December 2012, was €734 MN (2011: €761 MN).

The Allianz Group's Banking operations in France, in the ordinary course of business, issue market value and performance-at-maturity guarantees in connection with mutual funds offered by the Allianz Group's Asset Management operations in France. The levels of market value and performance-at-maturity guarantees, as well as the maturity dates, differ based on the underlying agreements. In most cases, the same mutual fund offers both a market value guarantee and a performance-at-maturity guarantee. Additionally, the performance-at-maturity guarantees are generally linked to the performance of an equity index or group of equity indexes. As of 31 December 2012, the maximum potential amount of future payments of the market value and performance-at-maturity guarantees was €945 MN (2011: €983 MN), which represents the total value guaranteed under the respective agreements. The fair value of the mutual funds related to the market guarantees as of 31 December 2012, was approximately €853 MN (2011: €948 MN). These funds have a remaining term of maturity of up to five years.

Indemnification contracts

Indemnification contracts are executed by the Allianz Group with various counterparties under existing service, lease or acquisition transactions. Such contracts may also be used to indemnify counterparties under various contingencies, such as changes in laws and regulations or litigation claims.

In connection with the sale of various of the Allianz Group's former private equity investments, subsidiaries of the Allianz Group provided indemnities to the respective buyers in the event that certain contractual warranties arise. The terms of the indemnity contracts cover ordinary contractual warranties, environmental costs and any potential tax liabilities the entity incurred while owned by the Allianz Group.

Performance guarantees

Performance guarantees are given by the Allianz Group to ensure third-party entitlements if certain performance obligations of the guarantee recipient are not fulfilled.

CREDIT DERIVATIVES

Credit derivatives consist of credit default swaps, which require payment in the event of default of debt obligations, as well as of total return swaps, under which the performance of underlying assets is guaranteed. The notional principal amounts and fair values of the Allianz Group's credit derivative positions as of 31 December 2012 are provided in note 43.

ASSETS PLEDGED AND COLLATERAL

The carrying amounts of the assets pledged as collateral are as follows:

ASSETS PLEDGED AS COLLATERAL — D 129

€ MN as of 31 December	2012	2011
Collaterals without right to resell or repledge		
Investments	1,452	320
Loans and advances to banks and customers	2,811	2,672
Subtotal	**4,263**	**2,992**
Collaterals with right to resell or repledge		
Financial assets carried at fair value through income	–	–
Investments	2,460	2,541
Subtotal	**2,460**	**2,541**
Total	**6,723**	**5,533**

As of 31 December 2012, the Allianz Group has received collateral, consisting of fixed income and equity securities, with a fair value of €931 MN (2011: €799 MN), which the Allianz Group has the right to sell or repledge. For the years ended 31 December 2012 and 2011, no previously received collateral was sold or repledged by the Allianz Group.

As of 31 December 2012, the Allianz Group took possession of cash collateral with a carrying amount of €65 MN (2011: €– MN).

47 — Pensions and similar obligations

Retirement benefits in the Allianz Group, which are granted to employees and in Germany also to agents, are either in the form of defined benefit or defined contribution plans. For defined benefit plans, the beneficiary is granted a defined benefit by the employer or via an external entity. In contrast to defined contribution arrangements, the future cost to the employer of a defined benefit plan is not known with certainty in advance.

The Allianz Group provides competitive and cost effective retirement and disability benefits using risk appropriate vehicles. The plans may vary from country to country due to the different legal, fiscal and economic environment.

Typically associated with defined benefit plans are biometric risks like longevity, disability and death as well as economic risks like interest rates, inflation and compensation increases. In order to decrease the risk impact the Allianz Group has established new pension plans in some of the important regional companies including those in Germany, the U.S., Ireland, Italy and the U.K. over the last several years. These new plans are primarily based on contributions and may include in some cases guarantees like preservation of contributions or minimum interest rate. Some are still risk exposed, but only to a minor extent.

Most active German employees participate in a contribution-based system using different vehicles to cover the base salary both below and above the German social security ceiling. The Allianz Versorgungskasse VVaG (AVK) financed through employee contributions and the Allianz Pensionsverein e.V. (APV) financed by the employer, provide pension benefits for the base salary up to the German social security ceiling.

Additionally, for salary above the German social security ceiling, Allianz Group contributes to the Beitragsorientierter Pensionsvertrag (BPV). On retirement the accumulated capital is converted to a lifetime annuity. Allianz Group decides each year whether and to which extent a BPV budget is provided. Independently from this decision an additional risk premium is paid to cover death and disability. The BPV was implemented as of 1 January 2005. Formerly existing plans were transferred to the BPV, taking the retained rights into account as appropriate.

For the AVK the annual minimum interest rate guaranteed is 1.75%-3.50% depending on the date of joining the Allianz Group and for the BPV it is 2.75%.

The period in which a retirement pension can be drawn is usually between age 60 and age 67. Disability benefits are granted prior to retirement in the event of an occurrence of a qualifying disability.

In the case of death, a pension may be paid to dependents. Surviving dependents normally receive 60% (widow/widower) and 20% (per child) of the original employee's pension, in total not to exceed 100%.

DEFINED BENEFIT PLANS

Amounts recognized in the Allianz Group's consolidated balance sheets for defined benefit plans are as follows:

RECONCILIATION DEFINED BENEFIT PLANS BALANCE SHEET — D 130

€ MN as of 31 December	2012	2011
Net amount recognized as of 1 January	**3,369**	**3,553**
Changes in the consolidated subsidiaries of the Allianz Group[1]	28	(216)
Foreign currency translation adjustments	3	(3)
Expenses	614	622
Payments	(652)	(587)
Net amount recognized as of 31 December	**3,362**	**3,369**
thereof assets	(490)	(385)
thereof liabilities	3,852	3,754

1 — For 2011, the amount consists of the defined benefit liability of the deconsolidated subsidiary manroland AG with an amount of €197 MN.

The following table sets forth the changes in the defined benefit obligation, the changes in fair value of plan assets and the net amount recognized for the various Allianz Group defined benefit plans:

RECONCILIATION DEFINED BENEFIT OBLIGATION AND PLAN ASSETS — D 131

€ MN	2012	2011
CHANGE IN DEFINED BENEFIT OBLIGATION		
Defined benefit obligation as of 1 January	**15,619**	**15,320**
Current service costs	323	327
Interest costs	699	678
Plan participants' contributions	97	93
Amendments	(1)	(9)
Actuarial (gains)/losses	3,107	177
Foreign currency translation adjustments	49	80
Benefits paid	(635)	(606)
Changes in the consolidated subsidiaries of the Allianz Group[1]	30	(443)
Divestitures	–	–
Settlements, curtailments, termination benefits	(60)	2
Defined benefit obligation as of 31 December[2]	**19,228**	**15,619**
CHANGE IN FAIR VALUE OF PLAN ASSETS		
Fair value of plan assets as of 1 January	**10,136**	**9,780**
Expected return on plan assets	463	456
Actuarial gains/(losses)	478	(36)
Employer contributions	372	322
Plan participants' contributions	97	93
Foreign currency translation adjustments	36	71
Benefits paid[3]	(357)	(343)
Changes in the consolidated subsidiaries of the Allianz Group[4]	4	(207)
Divestitures	–	–
Assets distributed on settlement	(23)	–
Fair value of plan assets as of 31 December	**11,206**	**10,136**
Funded status as of 31 December	**8,022**	**5,483**
Unrecognized net actuarial gains/(losses)	(4,724)	(2,182)
Unrecognized past service costs	9	11
Amount not recognized due to asset ceiling	55	57
Net amount recognized as of 31 December	**3,362**	**3,369**

1 — For 2011, the amount mainly consists of the defined benefit obligation of the deconsolidated subsidiary manroland AG in the amount of €411 MN.
2 — As of 31 December 2012, €6,841 MN (2011: €5,415 MN) of the defined benefit obligation are wholly unfunded, while €12,387 MN (2011: €10,204 MN) are wholly or partly funded.
3 — In addition, the Allianz Group paid €278 MN (2011: €263 MN) directly to plan participants.
4 — For 2011, the amount mainly consists of the plan assets of the deconsolidated subsidiary manroland AG in the amount of €197 MN.

As of 31 December 2012, post-retirement health benefits included in the defined benefit obligation and in the net amount recognized amounted to €15 MN (2011: €11 MN) and €15 MN (2011: €11 MN), respectively.

The expense recognized in profit or loss related to defined benefit plans of the Allianz Group consists of the following components:

DEFINED BENEFIT PLANS — EXPENSES RECOGNIZED — D 132

€ MN	2012	2011	2010
Current service costs	323	327	340
Interest costs[1]	699	678	693
Expected return on plan assets[1]	(463)	(456)	(454)
Amortization of past service costs	(4)	(3)	3
Amortization of net actuarial (gains)/losses	99	84	124
Effect of asset ceiling	(3)	(10)	(48)
(Income)/expenses of plan curtailments or settlements	(37)	2	–
Expense recognized in the consolidated income statements	**614**	**622**	**658**

1 — Interest costs on pension obligations less the expected return on plan assets are recognized as administrative expenses.

During the year ended 31 December 2012, the expense recognized in profit or loss includes expenses related to post-retirement health benefits of €3 MN (2011: €1 MN; 2010: €1 MN).

The actual return on plan assets during the year ended 31 December 2012, amounted to €941 MN (2011: €420 MN; 2010: €507 MN).

A summary of amounts related to defined benefit plans is as follows:

SUMMARY OF AMOUNTS RELATED TO DEFINED BENEFIT PLANS D 133

€ MN	2012	2011	2010	2009	2008
Defined benefit obligation	19,228	15,619	15,320	13,727	12,247
Fair value of plan assets	11,206	10,136	9,780	8,913	7,964
Funded status	8,022	5,483	5,540	4,814	4,283
Actuarial (gains)/losses from experience adjustments on:					
Plan obligations	(20)	(33)	(125)	(73)	(42)
Plan assets	(478)	36	(53)	(283)	781

Assumptions

The assumptions for the actuarial computation of the defined benefit obligation and the expense recognized in profit or loss depend on the circumstances in the particular country where the plan has been established.

The calculations are based on current actuarially calculated mortality estimates. Projected turnover depending on age and length of service have also been used, as well as internal Allianz Group retirement projections. An increase in life expectancy by 1 year would lead to an increase of the defined benefit obligation by €412 MN.

The weighted average value of the assumptions for the Allianz Group's defined benefit plans used to determine the defined benefit obligation and the expense recognized in profit or loss are as follows:

ASSUMPTIONS FOR DEFINED BENEFIT PLANS D 134

% as of 31 December	2012	2011	2010
Discount rate	3.3	4.6	4.7
Expected long-term return on plan assets	4.4	4.8	5.0
Rate of compensation increase	2.0	2.2	2.4
Rate of pension increase	1.7	1.4	1.5
Rate of medical cost trend	3.8	4.1	4.1

The expense recognized in profit and loss is recorded based on the assumptions of the corresponding previous year. For the assumptions regarding the expected long-term return on plan assets the value of the corresponding current year is relevant.

The discount rate assumptions reflect the market yields at the balance sheet date of high-quality fixed income investments corresponding to the currency and duration of the liabilities.

The discount rate assumption in particular results in uncertainty and a significant risk. An increase (a decrease) in the discount rate by 50 BPS would lead to a decrease of €1.4 BN (an increase of €1.5 BN) on the defined benefit obligation.

An increase of pre-retirement benefit assumptions (e.g. salary increase) by 25 BPS would have an effect on the defined benefit obligation by € 95 MN. However, the increase of post retirement assumptions (e.g. inflation linked increases of pension payments) by 25 BPS would affect the defined benefit obligation by €325 MN.

A change in the medical cost trend rate by one percentage point would have an effect of €2 MN on the defined benefit obligation and no material effect on the expense recognized in profit or loss.

For the year ended 31 December 2012, the weighted expected long-term return on plan assets was derived from the following target allocation and expected long-term rate of return for each asset category:

LONG-TERM RETURN ON PLAN ASSETS D 135

%	Target allocation	Weighted expected long-term rate of return
Equity securities	11.9	7.3
Debt securities	62.8	3.9
Real estate	4.3	4.7
Annuity contracts	18.4	4.2
Other	2.6	2.6
Total	**100.0**	**4.4**

The determination of the expected long-term rate of return for the individual asset categories is based on capital market surveys.

Plan assets

The defined benefit plans' weighted average asset allocations by asset category are as follows:

ALLOCATION OF PLAN ASSETS D 136

% as of 31 December	2012	2011
Equity securities	12.2	11.2
Debt securities	55.9	57.8
Real estate	4.0	4.1
Annuity contracts	16.9	16.4
Other	11.0	10.5
Total	**100.0**	**100.0**

The bulk of the plan assets are held by the Allianz Versorgungskasse VVaG, Munich, which is not part of the Allianz Group.

Plan assets do not include equity securities issued by the Allianz Group and include the amount of €7.9 MN real estate used by the Allianz Group.

Contributions

For the year ending 31 December 2013, the Allianz Group expects to contribute €277 MN to its defined benefit plans and to pay €285 MN directly to participants of its defined benefit plans.

DEFINED CONTRIBUTION PLANS

Defined contribution plans are funded through independent pension funds or similar organizations. Contributions fixed in advance (e.g. based on salary) are paid to these institutions and the beneficiary's right to benefits exists against the pension fund. The employer has no obligation beyond payment of the contributions.

During the year ended 31 December 2012, the Allianz Group recognized expenses for defined contribution plans of €196 MN (2011: €185 MN; 2010: €163 MN). Additionally, the Allianz Group paid contributions for state pension schemes of €328 MN (2011: €332 MN; 2010: €367 MN).

48 — Share-based compensation plans

GROUP EQUITY INCENTIVE PLANS

The Group Equity Incentive Plans (GEI) of the Allianz Group support the orientation of senior management, in particular the Board of Management, to substantially increase the value of the Allianz Group. Until 2010, the GEI include grants of stock appreciation rights (SAR) and restricted stock units (RSU). From the 2011 grant onwards, the Allianz Equity Incentive Plan (AEI) replaces the GEI plans. With the AEI Plan, only restricted stock units (RSU) are granted to the plan participants.

Stock appreciation rights

The SAR granted to a plan participant obligate the Allianz Group to pay in cash the excess of the market price of an Allianz SE share over the reference price on the exercise date for each right granted. The excess is capped at 150% of the reference price. The reference price represents the average of the closing prices of an Allianz SE share for the ten trading days following the Financial Press Conference of Allianz SE in the year of issue. SAR which were granted until 2008 vest after two years and expire after seven years. From the 2009 grant onwards, the SAR vest after four years and also expire after seven years. Upon vesting, the SAR may be exercised by the plan participant if the following market conditions are attained:

- during their contractual term, the market price of the Allianz SE share has outperformed the Dow Jones Europe STOXX Price Index at least once for a period of five consecutive trading days; and

- the Allianz SE market price is in excess of the reference price by at least 20% on the exercise date.

In addition, upon death of a plan participant, a change of control or notice for operational reason, the SAR vest immediately and will be exercised by the company provided the above market conditions have been attained.

Upon the expiration date, any unexercised SAR will be exercised automatically if the above market conditions have been attained. The SAR are forfeited if the plan participant ceases to be employed by the Allianz Group or if the exercise conditions are not attained by the expiration date.

The fair value of the SAR at grant date is measured using a Cox-Ross-Rubinstein binomial tree option pricing model. Volatility was derived from observed historical market prices. In the absence of historical information regarding employee stock appreciation exercise patterns (especially all plans issued between 2006 and 2008 are significantly "out of the money"), the expected life has been estimated to equal the term to maturity of the SAR.

The following table provides the assumptions used in estimating the fair value of the SAR at grant date:

ASSUMPTIONS OF SAR PLANS — D 137

		2010
Expected volatility	%	29.0
Risk-free interest rate	%	2.7
Expected dividend rate	%	5.6
Share price	€	88.09
Expected life (years)		7

The SAR are accounted for as cash settled plans by the Allianz Group. Therefore, the Allianz Group accrues the fair value of the SAR as a compensation expense over the vesting period. Upon vesting, any changes in the fair value of the unexercised SAR are recognized as a compensation expense. During the year ended 31 December 2012, the Allianz Group recognized compensation expenses related to the unexercised SAR of €59 MN (2011: income of €10 MN; 2010: expenses of €5 MN).

As of 31 December 2012, the Allianz Group recorded a provision of €83 MN (2011: €25 MN) in other liabilities for the unexercised SAR.

Restricted stock units

The RSU granted to a plan participant obligate the Allianz Group to pay in cash the average market price of an Allianz SE share in the ten trading days preceding the vesting date or to issue one Allianz SE share, or other equivalent equity instrument, for each unit granted. The RSU vest after five years. The Allianz Group will exercise the RSU on the first stock exchange day after their vesting date. On the exercise date, the Allianz Group can choose the settlement method for each unit.

In addition, upon death of a plan participant, a change of control or notice for operational reasons, the RSU vest immediately and will be exercised by the company.

The RSU are virtual stocks without dividend payments. The fair value is calculated by subtracting the net present value of expected future dividend payments until maturity of the RSU from the prevailing share price as of the valuation date.

The following table provides the assumptions used in calculating the fair value of the RSU at grant date:

ASSUMPTIONS OF RSU PLANS — D 138

%	2010
Average interest rate	1.4
Average dividend yield	5.5

The RSU are accounted for as cash settled plans as the Allianz Group intends to settle in cash. Therefore, the Allianz Group accrues the fair value of the RSU as a compensation expense over the vesting period. During the year ended 31 December 2012, the Allianz Group recognized a compensation expense related to the non-vested RSU of €80 MN (2011: €29 MN; 2010: €58 MN).

As of 31 December 2012, the Allianz Group recorded a provision of €141 MN (2011: €106 MN) in other liabilities for the non-vested RSU.

ALLIANZ EQUITY INCENTIVE PLAN

Since the 2011 grant year, the Allianz Equity Incentive Plan (AEI) has replaced the GEI plans. The AEI is granted in the form of restricted stock units (RSU) and is part of a new variable compensation component for the plan beneficiaries.

The RSU granted to a plan participant obligate the Allianz Group to pay in cash the average closing price of an Allianz SE share on the last day of the vesting period and the prior nine trading days or to convert one RSU into one Allianz SE share. The payout is capped at a 200% share price growth above the grant price.

The RSU are subject to a vesting period of four years and will be released on the last day of the vesting period. The Allianz Group can choose the settlement method for each unit.

In addition, upon death of a plan participant, a change of control or notice for operational reason, the RSU vest immediately and will be exercised by the company.

The RSU are virtual stocks without dividend payments and a capped payout. The fair value is calculated by subtracting the net present value of expected future dividend payments until maturity and the fair value of the cap from the prevailing share price as of the valuation date. The cap is valued as a European short call option, using prevailing market data as of the valuation date.

The following table provides the assumptions used in calculating the fair value of the RSU at grant date:

ASSUMPTIONS OF AEI PLANS D 139

		2013[1]	2012	2011
Share price	€	105.70	88.29	102.00
Average dividend yield	%	4.6	5.3	4.8
Average interest rate	%	0.6	1.2	2.0
Expected volatility	%	20.6	22.0	18.5

1 — The RSU 2013 are deemed to have been granted to participants as part of their 2012 remuneration. Consequently, the assumptions for RSU grants delivered in March 2013 are based on best estimation.

The RSU are accounted for as cash settled plans as the Allianz Group intends to settle in cash. Therefore, the Allianz Group accrues the fair value of the RSU as a compensation expense over the service period of one year and afterwards over the vesting period. During the year ended 31 December 2012, the Allianz Group recognized a compensation expense related to the AEI plans of €79 mn (2011: €29 MN; 2010: €17 MN).

As of 31 December 2012, the Allianz Group recorded a provision of €117 MN (2011: €42 MN) for these RSU in other liabilities.

SHARE-BASED COMPENSATION PLANS OF SUBSIDIARIES OF THE ALLIANZ GROUP

PIMCO LLC Class B Unit Purchase Plan

When acquiring Allianz Global Investors of America L.P. (AllianzGI L.P.) during the year ended 31 December 2000, Allianz SE caused Pacific Investment Management Company LLC (PIMCO LLC), a subsidiary of AllianzGI L.P., to enter into a Class B Purchase Plan (the "Class B Plan") for the benefit of members of the management of PIMCO LLC. The plan participants of the Class B Plan have rights to a 15% priority claim on the adjusted operating profits of PIMCO LLC.

The Class B equity units issued under the Class B Plan vest over 3 to 5 years and are subject to repurchase by AllianzGI L.P. upon death, disability or termination of the participant prior to vesting. Starting 1 January 2005, AllianzGI L.P. has the right to repurchase, and the participants have the right to cause AllianzGI L.P. to repurchase, a portion of the vested Class B equity units each year. The call or put right is exercisable for the first time 6 months after the initial vesting of each grant. On the repurchase date, the repurchase price will be based upon the determined value of the Class B equity units being repurchased. As the Class B equity units are puttable by the plan participants, the Class B Plan is accounted for as a cash settled plan.

Therefore, the Allianz Group accrues the fair value of the Class B equity units as a compensation expense over the vesting period. Upon vesting, any changes in the fair value of the Class B equity units are recognized as a compensation expense. During the year ended 31 December 2012, the Allianz Group recognized a compensation expense related to the Class B equity units of €62 MN (2011: €167 MN; 2010: €367 MN). In addition, the Allianz Group recognized an expense related to the priority claim on the adjusted operating profits of PIMCO LLC of €32 MN (2011: €47 MN; 2010: €74 MN). The Allianz Group called in total 11,800 Class B equity units during the year ended 31 December 2012, whereby 4,399 of these Class B equity units were converted into promissory notes. Additionally, plan participants put 96 Class B equity units during the year ended 31 December 2012. All of them were converted into promissory notes. The promissory notes are recorded in liabilities to banks and customers with a total amount of €190 MN. The payout of the promissory notes is planned for the first quarter of 2013. The total amount paid related to the call of the remaining Class B equity units was €262 MN.

The total recognized compensation expense for Class B equity units that are outstanding is recorded as a liability in other liabilities. As of 31 December 2012, the Allianz Group recorded a liability for the Class B equity units of €206 MN (2011: €614 MN).

PIMCO LLC Class M-unit Plan

In 2008, Allianz Global Investors of America L.P. (AllianzGI L.P.) launched a new management share-based payment incentive plan for certain senior level executives and affiliates of PIMCO LLC. Participants in the plan are granted options to acquire a new class of equity instruments (M-units), which vest in one-third increments on approximately the third, fourth and fifth anniversary of the option grant date. Upon vesting, options will be automatically exercised in a cashless transaction. Participants may elect to defer the receipt of M-units through the M-unit Deferral Plan until termination of their service as a maximum. With the M-unit Plan, participants can directly participate in PIMCO's performance. Class M-units are non-voting common equity with limited information rights. They bear quarterly distributions equal to a pro-rata share of PIMCO's net distributable income. Deferred M-units have a right to receive a quarterly cash compensation equal to and in lieu of quarterly dividend payments.

A maximum of 250,000 M-units are authorized for issuance under the M-unit Plan.

The fair value of the underlying M-options was measured using the Black-Scholes option pricing model. Volatility was derived in part by considering the average historical and implied volatility of a selected group of peers. The expected life of one granted option was calculated based upon treating the three vesting tranches (one third in years 3, 4, and 5) as three separate awards.

The following table provides the assumptions used in calculating the fair value of the M-options at grant date:

ASSUMPTIONS OF CLASS M-UNIT PLAN — D 140

		2012	2011	2010
Weighted average fair value of options granted	€	1,600.50	1,719.35	1,462.84
Assumptions:				
Expected term (years)		3.84	3.84	3.83
Expected volatility	%	43.6	42.1	45.9
Expected dividend yield	%	13.0	11.1	10.9
Risk free rate of return	%	0.7	1.5	1.9

The number and weighted average exercise price of the M-options outstanding and exercisable are as follows:

RECONCILIATION OF OUTSTANDING M-OPTIONS — D 141

	2012		2011		2010	
	Number of options	Weighted average exercise price €	Number of options	Weighted average exercise price €	Number of options	Weighted average exercise price €
Outstanding as of 1 January	**156,285**	**11,266.93**	**96,451**	**8,478.86**	**66,889**	**6,323.40**
Granted	71,916	14,299.31	72,050	14,187.52	36,010	11,489.07
Exercised	(19,819)	6,861.28	(7,780)	7,365.13	—	—
Forfeited	(4,291)	12,828.34	(4,436)	11,089.64	(6,448)	7,487.13
Outstanding as of 31 December	**204,091**	**12,597.93**	**156,285**	**11,266.93**	**96,451**	**8,478.86**
Exercisable as of 31 December	–	–	–	–	–	–

The aggregate intrinsic value of share options outstanding was €175 mn and €202 mn for the years ended 31 December 2012 and 2011, respectively.

As of 31 December 2012, the M-options outstanding have an exercise price of between €6,447.21 and €14,913.53 and a weighted average remaining contractual life of 2.91 years.

The shares settled by delivery of PIMCO LLC shares are accounted for as equity-settled plans by PIMCO LLC. Therefore, PIMCO LLC measures the total compensation expense to be recognized for the equity-settled shares based upon their fair value as of the grant date. The total compensation expense is recognized over the vesting period.

During the year ended 31 December 2012, the Allianz Group recorded a compensation expense of €78 mn (2011: €52 mn; 2010: €28 mn) related to these share options.

Allianz France share option plan

Allianz France, formerly AGF, awarded options on its former Holding (AGF S.A.) quoted shares to eligible AGF Group executives, managers of subsidiaries, as well as to some of the employees, whose performance justified grants.

During the year ended 31 December 2007, Allianz acquired all of the remaining AGF shares from non-controlling interests in the context of the Tender Offer and Squeeze-out. Under the terms of an agreement (the "Liquidity Agreement") between Allianz SE, AGF and the beneficiaries of the AGF share option plans 2003-2006 (AGF employees), Allianz has the right to purchase all AGF shares issued through the exercise of these AGF share option plans after the put period (where the beneficiaries have the right to sell to Allianz). The price payable by Allianz per AGF share is a cash consideration equal to the Allianz 20-day-average share price prior to the date the right to buy or to sell is exercised, multiplied by a ratio representing the consideration proposed in the Tender Offer for each AGF share (€126.43) divided by the Allianz share price on 16 January 2007 (€155.72). This ratio is subject to adjustments in case of transactions impacting Allianz or AGF share capital or net equity. The cash settlement is based upon the initial offer proposed for each AGF share during the Tender Offer. As of 31 December 2007, all shares issued under these plans were fully vested and exercisable.

Due to the change in settlement arising from the Liquidity Agreement, the Allianz Group accounts for the AGF share option plans as cash settled plans, as all AGF employees will receive cash for their AGF shares. Therefore, the Allianz Group recognizes any change in the fair value of the unexercised plans as a compensation expense.

During the year ended 31 December 2012, the Allianz Group recognized total compensation expenses related to the modified share option plans of €7 MN (2011: income of €4 MN; 2010: income of €0.4 MN). As of 31 December 2012, the Allianz Group recorded a provision for these plans of €9 MN (2011: €4 MN).

Allianz SE share option plan of former RAS Group (modified RAS Group share option plan 2005)

The former RAS Group awarded eligible members of senior management with share purchase options on RAS ordinary shares.

The fair value of the options at grant date was measured using a trinomial option pricing model. Volatility was derived from observed historical market prices aligned with the expected life of the options. The expected life was estimated to be equal to the term to maturity of the options.

On the effective date of the merger between Allianz SE and RAS, the RAS share option plan was modified. The outstanding share options, which were granted in 2005, were replaced with Allianz SE share options on the basis of 1 Allianz SE option for every 5.501 RAS share options outstanding. The outstanding RAS Group options of 953,000 were replaced by 173,241 Allianz SE options. The Allianz SE share options have the same vesting period of 2 years; however, the former market conditions were replaced with a performance condition, which was already achieved on the date of the modification.

The number and weighted average exercise price of the options outstanding and exercisable are as follows:

RECONCILIATION OF OUTSTANDING ALLIANZ SE OPTIONS — D 142

	2012		2011		2010	
	Number of options	Weighted average exercise price €	Number of options	Weighted average exercise price €	Number of options	Weighted average exercise price €
Outstanding as of 1 January	**71,833**	**93.99**	**71,833**	**93.99**	**84,920**	**93.99**
Granted	–	–	–	–	–	–
Exercised	–	–	–	–	–	–
Forfeited	(71,833)	93.99	–	–	(13,087)	93.99
Outstanding as of 31 December	**–**	**–**	**71,833**	**93.99**	**71,833**	**93.99**
Exercisable as of 31 December	**–**	**–**	**71,833**	**93.99**	**71,833**	**93.99**

As all share option plans are completely vested, the Allianz Group recorded no compensation expenses for the years ended 31 December 2012, 2011 and 2010.

The share option plan expired on 31 January 2012. As the share price of the Allianz SE share of € 84.06 on the date of expiry was below the weighted average exercise price of € 93.33, the share option plan is deemed to be forfeited.

EMPLOYEE STOCK PURCHASE PLANS

The Allianz Group offers Allianz SE shares in 19 countries to qualified employees at favorable conditions. The shares have a minimum holding period of 1 to 5 years. During the year ended 31 December 2012, the number of shares sold to employees under these plans was 627,118 (2011: 878,233; 2010: 623,412). During the year ended 31 December 2012, the Allianz Group recognized the difference between the issue price charged to the subsidiaries of the Allianz Group and the discounted price of the shares purchased by employees, of €6 MN (2011: €12 MN; 2010: €10 MN) as compensation expenses.

OTHER SHARE OPTION AND SHAREHOLDING PLANS

The Allianz Group has other local share-based compensation plans, including share option and employee share purchase plans, none of which, individually or in the aggregate, are material to the consolidated financial statements. During the year ended 31 December 2012, the total expense recorded for these plans was €2 MN (2011: €1 MN; 2010: €1 MN).

49 — Restructuring plans

As of 31 December 2012, the Allianz Group has provisions for restructuring resulting from a number of restructuring programs in various segments. These provisions for restructuring primarily include personnel costs, which result from severance payments for employee terminations, and contract termination costs, including those relating to the termination of lease contracts that will arise in connection with the implementation of the respective initiatives.

Changes in the provisions for restructuring plans:

PROVISIONS FOR RESTRUCTURING PLANS D 143

€ MN

	Allianz Beratungs- und Vertriebs-AG	Allianz Germany Group	Allianz Global Investors	Allianz Managed Operations and Services	Euler Hermes Group	Fireman's Fund Insurance Company	Other	Total
As of 1 January 2010	**–**	**–**	**–**	**–**	**–**	**–**	**346**	**346**
New provisions	–	–	–	–	67	–	106	173
Additions to existing provisions	–	–	–	–	–	–	102	102
Release of provisions recognized in prior years	–	–	–	–	–	–	(17)	(17)
Utilization of provisions via payments	–	–	–	–	–	–	(139)	(139)
Utilization of provisions via transfers	–	–	–	–	–	–	(58)	(58)
Foreign currency translation adjustments	–	–	–	–	–	–	2	2
As of 31 December 2010	**–**	**–**	**–**	**–**	**67**	**–**	**342**	**409**
New provisions	–	–	–	–	–	71	40	111
Additions to existing provisions	–	–	–	–	3	–	16	19
Release of provisions recognized in prior years	–	–	–	–	(5)	–	(5)	(10)
Utilization of provisions via payments	–	–	–	–	(11)	(13)	(125)	(149)
Utilization of provisions via transfers	–	–	–	–	–	–	(42)	(42)
Foreign currency translation adjustments	–	–	–	–	–	3	–	3
Changes in the consolidated subsidiaries of the Allianz Group	–	–	–	–	–	–	(63)	(63)
Other	–	–	–	–	–	2	–	2
As of 31 December 2011	**–**	**–**	**–**	**–**	**54**	**63**	**163**	**280**
New provisions	44	84	56	40	–	–	18	242
Additions to existing provisions	–	–	–	–	3	1	25	29
Release of provisions recognized in prior years	–	–	–	–	(2)	(3)	(50)	(55)
Utilization of provisions via payments	–	–	(13)	–	(17)	(19)	(51)	(100)
Utilization of provisions via transfers	(30)	(12)	(1)	–	(1)	–	(46)	(90)
Foreign currency translation adjustments	–	–	(1)	–	–	(1)	–	(2)
As of 31 December 2012	**14**	**72**	**41**	**40**	**37**	**41**	**59**	**304**

The development of the restructuring provisions reflects the implementation status of the restructuring initiatives. Based on the specific IFRS guidance, restructuring provisions are recognized prior to when they qualify to be recognized under the guidance for other types of provisions. In order to reflect the timely implementation of the various restructuring initiatives, restructuring provisions, as far as they are already "locked in", have been transferred to the provision type, which would have been used if a restructuring initiative were not in place. This applies for each single contract. For personnel costs, at the time an employee has contractually agreed to leave the Allianz Group by signing either an early retirement, a partial retirement (Altersteilzeit, which is a specific type of an early retirement program in Germany), or a termination arrangement, the respective part of the restructuring provision has been transferred to employee related provisions. In addition, provisions for vacant office spaces that result from restructuring initiatives have been transferred to "other" provisions after the offices have been completely vacated.

ALLIANZ BERATUNGS- UND VERTRIEBS- AG'S RESTRUCTURING PLAN (ABV AG)

In 2012, the ABV AG initiated a restructuring program for its bancassurance distribution channel in order to align the sales capacities with the changed business environment. The program includes the reduction of approximately 360 full time equivalents (FTE). In addition, the ABV AG plans to reduce about 70 FTE in the local offices. The reduction of staff will occur through employee turnover, the transfer of employees to other positions within the Allianz Group and by agreements in mutual consent with the employees (early retirement and severance payments). In 2012, negotiations with the central works council were conducted and initial agreements were reached.

As of 31 December 2012, the ABV AG restructuring provision for these programs was €14 MN. During the year ended 31 December 2012, the ABV AG recorded restructuring charges of €44 MN.

Restructuring provisions of previous restructuring plans of ABV AG are included in other restructuring plans (€5 MN).

ALLIANZ GERMANY GROUP'S RESTRUCTURING PLAN

The Allianz Germany Group launched the restructuring program "Zukunftsprogramm Sachversicherung" in order to generate further growth impulses. The program is expected to be completed with the objective of cost savings and higher growth of revenue improving competitiveness and profitability of Allianz Germany's future property and casualty business.

The project "Optimierung Stäbe" as part of the restructuring program "Zukunftsprogramm Sachversicherung" was implemented in order to reduce personnel and operating expenses by increasing efficiency in the Allianz Germany Group's head office. By the end of 2014, headcount shall be reduced by about 380 full time equivalents (FTE). Negotiations with the works councils regarding the implementation of the project started in 2012, resulting in advance agreements ("Vorfeldvereinbarungen") that were signed at the end of 2012.

In addition, clearly defined activities in the area of operational functions will be transferred to newly founded service companies with own employees. The project will therefore result in a reduction of approximately 200 FTE. Agreements with the works councils were reached in 2012. Headcount reduction within this program will occur through employee turnover, the transfer of employees to other positions within the Allianz Group and by agreements in mutual consent with the employees (partial retirement, early retirement and severance payments). Furthermore, a program was offered to the employees to reduce their weekly working hours with the result that working capacity will be decreased.

As of 31 December 2012, the Allianz Germany Group recorded a restructuring provision for this program of €72 MN. During the year ended 31 December 2012, restructuring charges of €84 MN were recorded.

ALLIANZ GLOBAL INVESTORS'S RESTRUCTURING PLAN (ALLIANZGI)

Following the creation of a new organizational structure of Asset Management business in the Allianz Group, AllianzGI has announced a global restructuring plan concerning all respective regions (Europe, United States, Asia). The restructuring program commenced in March 2012 and will be completed in 2014.

AllianzGI aims to create a globally integrated investment business, with one global leadership team, one global product strategy and an alignment of investment capabilities. This significant change to the organization and the business activities will enable AllianzGI to improve efficiency and positioning for growth.

In particular, measures to be taken will include a fundamental change and simplification of legal entity structure accompanied by an estimated headcount reduction of up to 320 employees. The reduction of staff within this program comprises mainly terminations in mutual consent with the employees and vacant positions not being refilled.

As of 31 December 2012, AllianzGI restructuring provision for this plan was €41 MN. During the year ended 31 December 2012, AllianzGI recorded restructuring charges of €62 MN related to this plan.

ALLIANZ MANAGED OPERATIONS AND SERVICES'S RESTRUCTURING PLAN (AMOS)

AMOS is further aligning its delivery model to provide IT and other shared services to Allianz entities globally. This necessitates a change from locally focused delivery structures and processes to global delivery centers and globally standardized processes.

To achieve this goal, AMOS decided to materially change its delivery model in the following two areas:

- For all AMOS locations that provide IT infrastructure services (Munich, Stuttgart, Frankfurt, Brussels, Rotterdam, Guildford, Dublin) shoring options will be pursued for data center facilities and data center operation services.

- Administrative and highly transactional tasks in procurement and finance will be sourced to an external provider.

This will result in a reduction of headcount of approximately 450 positions. The restructuring program is expected to be completed by year-end 2013.

As of 31 December 2012, a provision for restructuring in the amount of €40 MN was recorded. During the year ended 31 December 2012, AMOS recorded for this program restructuring charges of €40 MN.

EULER HERMES GROUP'S RESTRUCTURING PLANS

In 2010, the Euler Hermes Group launched the program "Excellence" which will be executed over a period of four years. This program comprises several measures including voluntary leaver programs, early and partial retirements, involuntary dismissals and termination of rental contracts. From the original objective of reducing approximately 570 positions by 2013 in the regions concerned by the restructuring program, approximately 100 positions remain as of 31 December 2012. The remaining staff reduction concerns mainly Euler Hermes in Germany.

As of 31 December 2012, the Euler Hermes Group restructuring provision was €30 MN (2011: €46 MN). During the year ended 31 December 2012, Euler Hermes Group recorded restructuring charges of €2 MN (2011: €6 MN).

In addition, Euler Hermes Belgium decided in 2010 to close its retail credit insurance business at the Brussels office which is no longer profitable in the long run. This measure comprises a reduction of approximately 40 employees, mainly through early retirement. The program was finished in the third quarter of 2011 with ongoing payments occurring over the next years.

As of 31 December 2012, Euler Hermes Belgium recorded a restructuring provision of €7 MN (2011: €8 MN). During the year ended 31 December 2012, Euler Hermes Belgium recorded restructuring charges of €1 MN (2011: €0 MN)

FIREMAN'S FUND INSURANCE COMPANY'S RESTRUCTURING PLAN (FIREMAN'S FUND)

In 2011, Fireman's Fund, a U.S.-based property and casualty insurer, launched a restructuring plan which is expected to be completed by early 2013. The primary objective was to address declining premiums and a high expense ratio by aligning staff levels with a reduced volume of business, including changes that will enable the company to be more customer focused and effectively compete in its markets going forward.

The first phase of the restructuring initiated in the second quarter of 2011 included a voluntary retirement incentive program, involuntary reductions in force and closure of nine offices, which resulted in headcount decreasing by 7% and the scope of business narrowing to focus on particular products, states and agents. The second phase of the restructuring initiated at the end of 2011 entailed the implementation of a customer centric structure that will facilitate better, more efficient decision-making in the field (versus at home office) and a decision to abandon development of a policy administration system to reduce expenses. In the fourth quarter of 2011, Fireman's Fund started to consolidate unoccupied office space at the Novato, California, home office facility, which resulted in a vacant space provision for a long term lease expiring in 2018.

During the year ended 31 December 2012, Fireman's Fund recorded restructuring charges of €(1) MN (2011: €90 MN). As of 31 December 2012, the Fireman's Fund provision for restructuring was €41 MN (2011: €63 MN).

OTHER RESTRUCTURING PLANS

Other restructuring plans include restructuring provisions of Allianz Global Corporate and Speciality in USA and Germany (€13 MN), Allianz Compania de Seguros in Spain (€8 MN), Allianz Suisse Versicherung (€7 MN) and Allianz IARD together with Allianz Vie in France (€6 MN).

EFFECT OF THE REVERSAL OF DISCOUNTING

For the year ended 31 December 2012, the effect of the reversal of discounting arising from the passage of time was €9 MN.

50 — Earnings per share

BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of common shares outstanding for the period.

BASIC EARNINGS PER SHARE D 144

€ MN	2012	2011	2010
Net income attributable to shareholders used to calculate basic earnings per share	5,169	2,545	5,053
Weighted average number of common shares outstanding	452,666,296	451,764,842	451,280,092
Basic earnings per share (€)	**11.42**	**5.63**	**11.20**

DILUTED EARNINGS PER SHARE

Diluted earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of common shares outstanding for the period, both adjusted for the effects of potentially dilutive common shares. Potentially dilutive common shares arise from various share-based compensation plans of the Allianz Group.

DILUTED EARNINGS PER SHARE D 145

€ MN	2012	2011	2010
Net income attributable to shareholders	5,169	2,545	5,053
Effect of potentially dilutive common shares	(33)	(61)	(22)
Net income used to calculate diluted earnings per share	**5,136**	**2,484**	**5,031**
Weighted average number of common shares outstanding	452,666,296	451,764,842	451,280,092
Potentially dilutive common shares resulting from assumed conversion of:			
Share-based compensation plans	104,344	1,362,570	1,221,057
Weighted average number of common shares outstanding after assumed conversion	**452,770,640**	**453,127,412**	**452,501,149**
Diluted earnings per share (€)	**11.34**	**5.48**	**11.12**

For the twelve months ended 31 December 2012, the weighted average number of common shares excludes 2,742,038 (2011: 2,879,816 ; 2010: 2,725,114) treasury shares.

51 — Other information

NUMBER OF EMPLOYEES

NUMBER OF EMPLOYEES D 146

as of 31 December	2012	2011
Germany	40,882	40,837
Other countries	103,212	101,101
Total	**144,094**	**141,938**

The average total number of employees for the year ended 31 December 2012 was 142,733.

PERSONNEL EXPENSES

PERSONNEL EXPENSES D 147

€ MN

	2012	2011	2010
Salaries and wages	8,875	8,355	8,344
Social security contributions and employee assistance	1,214	1,136	1,107
Expenses for pensions and other post-retirement benefits	1,052	1,034	1,100
Total	**11,141**	**10,525**	**10,551**

ISSUANCE OF THE DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE ACCORDING TO § 161 AKTG

On 12 December 2012, the Board of Management and the Supervisory Board of Allianz SE issued the Declaration of Compliance according to § 161 AktG, which was made permanently available to the shareholders on the company's website.

The Declaration of Compliance of the publicly traded group company Oldenburgische Landesbank AG was issued in December 2012 and was made available to the shareholders on a permanent basis.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG AG) serves as the external auditing firm for the Allianz Group.

Fees billed by KPMG AG and affiliated entities, and KPMG AG and the worldwide member firms of KPMG International (KPMG) are disclosed in four categories:

KPMG FEES D 148

€ MN

	KPMG worldwide		thereof: KPMG AG and affiliated entities[1]	
	2012	2011	2012	2011
Audit fees	36.8	34.6	16.7	15.5
Audit-related fees	7.9	3.8	6.6	2.7
Tax fees	2.3	1.8	1.7	1.1
All other fees	2.2	2.4	1.2	2.0
Total	**49.2**	**42.6**	**26.2**	**21.3**

1 — As of 31 December 2012, KPMG AG and affiliated entities comprised KPMG operations in Belgium, Germany, Kazakhstan, Luxembourg, the Netherlands, Russia, Spain, Switzerland, Turkey, Ukraine and the United Kingdom.

Audit fees

KPMG billed the Allianz Group an aggregate of €36.8 MN (2011: €34.6 MN) in connection with professional services rendered for the audit of the Allianz Group's consolidated financial statements, statutory audits of the financial statements of Allianz SE and its subsidiaries and services normally provided by KPMG in connection with statutory and regulatory filings or engagements. These services consisted mainly of periodic review engagements and the annual audit.

Audit-related fees

KPMG charged the Allianz Group an aggregate of €7.9 MN (2011: €3.8 MN) for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements and are not reported within audit fees. These services consisted primarily of advisory and consulting services related to accounting and financial reporting standards and financial due diligence services.

Tax fees

KPMG fees for professional services, rendered for tax advice and tax compliance, amounted to €2.3 MN (2011: €1.8 MN) and resulted primarily from tax advice.

All other fees

KPMG invoiced the Allianz Group an aggregate of €2.2 MN (2011: €2.4 MN) for other products and services, which consisted primarily of services under the guidance of Allianz Group management and general consulting services.

All services provided by KPMG to Allianz Group companies must be approved by the Audit Committee of the Allianz SE Supervisory Board. Services other than audit services must be pre-approved by the Audit Committee. The Audit Committee pre-approval process is based on the use of a "Positive List" of activities decided by the Audit Committee and, in addition, a "Guiding Principles and User Test" is applied. Group Compliance and KPMG report to the Audit Committee periodically with respect to services performed.

KPMG is the main auditing firm for the Allianz Group and assigned in more than 75% of all audit-related tasks. Auditing firms other than KPMG billed the Allianz Group an aggregate of €14.6 MN (2011: €11.6 MN).

REMUNERATION FOR THE BOARD OF MANAGEMENT

As of 31 December 2012, the Board of Management is comprised of 11 members. The following values reflect the full Board of Management active in the respective year.

The sum of total remuneration of Allianz SE Board of Management for 2012, including the payment of the Three-year bonus, amounts to €53 MN (2011 excluding the notional accruals for the Three-year bonus: €22 MN[1]).

The Equity-related remuneration is comprised in 2012 of 119,671[2] (2011: 71,598[3]) Restricted Stock Units (RSU). RSU with a total fair value of €10.5 MN (2011: €6.4 MN) were granted to the Board of Management for the year ended 31 December 2012.

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 €105 MN (2011: €73 MN).

The total remuneration for all Supervisory Board members, including attendance fees, amounted to €2.1 MN (2011: €2.0 MN).

Board of Management and Supervisory Board compensation by individual is included in the "Remuneration Report". The information provided there is considered part of these consolidated financial statements.

52 — Subsequent events

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 bancassurance 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 bancassurance agreement, which is subject to regulatory approval, is expected to be completed in the first half of 2013.

1 — According to his contract, Dr. Paul Achleitner receives a transition payment of €1,027.5 THOUSAND after leaving the Allianz SE Board of Management. This amount is included in the Total for 2011.
2 — 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.
3 — The disclosure in the Annual Report 2011 was based on a best estimate of the RSU grants. The figures shown here for 2011 now include the actual fair value as of the grant date (8 March 2012). These values therefore differ from those disclosed last year.

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.

Munich, 18 February 2013

Allianz SE
The Board of Management

List of participations of the Allianz Group as of 31 December 2012 according to § 313 (2) HGB

	% OWNED [1]
GERMANY	
Consolidated affiliated entities	
ACP GmbH & Co. Beteiligungen KG, Munich	0.0 [2]
ACP GmbH & Co. Beteiligungen KG II, Munich	0.0 [2]
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4, Munich	100.0
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4a, Munich	100.0
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4c, Munich	100.0
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4d, Munich	100.0
ACP Vermögensverwaltung GmbH Nr. 4 d. 1, Munich	99.3
ADEUS Aktienregister-Service-GmbH, Frankfurt am Main	79.6
ADIG Fondsvertrieb GmbH, Munich	100.0
Aequitas GmbH Allianz Equity - Alternative Strategies, Munich	100.0
AGI Total Germany Bond Portfolio, Frankfurt am Main	100.0 [3]
Alida Grundstücksgesellschaft mbH & Co. KG, Hamburg	94.8
Allianz AADB Fonds, Frankfurt am Main	100.0 [4]
Allianz ABS Fonds, Frankfurt am Main	100.0 [4]
Allianz AKR Fonds, Frankfurt am Main	100.0 [4]
Allianz ALD Fonds, Frankfurt am Main	100.0 [4]
Allianz ALIK Fonds, Frankfurt am Main	100.0 [4]
Allianz ALSI Fonds, Frankfurt am Main	100.0 [4]
Allianz Alternative Assets Holding GmbH, Munich	100.0
Allianz APAV Fonds, Frankfurt am Main	100.0 [4]
Allianz APKR Pimco Emerging Markets Fonds, Frankfurt am Main	100.0 [4]
Allianz Asset Management AG, Munich	100.0
Allianz Automotive Services GmbH, Aschheim	100.0
Allianz AVI 1 Fonds, Frankfurt am Main	100.0 [4]
Allianz AVM B Fonds, Frankfurt am Main	100.0 [4]
Allianz AZL Vermögensverwaltung GmbH & Co. KG, Munich	100.0
Allianz Beratungs- und Vertriebs-AG, Munich	100.0
Allianz Capital Partners GmbH, Munich	100.0 [5]
Allianz Capital Partners Verwaltungs GmbH, Munich	100.0
Allianz Climate Solutions GmbH, Munich	100.0
Allianz Deutschland AG, Munich	100.0
Allianz EEE Fonds, Frankfurt am Main	100.0 [4]
Allianz FAD Fonds, Frankfurt am Main	100.0 [4]
Allianz Finanzbeteiligungs GmbH, Munich	100.0
Allianz Global Assistance Service Deutschland GmbH, Munich	100.0
Allianz Global Corporate & Specialty AG, Munich	100.0
Allianz Global Investors Europe GmbH, Frankfurt am Main	100.0
Allianz Global Investors Holding GmbH, Munich	100.0
Allianz GLR Fonds, Frankfurt am Main	100.0 [4]
Allianz GLRS Fonds, Frankfurt am Main	100.0 [4]
Allianz GLU Fonds, Frankfurt am Main	100.0 [4]
Allianz GREQ Fonds, Frankfurt am Main	100.0 [4]
Allianz GRGB Fonds, Frankfurt am Main	100.0 [4]
Allianz Handwerker Services GmbH, Munich	95.0
Allianz Investment Management SE, Munich	100.0 [5]
Allianz LAD Fonds, Frankfurt am Main	100.0 [4]
Allianz Leben Private Equity Fonds 1998 GmbH, Munich	100.0
Allianz Leben Private Equity Fonds 2001 GmbH, Munich	100.0

	% OWNED [1]
Allianz Leben Private Equity Fonds 2008 GmbH, Munich	100.0
Allianz Leben Private Equity Fonds Plus GmbH, Munich	100.0
Allianz LEBENCO Fonds, Frankfurt am Main	100.0 [4]
Allianz Lebensversicherungs-Aktiengesellschaft, Stuttgart	100.0
Allianz LFE Fonds, Frankfurt am Main	100.0 [4]
Allianz Managed Operations & Services SE, Munich	100.0
Allianz of Asia-Pacific and Africa GmbH, Munich	100.0
Allianz Pension Partners GmbH, Munich	100.0
Allianz Pensionsfonds Aktiengesellschaft, Stuttgart	100.0
Allianz Pensionskasse Aktiengesellschaft, Stuttgart	100.0
Allianz Private Equity GmbH, Munich	100.0
Allianz Private Equity Partners Verwaltungs GmbH, Munich	100.0
Allianz Private Krankenversicherungs-Aktiengesellschaft, Munich	100.0
Allianz ProzessFinanz GmbH, Munich	100.0
Allianz PV 1 Fonds, Frankfurt am Main	100.0 [4]
Allianz PV WS Fonds, Frankfurt am Main	100.0 [4]
Allianz PV-RD Fonds, Frankfurt am Main	100.0 [4]
Allianz Re Asia, Frankfurt am Main	100.0 [4]
Allianz Real Estate Germany GmbH, Stuttgart	100.0
Allianz Real Estate GmbH, Munich	100.0
Allianz Rechtsschutz-Service GmbH, Munich	100.0
Allianz Renewable Energy Management GmbH, Munich	100.0
Allianz Renewable Energy Subholding GmbH & Co. KG, Haar	100.0
Allianz RFG Fonds, Frankfurt am Main	100.0 [4]
Allianz Risk Consulting GmbH, Munich	100.0
Allianz RMO 1 Fonds, Frankfurt am Main	100.0 [4]
Allianz SDR Fonds, Frankfurt am Main	100.0 [4]
Allianz Service Center GmbH, Munich	100.0
Allianz SOA Fonds, Frankfurt am Main	100.0 [4]
Allianz Strategiefonds Balance, Frankfurt am Main	99.7 [3]
Allianz Strategiefonds Stabilität, Frankfurt am Main	98.9 [3]
Allianz Strategiefonds Wachstum, Frankfurt am Main	99.8 [3]
Allianz Taunusanlage GbR, Stuttgart	99.5
Allianz Treuhand GmbH, Munich	100.0
Allianz UGD 1 Fonds, Frankfurt am Main	100.0 [4]
Allianz VAD Fonds, Frankfurt am Main	100.0 [4]
Allianz VAE Fonds, Frankfurt am Main	100.0 [4]
Allianz Venture Partners Beteiligungs-GmbH, Munich	100.0
Allianz Versicherungs-Aktiengesellschaft, Munich	100.0
Allianz VGI 1 Fonds, Frankfurt am Main	100.0 [4]
Allianz VGL Fonds, Frankfurt am Main	100.0 [4]
Allianz VKA Fonds, Frankfurt am Main	100.0 [4]
Allianz VKRD Fonds, Frankfurt am Main	100.0 [4]
Allianz VSR Fonds, Frankfurt am Main	100.0 [4]
AllSecur Deutschland AG, Munich	100.0
ALZGI-Ferrostaal Renten 1, Frankfurt am Main	56.7 [3]
ALZGI-Ferrostaal Renten 2, Frankfurt am Main	57.9 [3]
APKV Private Equity Fonds GmbH, Munich	100.0
Argos Autoversicherung AG, Munich	100.0
Atropos Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AUG. PRIEN Immobilien PE Verwaltung BrahmsQuartier GmbH, Stuttgart	94.9

	% OWNED [1]
Auros GmbH, Munich	100.0
AZ-Arges Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-Argos 14 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-Argos 41 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-Argos 44 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
AZ-Argos 50 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
AZ-Argos 51 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
AZ-Argos 57 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
AZ-Argos 58 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
AZ-Argos 61 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
AZ-Argos 62 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-Argos 64 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
AZ-Argos 65 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-Argos 67 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-GARI Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
AZL AI Nr. 1 GmbH, Munich	100.0
AZL PE Nr. 1 GmbH, Munich	100.0
AZS-Arges Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-SGD Private Equity Fonds 2 GmbH, Munich	100.0
AZ-SGD Private Equity Fonds GmbH, Munich	100.0
AZT Automotive GmbH, Ismaning	100.0
BCA Betriebs Catering GmbH Verpflegungsdienste, Gerlingen	100.0
Brahms Beteiligungs GmbH & Co. KG, Stuttgart	94.9
BrahmsQ Objekt GmbH & Co. KG, Hamburg	95.0
Bürgel Wirtschaftsinformationen GmbH & Co. KG, Hamburg	50.1
Bürgel Wirtschaftsinformationen Verwaltungs-GmbH, Hamburg	50.4
dbi-Fonds ADPF2 , Frankfurt am Main	100.0 [3]
dbi-Fonds Ammerland, Frankfurt am Main	100.0 [4]
dbi-Fonds DAV, Frankfurt am Main	100.0 [4]
dbi-Fonds WE, Frankfurt am Main	100.0 [4]
Deutsche Lebensversicherungs-Aktiengesellschaft, Berlin	100.0
Donator Beratungs GmbH, Munich	100.0
Donator Beteiligungsverwaltung GmbH, Munich	100.0
Dresdner Kleinwort Capital Italia Beteiligungsverwaltung GmbH, Grünwald	100.0
ESA Cargo & Logistics GmbH, Bad Friedrichshall	100.0
esa EuroShip GmbH, Bad Friedrichshall	51.0
Euler Hermes Collections GmbH, Potsdam	100.0
Euler Hermes Deutschland Aktiengesellschaft, Hamburg	100.0
Euler Hermes Forderungsmanagement GmbH, Hamburg	100.0
Euler Hermes Rating GmbH, Hamburg	100.0
GA Global Automotive Versicherungsservice GmbH, Halle (Saale)	100.0
German Real Estate Equity Fund I, Frankfurt am Main	100.0 [4]
KVM ServicePlus - Kunden- und Vertriebsmanagement GmbH, Leipzig	100.0
Mondial Kunden Service GmbH, Munich	100.0
Münchener und Magdeburger Agrarversicherung Aktiengesellschaft, Munich	79.8

1 — Percentage includes equity participations held by dependent entities in full, even if the Allianz Group's share in the dependent entity is below 100%.
2 — Controlled by the Allianz Group.
3 — Mutual, private equity or special fund.
4 — Investment fund.
5 — Releasing impact according to § 264 (3) HGB through the Allianz Group's consolidated financial statements.
6 — Group share through indirect holder Roland Holding GmbH, Munich: 74.1%.
7 — Classified as joint venture according to IAS 31.
8 — Classified as associated entity according to IAS 28.
9 — Insolvent. Dependent entities are shown in a way, which reflects the state as of the date of filing for insolvency.

	% OWNED [1]
Münsterländische Bank Thie & Co. KG, Münster	100.0
My Finance Coach Stiftung GmbH, Munich	100.0
Objekt Burchardplatz GmbH & Co. KG, Stuttgart	100.0
Oldenburgische Landesbank Aktiengesellschaft, Oldenburg	90.2
PIMCO Deutschland GmbH, Munich	100.0 [5]
REC Frankfurt zweite Objektverwaltungsgesellschaft mbH, Hamburg	60.0
rehacare GmbH, Munich	100.0
risklab GmbH, Munich	100.0
Roland Holding GmbH, Munich	74.1
Selecta Deutschland GmbH, Eschborn	100.0
Selecta Holding GmbH, Eschborn	100.0
Signa 12 Verwaltungs GmbH, Düsseldorf	94.9
Spherion Beteiligung GmbH & Co. KG, Stuttgart	94.9
Spherion Objekt GmbH & Co. KG, Stuttgart	100.0
UfS Beteiligungs-GmbH, Munich	100.0
Vereinte Spezial Krankenversicherung Aktiengesellschaft, Munich	100.0
VLS Versicherungslogistik GmbH, Munich	100.0
W. Fortmann & Söhne KG, Oldenburg	100.0
Windpark Aller-Leine-Tal GmbH & Co. KG, Husum	100.0
Windpark Berge-Kleeste GmbH & Co. KG, Haar	100.0
Windpark Büttel GmbH & Co. KG., Sehestedt	100.0
Windpark Eckolstädt GmbH & Co KG, Pinneberg	100.0
Windpark Emmendorf GmbH & Co. KG, Emmendorf	100.0
Windpark Halenbeck GmbH & Co. KG, Husum	100.0
Windpark Kesfeld - Heckhuscheid GmbH & Co. KG, Pinneberg	100.0
Windpark Kirf GmbH & Co. KG, Pinneberg	100.0
Windpark Kittlitz GmbH & Co. KG, Husum	100.0
Windpark Pröttlin GmbH & Co. KG, Sehestedt	100.0
Windpark Quitzow GmbH & Co. KG, Sehestedt	100.0
Windpark Redekin GmbH & Co. KG, Genthin	100.0
Windpark Schönwalde GmbH & Co. KG, Potsdam	100.0
Windpark Waltersdorf GmbH & Co. KG Renditefonds, Bremen	100.0
Windpark Werder Zinndorf GmbH & Co. KG, Sehestedt	100.0
Non-consolidated affiliated entities	
AERS Consortio AG, Stuttgart	52.2
Alida Grundstücksverwaltung GmbH, Hamburg	100.0
All Net GmbH, Stuttgart	100.0
Allianz Autowelt GmbH, Munich	100.0
Allianz Beteiligungs Management GmbH, Munich	100.0
Allianz Immobilienfonds GmbH, Stuttgart	100.0
Allianz Objektbeteiligungs-GmbH, Stuttgart	100.0
Allianz Pension Consult GmbH, Stuttgart	100.0
AZ-Argos 56 Vermögensverwaltungsgesellschaft mbH, Stuttgart	100.0
Bürgel Beteiligungs GmbH, Hamburg	100.0
Bürgel Erfurt Beteiligungsgesellschaft mbH, Erfurt	100.0
Bürgel Erfurt GmbH & Co. KG, Erfurt	100.0
Bürgel Internationale Inkassogesellschaft mbH, Hamburg	100.0
Bürgel Wirtschaftsinformationen Vertriebsgesellschaft mbH, Hamburg	100.0
Eurografica Systemplanungs-GmbH, Augsburg	100.0
EURO-Pro Gesellschaft für Data Processing mbH, Grävenwiesbach	75.2
grapho metronic Mess- und Regeltechnik GmbH, Munich	100.0
Grundstücksgesellschaft der Vereinten Versicherungen mbH, Munich	100.0
IDS GmbH - Analysis and Reporting Services, Munich	100.0

	% OWNED [1]
Infrastruktur Putlitz Ost GmbH, Putlitz	70.8
Lola Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
manroland 1. Verwaltungsgesellschaft mbH, Offenbach	100.0
manroland AG, Offenbach	100.0 [6,9]
manroland Heusenstamm GmbH, Heusenstamm	100.0
manroland Versicherungsvermittlungs GmbH, Offenbach	100.0
manroland Vertrieb und Service Deutschland GmbH, Munich	100.0
manroland Vertrieb und Service GmbH, Mühlheim am Main	100.0
META Finanz-Informationssysteme GmbH, Munich	100.0
OLB-Immobiliendienst-GmbH, Oldenburg	100.0
OLB-Service GmbH, Oldenburg	100.0
ppi Media GmbH, Hamburg	100.0
Rhein-Main Metallverarbeitung GmbH, Mainhausen	100.0
Supercheck GmbH, Cologne	100.0
Werner Lies GmbH Großhandel für die Graphische Industrie, Neuhausen a.d.F.	100.0
Joint ventures	
BEG Weser-Ems Baugrund- und Erschliessungsgesellschaft mbH & Co. OHG, Oldenburg	50.0
Dealis Fund Operations GmbH, Munich	50.1 [7]
Partenreederei MT "Multitank Britannia", Hamburg	50.0
Associated entities	
Allianz dit Strategiefonds Wachstum Plus, Frankfurt am Main	46.4 [3]
Allianz RCM Deep Value Europe, Frankfurt am Main	51.9 [3,8]
AV Packaging GmbH, Munich	51.0 [8]
Bürgel Braunschweig GmbH, Braunschweig	25.1
Capiton IV ConFlex Co-Investment GmbH & Co. KG, Berlin	25.0
esa EuroShip GmbH & Co. KG Underwriting for Shipping, Bad Friedrichshall	40.0
Fondsdepot Bank GmbH, Hof	49.0
Mühl Product & Service und Thüringer Baustoffhandel Beteiligungs- und Verwaltungs GmbH, Kranichfeld	25.0
PrintCity GmbH, Augsburg	25.0
PrintCity GmbH & Co. KG, Augsburg	27.9
Reisegarant GmbH, Hamburg	24.0
Scandferries Holding GmbH, Hamburg	47.7
Umspannwerk Putlitz GmbH & Co. KG, Putlitz	25.4
Other Participations between 5 and 20% of voting rights	
EXTREMUS Versicherungs-AG, Cologne	16.0
MLP AG, Wiesloch	8.9
Sana Kliniken AG, Ismaning	13.8
FOREIGN ENTITIES	
Consolidated affiliated entities	
AB Servicios Selecta Espana S.L., Madrid	100.0
ACMAR SA, Casablanca	55.0
Acropole Monde A, Paris	88.4 [3]
Administradora de Inversión Colseguros S.A., Bogotá D.C.	100.0
Aero-Fonte S.r.l., Catania	100.0
AGA Alarmcentrale NL B.V., Amsterdam	100.0
AGA Assistance (India) Private Limited, Gurgaon	89.7
AGA Assistance Australia Pty Ltd., Toowong	100.0
AGA Inc., Richmond, VA	100.0
AGA Service Company Corp., Richmond, VA	100.0
AGA Service Italia S.c.a.r.l., Milan	100.0

	% OWNED [1]
AGA Services (India) Private Limited, New Delhi	100.0
AGA Services Asia Pte Ltd., Singapore	100.0
AGA Services Thailand Co., Ltd., Bangkok	97.6
AGCS Marine Insurance Company, Chicago, IL	100.0
AGCS Participações Ltda., Rio de Janeiro	100.0
Agency "Allianz Life and Finance Rus" OOO, Moscow	100.0
AGF 2X S.A., Paris	100.0
AGF Balanced, Paris	99.7 [3]
AGF Benelux S.A., Luxembourg	100.0
AGF Capital Investissement, Paris	93.0 [3]
AGF Capital Investissement 2, Paris	85.3 [3]
AGF Euro Actions C et D S.A., Paris	50.1 [3]
AGF FCR, Paris	100.0 [3]
AGF Holdings (UK) Limited, Guildford	100.0
AGF Insurance Limited, Guildford	100.0
AGF Inversiones S.A., Buenos Aires	100.0
AGF Marches Emergents S.A., Paris	69.3 [3]
AGF Multi Alternatives L S.A., Paris	86.2 [3]
AGF Peh Europe VA, Paris	69.4 [3]
AGF Private Equity FCPR, Paris	56.0 [3]
AGF Ras Holding B.V., Amsterdam	100.0
AGFimo S.A., Paris	58.2 [3]
Agricola Holdings Pty Ltd., Melbourne	70.0
Agricola Underwriting Management Ltd. (NZ), Melbourne	100.0
Agricola Underwriting Pty Ltd., Melbourne	100.0
AIM Equity EMU 1, Paris	100.0 [4]
AIM Equity US, Paris	100.0 [4]
AIM Singapore Pte. Ltd., Singapore	100.0
AIM Underwriting Limited, Toronto, ON	100.0
Allegiance Marketing Group LLC, North Palm Beach, FL	100.0
Allianz (UK) Limited, Guildford	100.0
Allianz Actio France, Paris	77.0 [3]
Allianz Actions Aéquitas, Paris	57.2 [3]
Allianz Actions Euro Value, Paris	84.7 [3]
Allianz Actions France, Paris	70.2 [3]
Allianz Actions France MidCap, Paris	73.8 [3]
Allianz Actions Indice Japon (couvert), Paris	57.5 [3]
Allianz Actions Indice US (couvert), Paris	93.8 [3]
Allianz Actions Internationales, Paris	98.3 [3]
Allianz Actions Japon, Paris	71.7 [3]
Allianz Actions US, Paris	81.4 [3]
Allianz Actions Valeurs Moyennes, Paris	95.5 [3]
Allianz Actions VD, Paris	100.0 [3]
Allianz Africa S.A., Paris	100.0
Allianz Air France IFC, Paris	100.0 [3]
Allianz Alapkezelõ Zrt., Budapest	100.0
Allianz Alp Sp. z o.o., Warsaw	100.0
Allianz Alternative Asset Management, Milan	100.0 [4]
Allianz America Holding B.V., Amsterdam	100.0
Allianz Annuity Company of Missouri, Clayton, MO	100.0
Allianz Argentina Compania de Seguros Generales S.A., Buenos Aires	100.0
Allianz Argentina RE S.A., Buenos Aires	100.0
Allianz Asac Actions, Paris	100.0 [4]
Allianz Asset Management of America Holdings Inc., Dover, DE	100.0
Allianz Asset Management of America L.P., Dover, DE	100.0
Allianz Asset Management of America LLC, Dover, DE	100.0
Allianz Asset Management U.S. Holding II LLC, Dover, DE	100.0
Allianz Australia Advantage Ltd., Sydney	100.0
Allianz Australia Employee Share Plan Pty Ltd., Sydney	100.0
Allianz Australia Insurance Limited, Sydney	100.0
Allianz Australia Life Insurance Limited, Sydney	100.0

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3 — Mutual, private equity or special fund.
4 — Investment fund.
5 — Releasing impact according to § 264 (3) HGB through the Allianz Group's consolidated financial statements.
6 — Group share through indirect holder Roland Holding GmbH, Munich: 74.1%.
7 — Classified as joint venture according to IAS 31.
8 — Classified as associated entity according to IAS 28.
9 — Insolvent. Dependent entities are shown in a way, which reflects the state as of the date of filing for insolvency.

	% OWNED[1]
Allianz Australia Limited, Sydney	100.0
Allianz Australia Partnership Services Limited, Sydney	100.0
Allianz Australia Services (No. 2) Pty Ltd., Sydney	100.0
Allianz Australia Services Pty Limited, Sydney	100.0
Allianz Australia Workers Compensation (NSW) Limited, Sydney	100.0
Allianz Australia Workers Compensation (SA) Limited, Adelaide	100.0
Allianz Australia Workers Compensation (Victoria) Limited, Melbourne	100.0
Allianz Australian Claims Services Limited, Sydney	100.0
Allianz Aviation Managers LLC, Burbank, CA	100.0
Allianz Ayudhya Assurance Public Company Limited, Bangkok	62.6
Allianz Bank Bulgaria JSC, Sofia	99.9
Allianz Bank Financial Advisors S.p.A., Milan	100.0
Allianz Banque S.A., Courbevoie	100.0
Allianz Belgium S.A., Brussels	100.0
Allianz Bénin dommages SA, Cotonou	83.5
Allianz Bonds Diversified Euro, Paris	100.0[4]
Allianz Bonds Euro High Yield, Paris	100.0[4]
Allianz Bulgaria Holding Company Ltd., Sofia	66.2
Allianz Bulgaria Insurance and Reinsurance Company Ltd., Sofia	78.0
Allianz Bulgaria Life Insurance Company Ltd., Sofia	99.0
Allianz Bulgaria Pension Company AD, Sofia	65.9
Allianz Burkina dommages SA, Ouagadougou	60.3
Allianz Burkina vie SA, Ouagadougou	71.8
Allianz Business Services Limited, Lancaster	100.0
Allianz business services s.r.o., Bratislava	100.0
Allianz Cameroun dommages SA, Douala	75.4
Allianz Cameroun Vie SA, Douala	75.8
Allianz CAP ISR 2016, Paris	100.0[3]
Allianz Capital Partners of America, Inc., New York, NY	100.0
Allianz Carbon Investments B.V., Amsterdam	100.0
Allianz Cash SAS, Paris	100.0
Allianz Centrafrique dommages, Bangui	88.3
Allianz China General Insurance Company Ltd., Guangzhou	100.0
Allianz China Life Insurance Co. Ltd., Shanghai	51.0
Allianz Citizen Care SRI, Paris	86.4[3]
Allianz Colombia S.A., Bogotá D.C.	100.0
Allianz Compagnia Italiana Finanziamenti S.p.A., Milan	100.0
Allianz Companía de Seguros y Reaseguros S.A., Barcelona	99.9
Allianz Congo Assurances SA, Brazzaville	100.0
Allianz Cornhill Information Services Private Ltd., Trivandrum	100.0
Allianz Côte d'Ivoire dommages, Abidjan	74.1
Allianz Côte d'Ivoire vie SA, Abidjan	71.0
Allianz Creactions 1, Paris	100.0[4]
Allianz Creactions 2, Paris	100.0[4]
Allianz Destination 2014, Paris	100.0[3]
Allianz Direct s.r.o., Prague	100.0
Allianz do Brasil Ltda., São Paulo	100.0
Allianz EDUKACJA S.A., Bialobrzegi	100.0
Allianz Efficio, Paris	100.0[3]
Allianz Efficio Confort, Paris	100.0[3]
Allianz Efficio Plus, Paris	100.0[3]
Allianz Elementar Lebensversicherungs-Aktiengesellschaft, Vienna	100.0
Allianz Elementar Versicherungs-Aktiengesellschaft, Vienna	100.0
Allianz Engineering Services Limited, Guildford	100.0
Allianz Equity Emerging Markets 1, Paris	100.0[4]
Allianz Equity Investments Ltd., Guildford	100.0
Allianz Equity Large Cap EMU, Paris	100.0[4]
Allianz EURECO Equity, Paris	89.9[3]
Allianz Euro Bond Plus, Paris	90.6[3]
Allianz Euro Credit SRI, Paris	67.4[3]
Allianz Euro Gagnant, Paris	81.4[3]
Allianz Euro Inflation, Paris	73.7[3]
Allianz Euro Investment Grade, Paris	65.4[3]
Allianz Euro Oblig 1-3 Plus, Paris	73.9[3]
Allianz Euro Obligations Crédit ISR, Paris	84.1[3]
Allianz Europe B.V., Amsterdam	100.0
Allianz Europe Ltd., Amsterdam	100.0
Allianz Finance Corporation, Westport, CT	100.0
Allianz Finance II B.V., Amsterdam	100.0
Allianz Finance II Luxembourg S.à r.l., Luxembourg	100.0
Allianz Finance III B.V., Amsterdam	100.0
Allianz Finance IV Luxembourg S.à r.l., Luxembourg	100.0
Allianz Finance Obligations Monde, Paris	96.7[3]
Allianz Finance Pty Ltd., Sydney	100.0
Allianz Finance V Luxembourg S.à r.l., Luxembourg	100.0
Allianz Finance VII Luxembourg S.A., Luxembourg	100.0
Allianz Finance VIII Luxembourg S.A., Luxembourg	100.0
Allianz FinanzPlan 2015, Luxembourg	78.4[3]
Allianz FinanzPlan 2020, Luxembourg	88.9[3]
Allianz FinanzPlan 2025, Luxembourg	91.8[3]
Allianz FinanzPlan 2030, Luxembourg	95.8[3]
Allianz FinanzPlan 2035, Luxembourg	97.1[3]
Allianz FinanzPlan 2040, Luxembourg	98.0[3]
Allianz FinanzPlan 2045, Luxembourg	99.3[3]
Allianz FinanzPlan 2050, Luxembourg	99.8[3]
Allianz FinanzPlan 2055 C EUR, Luxembourg	100.0[3]
Allianz Fire and Marine Insurance Japan Ltd., Tokyo	100.0
Allianz Foncier, Paris	64.0[3]
Allianz Formuléo ISR, Paris	99.6[3]
Allianz France Investissement OPCI, Paris	100.0
Allianz France Richelieu 1, Paris	100.0
Allianz France S.A., Paris	100.0
Allianz General Insurance Company (Malaysia) Berhad p.l.c., Kuala Lumpur	100.0
Allianz General Laos Ltd., Vientiane	51.0
Allianz generalni sluzby s.r.o., Prague	100.0
Allianz Global Assistance International SA, Paris	100.0
Allianz Global Assistance S.A.S., Paris	100.0
Allianz Global Corporate & Specialty do Brasil Participações Ltda., Rio de Janeiro	100.0
Allianz Global Corporate & Specialty France S.A., Courbevoie	100.0
Allianz Global Corporate & Specialty South Africa Ltd., Marshalltown	100.0
Allianz Global Investors (UK) Ltd., London	100.0
Allianz Global Investors Australia Ltd., Sydney	100.0
Allianz Global Investors Capital Limited, Cardiff	100.0
Allianz Global Investors Distributors LLC, Dover, DE	100.0
Allianz Global Investors France S.A., Paris	100.0
Allianz Global Investors Fund Management LLC, Dover, DE	100.0
Allianz Global Investors Hong Kong Ltd., Hong Kong	100.0
Allianz Global Investors Ireland Ltd., Dublin	100.0
Allianz Global Investors Italia SGR S.p.A., Milan	100.0
Allianz Global Investors Japan Co. Ltd, Tokyo	100.0
Allianz Global Investors Korea Limited, Seoul	100.0
Allianz Global Investors Luxembourg S.A., Senningerberg	100.0
Allianz Global Investors Managed Accounts LLC, Dover, DE	100.0
Allianz Global Investors Nominee Services Ltd., Grand Cayman	100.0
Allianz Global Investors Singapore Ltd., Singapore	100.0
Allianz Global Investors Solutions LLC, Dover, DE	100.0
Allianz Global Investors Taiwan Ltd., Taipei	100.0
Allianz Global Investors U.S. LLC, Dover, DE	100.0
Allianz Global Investors U.S. Holdings LLC, Dover, DE	100.0
Allianz Global Life Ltd., Dublin	100.0
Allianz Global Risks US Insurance Company Corp., Burbank, CA	100.0
Allianz Graduello, Paris	100.0[3]
Allianz Grenelle SAS, Paris	100.0
Allianz Hayat ve Emeklilik A.S., Istanbul	89.0
Allianz Hellas Insurance Company S.A., Athens	100.0
Allianz Héxéo, Paris	99.4[3]
Allianz Hold Co Real Estate S.à r.l., Luxembourg	100.0
Allianz Holding eins GmbH, Vienna	100.0
Allianz Holding France SAS, Paris	100.0
Allianz Holdings plc, Guildford	100.0
Allianz Hong Kong Dollar Income Fund, Luxembourg	100.0[3]
Allianz Hospitalier Valeurs Durables, Paris	100.0[4]
Allianz Hospitaliers Euro, Paris	100.0[4]
Allianz Hospitaliers Monde, Paris	100.0[4]
Allianz Hungária Biztosító Zrt., Budapest	100.0
Allianz IARD S.A., Paris	100.0
Allianz IARD Vintage, Paris	100.0[4]
Allianz Index Tracking Shares Fund, Budapest	94.8[3]
Allianz Indiceo 2015, Paris	98.7[3]
Allianz Individual Insurance Group LLC, Minneapolis, MN	100.0
Allianz Informatique G.I.E., Paris	100.0
Allianz Informatyka Sp. z o.o., Warsaw	100.0
Allianz Infrastructure Luxembourg I S.à r.l., Luxembourg	100.0
Allianz Infrastructure Luxembourg I SICAV-FIS, Luxembourg	100.0
Allianz Infrastructure Luxembourg II SICAF-FIS, Luxembourg	100.0
Allianz Insurance (Hong Kong) Ltd., Hong Kong	100.0
Allianz Insurance Cie of Ghana Limited, Accra	100.0
Allianz Insurance Company Lanka Limited, Saram	100.0
Allianz Insurance Company of Singapore Pte. Ltd., Singapore	100.0
Allianz Insurance Company-Egypt S.A.E., Cairo	85.0
Allianz Insurance Management Asia Pacific Pte. Ltd., Singapore	100.0
Allianz Insurance plc, Guildford	100.0
Allianz Inversiones S.A., Bogotá D.C.	100.0
Allianz Invest 10 Division S/U, Vienna	100.0[4]
Allianz Invest 11 Division Leben/Kranken, Vienna	100.0[4]
Allianz Invest 12 Division Leben/Kranken, Vienna	100.0[4]
Allianz Invest 50, Vienna	86.2[3]
Allianz Invest Alternativ, Vienna	100.0[3]
Allianz Invest d.o.o., Zagreb	100.0[4]
Allianz Invest Kapitalanlage GmbH, Vienna	100.0
Allianz Invest Ostrent, Vienna	95.4[3]
Allianz Invest Portfolio Blue, Vienna	80.6[3]
Allianz Invest Spezial 3, Vienna	100.0[4]
Allianz Investment Company LLC, Westport, CT	100.0
Allianz Investment Management LLC, Minneapolis, MN	100.0
Allianz Investment Management Milano S.p.A., Milan	100.0
Allianz Investment Properties Ltd., Guildford	100.0
Allianz Investmentbank Aktiengesellschaft, Vienna	100.0
Allianz Investments I Luxembourg S.à r.l., Luxembourg	100.0

1 — Percentage includes equity participations held by dependent entities in full, even if the Allianz Group's share in the dependent entity is below 100%.
2 — Controlled by the Allianz Group.
3 — Mutual, private equity or special fund.
4 — Investment fund.
5 — Releasing impact according to § 264 (3) HGB through the Allianz Group's consolidated financial statements.
6 — Group share through indirect holder Roland Holding GmbH, Munich: 74.1%.
7 — Classified as joint venture according to IAS 31.
8 — Classified as associated entity according to IAS 28.
9 — Insolvent. Dependent entities are shown in a way, which reflects the state as of the date of filing for insolvency.

	% OWNED [1]
Allianz Investments II Luxembourg S.à r.l., Luxembourg	100.0
Allianz Investments III Luxembourg S.à r.l., Luxembourg	100.0
Allianz Investments IV Luxembourg S.à r.l., Luxembourg	100.0
Allianz Irish Life Holdings p.l.c., Dublin	66.5
Allianz kontakt s.r.o., Prague	100.0
Allianz Leasing Bulgaria, Sofia	51.0
Allianz Life & Annuity Company, Minneapolis, MN	100.0
Allianz Life (Bermuda) Ltd., Hamilton	100.0
Allianz Life Assurance Company-Egypt S.A.E., Cairo	100.0
Allianz Life Financial Services LLC, Minneapolis, MN	100.0
Allianz Life Insurance Co. Ltd., Seoul	100.0
Allianz Life Insurance Company of Missouri, Clayton, MO	100.0
Allianz Life Insurance Company of New York, New York, NY	100.0
Allianz Life Insurance Company of North America, Minneapolis, MN	100.0
Allianz Life Insurance Japan Ltd., Tokyo	100.0
Allianz Life Insurance Lanka Ltd., Colombo	100.0
Allianz Life Insurance Malaysia Berhad p.l.c., Kuala Lumpur	100.0
Allianz Life Luxembourg S.A., Luxembourg	100.0
Allianz Long Short Equity, Paris	70.5 [3]
Allianz Madagascar, Antananarivo	100.0
Allianz Malaysia Berhad p.l.c., Kuala Lumpur	72.7
Allianz Mali dommages SA, Bamako	77.0
Allianz Managed Operations and Services Netherlands B.V., Rotterdam	100.0
Allianz Management Services Limited, Guildford	100.0
Allianz Marine & Transit Underwriting Agency Pty Ltd., Sydney	65.0
Allianz Marine (UK) Ltd., Ipswich	100.0
Allianz Mena Holding Bermuda Ltd., Beirut	99.9
Allianz Mena Holding Co. SPC, Manama	100.0
Allianz México S.A. Compañía de Seguros, Mexico City	100.0
Allianz Multi Actions Europe, Paris	98.2 [3]
Allianz Multi Actions Monde, Paris	93.9 [3]
Allianz Multi Croissance, Paris	99.4 [3]
Allianz Multi Dynamic, Paris	100.0 [3]
Allianz Multi Dynamisme, Paris	99.0 [3]
Allianz Multi Equilibre, Paris	98.0 [3]
Allianz Multi Horizon 2012-2013, Paris	73.8 [3]
Allianz Multi Horizon 2014-2015, Paris	65.9 [3]
Allianz Multi Horizon 2016-2017, Paris	64.6 [3]
Allianz Multi Horizon 2018-2020, Paris	79.3 [3]
Allianz Multi Horizon 2021-2023, Paris	68.8 [3]
Allianz Multi Horizon 2024-2026, Paris	95.9 [3]
Allianz Multi Horizon 2027-2029, Paris	96.4 [3]
Allianz Multi Horizon 2030-2032, Paris	96.5 [3]
Allianz Multi Horizon 2033-2035, Paris	96.8 [3]
Allianz Multi Horizon 2036-2038, Paris	97.0 [3]
Allianz Multi Horizon 2039-2041, Paris	96.5 [3]
Allianz Multi Horizon Court Terme, Paris	73.6 [3]
Allianz Multi Horizon Long Terme, Paris	62.3 [3]
Allianz Multi Opportunités, Paris	99.3 [3]
Allianz Multi Rendement Premium (R), Paris	79.7 [3]
Allianz Multi Rendement Réel, Paris	89.3 [3]
Allianz Multi Sérénité, Paris	98.9 [3]
Allianz Multi Top Défensif, Paris	92.1 [3]
Allianz Mutual Funds Management Hellas S.A., Athens	100.0
Allianz Nederland Administratie B.V., Utrecht	100.0
Allianz Nederland Asset Management B.V., Nieuwegein	100.0
Allianz Nederland Groep N.V., Rotterdam	100.0

	% OWNED [1]
Allianz Nederland Levensverzekering N.V., Rotterdam	100.0
Allianz Nederland Schadeverzekering N.V., Rotterdam	100.0
Allianz New Europe Holding GmbH, Vienna	100.0
Allianz New Zealand Limited, Auckland	100.0
Allianz Obligations Court Terme, Paris	93.2 [3]
Allianz Obligations Internationales, Paris	78.6 [3]
Allianz Obligations Monde, Paris	99.3 [3]
Allianz Octomax, Paris	100.0 [3]
Allianz Octomax 2, Paris	100.0 [3]
Allianz Octoplus, Paris	97.2 [3]
Allianz Octoplus 2, Paris	100.0 [3]
Allianz Octoplus 3, Paris	100.0 [3]
Allianz of America Inc., Westport, CT	100.0
Allianz of South Africa (Proprietary) Ltd., Marshalltown	100.0
Allianz One Beacon GP LLC, Wilmington, DE	100.0
Allianz One Beacon LP, Wilmington, DE	100.0
Allianz Opéra, Paris	100.0 [4]
Allianz Optéo, Paris	99.1 [3]
Allianz P.E.P Europa 1, Milan	86.8 [4]
Allianz P.E.P Europa 2, Milan	92.0 [4]
Allianz p.l.c., Dublin	100.0
Allianz Pan Asian REITs Fund Segregated Portfolio, George Town	100.0 [4]
Allianz Participations B.V., Amsterdam	100.0
Allianz Pension Fund Trustees Ltd., Guildford	100.0
Allianz Pensionskasse Aktiengesellschaft, Vienna	100.0
Allianz penzijní fond a.s., Prague	100.0
Allianz Pimco Corporate, Vienna	66.4 [3]
Allianz Pimco Mortgage, Vienna	88.9 [3]
Allianz pojistovna a.s., Prague	100.0
Allianz Polska Services Sp. z o.o., Warsaw	100.0
Allianz Popular Asset Management SGIIC S.A., Madrid	100.0
Allianz Popular Pensiones EGFP S.A., Madrid	100.0
Allianz Popular Vida Compañía de Seguros y Reaseguros S.A., Madrid	100.0
Allianz Popular S.L., Madrid	60.0
Allianz Primio 2015, Paris	99.5 [3]
Allianz Private Equity Luxembourg I SICAV-FIS, Luxembourg	100.0
Allianz Private Equity Luxembourg II SICAV-FIS, Luxembourg	100.0
Allianz Private Equity Partners Europa III, Milan	99.6 [4]
Allianz Private Equity UK Holdings Limited, London	100.0
Allianz Properties Limited, Guildford	100.0
Allianz Prudence, Paris	100.0 [3]
Allianz RCM Best Styles Euroland, Luxembourg	51.5 [3]
Allianz RCM Europe Small Cap Equity - AT - EUR, Luxembourg	63.8 [3]
Allianz Re Dublin Limited, Dublin	100.0
Allianz Real Estate France SAS, Paris	100.0
Allianz Real Estate I SICAV-FIS, Luxembourg	100.0
Allianz Real Estate II SICAV-FIS, Luxembourg	100.0
Allianz Real Estate of America LLC, Wilmington, DE	100.0
Allianz Real Estate Securities Europe (AT), Luxembourg	91.4 [3]
Allianz Renewable Energy Fund Management 1 Ltd., London	100.0
Allianz Renewable Energy Partners I LP, London	100.0
Allianz Renewable Energy Partners II Limited, London	100.0
Allianz Renewable Energy Partners III LP, London	98.0
Allianz Renewable Energy Partners IV Limited, London	98.0
Allianz Renewable Energy Partners V plc, London	100.0

	% OWNED [1]
Allianz Risk Audit OOO, Moscow	100.0
Allianz Risk Consultants Inc., Los Angeles, CA	100.0
Allianz Risk Transfer (Bermuda) Ltd., Hamilton	100.0
Allianz Risk Transfer (UK) Limited, London	100.0
Allianz Risk Transfer AG, Zurich	100.0
Allianz Risk Transfer Inc., New York, NY	100.0
Allianz Risk Transfer N.V., Amsterdam	100.0
Allianz RiskMaster Conservative, Basildon Essex	71.0 [3]
Allianz RiskMaster Moderate, Basildon Essex	83.8 [3]
Allianz Rosno Life, Moscow	100.0
Allianz S.A. de C.V., Mexico City	100.0
Allianz S.p.A., Trieste	100.0
Allianz Saint Marc CL, Paris	99.3 [3]
Allianz SAS S.A.S., Bogotá D.C.	100.0
Allianz Saude S.A., São Paulo	100.0
Allianz Scalinvest, Puteaux	100.0 [3]
Allianz Secteur Euro Immobilier, Paris	93.8 [3]
Allianz Secteur Europe Immobilier, Paris	89.5 [3]
Allianz Seguros de Vida S.A., Bogotá D.C.	100.0
Allianz Seguros S.A., Bogotá D.C.	100.0
Allianz Seguros S.A., São Paulo	100.0
Allianz Sénégal dommages SA, Dakar	83.2
Allianz Sénégal vie, Dakar	95.5
Allianz Services (UK) Limited, London	100.0
Allianz Servicios Administrativos S.A., Madrid	100.0
Allianz Sigorta A.S., Istanbul	84.2
Allianz SNA Sal, Beirut	100.0
Allianz Sociedad Anónima, A.S. Agencia de Seguros, Barcelona	100.0
Allianz Sociedade Gestora de Fundos de Pensões S.A., Lisbon	84.4
Allianz Société Financière S.à r.l., Luxembourg	100.0
Allianz South America Holding B.V., Amsterdam	100.0
Allianz Special FIC De Fi Multimercado Crédito Privado, São Paulo	100.0 [4]
Allianz Specialised Investments Limited, London	100.0
Allianz Specjalistyczny Fundusz Inwestycyjny Otwarty Subfunduszu Allianz 1, Warsaw	100.0 [4]
Allianz Specjalistyczny Fundusz Inwestycyjny Otwarty Subfunduszu Allianz 2, Warsaw	100.0 [4]
Allianz Subalpina Holding S.p.A., Turin	98.1
Allianz Suisse Flexible Fund, Senningerberg	60.0 [3]
Allianz Suisse Immobilien AG, Volketswil	100.0
Allianz Suisse Lebensversicherungs-Gesellschaft AG, Zurich	100.0
Allianz Suisse Rückversicherungs AG, Zurich	100.0
Allianz Suisse Versicherungs-Gesellschaft AG, Zurich	100.0
Allianz Taiwan Life Insurance Co. Ltd., Taipei	99.7
Allianz Telematics S.p.A., Rome	100.0
Allianz Tiriac Asigurari SA, Bucharest	52.2
Allianz Togo dommages SA, Lome	97.9
Allianz Triplus, Paris	100.0 [3]
Allianz Ukraine LLC, Kiev	100.0
Allianz Underwriters Insurance Company Corp., Burbank, CA	100.0
Allianz US Investment GP LLC, Wilmington, DE	100.0
Allianz US Investment LP, Wilmington, DE	100.0
Allianz US Private REIT GP LLC, Wilmington, DE	100.0
Allianz US Private REIT LP, Wilmington, DE	100.0
Allianz Valeurs Durables, Paris	67.1 [3]
Allianz Vermögenskonzept Ausgewogen, Luxembourg	100.0 [3]
Allianz Vermögenskonzept Defensiv, Luxembourg	96.7 [3]
Allianz Vermögenskonzept Dynamisch, Luxembourg	98.0 [3]
Allianz Vie S.A., Paris	100.0
Allianz Voltissimo, Paris	99.0 [3]

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3 — Mutual, private equity or special fund.
4 — Investment fund.
5 — Releasing impact according to § 264 (3) HGB through the Allianz Group's consolidated financial statements.
6 — Group share through indirect holder Roland Holding GmbH, Munich: 74.1%.
7 — Classified as joint venture according to IAS 31.
8 — Classified as associated entity according to IAS 28.
9 — Insolvent. Dependent entities are shown in a way, which reflects the state as of the date of filing for insolvency.

	% OWNED [1]
Allianz Worldwide Care Ltd., Dublin	100.0
Allianz Worldwide Care Services Ltd., Dublin	100.0
Allianz Zagreb d.d., Zagreb	83.2
Allianz ZB d.o.o. Company for the Management of Obligatory Pension Funds, Zagreb	51.0
Allianz ZB d.o.o. Company for the Management of Voluntary Pension Funds, Zagreb	51.0
AllianzGo S.r.l., Trieste	100.0
Allianz-Slovenská DSS a.s., Bratislava	100.0
Allianz-Slovenská poist'ovna a.s., Bratislava	99.6
Allianz-Tiriac Pensii Private SAFPP SA, Bucharest	100.0
AllSecur B.V., Den Bosch	100.0
Amaya Compania de Seguros y Reaseguros S.A., Madrid	100.0
American Automobile Insurance Company, Corp., Earth City, MO	100.0
American Financial Marketing Inc., Minneapolis, MN	100.0
AMOS Austria GmbH, Vienna	100.0
AMOS IT Suisse AG, Zurich	100.0
Ann Arbor Annuity Exchange Inc., Ann Arbor, MI	100.0
Antoniana Veneta Popolare Assicurazioni S.p.A., Trieste	50.0 [2]
Antoniana Veneta Popolare Vita S.p.A., Trieste	50.0 [2]
APKV US Private REIT GP LLC, New York, NY	100.0
APKV US Private REIT LP, New York, NY	100.0
Approfrais SA, Evreux	100.0
Arab Gulf Health Services LLC, Beirut	100.0
Arcalis 22, Paris	99.9 [3]
Arcalis 23, Paris	99.8 [3]
Arcalis 24, Paris	99.8 [3]
Arcalis 28, Paris	98.2 [3]
Arcalis Assur 5, Paris	99.3 [3]
Arcalis SA, Courbevoie	100.0
Arcalis UN, Paris	100.0 [3]
Arges Investments I N.V., Amsterdam	100.0
Arges Investments II N.V., Amsterdam	100.0
AS Selecta s.r.o., Bratislava	100.0
Aspley AVT Pty Limited, Sydney	66.7
Assistance Courtage d'Assurance et de Réassurance S.A., Paris	100.0
Associated Indemnity Corporation, Novato, CA	100.0
Assurance Vie et Prévoyance (AVIP) SA, Courbevoie	100.0
Automaty Servis Selecta s.r.o., Prague	100.0
Avip Actions 100, Paris	99.6 [3]
Avip Actions 60, Paris	100.0 [3]
Avip Top Croissance, Paris	68.6 [3]
Avip Top Defensif, Paris	96.5 [3]
Avip Top Harmonie, Paris	95.2 [3]
AZ Euro Investments II S.à r.l., Luxembourg	100.0
AZ Euro Investments S.à r.l., Luxembourg	100.0
AZ Jupiter 4 B.V., Amsterdam	100.0
AZ Jupiter 8 B.V., Amsterdam	100.0
AZ Jupiter 9 B.V., Amsterdam	100.0
AZ Servisni centar d.o.o., Zagreb	100.0
AZ Vers US Private REIT GP LLC, New York, NY	100.0
AZ Vers US Private REIT LP, New York, NY	100.0
AZGA Insurance Agency Canada Ltd., Waterloo, ON	100.0
AZGA Service Canada Inc., Waterloo, ON	100.0
AZL PF Investments Inc., Minneapolis, MN	100.0
AZOA Services Corporation, Novato, CA	100.0
Baladau, Paris	100.0 [3]
BAWAG Allianz Vorsorgekasse AG, Vienna	50.0 [2]
Beleggingsmaatschappij Willemsbruggen B.V., Rotterdam	100.0
Bilan Services S.N.C., Nanterre	66.0
BMM Harmonie, Marseille	67.7 [3]

	% OWNED [1]
BNP Paribas THR, Paris	99.5 [3]
Borgo San Felice S.r.l., Castelnuovo Berardenga (Siena)	100.0
Botanic Building SPRL, Brussels	100.0
BPS Brindisi 211 S.r.l., Brindisi	100.0
BPS Brindisi 213 S.r.l., Brindisi	100.0
BPS Brindisi 222 S.r.l., Brindisi	100.0
BPS Mesagne 214 S.r.l., Brindisi	100.0
BPS Mesagne 215 S.r.l., Brindisi	100.0
BPS Mesagne 216 S.r.l., Brindisi	100.0
BPS Mesagne 223 S.r.l., Brindisi	100.0
BPS Mesagne 224 S.r.l., Brindisi	100.0
Brasil de Imoveis e Participacoes Ltda., São Paulo	100.0
Bright Mission Berhad Ltd., Kuala Lumpur	100.0
British Reserve Insurance Co. Ltd., Guildford	100.0
BSMC (Thailand) Limited, Bangkok	100.0
Bulgaria Net Co. Ltd., Sofia	98.4
Bureau d'Expertises Despretz S.A., Brussels	100.0
Bx3 S.r.l., Trieste	100.0
Cabinet Cornil et Cie, Paris	100.0
Calobra Investments Sp. z o.o., Warsaw	100.0
Calypso S.A., Paris	100.0
CAP Rechtsschutz-Versicherungsgesellschaft AG, Zurich	100.0
CAPEX, Paris	85.7 [3]
Caywood-Scholl Capital Management LLC, Wilmington, DE	100.0
Centrale Photovoltaique de Saint Marcel sur aude SAS, Paris	100.0
Centrale Photovoltaique de Valensole SAS, Paris	100.0
CEPE de Langres Sud S.à r.l., Avignon	100.0
CEPE de Mont Gimont S.à r.l., Versailles	100.0
CFC Capital Partners Insurance Center LLC, Huntington Beach, CA	100.0
Château Larose Trintaudon S.A., Saint Laurent Médoc	100.0
Chicago Insurance Company, Corp., Chicago, IL	100.0
CIC Allianz Insurance Ltd., Sydney	100.0
CJSC IC "Corporate Medical Insurance", Krasnoyarsk	100.0
Club Marine Limited, Sydney	100.0
Colisee S.à r.l., Luxembourg	100.0
Compagnie de Gestion et Prevoyance, Strasbourg	99.9
Companhia de Seguros Allianz Portugal S.A., Lisbon	64.8
Compañía Colombiana de Servicio Automotriz S.A., Bogotá D.C.	100.0
Cornhill Trustee (Guernsey) Ltd., St. Peter Port	100.0
Corsetec Ltda., São Paulo	99.5
CPRN Thailand Ltd., Bangkok	100.0
CPRN-Holdings Limited, Bangkok	100.0
Creactif Allocation, Paris	100.0 [3]
CreditRas Assicurazioni S.p.A., Milan	50.0 [2]
CreditRas Vita S.p.A., Milan	50.0 [2]
Darta Saving Life Assurance Ltd., Dublin	100.0
Deeside Investments Inc., Wilmington, DE	50.1
Delta Technical Services Ltd., London	100.0
Diamant Real Spol. s r.o., Prague	100.0
Dresdner Kleinwort Pfandbriefe Investments II Inc., Minneapolis, MN	100.0
Dresdner RCM Global Investors (Jersey) Ltd., Jersey	100.0
EF Solutions LLC, Wilmington, DE	100.0
EHPAD Assur, Paris	100.0
Emerald Global Inv., Paris	100.0 [3]
Energie Eolienne Lusanger SARL, Orleans	100.0
Euler Gestion, Courbevoie	100.0 [4]
Euler Hermes ACI Holding Inc., New York, NY	100.0
Euler Hermes ACI Inc., Baltimore, MD	100.0
Euler Hermes ACI Services LLP, Baltimore, MD	100.0

	% OWNED [1]
Euler Hermes ACMAR Services, Casablanca	100.0
Euler Hermes Argentina, Buenos Aires	100.0
Euler Hermes Asset Management France S.A., Paris	100.0
Euler Hermes Canada Services, Montreal, QC	100.0
Euler Hermes Cescob Service s.r.o., Prague	100.0
Euler Hermes Chile Servicios Limitada, Santiago de Chile	100.0
Euler Hermes Collections Sp. z o.o., Warsaw	100.0
Euler Hermes Collections UK Limited, London	100.0
Euler Hermes Colombia, Bogotá D.C.	100.0
Euler Hermes Consulting (Shanghai) Co. Ltd., Shanghai	100.0
Euler Hermes Crédit France S.A.S., Paris	100.0
Euler Hermes Credit Insurance Agency (S) Pte. Ltd., Singapore	100.0
Euler Hermes Credit Insurance Belgium S.A., Brussels	100.0
Euler Hermes Credit Management Services Ireland Ltd., Dublin	100.0
Euler Hermes Credit Services (JP) Ltd., Tokyo	100.0
Euler Hermes Credit Underwriters Hong Kong Ltd., Hong Kong	100.0
Euler Hermes Crédito Compañía de Seguros y Reaseguros S.A., Madrid	100.0
Euler Hermes Emporiki SA, Athens	60.0
Euler Hermes Emporiki Services Ltd., Athens	100.0
Euler Hermes France S.A., Paris	100.0
Euler Hermes Luxembourg Holding S.à r.l., Luxembourg	100.0
Euler Hermes Magyar Követeleskezelö Kft., Budapest	100.0
Euler Hermes Netherlands, Hertogenbosch	100.0
Euler Hermes Patrimonia, Brussels	100.0
Euler Hermes Ré SA, Senningerberg	100.0
Euler Hermes Real Estate OPCI, Paris	60.0
Euler Hermes Recouvrement France S.A.S., Paris	100.0
Euler Hermes Reinsurance AG, Zurich	100.0
Euler Hermes Risk Services UK Limited, London	100.0
Euler Hermes Risk Yönetimi, Istanbul	100.0
Euler Hermes S.A., Paris	70.0
Euler Hermes Seguros de Crédito à Exportação S.A., São Paulo	100.0
Euler Hermes Seguros de Crédito S.A., Santiago de Chile	100.0
Euler Hermes Seguros de Crédito S.A., Mexico City	100.0
Euler Hermes Seguros de Crédito S.A., São Paulo	100.0
Euler Hermes Service AB, Stockholm	100.0
Euler Hermes Services AG, Zurich	100.0
Euler Hermes Services B.V., Hertogenbosch	100.0
Euler Hermes Services Belgium S.A., Brussels	100.0
Euler Hermes Services India Privat Limited, Mumbai	100.0
Euler Hermes Services S.A.S., Paris	100.0
Euler Hermes Services Sp. z o.o., Warsaw	100.0
Euler Hermes Services UK Limited, London	100.0
Euler Hermes Servicii Financiare S.R.L., Bucharest	100.0
Euler Hermes Servicios de Crédito S.L., Madrid	100.0
Euler Hermes Servicios S.A., Mexico City	100.0
Euler Hermes Servicos Ltda., São Paulo	100.0
Euler Hermes Servis s.r.o., Bratislava	100.0
Euler Hermes Sigorta A.S., Istanbul	100.0
Euler Hermes South Express S.A., Brussels	100.0
Euler Hermes Tech SAS, Nanterre	100.0
Euler Hermes Trade Credit Limited, Auckland	100.0
Euler Hermes Trade Credit Underwriting Agents Pty. Ltd., Sydney	100.0
Euler Hermes UMA, Louisville, KY	100.0
Euler Hermes World Agency SASU, Paris	100.0

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6 — Group share through indirect holder Roland Holding GmbH, Munich: 74.1%.
7 — Classified as joint venture according to IAS 31.
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	% OWNED [1]
Euler Hermes, Mierzejewska-Kancelaria Prawna Sp.k, Warsaw	100.0
Eurl 20/22 Le Peletier, Paris	100.0
Euro Garantie AG, Pfäffikon	100.0
Euro Gestion, Courbevoie	100.0 [4]
Eurosol Invest S.r.l., Buttrio	100.0
Ex Pontic s.r.l., Bucharest	100.0
Expositio Kft., Budapest	100.0
Expositio sp. z o.o., Warsaw	100.0
Expositio Usluge d.o.o. u likvidaciji, Zagreb	100.0
FAI Allianz Ltd., Sydney	100.0
FCPR Fregate, Paris	58.3 [3]
Fenix Directo Compania de Seguros y Reaseguros S.A., Madrid	100.0
Ferme Eolienne de Villemur-sur-Tarn SARL, Toulouse	100.0
Ferme Eolienne des Jaladeaux SARL, Toulouse	100.0
FFIC County Mutual Insurance Company, Corp., Dallas, TX	100.0
Fiduciaria Colseguros S.A., Bogotá D.C.	100.0
Financiere Aldebaran SAS, Paris	100.0
Financiere Callisto SAS, Paris	100.0
Financiere Sirius SAS, Paris	100.0
Financiere Soho SAS, Paris	100.0
Fireman's Fund Financial Services LLC, Dallas, TX	100.0
Fireman's Fund Indemnity Corporation, Liberty Corner, NJ	100.0
Fireman's Fund Insurance Company of Bermuda, Hamilton	100.0
Fireman's Fund Insurance Company of Hawaii Inc., Honolulu, HI	100.0
Fireman's Fund Insurance Company of Ohio, Corp., Cincinnati, OH	100.0
Fireman's Fund Insurance Company, Corp., Novato, CA	100.0
Floralis, Paris	100.0 [3]
Fondo Chiuso Allianz Infrastructure Partners I, Milan	100.0 [4]
Fragonard Assurance S.A., Paris	100.0
Friederike MLP S.à r.l., Luxembourg	100.0
Fusion Company Inc., Richmond, VA	80.0
Gaipare Action, Paris	99.2 [3]
GamePlan Financial Marketing LLC, Woodstock, GA	100.0
GAP 1 AN, Paris	63.5 [3]
GAP Reactif Canton A, Paris	64.9 [3]
Generation Vie S.A., Courbevoie	52.5
Genialloyd S.p.A., Milan	100.0
Gestion de Téléassistance et de Services S.A., Chatillon	100.0
Gestion Produits Str, Puteaux	74.0 [3]
GIE Euler Hermes SFAC Services, Paris	100.0
Global Transport & Automotive Insurance Solutions Pty Limited, Sydney	76.4
Groupe FAST souscription d'assurances, Paris	100.0
Hauteville Insurance Company Limited, Guernsey	100.0
Havelaar et Van Stolk B.V., Rotterdam	100.0
HELVIASS Verzekeringen BV, Rotterdam	100.0
Home & Legacy (Holdings) Limited, London	100.0
Home & Legacy Insurance Services Limited, London	100.0
Hunter Premium Funding Ltd., Sydney	100.0
IDR Actions Euros, Paris	98.4 [3]
Immovalor Gestion S.A., Paris	100.0
Insurance and Reinsurance AG Energy, Sofia	50.9
Intermediass S.r.l., Milan	100.0
International Film Guarantors LLC, Santa Monica, CA	100.0
International Film Guarantors Ltd., London	100.0
Interstate Fire & Casualty Company, Chicago, IL	100.0
Investitori SGR S.p.A., Milan	100.0

	% OWNED [1]
ITEB B.V., Rotterdam	100.0
JCR Intertrade Ltd., Bangkok	40.0 [2]
Jefferson Insurance Company Corp., New York, NY	100.0
Ken Tame & Associates Pty Ltd., Sydney	69.0
Kiinteistö OY Eteläesplanadi 2, Helsinki	100.0
Königinstrasse I S.à r.l., Luxembourg	100.0
La Rurale, Paris	99.8
Le Profil des Profils, Paris	66.5 [3]
Les Vignobles de Larose, Saint Laurent Médoc	100.0
Life Sales LLC, Novato, CA	100.0
LLC "Allianz Eurasia Healthcare", Saint Petersburg	100.0
Lloyd Adriatico Holding S.p.A., Trieste	99.9
London Verzekeringen N.V., Rotterdam	100.0
Magdeburger Sigorta A.S., Istanbul	100.0
Managed Insurance Operations B.V., Rotterdam	100.0
Martin Maurel Vie, Courbevoie	100.0
Medexpress, Saint Petersburg	99.8
Medi24 AG, Bern	100.0
Medibroker s.r.o., Bratislava	100.0
Medisalud Compania Colombiana de Medicina Prepagada S.A. (En Liquidación), Bogotá D.C.	100.0
Metallrente Fonds Portfolio, Luxembourg	57.3 [3]
Mondial Assistance Australia Holding Pty Ltd., Toowong	100.0
Mondial Assistance Beijing Services Co. Ltd., Beijing	100.0
Mondial Assistance France SAS, Paris	95.0
Mondial Assistance France Services à la personne SAS, Paris	100.0
Mondial Assistance GmbH, Vienna	100.0
Mondial Assistance Indian Ocean LLC, Mauritius	100.0
Mondial Assistance Ireland Ltd., Dublin	100.0
Mondial Assistance Mexico S.A. de C.V., Mexico City	100.0
Mondial Assistance Oblig Euro, Paris	100.0 [4]
Mondial Assistance OOO, Moscow	100.0
Mondial Assistance Portugal Servicos de Assistência Lda., Paco de Aros	100.0
Mondial Assistance Réunion S.A., Saint Denis	100.0
Mondial Assistance S.r.l., Bucharest	100.0
Mondial Assistance s.r.o., Prague	100.0
Mondial Assistance Service Chile Limitada, Las Condes	100.0
Mondial Assistance Service Espana S.A., Madrid	100.0
Mondial Assistance Services Hellas S.A., Athens	51.0
Mondial Assistance Servis Hizmetleri A.S., Istanbul	97.0
Mondial Assistance Sigorta Aracilik Hizmetleri LS, Istanbul	100.0
Mondial Assistance Sp. z o.o., Warsaw	100.0
Mondial Assistance United Kingdom Ltd., Croydon Surrey	100.0
Mondial Contact Center Italia S.r.l., Taurisano	70.0
Mondial Protection Corretora de Seguros Ltda., São Paulo	100.0
Mondial Service - Belgium S.A., Brussels	100.0
Mondial Service Argentina S.A., Buenos Aires	100.0
Mondial Servicios S.A. de C.V., Mexico City	100.0
Mondial Servicos Ltda., São Paulo	100.0
Monéger SA, Dakar	100.0
National Surety Corporation, Chicago, IL	100.0
Neoasistencia Manoteras S.L., Madrid	100.0
Nextcare Holdings WLL, Manama	75.0
NEXtCARE Lebanon SAL, Beirut	100.0
NEXtCARE Egypt LLC, Cairo	100.0
NFJ Investment Group LLC, Dover, DE	100.0
North American London Underwriters Ltd., Hamilton	100.0

	% OWNED [1]
Oddo Europe Mid Cap, Paris	94.8 [3]
Oddo Gestion Audac, Paris	59.6 [3]
ODDO OPPORTUNITES B, Paris	54.7 [3]
Oddo Proactif Europe, Paris	72.5 [3]
Oddo Quattro 2, Paris	98.7 [3]
Oddo Valeurs Rende, Paris	50.3 [3]
OJSC "Allianz Investments", Moscow	100.0
OJSC "My Clinic", Moscow	100.0
Omega Thai Investment Holding B.V., Amsterdam	100.0
Ontario Limited, Toronto, ON	100.0
OOO "IC Euler Hermes Ru" LLC, Moscow	100.0
OOO Euler Hermes Credit Management, Moscow	100.0
Open Joint Stock Company Insurance Company Allianz, Moscow	100.0
Oppenheimer Group Inc., Dover, DE	100.0
Orione PV S.r.l., Milan	100.0
Orsa Maggiore PV S.r.l., Milan	100.0
Orsa Minore PV S.r.l., Milan	100.0
OY Selecta AB, Helsinki	100.0
Pacific Investment Management Company LLC, Dover, DE	98.2
Paramount Group Real Estate Special Situations Fund-A, L.P., New York, NY	100.0
Parc Eolien de Bonneuil SARL, Vincennes Cedex	100.0
Parc Eolien de Croquettes SAS, Paris	100.0
Parc Eolien de Forge SAS, Paris	100.0
Parc Eolien de la Sole du Bois SAS, Paris	100.0
Parc eolien de Longchamps SAS, Paris	100.0
Parc Eolien des Barbes d´Or SAS, Paris	100.0
Parc Eolien des Joyeuses SAS, Paris	100.0
Parc Eolien des Mistandines SAS, Paris	100.0
Parc Eolien du Bois Guillaume SAS, Paris	100.0
Personalized Brokerage Service LLC, Topeka, KS	100.0
Pet Plan Ltd., Guildford	100.0
PFP Holdings Inc., Dover, DE	100.0
PGREF V 1301 Sixth Investors I LLC, Wilmington, DE	100.0
PGREF V 1301 Sixth Investors I LP, Wilmington, DE	100.0
Phenix Absolute Return, Paris	100.0 [4]
Phenix Alternative Holdings, Paris	61.5 [3]
Phenix Sécurité L S.A., Paris	73.9 [3]
Pimco (Switzerland) S.à r.l., Zurich	100.0
PIMCO Asia Ltd., Hong Kong	100.0
PIMCO Asia Pte Ltd., Singapore	100.0
PIMCO Australia Pty Ltd., Sydney	100.0
PIMCO Canada Corp., Toronto, ON	100.0
PIMCO Europe Ltd., London	100.0
PIMCO Funds Ireland plc, Dublin	100.0 [4]
PIMCO Global Advisors (Ireland) Ltd., Dublin	100.0
PIMCO Global Advisors (Resources) Ltd., George Town	100.0
PIMCO Global Advisors LLC, Dover, DE	100.0
PIMCO Global Holdings LLC, Dover, DE	100.0
PIMCO Investments LLC, Dover, DE	100.0
PIMCO Japan Ltd., Road Town, Tortola	100.0
PIMCO Latin America Administradora de Carteiras Ltda., São Paulo	100.0
Pimco Luxembourg IV S.A., Luxembourg	100.0
Primacy Underwriting Agency Pty Ltd., Milson's Point	70.0
Prism Re (Bermuda) Ltd., Hamilton	99.0
Progress-Med OOO, Moscow	100.0
Protexia France S.A., Paris	66.0
PT Asuransi Allianz Life Indonesia p.l.c., Jakarta	99.8
PT Asuransi Allianz Utama Indonesia Ltd., Jakarta	75.0
PTE Allianz Polska S.A., Warsaw	100.0
Q 207 GP S.à r.l., Luxembourg	100.0

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Q207 S.C.S., Luxembourg	94.0
Quality 1 AG, Bubikon	100.0
Questar Agency Inc., Minneapolis, MN	100.0
Questar Agency of Alabama Inc., Ann Arbor, MI	100.0
Questar Agency of Colorado Inc., Denver, CO	100.0
Questar Agency of New Mexico Inc., Santa Fe, NM	100.0
Questar Agency of Ohio Inc., Cleveland, OH	100.0
Questar Agency of Texas Inc., Houston, TX	100.0
Questar Asset Management Inc., Ann Arbor, MI	100.0
Questar Capital Corporation, Minneapolis, MN	100.0
Quintet Properties Ltd., Dublin	100.0
RAS Antares, Milan	100.0 [4]
Ras Private Bank (Suisse) S.A., Lugano	100.0
RB Fiduciaria S.p.A., Milan	100.0
RCM (UK) Ltd., London	100.0
RCM Asia Pacific Ltd., Hong Kong	100.0
RCM Capital Management LLC, Wilmington, DE	100.0
RCM Capital Management Pty Ltd., Sydney	100.0
RCM Japan Co. Ltd., Tokyo	100.0
RCM US Holdings LLC, Wilmington, DE	100.0
Real Faubourg Haussmann SAS, Paris	100.0
Real FR Haussmann SAS, Paris	100.0
Redoma S.à r.l., Luxembourg	100.0
Retail Vending Ltd., Birmingham	100.0
Return 10, Paris	74.7 [3]
Rhea SA, Luxembourg	100.0
Risikomanagement und Softwareentwicklung GmbH, Vienna	100.0
Roland Print B.V., Amsterdam	100.0
Rosno MS, Moscow	100.0
Roster Financial LLC, Voorhees, NJ	100.0
Roxbury Investments Sp. z o.o., Warsaw	87.5
S.C. Asit Services S.R.L., Bucharest	100.0
S.I.B.I. S.A., Paris	100.0
SA Carene Assurance, Paris	100.0
Saint-Barth Assurances SARL, St. Barts	100.0
San Francisco Reinsurance Company, Corp., Novato, CA	100.0
SAS 20 pompidou, Paris	100.0
SAS Allianz Colisée, Paris	100.0
SAS Allianz Forum Seine, Paris	100.0
SAS Allianz Rivoli, Paris	100.0
SAS Allianz Serbie, Paris	100.0
SAS Madeleine Opéra, Paris	100.0
SAS Passage Des Princes, Paris	100.0
SAS Societe d'Exploitation du Parc Eolien de Nelausa, Paris	100.0
Saudi Nextcare LLC, Al Khobar	52.0
SC Tour Michelet, Paris	100.0
SCI 46 Desmoulins, Paris	100.0
SCI Allianz Chateaudun, Paris	100.0
SCI Allianz Messine, Paris	100.0
SCI AVIP La Templerie, Courbevoie	100.0
SCI AVIP SCPI Selection, Courbevoie	100.0
SCI ESQ, Paris	75.0
SCI Prelloyd, Paris	100.0
SCI Stratus, Courbevoie	100.0
SCI Volnay, Paris	100.0
Select Multi. Ger. Croissance, Paris	62.6 [3]
Selecta A/S, Rodovre	100.0
Selecta AB, Stockholm	100.0
Selecta AG, Muntelier	100.0
Selecta AS, Oslo	100.0
Selecta B.V., Waardenburg	100.0
Selecta Betriebsverpflegungs GmbH, Vienna	100.0
Selecta Eesti Osauhing OÜ, Tallinn	100.0
Selecta Group B.V., Amsterdam	98.7
Selecta Holding AB, Stockholm	100.0

	% OWNED [1]
Selecta Holding B.V., Amsterdam	100.0
Selecta Holding Ltd., London	100.0
Selecta Holding SAS, Paris	100.0
Selecta Hungary Automataüzemeltetö Kft., Budapest	100.0
Selecta Luxembourg SA, Leudelange	100.0
Selecta Management AG, Zug	100.0
Selecta Nordic Holding AB, Stockholm	100.0
Selecta Purchasing AG, Zug	100.0
Selecta Refreshments Ltd., Dublin	100.0
Selecta SA, Paris	99.9
Selecta SA, Zaventem	100.0
Selecta TMP AG, Zug	100.0
Selecta UK Ltd., Birmingham	100.0
Selection Multi-Gerants Emergents, Paris	72.0 [3]
Selection Multi-Gerants Value, Paris	54.6 [3]
Semaphore, Paris	99.6 [3]
SI 173-175 Boulevard Haussmann SAS, Paris	100.0
SIA Baltic Payment Systems, Riga	100.0
SIA Selecta, Riga	100.0
Siac Services S.r.l., Rome	100.0
Silex Gas Management AS, Oslo	100.0
Silex Gas Norway AS, Oslo	100.0
Sistemi Informativi Allianz S.p.c.A., Milan	100.0
SLC "Allianz Life Ukraine", Kiev	100.0
SMG Asie Emergente, Paris	52.5 [3]
SNC AGF Clearing, Paris	99.9
Società Agricola San Felice S.p.A., Milan	100.0
Société de Production D'électricité D'harcourt Moulaine SAS, Paris	100.0
Société d'Energie Eolien Cambon SAS, Paris	100.0
Societe d'Exploitation du Parc Eolien d'Aussac Vadalle SAS, Paris	100.0
Société Européenne de Protection et de Services d'Assistance à Domicile S.A., Paris	56.0
Société Nationale Foncière S.A.L., Beirut	66.0
Sofiholding S.A., Brussels	100.0
South City Office Broodthaers SA, Brussels	100.0
SpaceCo S.A., Paris	100.0
SPICAV Allianz France Real Estate Invest, Paris	100.0
Standard General Agency Inc., Dallas, TX	100.0
StocksPLUS Management Inc., Dover, DE	100.0
Synergie Select EV, Paris	64.2 [3]
Téléservices et Sécurité "TEL2S" SARL, Chatillon	99.9
TFI Allianz Polska S.A., Warsaw	100.0
The American Insurance Company, Corp., Cincinnati, OH	100.0
The Annuity Store Financial & Insurance Services LLC, Sacramento, CA	100.0
The MI Group Limited, Guildford	99.4
Three Pillars Business Solutions Limited, Guildford	100.0
Tihama Investments B.V., Amsterdam	100.0
Top Assistance Service GmbH, Vienna	100.0
Top Versicherungsservice GmbH, Vienna	100.0
Top Vorsorge-Management GmbH, Vienna	75.0
Towarzystwo Ubezpieczen Euler Hermes S.A., Warsaw	100.0
Trafalgar Insurance Public Limited Company, Guildford	100.0
Travel Care Inc., Richmond, VA	100.0
TU Allianz Polska S.A., Warsaw	100.0
TU Allianz Zycie Polska S.A., Warsaw	100.0
UAB Selecta, Vilnius	100.0
UTE Gesecopri Servecarve S.r.l., Madrid	100.0
Vendcare (Holdings) Limited, Birmingham	100.0
Vendcare Services Ltd., Birmingham	100.0
Veronia Shelf s.r.o., Prague	100.0
VertBois S.à r.l., Luxembourg	100.0
Via Pierre 1, Paris	100.0

	% OWNED [1]
Viveole SAS, Paris	100.0
Volta, Paris	98.1 [3]
Windpark Les Cent Jalois SAS, Paris	100.0
Wm. H McGee & Co. (Bermuda) Ltd., Hamilton	100.0
Wm. H McGee & Co. Inc., New York, NY	100.0
Wm. H McGee & Co. of Puerto Rico Inc., San Juan	100.0
World Access Europe Ltd., Croydon Surrey	100.0
YAO Investment S.à r.l., Luxembourg	100.0
Yorktown Financial Companies Inc., Minneapolis, MN	100.0
Non-consolidated affiliated entities	
A. Diffusion, Nanterre	99.9
AFA, Paris	99.9
AGF Pension Trustees Ltd., Guildford	100.0
Allianz America Latina S.C. Ltda., Rio de Janeiro	100.0
Allianz Financial Services S.A., Athens	100.0
Allianz Global Corporate & Specialty AG Escritorio de Representacao no Brasil Ltda., São Paulo	100.0
Allianz Global Investors Services (UK) Ltd., London	100.0
Allianz Insurance Services Ltd., Athens	100.0
Allianz International Ltd., Guildford	100.0
Allianz Northern Ireland Limited, Belfast	100.0
Allianz Risk Consultants B.V., Rotterdam	100.0
Blikman & Sartorius B.V., Amsterdam	100.0
business lounge GmbH, Vienna	100.0
CCA, Paris	100.0
Cogar, Paris	100.0
First Rate Direct Limited, Belfast	100.0
Gesellschaft für Vorsorgeberatung AG, Bern	100.0
Gosman & Kraan B.V., Amsterdam	100.0
Guangzhou printcom Printing Supplies Co. Ltd., Guanghzou	100.0
GWS Printing Service B.V., Schijndel	100.0
GWS Printing Systems Holding B.V., Schijndel	100.0
ICC Evaluation, Paris	100.0
Knightsbridge Allianz LP, Bartlesville, OK	99.5 [3]
manroland (China) Ltd., Hong Kong	100.0
manroland (India) Pvt. Ltd., New Delhi	100.0
manroland (Korea) Ltd., Seoul	100.0
manroland (Taiwan) Ltd., Taipei	100.0
manroland Australasia Pty Limited, Regents Park	100.0
manroland Baltics SIA, Riga	100.0
manroland Benelux N.V., Wemmel	100.0
manroland Bulgaria-eood, Sofia	100.0
manroland Canada Inc., Toronto, ON	100.0
manroland CEE AG, Vienna	100.0
manroland Ceská Republika spol. s.r.o., Prague	100.0
manroland Co. Ltd., Tokyo	100.0
manroland d.o.o., Ljubljana	100.0
manroland Danmark A/S, Vaerloese	100.0
manroland do Brasil Servicios Ltda., São Paulo	100.0
manroland Finland Oy, Vantaa	100.0
manroland France SA, Paris	100.0
manroland Great Britain Ltd., Mitcham	100.0
manroland Hrvatska d.o.o., Novaki-SV. Nedjelja	100.0
manroland Iberica Sistemas S.A., Cascais	74.0
manroland Iberica Sistemas S.L., Madrid	100.0
manroland Inc., Westmont, IL	100.0
manroland Ireland Ltd., Dublin	99.7
manroland Italia S.p.A., Milan	99.3
manroland latina Argentina S.A., Buenos Aires	100.0
manroland latina Colombia SAS, Bogotá D.C.	100.0
manroland latina Peru SAC, Lima	100.0
manroland latina S.A., Santiago de Chile	100.0

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manroland latina S.A. de C.V., Mexico City	100.0
manroland Magyarorszag Kft., Budapest	100.0
manroland Malaysia Sdn. Bhd., Kuala Lumpur	100.0
manroland Mexico Servicios S.A. de C.V., Mexico City	100.0
manroland Norge AS, Lörenskog	100.0
manroland Poland Sp. z o.o., Nadarzyn	100.0
manroland Polska Sp. z o.o., Nadarzyn	100.0
manroland Printing Equipment (Shanghai) Ltd., Shanghai	100.0
manroland Printing Equipment (Shenzen) Co. Ltd., Shenzen	100.0
manroland Romania S.R.L., Bucharest	100.0
manroland Singapore Pte Ltd., Singapore	100.0
manroland Southern Africa (Pty) Ltd., Cape Town	100.0
manroland Sverige AB, Trollhättan	100.0
manroland Swiss AG, Kirchberg	100.0
manroland Thailand Ltd., Bangkok	100.0
manroland Western Europe Group B.V., Amsterdam	100.0
OSECA SARL, Dakar	99.6
PPI Media US Inc., Westmont, IL	100.0
Press Services Centre Limited, Mitcham	100.0
printcom (Asia) Limited, Hong Kong	100.0
PT manroland Indonesia Ltd., Jakarta	100.0
RE-AA SA, Abidjan	97.5
SA Immobilière de L'Avenue du Roule, Courbevoie	100.0
SCI champ laurent, Courbevoie	100.0
SCI J.T., Courbevoie	100.0
SCI La Balandrane, Courbevoie	100.0
SCI Paris X, Courbevoie	100.0
SCI Vilaje, Courbevoie	100.0
SIFCOM Assurances, Abidjan	60.0
Société Foncière Européenne, Amsterdam	100.0
Top Versicherungs-Vermittler Service GmbH, Vienna	100.0
Votra S.A., Lausanne	100.0
Joint Ventures	
Allee-Center Kft., Budapest	50.0
Allianz C.P. General Insurance Co. Ltd., Bangkok	50.0
Atencion Integral a la Dependencia S.L., Cordoba	50.0
Bajaj Allianz Financial Distributors Limited, Pune	50.0
Compania de Seguro de Creditos S.A., Lisbon	50.0
Dorcasia Ltd., Sydney	50.0
Euro Nederland B.V., Amsterdam	50.0
Europe Logistics Venture 1 FCP-FIS, Luxembourg	83.3[7]
International Shopping Centre Investment S.A., Luxembourg	50.0
Market Street Trust, Sydney	50.0
Millea Mondial Co. Ltd., Tokyo	50.0
One Beacon Joint Venture LP, Wilmington, DE	50.0
Previndustria - Fiduciaria Previdenza Imprenditori S.p.A., Milan	50.0
SC Holding, Paris	50.0
TopTorony Ingatlanhasznosító Zrt., Budapest	50.0
Associated Entities	
21 Gestion Active, Paris	24.4[3]
ABS Credit Plus, Paris	24.4[3]
AGF Peh Eur. IV FCPR, Paris	51.4[3,8]
AGF Peh France IV C, Paris	36.2[3]
AGIF RCM European Equity Dividend AT/IT, Luxembourg	24.7[3]
Allianz Actions Euro MidCap, Paris	36.7[3]

	% OWNED[1]
Allianz EFU Health Insurance Ltd., Karachi	49.0
Allianz Euro Emprunts d'Etat, Paris	49.8[3]
Allianz Euro Oblig Court Terme ISR, Paris	48.8[3]
Allianz Euro Tactique, Paris	44.2[3]
Allianz Europe Convertible, Paris	49.4[3]
Allianz Fóndika S.A. de C.V., Mexico City	26.8
Allianz Global Sustainability, Luxembourg	24.2[3]
Allianz Invest Cash, Vienna	37.2[3]
Allianz Invest Eurorent Liquid, Vienna	44.9[3]
Allianz Invest Osteuropa, Vienna	44.0[3]
Allianz Invest Vorsorgefonds, Vienna	37.4[3]
Allianz Multi Top Croissance, Paris	48.1[3]
Allianz Multi Top Harmonie, Paris	25.9[3]
Allianz PIMCO Euro Bond Total Return, Senningerberg	20.6[3]
Allianz Saudi Fransi Cooperative Insurance Company, Riyadh	32.5
Allianz Securicash SRI, Paris	18.6[3,8]
Altaprofits, Paris	20.0
APEH France Investissement 2 FCPR, Paris	44.9[3]
Archstone Multifamily Partners AC JV LP, Engelwood, CO	40.0
Archstone Multifamily Partners AC LP, Wilmington, DE	28.6
ARCM GB EM MK EQ, Dublin	27.5[3]
Areim Fastigheter 2 AB, Stockholm	28.4
Ariel, Paris	38.2[3]
Assurcard S.A., Haasrode	25.0
Autoelektro tehnicki pregledi d.o.o., Vojni´c	49.0
Bajaj Allianz General Insurance Company Ltd., Pune	26.0
Bajaj Allianz Life Insurance Company Ltd., Pune	26.0
Berkshire Hathaway Services India Private Limited, New Delhi	20.0
Berkshire India Private Limited, New Delhi	20.0
Biosphere A, Paris	38.2[3]
BMM Audace, Marseille	39.1[3]
BMM France Croissance, Marseille	29.7[3]
BMM Long Terme (D), Marseille	48.5[3]
BMM Obligations (D), Marseille	20.9[3]
BMM Obliplus, Marseille	37.2[3]
Broker on-line de productores de seguros S.A., Buenos Aires	30.0
Brunei National Insurance Company Berhad Ltd., Bandar Seri Begawan	25.0
Capimmovalor, Paris	33.6
Chicago Parking Meters LLC, Wilmington, DE	49.9
Citylife S.r.l., Milan	33.0
Claresco Europe, Paris	20.2[3]
Cofitem Cofimur S.A., Paris	22.1
Data Quest SAL, Beirut	36.0
Digital Fds-Stars Europe, Luxembourg	22.3[3]
Douglas Emmett Partnership X LP, Santa Monica, CA	28.6
Dr. Ignaz Fiala GmbH, Vienna	33.3
DSB BlackRock India Investment Fund, Mauritius	23.7[3]
Euro Media Group S.A., Bry-sur-Marne	21.5
Fondo Vesta, Rome	25.5[3]
Four Oaks Place LP, Wilmington, DE	49.0
GAP 1 AN Canton, Paris	33.0[3]
GAP Euros Canton, Paris	37.7[3]
Gestion Produits Dyn, Puteaux	46.2[3]
Graydon Holding N.V., Amsterdam	27.5
Guotai Jun' an Allianz Fund Management Company Ltd., Shanghai	49.0
Henderson UK Outlet Mall Partnership LP, Edinburgh	19.5[8]
ICG Convertibles-Rendement	33.8[3]
ICIC, Tel Aviv	33.3

	% OWNED[1]
Interpolis Kredietverzekeringen N.V., Hertogenbosch	45.0
Inventus Capital Partners Fund II Ltd., Ebene	20.0
Invesc Multi Plus E, Paris	33.8[3]
IPE Tank and Rail Investment 1 S.C.A., Luxembourg	48.8
JPMorgan IIF UK1 LP, Dublin	36.7
Le Cottage, Paris	35.4[3]
MedCentreStrakh ZAO, Moscow	36.4
Medgulf Allianz Takaful B.S.C., Seef	25.0
Metropole New Euro I, Luxembourg	49.8[3]
MM Composition Amerique, Marseille	47.6[3]
MMGI Euromix Action, Marseille	27.6[3]
Natinium 2007-1 plc, Dublin	48.4[3]
New Path S.A., Buenos Aires	40.0
Oddo Avenir (D), Paris	22.7[3]
Oddo Capital Monde, Paris	31.1[3]
Oddo Convertibles, Paris	26.7[3]
Oddo Convertibles Taux, Paris	26.6[3]
Oddo Court Terme, Paris	34.6[3]
Oddo et Cie SCA, Paris	20.0
Oddo Euro Index AC, Paris	21.6[3]
Oddo Europe, Paris	35.5[3]
Oddo FR IND ACT A, Paris	41.5[3]
Oddo Generation C, Paris	28.1[3]
Oddo Gestion Prudente, Paris	28.3[3]
Oddo Immobilier C, Paris	21.7[3]
Oddo Indice Japon, Paris	35.6[3]
Oddo Rendement 2013, Paris	30.2[3]
Oddo Rendement 2015, Paris	26.1[3]
Oddo US Mid Cap, Paris	36.9[3]
Oddo USA Index Actif, Paris	29.4[3]
OeKB EH Beteiligungs- und Management AG, Vienna	49.0
OVS Opel VersicherungsService GmbH, Vienna	40.0
PAR Holdings Limited, Hamilton	20.8
PERFECTIS I Ltd., Paris	27.3[3]
PGREF V 1301 Sixth Holding LP, Wilmington, DE	24.5
PGRESS Debt Holdings LP, Wilmington, DE	20.0
PHRV (Paris Hotels Roissy Vaugirard), Paris	30.6
Pinatton France, Paris	25.3[3]
Povolzhskiy Leasing Center OOO, Moscow	20.0
Red Mountain Capital Partners I L.P., Los Angeles, CA	25.0[3]
RMCP PIV DPC L.P., Los Angeles, CA	25.0[3]
Roskurort ZAO, Moscow	50.0[8]
Scandferries Chartering A/S, Copenhagen	35.0
SDU Finco B.V., Amsterdam	49.7
SK Versicherung AG, Vienna	25.8
Societe de Distributuin Automatique, Tunis	49.0
Solveig Gas Holdco AS, Oslo	30.0
Sunderland Insurance Services Inc., Fargo, ND	40.0
UNIM, Paris	30.0
Wattinvest C, Paris	39.0[3]
Wheelabrator INV, Paris	27.0[3]
White Knight FCPR SARL, Paris	21.0[3]
Wildlife Works Carbon LLC, San Francisco, CA	10.0[8]
XAnge Capital SARL, Paris	21.0[3]
Other Participations between 5 and 20 % of voting rights	
Al Nisr Al Arabi, Amman	18.0
Banco BPI S.A., Porto	8.8
Zagrebacka banka d.d., Zagreb	11.7

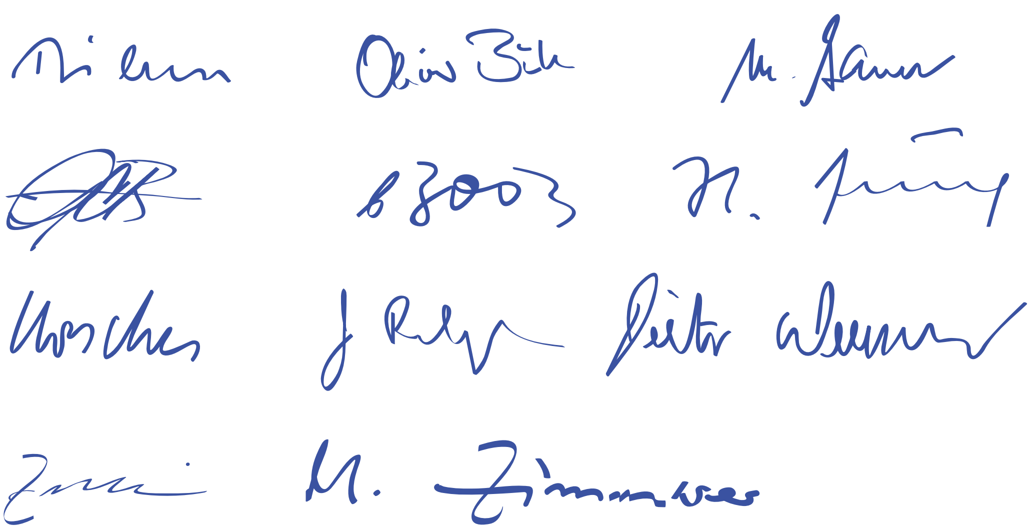
1 — Percentage includes equity participations held by dependent entities in full, even if the Allianz Group's share in the dependent entity is below 100%.
2 — Controlled by the Allianz Group.
3 — Mutual, private equity or special fund.
4 — Investment fund.
5 — Releasing impact according to § 264 (3) HGB through the Allianz Group's consolidated financial statements.
6 — Group share through indirect holder Roland Holding GmbH, Munich: 74.1%.
7 — Classified as joint venture according to IAS 31.
8 — Classified as associated entity according to IAS 28.
9 — Insolvent. Dependent entities are shown in a way, which reflects the state as of the date of filing for insolvency.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Munich, 18 February 2013

Allianz SE
The Board of Management



AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by Allianz SE, Munich, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes, together with the group management report for the business year from 1 January to 31 December 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the E.U., and the additional requirements of German commercial law pursuant to §315a para. 1 HGB [Handelsgesetzbuch "German Commercial Code"] and supplementary provisions of the articles of incorporation are the responsibility of the parent company`s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with §317 HGB 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 consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group 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 consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group 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 consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to §315a para. 1 HGB 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 Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group'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)

FURTHER INFORMATION

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E

Further Information

Joint Advisory Council of the Allianz Companies

DR. HELMUT PERLET
since 9 May, 2012
Chairman
Chairman of the Supervisory Board
Allianz SE

DR. HENNING SCHULTE-NOELLE
until 9 May, 2012
Chairman
Former Chairman of the Supervisory Board
Allianz SE

DR. KURT BOCK
Chairman of the Board of Executive Directors
BASF SE

DR. THOMAS ENDERS
since 1 January, 2013
Chief Executive Officer
EADS N.V.

FRANZ FEHRENBACH
Managing Partner
Robert Bosch Industrietreuhand KG
Chairman of the Supervisory Board
Robert Bosch GmbH

PROF. DR. BERND GOTTSCHALK
until 31 December, 2012
Former Member of the Board of Management
Mercedes-Benz AG

DR. RÜDIGER GRUBE
Chairman of the Board and CEO
Deutsche Bahn AG

JIM HAGEMANN SNABE
since 1 January, 2013
Co-Chief Executive Officer
SAP AG

HERBERT HAINER
Chairman of the Board of Management
adidas AG

PROF. DR.-ING. E.H. HANS-OLAF HENKEL
until 31 December, 2012
Honorary Professor, University of Mannheim

DR. JÜRGEN HERAEUS
Chairman of the Supervisory Board
Heraeus Holding GmbH

PROF. DR. DIETER HUNDT, SENATOR E. H.
Chairman of the Supervisory Board
Allgaier Werke GmbH

PROF. DR.-ING. DR.-ING. E.H. HANS-PETER KEITEL
President of BDI-Federation of German Industries
until 31 December, 2012
Vice-President of BDI-Federation of German Industries
since 1 January, 2013

DR. NICOLA LEIBINGER-KAMMÜLLER
Chief Executive Officer
Trumpf GmbH + Co. KG

DR. BERND PISCHETSRIEDER
until 31 December, 2012
Advisor to the Board
Volkswagen AG

DR.-ING. DR.-ING. E.H. NORBERT REITHOFER
Chairman of the Board of Management
BMW AG

HARRY ROELS

KASPER RORSTED
Chairman of the Board of Management
Henkel AG & Co. KGaA

DR. H. C. WALTER SCHEEL
until 31 December, 2012
Former President of the Federal Republic of Germany

DR. MANFRED SCHNEIDER
Chairman of the Supervisory Board
Bayer AG

PROF. DR. DENNIS J. SNOWER
President of the Kiel Institute for the World Economy

HOLGER STRAIT
until 31 December, 2012
Managing Partner
J. G. Niederegger GmbH & Co. KG

DR.-ING. E. H. HEINRICH WEISS
Chief Executive Officer
SMS Holding GmbH

MANFRED WENNEMER
Chairman of the Supervisory Board
Hochtief AG

International Advisory Board

DR. PAUL ACHLEITNER
until July 2012
Chairman of the Supervisory Board
Deutsche Bank AG

BELMIRO DE AZEVEDO
until June 2012
Chairman of Sonae SGPS, S.A.

PAULO DE AZEVEDO
since January 2013
CEO of Sonae SGPS, S.A.

ALFONSO CORTINA DE ALCOCER
Vicechairman Rothschild Europe BV,
Senior Advisor at Texas Pacific Group

AMBASSADOR ROBERT M. KIMMITT
since January 2013
Senior International Counsel, WilmerHale

PETER COSTELLO
Guardian of the Australian Future Fund

DR. JÜRGEN HAMBRECHT
Former Chairman of the Board of
Executive Directors, BASF SE

FRED HU
Founder and Chairman of Primavera Capital
Group

FRANZ HUMER
Chairman of the Board of Directors of
Roche Holding Ltd,
Chairman of Diageo plc

IAIN LORD VALLANCE OF TUMMEL
Chairman of the Board of Directors, Amsphere Ltd

MINORU MAKIHARA
Senior Corporate Advisor of Mitsubishi
Corporation

CHRISTOPHE DE MARGERIE
Chairman and Chief Executive Officer of Total S.A.

JACQUES NASSER
Chairman BHP Billiton,
Senior Advisor of One Equity Partners

DR. GIANFELICE ROCCA
Chairman of Techint Group of Companies

ANGEL RON
Chairman and Chief Executive Officer of
Banco Popular

ANTHONI SALIM
President and Chief Executive Officer of
Salim Group

LOUIS SCHWEITZER
Président d'Honneur de Renault

DR. MARCO TRONCHETTI PROVERA
Chairman and Chief Executive Officer of
Pirelli & C. S.p.A.

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 comparable[1] 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 comparable[1] 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 comparable[1] 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 comparable[1] 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 comparable[1] 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 comparable[1] 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 comparable[1] 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 comparable[1] 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 comparable[1] 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 poist'ovna 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 comparable[1] 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 comparable[1] supervisory bodies
Membership in Group bodies
Allianz Australia Insurance Ltd.
Allianz Insurance plc (Chairman)
Allianz Irish Life Holdings plc
Euler Hermes S.A. (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.

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 comparable[1] 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 comparable[1] 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 comparable[1] 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

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 comparable[1] 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 comparable[1] 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.

Glossary

The accounting terms explained here are intended to help the reader understand this Annual Report. Most of these terms concern the balance sheet or the income statement. Terminology relating to particular segments has not been included.

A

ACQUISITION COST
The amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition.

AFFILIATED ENTERPRISES
The parent company of the Group and all consolidated subsidiaries. Subsidiaries are enterprises where the parent company can exercise a significant influence over their corporate strategy in accordance with the control concept. This is possible, for example, where the parent company holds, directly or indirectly, a majority of the voting rights, has the power to appoint or remove a majority of the members of the Board of Management or equivalent governing body, or where there are contractual rights of control.

AGGREGATE POLICY RESERVES
Policies in force – especially in life, health, and personal accident insurance – give rise to potential liabilities for which funds have to be set aside. The amount required is calculated actuarially.

ALLOWANCE FOR LOAN LOSSES
The overall volume of provisions includes allowances for credit losses – deducted from the asset side of the balance sheet – and provisions for risks associated with contingencies, such as guarantees, loan commitments or other obligations, which are stated as liabilities.

Where it is determined that a loan cannot be repaid, the uncollectable amount is written off against any existing specific loan loss allowance, or directly recognized as expense in the income statement. Recoveries on loans previously written off are recognized in the income statement under net loan loss provisions.

ASSETS UNDER MANAGEMENT
The total of all investments, valued at current market value, which the Group has under management with responsibility for maintaining and improving their performance. In addition to the Group's own investments, they include investments held under management for third parties.

ASSOCIATED ENTERPRISES
All enterprises, other than affiliated enterprises or joint ventures, in which the Group has an interest of between 20% and 50%, regardless of whether a significant influence is actually exercised or not.

AT AMORTIZED COST
Under this accounting principle the difference between the acquisition cost and redemption value (of an investment) is added to or subtracted from the original cost figure over the period from acquisition to maturity and credited or charged to income over the same period.

AVAILABLE-FOR-SALE INVESTMENTS
Available-for-sale investments are securities which are neither held to maturity nor have been acquired for sale in the near term; available-for-sale investments are carried at fair value in the balance sheet.

B

BUSINESS COMBINATION
A business combination is a transaction or event in which an acquirer obtains control of one or more businesses. Business combinations are accounted for using the acquisition method.

C

CASH FLOW STATEMENT
– Statement showing movements of cash and cash equivalents during an accounting period, classified by three types of activity:
– operating activities
– investing activities
– financing activities

CERTIFICATED LIABILITIES
Certificated liabilities comprise debentures and other liabilities for which transferable certificates have been issued.

CFO FORUM
The European Insurance CFO Forum is a high-level discussion group formed and attended by the Chief Financial Officers of major European listed insurance companies. Its aim is to influence the development of financial reporting, value based reporting, and related regulatory developments for insurance enterprises on behalf of its members, who represent a significant part of the European insurance industry.

COLLATERALIZED DEBT OBLIGATION (CDO)
A way of packaging credit risk. Several classes of securities (known as tranches) are created from a portfolio of bonds and there are rules for determining how the cost of defaults are allocated to classes.

COMBINED RATIO
Represents the total of acquisition and administrative expenses (net) and claims and insurance benefits incurred (net) divided by premiums earned (net).

CONTINGENT LIABILITIES
Financial obligations not shown as liabilities on the balance sheet because the probability of a liability actually being incurred is low. Example: guarantee obligations.

CORRIDOR APPROACH
With defined benefit plans, differences come about between the actuarial gains and losses which, when the corridor approach is applied, are not immediately recognized as income or expenses as they occur. Only when the cumulative actuarial gains or losses fall outside the corridor is recognition made from the following year onwards. The corridor is 10% of the present value of the pension rights accrued or of the market value of the pension fund assets, if this is higher.

COUNTER-CYCLICAL PREMIUM (CCP)
Under the current Solvency II guideline, a full spread risk calculation is required for all fixed income assets except government bonds in the European Economic Area. In recent developments it was recognized by regulatory authorities that this could create an artificial volatility for the risk-bearing funds as well as for the risk capital which does not truly reflect an insurer's business model, where assets are usually held to maturity to a large extent and spread risk would only become relevant in case of forced sales of assets. Therefore, the counter-cyclical premium (CCP) was introduced (e.g. within the draft of the Level 2 implementing measures of Solvency II) as a means to counter the exposure to this spread volatility and thus to reduce the impact of distorted markets on the determination of the available financial resources due to illiquidity. Effectively, the CCP is considered as one component of the discount curve in the liability valuation.

COST-INCOME RATIO
Represents operating expenses divided by operating revenues.

CREDIT RISK
The risk that one party to a contract will fail to discharge its obligations and thereby cause the other party to incur financial loss.

CURRENT EMPLOYER SERVICE COST
Net expense incurred in connection with a defined benefit plan less any contributions made by the beneficiary to a pension fund.

D

DEFERRED ACQUISITION COSTS
Expenses of an insurance company which are incurred in connection with the acquisition of new insurance policies or the renewal of existing policies. They include commissions paid, underwriting expenses and policy issuance costs.

DEFERRED TAX ASSETS/ LIABILITIES
The calculation of deferred tax is based on tax loss carry forwards, tax credit carry forwards and temporary differences between the carrying amounts of assets or liabilities in the published balance sheet and their tax base, and on differences arising from applying uniform valuation policies for consolidation purposes. The tax rates used for the calculation are the local rates applicable in the countries of the enterprises included in the consolidation; changes to tax rates already adopted on the balance sheet date are taken into account.

DEFINED BENEFIT PLANS
For defined benefit plans, the participant is granted a defined benefit by the employer or via an external entity. In contrast to defined contribution arrangements, the future cost to the employer of a defined benefit plan is not known with certainty in advance. To determine the expense over the period, accounting regulations require that actuarial calculations are carried out according to a fixed set of rules.

DEFINED CONTRIBUTION PLANS
Defined contribution plans are funded through independent pension funds or similar organizations. Contributions fixed in advance (e.g. based on salary) are paid to these institutions and the beneficiary's right to benefits exists against the pension fund. The employer has no obligation beyond payment of the contributions and is not participating in the investment success of the contributions.

DERIVATIVE FINANCIAL INSTRUMENTS
Financial contracts, the values of which move in relationship to the price of an underlying asset. Derivative financial instruments can be classified in relation to their underlying assets (e.g. interest rates, share prices, foreign currency exchange rates or prices of goods). Important examples of derivative financial instruments are options, futures, forwards and swaps.

E

EARNINGS PER SHARE (BASIC/ DILUTED)
Ratio calculated by dividing the net income for the year attributable to shareholders by the weighted average number of shares outstanding. For calculating diluted earnings per share the number of shares and the net income for the year attributable to shareholders are adjusted by the dilutive effects of any rights to subscribe for shares which have been or can still be exercised. Subscription rights arise in connection with participation certificates and share based compensation plans.

EQUITY CONSOLIDATION
The relevant proportion of cost for the investment in a subsidiary is set off against the relevant proportion of the shareholders' equity of the subsidiary.

EQUITY METHOD
Investments in joint ventures and associated companies are accounted for by this method. They are valued at the Group's proportionate share of the net assets of the companies concerned. In the case of investments in companies which prepare consolidated financial statements of their own, the valuation is based on the sub-group's consolidated net assets. The valuation is subsequently adjusted to reflect the proportionate share of changes in the company's net assets, a proportionate share of the company's net earnings for the year being added to the Group's consolidated income.

EXPENSE RATIO
Represents acquisition and administrative expenses (net) divided by premiums earned (net).

F

FAIR VALUE
The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

FAIR VALUE OPTIONS
Options valued at market value.

FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH INCOME
Financial assets carried at fair value through income include financial assets held for trading and financial assets designated at fair value through income.

FINANCIAL LIABILITIES CARRIED AT FAIR VALUE THROUGH INCOME
Financial liabilities carried at fair value through income include financial liabilities held for trading and financial liabilities designated at fair value through income.

FINANCIAL VAR
Financial Value at Risk (VaR) is the diversified aggregation of market risk and credit risk.

FORWARDS
The parties to this type of transaction agree to buy or sell at a specified future date. The price of the underlying assets is fixed when the deal is struck.

FUNCTIONAL CURRENCY
The functional currency is the prevailing currency in the primary economic environment where the subsidiary conducts its ordinary activities.

FUNDS HELD BY/FOR OTHERS UNDER REINSURANCE CONTRACTS
Funds held by others are funds to which the reinsurer is entitled but which the ceding insurer retains as collateral for future obligations of the reinsurer. The ceding insurer shows these amounts as "funds held under reinsurance business ceded."

FUTURES
Standardized contracts for delivery on a future date, traded on an exchange. Normally, rather than actually delivering the underlying asset on that date, the difference between closing market value and the exercise price is paid.

G

GOODWILL
Difference between the cost of acquisition and the fair value of the net assets acquired.

GROSS/NET
In insurance terminology the terms gross and net mean before and after deduction of reinsurance, respectively. In the investment terminology the term "net" is used where the relevant expenses (e.g. depreciations and losses on the disposal of assets) have already been deducted.

GROUP SHARE (%)
The Group share is the total of all interests held by affiliated enterprises and joint ventures in affiliated enterprises, joint ventures, and associated enterprises.

H

HEDGING
The use of special financial contracts, especially derivative financial instruments, to reduce losses which may arise as a result of unfavorable movements in rates or prices.

HELD FOR SALE
A non-current asset is classified as held for sale if its carrying amount will be recovered principally through sale rather than though continuing use. On the date a non-current asset meets the criteria as held for sale, it is measured at the lower of its carrying amount and fair value less costs to sell.

HELD-TO-MATURITY INVESTMENTS
Held-to-maturity investments comprise debt securities held with the intent and ability that they will be held-to-maturity. They are valued at amortized cost.

I

IAS
International Accounting Standards.

IFRS
International Financial Reporting Standards. Since 2002, the designation IFRS applies to the overall framework of all standards approved by the International Accounting Standards Board. Already approved standards will continue to be cited as International Accounting Standards (IAS).

IFRS FRAMEWORK
The framework for International Financial Reporting Standards (IFRS) which sets out the concepts that underlie the preparation and presentation of financial statements for external users.

INCOME FROM FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE THROUGH INCOME (NET)
Income from financial assets and liabilities carried at fair value through income (net) includes all realized and unrealized gains and losses including interest and dividend income from financial assets and financial liabilities carried at fair value through income, the income (net) from financial liabilities for puttable equity instruments and the foreign currency gains and losses (net).

ISSUED CAPITAL AND CAPITAL RESERVES
This heading comprises the capital stock, the premium received on the issue of shares, and amounts allocated when option rights are exercised.

J

JOINT VENTURE
An enterprise which is managed jointly by an enterprise in the Group and one or more enterprises not included in the consolidation. The extent of joint management control is more than the significant influence exercised over associated enterprises and less than the control exercised over affiliated enterprises.

L

LOSS FREQUENCY
Number of losses in relation to the number of insured risks.

LOSS RATIO
Represents claims and insurance benefits incurred (net) divided by premiums earned (net).

M

MARKET VALUE
The amount obtainable from the sale of an investment in an active market.

N

NON-CONTROLLING INTERESTS
Those parts of the equity of affiliated enterprises which are not owned by companies in the Group.

NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS
That part of net income for the year which is not attributable to the shareholders of the Allianz Group but to other third parties who hold shares in affiliated enterprises.

O

OPTIONS
Derivative financial instruments where the holder is entitled – but not obliged – to buy (call option) or sell (put option) the underlying asset at a predetermined price sometime in the future. The grantor (writer) of the option, on the other hand, is obliged to transfer or buy the asset and receives a premium for granting the option to the purchaser.

OTC DERIVATIVES
Derivative financial instruments which are not standardized and not traded on an exchange but are traded directly between two counterparties via over-the-counter (OTC) transactions.

P

PARTICIPATING CERTIFICATES
Amount payable on redemption of participating certificates issued. The participating certificates of Allianz SE carry distribution rights based on the dividends paid, and subscription rights when the capital stock is increased; but they carry no voting rights, no rights to participate in any proceeds of liquidation, and no rights to be converted into shares.

PENSION AND SIMILAR OBLIGATIONS
Reserves for current and future post-employment benefits formed for the defined benefit plans of active and former employees. These also include reserves for health care benefits and processing payments.

PREMIUMS WRITTEN/EARNED
Premiums written represent all premium revenues in the year under review. Premiums earned represent that part of the premiums written used to provide insurance coverage in that year. In the case of life insurance products where the policyholder carries the investment risk (e.g. variable annuities), only that part of the premiums used to cover the risk insured and costs involved is treated as premium income.

R

REINSURANCE
Where an insurer transfers part of the risk which he has assumed to another insurer.

REPLICATING PORTFOLIO
Representation of the liabilities of our Life/Health insurance business via standard financial instruments. This form of representation mimics the behavior of these liabilities under different market conditions and allows for efficient risk calculations on the basis of Monte Carlo simulations.

REPURCHASE AND REVERSE REPURCHASE AGREEMENTS
A repurchase (repo) transaction involves the sale of securities by the Group to a counterparty, subject to the simultaneous agreement to repurchase these securities at a certain later date, at an agreed price. The securities concerned are retained in the Group's balance sheet for the entire lifetime of the transaction, and are valued in accordance with the accounting principles for financial assets carried at fair value through income or investment securities, respectively. The proceeds of the sale are reported in liabilities to banks or to customers, as appropriate. A reverse repo transaction involves the purchase of securities with the simultaneous obligation to sell these securities at a future date, at an agreed price. Such transactions are reported in loans and advances to banks, or loans and advances to customers, respectively. Interest income from reverse repos and interest expenses from repos are accrued evenly over the lifetime of the transactions and reported under interest and similar income or interest expenses.

RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES
Reserves for the cost of insurance claims incurred by the end of the year under review but not yet settled.

RESERVE FOR PREMIUM REFUNDS
That part of the operating surplus which will be distributed to policyholders in the future. This refund of premiums is made on the basis of statutory, contractual, or company by-law obligations, or voluntary undertaking.

RETAINED EARNINGS
In addition to the reserve required by law in the financial statements of the Group parent company, this item consists mainly of the undistributed profits of Group enterprises and amounts transferred from consolidated net income.

RISK APPETITE
The level of risk that an organization is prepared to accept, before action is deemed necessary to reduce it. We define risk appetite therefore clearly and comprehensively by using target and minimum risk indicators, (quantitative) limit systems, or adequate policies, standards and guidelines to determine the "boundaries" of the Group's business operations.

S

SEGMENT REPORTING
Financial information based on the consolidated financial statements, reported by business segments (Property-Casualty, Life/Health, Asset Management and Corporate and Other) as well as by reportable segments.

SUBORDINATED LIABILITIES
Liabilities which, in the event of liquidation or bankruptcy, are not settled until after all other liabilities.

SWAPS
Agreements between two counterparties to exchange payment streams over a specified period of time. Important examples include currency swaps (in which payment streams and capital in different currencies are exchanged) and interest rate swaps (in which the parties agree to exchange normally fixed interest payments for variable interest payments in the same currency).

U

UNEARNED PREMIUMS
Premiums written attributable to income of future years. The amount is calculated separately for each policy and for every day that the premium still has to cover.

UNRECOGNIZED GAINS/LOSSES
Amount of actuarial gains or losses, in connection with defined benefit pension plans, which are not yet recognized as income or expenses (see also "corridor approach").

UNRECOGNIZED PAST SERVICE COST
Present value of increases in pension benefits relating to previous years' service, not yet recognized in the pension reserve.

US GAAP
Generally Accepted Accounting Principles in the United States of America.

V

VARIABLE ANNUITIES
The benefits payable under this type of life insurance depend primarily on the performance of the investments in a mutual fund. The policyholder shares equally in the profits or losses of the underlying investments.

Y

YIELD CURVE EXTRAPOLATION
We apply the same methodology to determine the risk free yield curve for discounting assets and liabilities 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.

The method takes traded market data into account until the maturity where market quotes are expected to be deep and liquid. After this last liquid period we apply a macroeconomic extrapolation technique to construct the curve by making use of forward rate assumptions. This technique interpolates between the last observable liquid forward rate per currency and the currency-specific unconditional forward rate (UFR) for a later maturity. The UFR for each currency is based on estimates of the expected inflation as well as the long-term average of the short-term real rate. After reaching this UFR the forward yield remains constant over time. These derived forward rates are applied to calculate the final yield curve. Notably in EUR we start extrapolating at 20 years, applying a UFR of 4.2% which is kept constant after 60 years.

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Financial calendar

Important dates for shareholders and analysts[1]

Annual General Meeting	7 May 2013
Interim Report 1Q	15 May 2013
Interim Report 2Q	2 August 2013
Interim Report 3Q	8 November 2013
Financial Results 2013	27 February 2014
Annual Report 2013	14 March 2014
Annual General Meeting	7 May 2014

1 — The German Securities Trading Act ("Wertpapierhandelsgesetz") obliges issuers to announce immediately any information which may have a substantial price impact, irrespective of the communicated schedules. Therefore we cannot exclude that we have to announce key figures related to quarterly and fiscal year results ahead of the dates mentioned above. As we can never rule out changes of dates, we recommend checking them on the internet at www.allianz.com/financialcalendar.

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