COMPETENCE CHANGE FUTURE

ALLIANZ GROUP
ANNUAL REPORT 2017

Allianz

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

TO OUR INVESTORS

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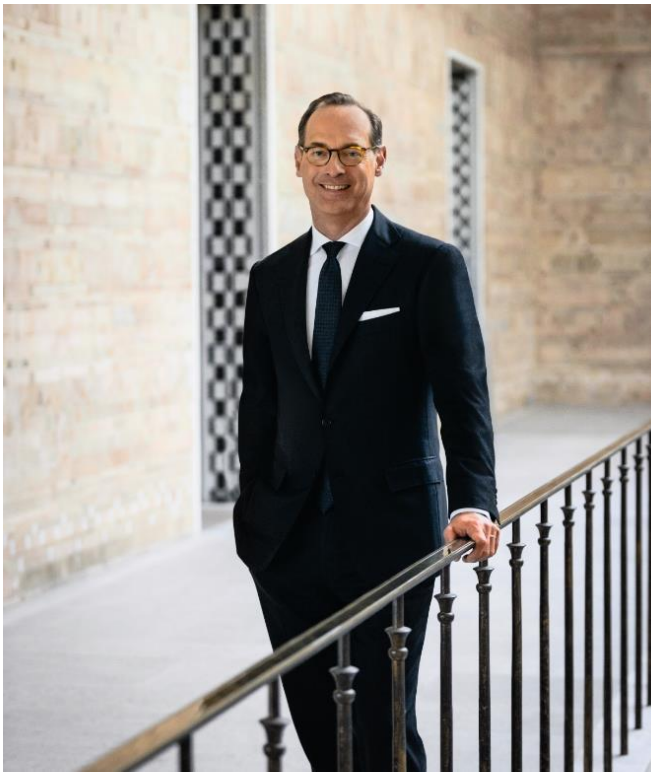

OLIVER BÄTE
Chairman of the
Board of Management

Dear Investors –

The year 2017 looks to be the most expensive year for insurers in terms of natural catastrophes. And yet, for Allianz investors there is no cause for alarm. Even in a year marked by numerous natural disasters, persistent low interest rates, and political uncertainties, we delivered an operating profit of € 11.1 bn and achieved € 6.8 bn in net income attributable to shareholders. Our robust balance sheet demonstrates our strength and resilience: Our Solvency II capitalization ratio was again strong, amounting to 229 % as of 31 December 2017.

These are all clear signs that the Renewal Agenda, our global strategy program, is producing results. One of its objectives is technical excellence – and the figures show how good a grip our people have on the business. We are also making good progress on the other objectives laid down in our Renewal Agenda. Above all, we are placing a stronger focus on customer satisfaction, in addition to financial figures – and customer satisfaction has reached above-average levels in 60 % of our businesses. We are growing again, too: Our total revenues increased by 3 % this past year, reaching € 126 bn by year-end. We are making progress in steering our company culture towards a culture of "Inclusive Meritocracy"; I am particularly proud of these developments, which have been confirmed by the annual improvements in our employee engagement survey. I have great respect for how both our in-house employees and our sales partners are coping with the double challenge of implementing the Renewal Agenda while continuing their daily work to provide our customers with the most comprehensive and uncomplicated service possible. My sincere thanks go to them all.

These are some of the joint achievements we are proud to report for 2017:

- Asset Management delivered outstanding results, with PIMCO performing strongly and AllianzGI prospering as well.
- In life insurance, we have managed to set ourselves even further apart from the competition by successfully shifting the portfolio to less capital-intensive products, thus adding more value for customers. We were rewarded with a new-business margin of 3.4 % and a 30 % increase in the value of new business.
- We have made some important investment decisions, most recently the increase in our stake in our credit insurer Euler Hermes, a global leader. In the United Kingdom we have entered into a joint venture with the insurer LV=, thus creating the third-largest retail insurer in the country with substantial long-term growth potential. In North Africa, we officially launched operations under the new name Allianz Maroc at the beginning of the year, thus expanding our presence in the region. Acquisitions in Nigeria and Saudi Arabia will further strengthen our position. Last but not least, we have invested in Lemonade, a digital insurer whose market presence and technology-driven business model will serve as an example for customer-oriented and end-to-end digitalization.

- At the same time, we have divested businesses that did not offer satisfactory profitability prospects and will probably be better off in someone else's hands. This includes the decision to sell our shares in Oldenburgische Landesbank AG, as well as to transfer a large life portfolio in Taiwan. Furthermore, our 2017 balance sheet was no longer negatively impacted by our South Korean life insurer, the sale of which was concluded in the previous year.

Our strength is also noticed by the general public: According to Brand Finance, Allianz's brand value is the highest of all globally operating insurers. The Allianz brand stands for quality and expertise, trust and reliability – all attributes that have lost none of their appeal in the digital age.

What does all of this mean for you, our investors? The market capitalization of Allianz grew by € 12.6 bn in 2017. As a result, the value of your shares increased 22.0%. We have proposed to the Supervisory Board that the dividend for the 2017 financial year shall be increased to € 8.00, a 5% plus and the fifth dividend increase in succession.

In addition, as a further step to increase your company's capital efficiency, we have launched another share buy-back program for 2018 worth up to € 2 bn. The program also shows how confident we are that we will continue to grow our value even in uncertain times. Note, however, that we do not intend to make this a habit – rather, we are taking advantage of current business conditions. Looking at the entire year 2017, the total return on your investment in Allianz shares (share price plus dividend payment) was 27.3% – compared to an average total return across all STOXX Europe 600 Insurance stocks of 11.7% and across all DAX stocks of 12.5%.

So, what's next?

We are very much aware that we continue to have a lot of work ahead of us. In particular, we need to become more productive and we need to be quicker and more rigorous in tackling necessary changes, especially in the area of digitalization. This will be one of the most urgent goals to pursue this year and over the next few years. It specifically concerns our property-casualty insurance, but not only. The key levers are to reduce complexity and to consistently simplify products, structures, and sales processes; we also need to increase agility, establish scalable platforms, and, of course, continue digitalizing everything we do.

Our aim is to utilize the valuable time and energy of our fantastic staff, both in the back office and in the sales force, to provide even better, even more personal support for our customers. We want to hold on to the things that customers would miss – and let go of things that generate costs without adding value. High productivity is directly reflected in customer value, brand value, and growth, which is why we invest in new digital learning platforms, for example, so our employees can get fit for the future. We systematically look into what skills our staff might need as we go forward, and how the significance of different fields of work might shift – because we want to be able to shape change rather than merely react to it.

With the support from our Supervisory Board, our wonderful employees, and a sharp strategic focus, your Allianz is moving in the right direction. We are well prepared to meet future challenges and continue weathering difficult market environments. Thank you for trusting us to keep creating value for you in the future.

Sincerely yours,

Oliver Bäte

SUPERVISORY BOARD REPORT

Ladies and Gentlemen,

During the financial year 2017, the Supervisory Board fulfilled all its duties and obligations as laid out in the company statutes and applicable law. It monitored the management of the company, devoted particular attention to succession matters related to the Board of Management, and advised the Board of Management regarding the conduct of business.

OVERVIEW

In the financial year 2017, the Supervisory Board held seven meetings and a conference call. The regular meetings took place in February, March, May, August, October, and December. In addition, a constituent meeting took place after the election of the new Supervisory Board by the Annual General Meeting (AGM) 2017.

In all of the Supervisory Board's 2017 meetings, the Board of Management reported on Group revenues and results as well as developments in individual business segments. The Board of Management informed us on the course of business as well as on the development of the Allianz SE and Allianz Group, including deviations in actual business developments from the planning. The Board of Management reported to the Supervisory Board on a regular basis and in a timely and comprehensive manner, both verbally and in writing.

Key reporting issues were strategic topics, such as the implementation of the Renewal Agenda and the portfolio strategy, the risk strategy and capital management, as well as the strategy in the Asset Management business segment and the global health insurance. In addition, the Supervisory Board was extensively involved in the Board of Management's planning for both the financial year 2018 and the three-year period from 2018 to 2020. Cyber risk security was discussed regularly. A Technology Committee was established to carry out in-depth reviews of IT issues, the digitalization of the business model, and new technologies. In addition, the Supervisory Board dealt with the implementation of the new recommendations of the German Corporate Governance Code (Code), the legislation regarding the implementation of the EU guideline on corporate social responsibility (CSR), as well as the supervisory authority's (BaFin's) new requirements for self-assessments by the Supervisory Board. In November 2017, a conference call was held regarding the Board of Management's considerations for a potential further share buy-back program.

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

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

ISSUES DISCUSSED IN THE SUPERVISORY BOARD PLENARY SESSIONS

In the meeting of 16 February 2017, the Supervisory Board dealt comprehensively with the preliminary financial figures for the financial year 2016, the Board of Management's dividend strategy, and the consideration of a share buy-back program. The appointed audit firm, KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG), Munich, reported in detail on the preliminary results of their audit. The Chief Compliance Officer then gave his annual report on the compliance organization and key compliance-related matters. In the further course of the meeting, the Supervisory Board also examined the portfolio strategy in growth markets, discussed the target achievement of the individual members of the Board of Management, and finally set their variable remuneration for the financial year 2016. In the course of the performance assessment, the fitness and propriety of the members of the Board of Management was also confirmed.

In the meeting of 9 March 2017, the Supervisory Board discussed the audited annual Allianz SE and consolidated financial statements as well as the recommendation for the appropriation of earnings by the Board of Management for the financial year 2016. The auditors confirmed that there were no discrepancies to their February report, and issued an unqualified auditor's report for the individual and consolidated financial statements. In addition, the Board of Management submitted its report on risk developments in 2016 and the head of internal audit presented his annual review. Furthermore, the Supervisory Board dealt with the agenda and the proposals for resolution for the 2017 AGM of Allianz SE. It also resolved to appoint KPMG as auditor for the individual and consolidated financial statements for the financial year 2017 and for the auditor's review of the 2017 half-yearly financial report. Given the legally required rotation of the auditors, the Supervisory Board approved the proposal of the Audit Committee to select PriceWaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) to audit the individual and consolidated financial statements of Allianz SE as from financial year 2018. In addition, the Supervisory Board was also informed about the implementation status of the Renewal Agenda as well as the strategy pursued in the Asset Management business segment. The Supervisory Board dealt extensively with personnel matters related to the Board of Management, specifically regarding Dr. Mascher, Dr. Wemmer, and Dr. Zedelius, whose appointments expired at the end of 2017. Dr. Mascher's appointment was renewed for three years. As successors to Dr. Wemmer and Dr. Zedelius, who had both reached retirement age, the Supervisory Board appointed Niran Peiris and Giulio Terzariol to the Board of Management with effect from 1 January 2018.

On 3 May 2017, just before the AGM, the Board of Management briefed us on the first quarter 2017 performance and on the Group's current situation. In addition, the Board dealt with the results of the BaFin's review of the system of governance at Allianz SE in November 2016.

Due to the elections to the Supervisory Board at the AGM 2017, a constituent meeting was held on 3 May 2017, immediately after the AGM. At this constituent meeting Dr. Perlet was initially elected as Chairman of the Supervisory Board for the brief period until 6 May 2017. Mr. Diekmann was elected to succeed him, effective 7 May 2017. This transitional arrangement was necessary due to the two-year waiting period applicable for Mr. Diekmann under corporate law. Mr. Snabe and Mr. Zimmermann were elected as Deputy Chairmen. In addition, the Supervisory Board elected the members of the committees and approved Dr. Eichiner to be the financial expert as defined in § 100(5) of the German Stock Corporation Act (AktG). The Supervisory Board also adopted a resolution to establish an additional Board committee: the Technology Committee. In June 2017, the new members of the Supervisory Board attended a separate information session in order to familiarize themselves with the Allianz business model and the structures of the Allianz Group.

At the meeting on 3 August 2017, the Board of Management first reported extensively on the half-yearly results. It additionally addressed the upcoming investment in the UK property insurance firm Liverpool Victoria, the sale of the Allianz holding in Oldenburgische Landesbank AG, and the impact of Banco Santander's acquisition of Banco Popular, a long-standing distribution and joint venture partner in Spain. The Board of Management then reported on the strategic dialog with the Group companies, particularly regarding the progress of the Renewal Agenda. In addition, the Board of Management provided a status report on cyber risk security. The Supervisory Board amended the Rules of Information for Reports by the Board of Management to the Supervisory Board in order to comply with new regulatory requirements. Finally, the Board of Management reported on the percentage of women in management positions. Thereafter, the Supervisory Board set a new target for the percentage of women in Allianz SE's Board of Management. This target is also a component of the diversity concept for the Board of Management, which was to be established in accordance with the new CSR regulations. A corresponding diversity concept for the Supervisory Board was included into the objectives for the composition of the Supervisory Board, as well as a profile of skills and expertise for the Supervisory Board which is required under a new Code recommendation (see **page 15**).

The meeting on 13 October 2017 mainly focused on the strategy of the Allianz Group, in particular the respective external conditions including potentially disruptive developments and the implementation status of the Renewal Agenda, as well as the strategy of Allianz SE (solo). In addition, the Supervisory Board dealt in detail with the global health insurance business. The review of the Board of Management's report on the development of business also covered the effects of the recent natural catastrophes in the Caribbean and Mexico, the implementation of the European Data Protection Regulation in the Allianz Group, and the change of the Chairman of the Board of Management at Allianz Deutschland AG.

At the meeting on 14 December 2017, the Board of Management briefed us on the results of the third quarter, further business developments and the situation of the Allianz Group, capital adequacy, and the planned tender offer to the minority shareholders of Euler Hermes S.A. The Supervisory Board additionally dealt with the planning for financial year 2018 and the three-year plan 2018 to 2020, as well as the new requirements for non-financial reporting that follow from the implementation of the European CSR Directive. In this regard, we approved the recommendation of the Audit Committee to engage PwC to perform a limited assurance engagement of the combined separate non-financial report for the financial year 2017. The Board of Management also provided a status report on the issue of cyber risk security and the efficiency of distribution channels. We then covered the Code's Declaration of Conformity and the annual report on the succession planning for the Board of Management. The Supervisory Board reviewed the appropriateness of the remuneration of the Board of Management based on a vertical and horizontal comparison, and decided to increase the remuneration of the Chairman of the Board of Management in accordance with the identified need for adjustment. Finally, it set targets for the variable remuneration of the members of the Board of Management for 2018.

DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

On 14 December 2017, the Board of Management and the Supervisory Board issued the Declaration of Conformity in accordance with § 161 of the German Stock Corporation Act ("Aktiengesetz"). The Declaration was posted on the company website, where it is available to shareholders at all times. Allianz SE fully complies and will continue to fully comply with the recommendations of the German Corporate Governance Code in its version of 7 February 2017.

Further explanations on corporate governance in the Allianz Group can be found in the Corporate Governance Report starting on **page 12** and the Statement on Corporate Management pursuant to § 315d and § 289f of the HGB starting on **page 17.** The Allianz website also provides more details on corporate governance: **www.allianz.com/corporate-governance.**

COMMITTEE ACTIVITIES

The Supervisory Board has formed various committees in order to perform its duties efficiently. The committees prepare the consulting and adoption of resolutions in the plenary sessions; they can also adopt resolutions themselves.

The Standing Committee conducted three meetings in 2017. It dealt primarily with issues of corporate governance, particularly the implementation of the Code's new recommendations, the modification of the Rules of Information for Reports by the Board of Management to the Supervisory Board, the preparations for the Annual General Meeting, the employee stock purchase program, and the Supervisory Board's self-assessment as well as the resulting development plan. In addition, the Standing Committee dealt with the appropriateness of the remuneration of the Supervisory Board. The committee also passed resolutions to approve loans to senior executives.

The Personnel Committee held four meetings in 2017. It dealt extensively with the issue of succession to Dr. Wemmer and Dr. Zedelius. The committee also looked at other mandate matters for active and former members of the Board of Management and the target achievement among Board of Management members for 2016. Besides setting the targets for variable remuneration in 2018, the committee also prepared the adequacy assessment of the remuneration system. As a result, the committee identified the need to adjust the remuneration of the Chairman of the Board of Management. Furthermore, the Personnel Committee also dealt with the diversity concept for the Board of Management, including the legally required target for the percentage of women in the Board of Management.

The Audit Committee held five regular meetings and adopted two resolutions by written procedure in 2017. In the presence of the auditors, it discussed the annual financial statements of Allianz SE and the consolidated financial statements of the Allianz Group, the management reports and auditor's reports, and the half-yearly financial report. The Audit Committee saw no reason to raise any objections. In addition, the Board of Management submitted its report on the results of the first and third quarter. The committee also dealt with the auditor's engagement and established audit areas of focus for the 2017 financial year. It further discussed assignments to the auditors for non-audit services and approved an appropriate positive list for audit and non-audit services authorized in advance. In addition, it dealt extensively with the compliance system, the internal audit system, and the financial reporting process as well as the respective internal controls. The committee was also updated on the procedures and programs for complaints concerning matters in accounting, internal controls, and auditing. The committee received regular reports on legal and compliance issues and on the work of the Internal Audit department. In addition, the Audit Committee dealt with the preparations for the auditor rotation starting from the financial year 2018, including the process of transitioning to the new auditing company, as well as the 2017 audit plan of the Internal Audit function. The committee's work focused on several issues regarding Solvency II, including Solvency II governance and Solvency II reporting. In this respect, it also initiated a follow-up review of the group-wide implementation of governance requirements. The committee also addressed the findings of a BaFin review as well as the new legal requirements for non-financial reporting (CSR) and the Supervisory Board's role in this regard. In addition, the head of the Group Actuarial function presented its annual report. The committee adopted two written resolutions approving the engagement of the current and future auditors to perform non-audit services at foreign Group companies.

The Risk Committee held two meetings in 2017, during which it discussed the current risk situation of the Allianz Group and Allianz SE with the Board of Management. The risk report and other risk-related statements contained in the annual financial statements – both of Allianz SE and consolidated – were reviewed with the auditor, as were the respective management reports, and the Audit Committee was informed of the result. The appropriateness of the early risk recognition system at Allianz and the result of further, voluntary risk assessments by the auditor were also discussed. The committee took a detailed look at the risk strategy and capital management, as well as the effectiveness of the risk management system, in particular the limit system for the Allianz Group and Allianz SE. It also dealt extensively with the interest rate sensitivity in the life insurance business, discussed possible measures to reduce it, and addressed the investment risk currently associated with equity investments and credit spreads. Other matters considered included the risk strategy of Allianz SE and the Allianz Group, the changes planned in 2017 to the internal Solvency II model, and the report on the own risk and solvency assessment (ORSA). In addition, the Risk Committee dealt with the designation of Allianz as a systemically relevant insurer (G-SII).

The Technology Committee held two meetings in 2017. In the first meeting it dealt with the major focus and organization of the committee's work as well as the current IT-Systems and the IT-Architecture within the Allianz Group. In both meetings the committee dealt with the status of the project to assess the future readiness of the Allianz Group's IT. In addition, the committee discussed IT Governance and IT Security.

The Nomination Committee had no reason to convene a meeting in the financial year 2017.

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

CHAIR AND COMMITTEES OF THE SUPERVISORY BOARD – AS OF 31 DECEMBER 2017

Chairman: Michael Diekmann

Vice Chairmen: Jim Hagemann Snabe, Rolf Zimmermann

Standing Committee: Michael Diekmann (Chairman), Gabriele Burkhardt-Berg, Herbert Hainer, Jürgen Lawrenz, Jim Hagemann Snabe

Personnel Committee: Michael Diekmann (Chairman), Herbert Hainer, Rolf Zimmermann

Audit Committee: Dr. Friedrich Eichiner (Chairman), Sophie Boissard, Jean-Jacques Cette, Michael Diekmann, Martina Grundler

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

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

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

AUDIT OF ANNUAL ACCOUNTS AND CONSOLIDATED FINANCIAL STATEMENTS

In compliance with the special legal provisions applying to insurance companies, the statutory auditor and the auditor for the review of the half-yearly financial report are appointed by the Supervisory Board of Allianz SE, not by the AGM. The Supervisory Board appointed KPMG as statutory auditor for the annual Allianz SE and consolidated financial statements, as well as for the review of the half-yearly financial report of the financial year 2017. KPMG audited the financial statements of Allianz SE and the Allianz Group as well as the respective management reports. They issued an auditor's report without any reservations. The consolidated financial statements were prepared on the basis of the International Financial Reporting Standards (IFRS), as adopted in the European Union. KPMG performed a review of the half-yearly financial report. In addition, KPMG was also mandated to perform an audit of the market value balance sheet according to Solvency II as of 31 December 2017, for Allianz SE and the Allianz Group.

All Supervisory Board members received the documentation relating to the annual financial statements and the auditor's reports from KPMG on schedule. The preliminary financial statements and KPMG's preliminary audit results were discussed in the Audit Committee on 14 February 2018 as well as in the plenary session of the Supervisory Board on 15 February 2018. The final financial statements and KPMG's audit reports (dated 28 February 2018) were reviewed on 8 March 2018, both by the Audit Committee and in the Supervisory Board plenary session. The auditors participated in these discussions and presented the key results from their audit. Particular focus was given to the key audit matters described in the auditor's report and the audit procedures performed. No material weaknesses in the internal financial reporting control process were discovered. There were no circumstances that might give cause for concern about the auditor's independence. In addition, the market value balance sheets for Allianz SE and the Allianz Group as of 31 December 2017, as well as the respective KPMG reports were addressed by the Audit Committee and Supervisory Board.

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 Allianz SE and consolidated financial statements prepared by the Board of Management. The financial statements are thus 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 commitment over the past year.

LIMITED ASSURANCE ENGAGEMENT OF THE COMBINED SEPARATE NON-FINANCIAL REPORT

The financial year 2017 was the first year for which the company was required to issue a separate non-financial report. This report was combined for Allianz SE and the Allianz Group. The Supervisory Board commissioned PwC to perform a limited assurance engagement of this report. All Supervisory Board members received the combined separate non-financial report and the independent practitioner´s limited assurance report from PwC in due time. The report and PwC's assurance report were discussed in the plenary session of the Supervisory Board on 8 March 2018. The auditors from PwC participated in these discussions and presented the results of their assurance engagement. Based on its own review of the combined separate non-financial report, the Supervisory Board did not raise any objections and approved by acknowledgement the results of the PwC limited assurance engagement.

MEMBERS OF THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

The term of the Supervisory Board expired with the conclusion of the AGM on 3 May 2017. The new employee representatives had been appointed by the SE Works Council pursuant to the Agreement concerning the Participation of Employees in Allianz SE, effective from the conclusion of the Annual General Meeting on 3 May 2017. The Annual General Meeting 2017 elected the new shareholder representatives. The Supervisory Board mandates of Prof. Dr. Renate Köcher, Dante Barban, and Dr. Wulf H. Bernotat ended with the conclusion of the Annual General Meeting on 3 May 2017. Dr. Helmut Perlet resigned from the Supervisory Board with effect from the end of 6 May 2017. The Supervisory Board thanked all retired members for their many years of support for the Allianz Group as well as for the valuable and trusting collaboration in this board.

As mentioned earlier, the 2017 financial year also saw personnel changes within Allianz SE's Board of Management. Dr. Dieter Wemmer and Dr. Werner Zedelius stepped down from the Board of Management with effect from 31 December 2017. Mr. Niran Peiris and Giulio Terzariol were appointed as successors, effective 1 January 2018.

Munich, 8 March 2018

For the Supervisory Board:

Michael Diekmann
Chairman

MANDATES OF THE MEMBERS OF THE SUPERVISORY BOARD

DR. HELMUT PERLET
until 6 May 2017
Chairman
Member of various Supervisory Boards
Membership in other statutory supervisory boards and SE administrative boards in Germany
Commerzbank AG
GEA Group AG (Chairman)

MICHAEL DIEKMANN
since 7 May 2017
Chairman
Member of various Supervisory Boards
Membership in other statutory supervisory boards and SE administrative boards in Germany
BASF SE
Fresenius Management SE
Fresenius SE & Co. KGaA
Linde AG
until 10 May 2017
Siemens AG

DR. WULF H. BERNOTAT
until 3 May 2017
Vice Chairman
Member of various Supervisory Boards
Membership in other statutory supervisory boards and SE administrative boards in Germany
Bertelsmann Management SE
Bertelsmann SE & Co. KGaA
Deutsche Telekom AG
Vonovia SE (Chairman)

JIM HAGEMANN SNABE
Vice Chairman since 3 May 2017
Member of various Supervisory Boards
Membership in other statutory supervisory boards and SE administrative boards in Germany
SAP SE
until 30 June 2017
Siemens AG (Chairman since 31 January 2018)
Membership in comparable[1] supervisory bodies
A.P. Møller-Mærsk A/S (Chairman since 28 March 2017)
Bang & Olufsen A/S
until 13 September 2017

ROLF ZIMMERMANN
Vice Chairman
Chairman of the (European) SE Works Council of Allianz SE

DANTE BARBAN
until 3 May 2017
Employee of Allianz S.p.A.

SOPHIE BOISSARD
since 3 May 2017
Chairwoman of the Board of Management of Korian S.A.
Membership in other statutory supervisory boards and SE administrative boards in Germany
Curanum AG (Korian Group company, Chairwoman)
Membership in comparable[1] supervisory bodies
Groupe Société des Autoroutes du Nord et de l'Est de la France (Sanef)
until 30 June 2017
Segesta SpA (Korian Group company, Chairwoman)
Senior Living Group NV (Korian Group company)

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

GABRIELE BURKHARDT-BERG
Chairwoman of the Group Works Council of Allianz SE
Membership in other statutory supervisory boards and SE administrative boards in Germany
Allianz Deutschland AG

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.

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

MARTINA GRUNDLER
National Representative Insurances, ver.di Berlin

HERBERT HAINER
since 3 May 2017
Member of various Supervisory Boards
Membership in other statutory supervisory boards and SE administrative boards in Germany
Deutsche Lufthansa AG
FC Bayern München AG
Membership in comparable[1] supervisory bodies
Accenture Plc
Sportradar AG (Chairman)

GODFREY ROBERT HAYWARD
since 3 May 2017
Employee of Allianz Insurance plc

PROF. DR. RENATE KÖCHER
until 3 May 2017
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
Robert Bosch GmbH

JÜRGEN LAWRENZ
Employee of Allianz Technology SE (formerly named Allianz Managed Operations & Services SE)
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in Group bodies
Allianz Technology SE (formerly named Allianz Managed Operations & Services SE)

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

MANDATES OF THE MEMBERS OF THE BOARD OF MANAGEMENT

OLIVER BÄTE

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

SERGIO BALBINOT

Insurance Western & Southern Europe, Asia Pacific
Insurance Middle East, Africa
until 31 December 2017
Membership in comparable[1] supervisory bodies
Bajaj Allianz General Insurance Co. Ltd.
Bajaj Allianz Life Insurance Co. Ltd.
UniCredit S.p.A.
Membership in Group bodies
Allianz France S.A.
Allianz Sigorta A.S.
Allianz Yasam ve Emeklilik A.S.

JACQUELINE HUNT

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

DR. HELGA JUNG

Insurance Iberia & Latin America, Legal, Compliance, Mergers & Acquisitions
Membership in other statutory supervisory boards and SE administrative boards in Germany
Deutsche Telekom AG
Membership in Group bodies
Allianz Asset Management AG (Chairwoman)
until 11 April 2017
Allianz Deutschland AG
Allianz Global Corporate & Specialty SE
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz Compañía de Seguros y Reaseguros S.A.
Companhia de Seguros Allianz Portugal S.A.

DR. CHRISTOF MASCHER

Operations, Allianz Partners
Membership in other statutory supervisory boards and SE administrative boards in Germany
Volkswagen Autoversicherung AG
Membership in Group bodies
Allianz Technology SE (formerly named Allianz Managed Operations & Services SE), Chairman
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz Partners S.A.S. (formerly named Allianz Worldwide Partners S.A.S.)

NIRAN PEIRIS

since 1 January 2018
Global Insurance Lines & Anglo Markets, Reinsurance, Middle East, Africa
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz Australia Ltd.
since 1 January 2018
Allianz p.l.c.
since 10 January 2018

GIULIO TERZARIOL

since 1 January 2018
Finance, Controlling, Risk

DR. GÜNTHER THALLINGER

Investment Management
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in Group bodies
Allianz Asset Management AG
until 11 April 2017
Allianz Investment Management SE (Chairman)
Allianz Lebensversicherungs-AG
since 1 July 2017
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz S.p.A

DR. AXEL THEIS

Global Insurance Lines & Anglo Markets
until 31 December 2017
Insurance German Speaking Countries and Central & Eastern Europe
since 1 January 2018
Membership in other statutory supervisory boards and SE administrative boards in Germany
ProCurand GmbH & KGaA (Chairman)
Membership in Group bodies
Allianz Deutschland AG (Chairman)
since 1 January 2018
Allianz Investment Management SE
since 1 January 2018
Allianz Global Corporate & Specialty SE (Chairman)
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz Australia Ltd.
until 31 December 2017
Allianz Insurance plc (Chairman)
until 31 December 2017
Allianz Irish Life Holdings plc
until 31 December 2017
Allianz Elementar Lebensversicherungs-AG (Chairman)
since 1 January 2018
Allianz Elementar Versicherungs-AG (Chairman)
since 1 January 2018
Allianz Investmentbank AG
since 28 November 2017
Allianz Suisse Lebensversicherungs-Gesellschaft AG
since 30 November 2017
Allianz Suisse Versicherungs-Gesellschaft AG
since 30 November 2017
Euler Hermes Group S.A. (Chairman)

DR. DIETER WEMMER

until 31 December 2017
Finance, Controlling, Risk
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in Group bodies
Allianz Asset Management AG
until 11 April 2017
Allianz Investment Management SE
Membership in comparable[1] supervisory bodies
UBS Group AG

DR. WERNER ZEDELIUS

until 31 December 2017
Insurance German Speaking Countries and Central & Eastern Europe
Membership in other statutory supervisory boards and SE administrative boards in Germany
FC Bayern München AG
Membership in Group bodies
Allianz Deutschland AG (Chairman)
Allianz Investment Management SE
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz Elementar Lebensversicherungs-AG (Chairman)
Allianz Elementar Versicherungs-AG (Chairman)
Allianz Investmentbank AG
Allianz Suisse Lebensversicherungs-Gesellschaft AG
Allianz Suisse Versicherungs-Gesellschaft AG
Allianz Tiriac Asigurari S.A.
since 31 January 2017

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

CORPORATE GOVERNANCE

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CORPORATE GOVERNANCE REPORT

Good corporate governance is essential for sustainable business performance. The Board of Management and the Supervisory Board of Allianz SE thus attach great importance to complying with the recommendations of the German Corporate Governance Code (referred to hereinafter as the "Code"). The Declaration of Conformity with the recommendations of the Code, issued by the Board of Management and the Supervisory Board on 14 December 2017, and the company's position regarding the Code's suggestions can be found in the Statement on Corporate Management pursuant to § 315d and § 289f of the HGB starting on page 17.

Corporate Constitution of the European Company (SE)

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

Function of the Board of Management

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

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

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

BOARD OF MANAGEMENT AND GROUP COMMITTEES

In the financial year 2017, the following Board of Management committees were in place:

Board Committees

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

As of 31 December 2017

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

In the financial year 2017, the following Group committees were in place:

Group committees

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

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 the performance-based remuneration of the members of the Board of Management. For details, see the Remuneration Report starting on page 23.

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

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

Principles and function of the Supervisory Board

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

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

The Supervisory Board oversees and advises the Board of Management on managing the business. It is also responsible for appointing the members of the Board of Management, determining their overall remuneration, and reviewing Allianz SE's and the Allianz Group's annual financial statements. The Supervisory Board's activities in the 2017 financial year are described in the Supervisory Board Report starting on page 4.

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

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

SUPERVISORY BOARD COMMITTEES

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

Supervisory board committees

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

As of 31 December 2017

PUBLICATION OF DETAILS OF MEMBERS' PARTICIPATION IN MEETINGS

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

Publication of details of members' participation in meetings

	Presence	%
PLENARY SESSIONS OF THE SUPERVISORY BOARD		
Michael Diekmann (Chairman and member from 7 May 2017)	3/3	100
Dr. Helmut Perlet (Chairman and member until 6 May 2017)	4/4	100
Dr. Wulf H. Bernotat (Vice Chairman and member until 3 May 2017)	3/3	100
Jim Hagemann Snabe (Vice Chairman from 3 May 2017)	7/7	100
Rolf Zimmermann (Vice Chairman)	7/7	100
Dante Barban (Member until 3 May 2017)	3/3	100
Sophie Boissard (Member from 3 May 2017)	4/4	100
Christine Bosse	6/7	86
Gabriele Burkhardt-Berg	6/7	86
Jean-Jacques Cette	7/7	100
Dr. Friedrich Eichiner	7/7	100
Martina Grundler	5/7	71
Herbert Hainer (Member from 3 May 2017)	4/4	100
Godfrey Hayward (Member from 3 May 2017)	4/4	100
Prof. Dr. Renate Köcher (Member until 3 May 2017)	2/3	67
Jürgen Lawrenz	7/7	100
STANDING COMMITTEE		
Michael Diekmann (Chairman and member from 7 May 2017)	2/2	100
Dr. Helmut Perlet (Chairman and member until 6 May 2017)	1/1	100
Dr. Wulf H. Bernotat (Member until 3 May 2017)	1/1	100
Gabriele Burkhardt-Berg	3/3	100
Herbert Hainer (Member from 3 May 2017)	2/2	100
Prof. Dr. Renate Köcher (Member until 3 May 2017)	0/1	0
Jürgen Lawrenz (Member from 3 May 2017)	2/2	100
Jim Hagemann Snabe (Member from 3 May 2017)	2/2	100
Rolf Zimmermann (Member until 3 May 2017)	1/1	100
PERSONNEL COMMITTEE		
Michael Diekmann (Chairman and member from 7 May 2017)	3/3	100
Dr. Helmut Perlet (Chairman and member until 6 May 2017)	1/1	100
Christine Bosse (Member until 3 May 2017)	1/1	100
Herbert Hainer (Member from 3 May 2017)	3/3	100
Rolf Zimmermann	4/4	100
AUDIT COMMITTEE		
Dr. Friedrich Eichiner (Chairman and member from 3 May 2017)	3/3	100
Dr. Wulf H. Bernotat (Chairman and member until 3 May 2017)	2/2	100
Sophie Boissard (Member from 3 May 2017)	2/3	67
Jean-Jacques Cette	5/5	100
Michael Diekmann (Member from 7 May 2017)	3/3	100
Martina Grundler	4/5	80
Dr. Helmut Perlet (Member until 3 May 2017)	2/2	100
Jim Hagemann Snabe (Member until 3 May 2017)	2/2	100
RISK COMMITTEE		
Michael Diekmann (Chairman and member from 7 May 2017)	1/1	100
Dr. Helmut Perlet (Chairman and member until 3 May 2017)	1/1	100
Dante Barban (Member until 3 May 2017)	1/1	100
Christine Bosse	2/2	100
Dr. Friedrich Eichiner	2/2	100
Godfrey Hayward (Member from 3 May 2017)	1/1	100
Jürgen Lawrenz	2/2	100
TECHNOLOGY COMMITTEE (FROM 3 MAY 2017)		
Jim Hagemann Snabe (Chairman)	2/2	100
Gabriele Burkhardt-Berg	2/2	100
Michael Diekmann (Member from 7 May 2017)	2/2	100
Dr. Friedrich Eichiner	2/2	100
Rolf Zimmermann	2/2	100

The Nomination Committee did not convene any meetings in the 2017 financial year.

OBJECTIVES OF THE SUPERVISORY BOARD REGARDING ITS COMPOSITION

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

Objectives of Allianz SE's Supervisory Board regarding its composition

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

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

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

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

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

1. Propriety

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

2. Fitness

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

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

3. Independence

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

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

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

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

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

4. Time of availability

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

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

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

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

5. Retirement age

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

6. Term of membership

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

7. Former Allianz SE Management Board members

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

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

II. Requirements for the entire Supervisory Board

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

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

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

2. Diversity concept

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

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

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

Directors' dealings

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

Annual General Meeting

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

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

Accounting and auditing

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

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

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

You can find the 2018 financial calendar on our website at **www.allianz.com/financialcalendar.**

Regulatory requirements

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

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

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

Declaration of Conformity with the German Corporate Governance Code

On 14 December 2017, the Board of Management and the Supervisory Board issued the following Declaration of Conformity of Allianz SE with the German Corporate Governance Code (hereinafter the "Code"):

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

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

1. Allianz SE currently complies with all recommendations of the German Corporate Governance Code (Code) in the version of February 7, 2017 and will comply with them in the future.
2. Since the last Declaration of Conformity as of December 15, 2016, Allianz SE has complied with all recommendations of the German Corporate Governance Code in the version of May 5, 2015

Munich, December 14, 2017
Allianz SE

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

For the Supervisory Board:
Signed Michael Diekmann"

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

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

The listed company Oldenburgische Landesbank AG, which belonged to the Allianz Group in the 2017 financial year, issued its own Declaration of Conformity in December 2017, which states that it complies with all of the recommendations of the Code in the version of 7 February 2017.

Corporate governance practices

INTERNAL CONTROL SYSTEMS

The Allianz Group has an effective internal risk and control system for verifying and monitoring its operating activities and business processes, in particular financial reporting, as well as compliance with regulatory requirements. The requirements placed on the internal control systems are essential not only for the resilience and franchise value of the company, but also to maintain the confidence of the capital market, our customers, and the public. A comprehensive risk and control management system regularly also assesses the effectiveness and appropriateness of the internal control system as part of the System of Governance. For further information on our risk organization and risk principles, please refer to **page 62.** For further information on our Controls over Financial Reporting, please refer to **page 77.**

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

COMPLIANCE PROGRAM

The sustained success of the Allianz Group is based on the responsible behavior of all Group employees, who embody trust, respect, and integrity. Through the global compliance program coordinated by its central compliance function, Allianz supports and follows internationally and nationally recognized guidelines and standards for rules-compliant and value-based corporate governance. These include the principles of the United Nations (UN Global Compact), the Guidelines of the Organization for Economic Co-operation and Development (OECD guidelines) for Multinational Enterprises, and European and international standards on data and consumer protection, economic and financial sanctions, and combating corruption, bribery, money laundering as well as the financing of terrorism. Through its support for and acceptance of these standards, Allianz aims to avoid the risks that might arise from non-compliance. The central compliance function is responsible – in close cooperation with local compliance departments – for ensuring the effective implementation and monitoring of the compliance program within the Allianz Group, as well as for investigating potential compliance infringements.

The standards of conduct established by the Allianz Group's Code of Conduct for Business Ethics and Compliance are binding 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 the internal compliance program based on these principles, Allianz has implemented interactive training programs around the world. These provide practical guidelines which enable employees to come to their own decisions. 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 regulations against corruption and bribery in almost all countries in which Allianz has a presence. The global Anti-Corruption Program of the Allianz Group ensures the continuous monitoring and improvement of the internal anti-corruption controls. More information on the Anti-Corruption Program can be found in the Sustainability Report on our website at **www.allianz.com/sustainability.**

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

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

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

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

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

Allianz SE and the other companies of the Allianz Group in Germany that are either listed or subject to co-determination (the "subsidiaries concerned") have set the following targets for the Supervisory Board, the Board of Management, and the two management levels below the Board of Management. We will begin by describing the targets that had been set for 30 June 2017 and their implementation.

Article 17(2) of the German SE Implementation Act stipulates that as of 1 January 2016, the share of women and men among the members of the Supervisory Board of Allianz SE must each total up to 30% at least. The Supervisory Board currently in office fulfils this requirement as it includes four women (33%). For the Board of Management of Allianz SE, the Supervisory Board had set a target of 11% for the percentage of women up until 30 June 2017. This target was exceeded, as the percentage of women on the Board of Management was 22%. As regards the proportion of women on the two management levels below the Board of Management, a target of 20% had been set. As of 30 June 2017, this target was met for the second management level, with a percentage of women being 24%, but not on the first level, where the percentage was 17%. The first management level below the Board of Management comprises a very small comparative group of executives. No suitable female candidates could be identified for the very few positions that became vacant in the period considered.

For the Supervisory Boards of the subsidiaries concerned, target quotas were set at 29% on average up until 30 June 2017. Seven of the nine subsidiaries concerned reached this target. The listed company Oldenburgische Landesbank AG met the applicable statutory minimum share requirement. The target quotas for the Board of Management of the subsidiaries concerned were between 11% and 25% (18% on average) and were met by only five of the ten companies. For the two management levels below the Board of Management, the Boards of Management of the subsidiaries concerned had set a target quota of at least 20%. At the first management level, the target was met by three of the ten subsidiaries, while six of the ten companies met the target set for the second management level as of 30 June 2017. Despite increased efforts to promote women in the Allianz Group and also at the individual subsidiaries, it was not possible to achieve the targets in these cases, as it was not always possible to identify suitable female candidates for all vacant positions.

The following new targets were set for Allianz SE and the subsidiaries concerned in the 2017 financial year:

For the Supervisory Board of Allianz SE, the statutory minimum share requirement applies. With respect to the Board of Management of Allianz SE, the Supervisory Board adopted a resolution in August 2017 setting the target for the share of women at 30%, to be achieved by 31 December 2021. As regards the proportion of women on the first and second management levels below the Board of Management, the Board of Management of Allianz SE set the targets at 20% and 25%, respectively, for 31 December 2018.

The Supervisory Boards of the subsidiaries concerned set a target share of women on the Supervisory Board at a minimum of 30%, to be reached by the end of 2018. Given the targets achieved to date, the target quotas were raised for the Management Boards of three of the subsidiaries concerned. For the other companies, the current target quotas of between 11% and 25% (20% on average) were maintained and extended to 31 December 2018. The Boards of Management of the subsidiaries concerned have set target quotas for the relevant management levels of between 20% and 33% in each case to be reached by 31 December 2018. In the longer term, Allianz aims to place women in at least 30% of the positions at these two management levels throughout the Group.

Diversity concepts for the Board of Management and Supervisory Board

In accordance with the legislation to implement the European CSR Directive, the diversity concepts for the Board of Management and the Supervisory Board, their objectives, implementation, and results achieved are to be reported on for the first time for the 2017 financial year.

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

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

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

This diversity concept is implemented in the appointment procedure for members of the Board of Management by the Supervisory Board. It is ensured that lists of successors shall comprise an appropriate percentage of female candidates as well as candidates with international experience. The Personnel Committee takes this into consideration especially in succession planning. The current composition of the Board of Management is in accordance with the diversity concept: Its share of women is currently 22%. Six members of the Management Board have international backgrounds. There is an adequate degree of variety as regards educational and professional background.

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

TAKEOVER-RELATED STATEMENTS AND EXPLANATIONS

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

COMPOSITION OF SHARE CAPITAL

As of 31 December 2017, the share capital of Allianz SE was € 1,169,920,000. It was divided into 440,249,646 registered and fully paid-up shares with no-par value. All shares carry the same rights and obligations. Each no-par value share carries one vote.

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

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

Shares acquired by employees of the Allianz Group as part of the Employee Stock Purchase Plan are, in principle, subject to a one-year lock-up period. Outside Germany, the lock-up period may be up to five years in some cases. In some countries, the employee shares are held by a bank, another natural person, or a legal entity acting as a trustee throughout that period in order to ensure that the lock-up period is observed. 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 serve the Employee Stock Purchase Plan's aims of tying employees to the company and letting them benefit from the performance of the share price.

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

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

SHARES WITH SPECIAL RIGHTS CONFERRING POWERS OF CONTROL

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

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

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

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

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

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

AUTHORIZATION OF THE BOARD OF MANAGEMENT TO ISSUE AND REPURCHASE SHARES

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

It may increase the company's share capital, on or before 6 May 2019, 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 2014/I). In case of a capital increase against cash contribution, the Board of Management may exclude the shareholders' subscription rights for these shares with the consent of the Supervisory Board, (i) for fractional amounts, (ii) in order to safeguard the rights pertaining to holders of convertible bonds or bonds with warrants, including mandatory convertible bonds, and (iii) in the event of a capital increase of up to 10%, if the issue price of the new shares is not significantly below the stock market price. The Board of Management may furthermore exclude the shareholders' subscription rights with the consent of the Supervisory Board, in the event of a capital increase against contributions in kind.
- Up to a total of € 13,720,000 (Authorized Capital 2014/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 2010/2014). This conditional capital increase will only be carried out to the extent that conversion or option rights are exercised (or conversion obligations fulfilled) resulting from bonds issued by Allianz SE or its subsidiaries, based on the authorizations granted by the General Meeting on 5 May 2010 and 7 May 2014.

The Board of Management may buy back and use Allianz shares for other purposes until 6 May 2019 as per authorization of the General Meeting of 7 May 2014 (§ 71 (1) No. 8 AktG). Together with other treasury shares that are held by Allianz SE, or which are attributable to it under §§ 71a et seq. AktG, such shares may not exceed 10% of the share capital at any time. The shares acquired pursuant to this authorization may be used, under exclusion of the shareholders' subscription rights, for any legally admissible purposes, in particular those specified in the authorization. Furthermore, the acquisition of treasury shares under this authorization may also be carried out using derivatives such as put options, call options, forward purchases, or a combination thereof, provided such derivatives do not relate to more than 5% of the share capital.

Domestic or foreign banks that are majority-owned by Allianz SE may buy and sell Allianz shares for trading purposes (§ 71 (1) No. 7 and (2) AktG) under an authorization of the General Meeting valid until 6 May 2019. The total number of shares acquired thereunder, together with treasury shares held by Allianz SE or attributable to it under §§ 71a et seq. AktG, shall at no time exceed 10% of the share capital of Allianz SE.

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

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

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

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

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

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

REMUNERATION REPORT

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

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

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

Allianz SE Board of Management remuneration

GOVERNANCE SYSTEM

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

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

REMUNERATION PRINCIPLES

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

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

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

REMUNERATION STRUCTURE, COMPONENTS AND TARGET SETTING PROCESS

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

BASE SALARY

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

VARIABLE REMUNERATION

The variable remuneration (annual bonus, mid-term bonus, and equity-related compensation) is designed to reward performance. A shortfall of targets may result in the variable compensation dropping to zero. Two thirds of the variable compensation are a deferred payout after three or four years. Claw-back clauses for compensation components already paid do not exist because according to the governing German labor law, the enforceability of claw-back clauses is subject to major legal restrictions.

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

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

Annual bonus

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

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

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

To support the assessment of the individual qualitative behavioral targets, a so-called multi-rater process has been introduced: Each member of the Board of Management collects, amongst others, feedback from his or her fellow Board members and his or her direct reports as well as the CEOs of the most important operating entities he or she is in charge of. Furthermore, they perform a self-assessment.

Based on the 2017 target achievement for the Group as a whole and for the respective business division(s) and/or corporate function(s) as well as the qualitative performance achieved, total annual bonus awards range from 111% to 124% of the target bonus, while the average bonus award amounts to 117% of the target.

Mid-term bonus (MTB)

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

"Performance"
- Sustainable improvement/stabilization of return on equity (excluding unrealized gains/losses on bonds, net of shadow accounting),
- Compliance with economic capitalization guidance (capitalization level and volatility limit).

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

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

Equity-related remuneration

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

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

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

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

PENSIONS AND SIMILAR BENEFITS

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

For members of the Allianz SE Board of Management who were born before 1 January 1958 and for the rights accrued before 2015, the guaranteed minimum interest rate remains at 2.75 % and the retirement age is still 60.

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

PERQUISITES

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

REMUNERATION FOR 2017

The following remuneration disclosure, which is based on and compliant with the German Corporate Governance Code, shows the individual Board members' remuneration for 2016 and 2017 including fixed and variable remuneration and pension service cost. The "Grant" column below shows the remuneration at target, minimum, and maximum levels. The "Payout" column discloses the 2016 and 2017 payments. The base salary, annual bonus, and perquisites are linked to the reported performance years, 2016 and 2017, whereas the Group Equity Incentive (GEI) and Allianz Equity Incentive (AEI) payouts result from grants related to the performance years 2010, 2012 and 2013. To enhance transparency of the remuneration related to the performance year 2017, the additional column "Actual grant" includes the 2017 fixed compensation, the annual bonus paid for 2017, the MTB 2016 – 2018 tranche accrued for the performance year 2017, and the fair value of the RSU grant value for the performance year 2017.

All variable components are granted in accordance with the rules and conditions of the "Allianz Sustained Performance Plan" (ASPP). Depending on individual and company performance, the amounts actually paid can vary between 0% and 150% of the respective target levels. If performance is rated at 0% no variable component will be granted. Consequently, the minimum total direct compensation for a regular member of the Board of Management will equal the base salary of € 750 thou (excluding perquisites and pension contributions), while the maximum total direct compensation (excluding perquisites and pension contributions) is € 4,125 thou: a € 750 thou base salary plus € 3,375 thou (i.e., 150% of the sum of all three variable compensation components at target level). The CEO's maximum total direct compensation (excluding perquisites and pension contributions) is € 6,188 thou: a € 1,125 thou base salary plus € 5,063 thou (150% of the sum of all three variable compensation components at target level).

Individual remuneration: 2017 and 2016
€ thou (total might not sum up due to rounding)

	Oliver Bäte (Appointed: 01/2008; CEO since 05/2015)						
	Grant				Actual grant	Payout[1]	
	2016	2017			2017	2016	2017
	Target	Target	Min	Max			
Base salary	1,125	1,125	1,125	1,125	1,125	1,125	1,125
Perquisites	30	32	32	32	32	30	32
Total fixed compensation	1,155	1,157	1,157	1,157	1,157	1,155	1,157
Annual variable compensation							
Annual bonus	1,125	1,125	-	1,688	1,384	1,474	1,384
Deferred compensation							
MTB (2016 - 2018)[2]	1,125	1,125	-	1,688	1,384	-	-
AEI 2018/RSU[3]	-	1,125	-	1,688	1,384	-	-
AEI 2017/RSU[3]	1,125	-	-	-	-	-	-
AEI 2013/RSU[3]	-	-	-	-	-	-	1,820
AEI 2012/RSU[3]	-	-	-	-	-	1,334	-
GEI 2010/SAR[4]	-	-	-	-	-	-	-
Total	4,530	4,532	1,157	6,221	5,308	3,963	4,361
Pensions service cost[5]	625	622	622	622	622	625	622
Total	**5,155**	**5,154**	**1,779**	**6,843**	**5,930**	**4,588**	**4,983**

1_In accordance with the German Corporate Governance Code, the annual bonus disclosed for performance year 2017 is paid in 2018 and for performance year 2016 in 2017. The payments for equity-related deferred compensation (GEI and AEI), however, are disclosed for the year in which the actual payment was made.
2_The MTB figure included in the Actual Grant column shows the annual accrual.
3_Payout is capped at 200 % above grant price. The relevant share price used to determine the fair market value, and hence the final number of RSUs granted, and the 200 % cap are only available after sign-off by the external auditors.
4_The equity-related remuneration that applied before 2010 consisted of two vehicles, virtual stock awards known as RSUs and virtual stock options known as "Stock Appreciation Rights" (SAR). Only RSUs have been awarded as of 1 January 2010. The remuneration system valid until December 2009 is disclosed in the Annual Report 2009 (starting on page 17). Whereas the RSU grants are automatically exercised at the vesting date, the GEI/SAR grants are exercised by the Board member within the exercise period following the vesting date. Hence the total payout from SARs depends on the individual decision by the Board member. SARs are released to plan participants upon expiry of the vesting period, assuming all other exercise hurdles are met. For SARs granted until and including 2008, the vesting period was two years and the exercise period five years. SARs can be exercised on the condition that the price of the Allianz SE stock is at least 20 % above the strike price at the time of grant. During the term of the plan, at least once on five consecutive trading days the Allianz SE stock must relatively appreciate at least 0.01 percentage points ahead of the appreciation of the Dow Jones EURO STOXX Price Index (600).
5_Pension service cost in accordance with IAS 19: represents the company cost not the actual entitlement nor a payment, however, according to the German Corporate Governance Code the Pension Service Cost is to be included in all columns.

Sergio Balbinot (Appointed: 01/2015)[6]						
Grant				Actual grant	Payout[1]	
2016	2017			2017	2016	2017
Target	Target	Min	Max			
750	750	750	750	750	750	750
32	22	22	22	22	32	22
782	772	772	772	772	782	772
750	750	-	1,125	932	983	932
750	750	-	1,125	932	-	-
-	750	-	1,125	932	-	-
750	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,032	3,022	772	4,147	3,568	1,765	1,704
365	374	374	374	374	365	374
3,397	**3,396**	**1,146**	**4,521**	**3,942**	**2,130**	**2,078**

Jacqueline Hunt (Appointed: 07/2016)[7]						
Grant				Actual grant	Payout[1]	
2016	2017			2017	2016	2017
Target	Target	Min	Max			
375	750	750	750	750	375	750
136[8]	18	18	18	18	136[8]	18
511	768	768	768	768	511	768
377	750	-	1,125	923	456	923
377	750	-	1,125	923	-	-
-	750	-	1,125	923	-	-
377	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,642	3,018	768	4,143	3,536	967	1,691
159	317	317	317	317	159	317
1,801	**3,335**	**1,085**	**4,460**	**3,853**	**1,126**	**2,008**

6_In addition to the amounts disclosed in the table, Sergio Balbinot received a buyout award of € 6 mn to compensate for forfeited grants from his previous employer: € 3 mn in cash and € 3 mn in RSUs. 50 % of the cash amount was paid in February 2015 and 50 % was paid in 2016 and are subject to clawback.

7_Jacqueline Hunt joined Allianz on 1 July 2016. She received a pro-rated base salary, annual bonus, MTB tranche, and equity-related compensation. The different pro-rated amounts for base salary and target amounts result from different pro-rating methodologies, which are generally applied. In addition to the amounts disclosed in the table, Jacqueline Hunt received a buyout award of € 170 thou in 2016 to compensate for forfeited grants from her previous employer.

8_Jacqueline Hunt received an off-cycle one-time payment of € 120 thou to reimburse her for relocation cost.

Individual remuneration: 2017 and 2016

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

	Dr. Helga Jung (Appointed: 01/2012)						
	Grant				Actual grant	Payout[1]	
	2016	2017			2017	2016	2017
	Target	Target	Min	Max			
Base salary	750	750	750	750	750	750	750
Perquisites	14	14	14	14	14	14	14
Total fixed compensation	764	764	764	764	764	764	764
Annual variable compensation							
Annual bonus	750	750	-	1,125	866	889	866
Deferred compensation							
MTB (2016 - 2018)[2]	750	750	-	1,125	866	-	-
AEI 2018/RSU[3]	-	750	-	1,125	866	-	-
AEI 2017/RSU[3]	750	-	-	-	-	-	-
AEI 2013/RSU[3]	-	-	-	-	-	-	1,649
AEI 2012/RSU[3]	-	-	-	-	-	-	-
GEI 2010/SAR[4]	-	-	-	-	-	-	-
Total	3,014	3,014	764	4,139	3,363	1,653	3,279
Pensions service cost[5]	420	431	431	431	431	420	431
Total	**3,434**	**3,445**	**1,195**	**4,570**	**3,794**	**2,073**	**3,710**

	Dr. Axel Theis (Appointed: 01/2015)						
	Grant				Actual grant	Payout[1]	
	2016	2017			2017	2016	2017
	Target	Target	Min	Max			
Base salary	750	750	750	750	750	750	750
Perquisites	28	27	27	27	27	28	27
Total fixed compensation	778	777	777	777	777	778	777
Annual variable compensation							
Annual bonus	750	750	-	1,125	885	973	885
Deferred compensation							
MTB (2016 - 2018)[2]	750	750	-	1,125	885	-	-
AEI 2018/RSU[3]	-	750	-	1,125	885	-	-
AEI 2017/RSU[3]	750	-	-	-	-	-	-
AEI 2013/RSU[3]	-	-	-	-	-	-	-
AEI 2012/RSU[3]	-	-	-	-	-	-	-
GEI 2010/SAR[4]	-	-	-	-	-	-	-
Total	3,028	3,027	777	4,152	3,432	1,751	1,662
Pensions service cost[5]	482	501	501	501	501	482	501
Total	**3,510**	**3,528**	**1,278**	**4,653**	**3,933**	**2,233**	**2,163**

1_In accordance with the German Corporate Governance Code, the annual bonus disclosed for performance year 2017 is paid in 2018 and for performance year 2016 in 2017. The payments for equity-related deferred compensation (GEI and AEI), however, are disclosed for the year in which the actual payment was made.
2_The MTB figure included in the Actual Grant column shows the annual accrual.
3_Payout is capped at 200 % above grant price. The relevant share price used to determine the fair market value, and hence the final number of RSUs granted, and the 200 % cap are only available after sign-off by the external auditors.
4_The equity-related remuneration that applied before 2010 consisted of two vehicles, virtual stock awards known as RSUs and virtual stock options known as "Stock Appreciation Rights" (SAR). Only RSUs have been awarded as of 1 January 2010. The remuneration system valid until December 2009 is disclosed in the Annual Report 2009 (starting on page 17). Whereas the GEI/RSU grants are automatically exercised at the vesting date, the GEI/SAR grants are exercised by the Board member within the exercise period following the vesting date. Hence the total payout from SARs depends on the individual decision by the Board member. SARs are released to plan participants upon expiry of the vesting period, assuming all other exercise hurdles are met. For SARs granted until and including 2008, the vesting period was two years and the exercise period five years. SARs can be exercised on the condition that the price of the Allianz SE stock is at least 20 % above the strike price at the time of grant. During the term of the plan, at least once on five consecutive trading days the Allianz SE stock must relatively appreciate at least 0.01 percentage points ahead of the appreciation of the Dow Jones EURO STOXX Price Index (600).
5_Pension service cost in accordance with IAS 19: represents the company cost not the actual entitlement nor a payment, however, according to the German Corporate Governance Code the Pension Service Cost is to be included in all columns.

Dr. Christof Mascher (Appointed: 09/2009)						
Grant				Actual grant	Payout[1]	
2016	2017			2017	2016	2017
Target	Target	Min	Max			
750	750	750	750	750	750	750
2	11	11	11	11	2	11
752	**761**	**761**	**761**	**761**	**752**	**761**
750	750	-	1,125	829	870	829
750	750	-	1,125	829	-	-
-	750	-	1,125	829	-	-
750	-	-	-	-	-	-
-	-	-	-	-	-	1,619
-	-	-	-	-	1,155	-
-	-	-	-	-	-	645
3,002	3,011	761	4,136	3,247	2,777	3,854
418	428	428	428	428	418	428
3,420	**3,439**	**1,189**	**4,564**	**3,675**	**3,195**	**4,282**

Dr. Günther Thallinger (Appointed: 01/2017)						
Grant				Actual grant	Payout[1]	
2016	2017			2017	2016	2017
Target	Target	Min	Max			
-	750	750	750	750	-	750
-	2	2	2	2	-	2
-	**752**	**752**	**752**	**752**	**-**	**752**
-	750	-	1,125	857	-	857
-	750	-	1,125	857	-	-
-	750	-	1,125	857	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	3,002	752	4,127	3,323	-	1,609
-	318	318	318	318	-	318
-	**3,320**	**1,070**	**4,445**	**3,641**	**-**	**1,927**

Dr. Dieter Wemmer (Appointed: 01/2012 - End of Service: 12/2017)						
Grant				Actual grant	Payout[1]	
2016	2017			2017	2016	2017
Target	Target	Min	Max			
750	750	750	750	750	750	750
15	46	46	46	46	15	46
765	**796**	**796**	**796**	**796**	**765**	**796**
750	750	-	1,125	866	954	866
750	750	-	1,125	866	-	-
-	750	-	1,125	866	-	-
750	-	-	-	-	-	-
-	-	-	-	-	-	1,843
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,015	3,046	796	4,171	3,395	1,719	3,505
479	499	499	499	499	479	499
3,494	**3,545**	**1,295**	**4,670**	**3,894**	**2,198**	**4,005**

Dr. Werner Zedelius (Appointed: 01/2002 - End of Service: 12/2017)[6]						
Grant				Actual grant	Payout[1]	
2016	2017			2017	2016	2017
Target	Target	Min	Max			
750	750	750	750	750	750	750
18	33	33	33	33	18	33
768	**783**	**783**	**783**	**783**	**768**	**783**
750	750	-	1,125	829	954	829
750	750	-	1,125	829	-	-
-	750	-	1,125	829	-	-
750	-	-	-	-	-	-
-	-	-	-	-	-	1,725
-	-	-	-	-	1,083	-
-	-	-	-	-	-	-
3,018	3,033	783	4,158	3,269	2,805	3,337
661	721	721	721	721	661	721
3,679	**3,754**	**1,504**	**4,879**	**3,990**	**3,466**	**4,057**

6_Dr. Werner Zedelius left the Allianz SE Board of Management upon his retirement effective 31 December 2017. According to his contract he receives a transition payment of € 937.5 thou. The payment is calculated based on the latest base salary, which is paid for a further six months starting 1 July 2018, and a final lump-sum payment of 25 % of the target variable remuneration. The payable pension takes into account the monthly payments over the six-month period. The lump-sum payment will be paid in spring 2019.

GERMAN ACCOUNTING STANDARD 17 DISCLOSURE

Under the German Accounting Standard 17, the total remuneration to be disclosed for 2017 (2016 in parenthesis) is defined differently as compared to the German Corporate Governance Code: It is composed of the base salary, perquisites, the annual bonus, and the fair value of the RSU grant, but excludes both the notional annual accruals of the MTB 2016 – 2018 and the pension service cost:

Oliver Bäte € 3,925 (4,103) thou,
Sergio Balbinot € 2,636 (2,747) thou,
Jacqueline Hunt € 2,613 (1,423) thou,
Dr. Helga Jung € 2,497 (2,542) thou,
Dr. Christof Mascher € 2,419 (2,492) thou,
Dr. Günther Thallinger € 2,466 (–) thou,
Dr. Axel Theis € 2,547 (2,724) thou,
Dr. Dieter Wemmer € 2,529 (2,674) thou,
Dr. Werner Zedelius € 2,441 (2,677) thou.

The sum total of the remuneration of the Board of Management for 2017 – excluding the notional accruals of the MTB 2016 – 2018 as well as the pension service cost, as outlined above – amounts to € 24 mn (2016: € 26 mn). If pension service cost is included, the sum total is € 28 mn (2016: € 30 mn).

EQUITY-RELATED REMUNERATION

In accordance with the approach described earlier, in March 2018 a number of RSUs were granted to each member of the Board of Management, which will vest and be settled in 2022.

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

Board members	RSU		Equity compensation expense 2017 € thou[2]
	Number of RSU granted on 2/3/2018[1]	Number of RSU held at 31/12/2017[1]	
Oliver Bäte	8,164	40,714	2,607
Sergio Balbinot	5,498	41,479	2,412
Jacqueline Hunt	5,443	3,417	291
Dr. Helga Jung	5,111	28,696	1,932
Dr. Christof Mascher	4,890	30,623	2,091
Dr. Günther Thallinger	5,056	11,517	834
Dr. Axel Theis	5,222	25,902	1,612
Dr. Dieter Wemmer	5,111	33,701	4,594
Dr. Werner Zedelius	4,890	33,311	4,560
Total	**49,385**	**249,360**	**20,933**

1_The relevant share price used to determine the fair market value, and hence the final number of RSUs granted, is only available after sign-off of the Annual Report by the external auditors, thus numbers are based on a best estimate. As disclosed in the Annual Report 2016, the equity-related grant in 2017 was made to participants as part of their 2016 remuneration. The disclosure in the Annual Report 2016 was based on a best estimate of the RSU grants. The actual grants deviated from the estimated values and have to be disclosed accordingly. The actual RSU grants as of 3 March 2017 under the Allianz Equity Incentive are as follows: Oliver Bäte: 11,038, Sergio Balbinot: 7,359, Jacqueline Hunt: 3,417, Dr. Helga Jung: 6,657, Dr. Christof Mascher: 6,516, Dr. Axel Theis: 7,289, Dr. Dieter Wemmer: 7,148, Dr. Werner Zedelius: 7,148.

2_Grants of equity-related remuneration are accounted for as cash settled awards. The fair market value of the granted RSUs and SARs 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 SARs are also recognized as a compensation expense.

PENSIONS

Company contributions for the current pension plan are set at 50% of the base salary, reduced by an amount covering the disability and death risk. They are invested in a fund and include a guarantee for the contributions paid, but no further interest guarantee (for members of the Board of Management who were born before 1 January 1958, the guaranteed minimum interest rate remains at 2.75% p.a.). For members with pension rights in the frozen defined-benefit plan, the above contribution rates are reduced by 19% of the expected annual pension from that frozen plan. The Allianz Group paid € 4 mn (2016: € 5 mn) to increase reserves for pensions and similar benefits for active members of the Board of Management. As of 31 December 2017, reserves for pensions and similar benefits for active members of the Board of Management amounted to € 41 mn (2016: € 44 mn).

Individual pensions: 2017 and 2016
€ thou (total might not sum up due to rounding)

		Defined benefit pension plan (frozen)			Contribution-based pension plan (frozen)[1]		Current pension plan		AVK/APV [2]		Transition payment [3]		Total	
Board of Management		Expected annual pension payment [4]	SC [5]	DBO [6]	SC [5]	DBO [6]	SC [5]	DBO [6]	SC [5]	DBO [6]	SC [5]	DBO [6]	SC [5]	DBO [6]
Oliver Bäte	2017	-	-	-	45	3,149	536	1,385	6	36	36	675	622	5,245
	2016	-	-	-	33	3,063	536	818	5	36	51	594	625	4,511
Sergio Balbinot	2017	-	-	-	14	28	357	961	3	6	-	1	374	995
	2016	-	-	-	5	39	357	582	2	4	-	1	365	626
Jacqueline Hunt	2017	-	-	-	-	-	317	472	-	-	-	-	317	472
	2016	-	-	-	-	-	159	159	-	-	-	-	159	159
Dr. Helga Jung	2017	62	59	1,429	19	1,863	345	924	8	204	-	-	431	4,421
	2016	62	54	1,347	12	1,813	345	558	8	159	-	-	420	3,878
Dr. Christof Mascher	2017	-	-	-	26	3,208	357	1,018	5	42	40	646	428	4,914
	2016	-	-	-	12	3,115	357	637	5	42	43	583	418	4,377
Dr. Günther Thallinger	2017	-	-	-	27	1,311	284	570	7	32	-	-	318	1,914
	2016	-	-	-	-	-	-	-	-	-	-	-	-	-
Dr. Axel Theis	2017	120	114	3,332	16	2,537	334	889	11	283	25	768	501	7,810
	2016	120	107	3,422	6	2,528	334	535	9	233	25	774	482	7,493
Dr. Dieter Wemmer	2017	-	-	-	497	2,339	-	-	2	11	-	-	499	2,350
	2016	-	-	-	477	1,832	-	-	2	10	-	-	479	1,842
Dr. Werner Zedelius	2017	225	221	6,711	466	5,671	-	-	11	246	23	716	721	13,344
	2016	225	207	6,385	431	5,090	-	-	9	222	14	678	661	12,375

1_The service cost of the frozen contribution-based pension plan reflects the continued death and disability cover.
2_Plan participants contribute 3% of their relevant salary to the AVK. For the AVK the minimum guaranteed interest rate is 2.75% – 3.50% depending on the date of joining Allianz. In general, the company funds the balance required via the APV. Before Allianz's founding of the APV in 1998, both Allianz and the plan participants were contributing to the AVK.
3_For details on the transition payment, see section "Termination of service". In any event a death benefit is included.
4_Expected annual pension payment at assumed retirement age (age 60), excluding current pension plan.
5_SC = service cost. Service costs are calculatory costs for the DBO related to the reported business year.
6_DBO = defined benefit obligation, end of year. The figures show the obligation for Allianz resulting from defined benefit plans, taking into account realistic assumptions with regard to interest rate, dynamics, and biometric probabilities.

In 2017, former members of the Board of Management and their dependents received remuneration and other benefits totaling € 8 mn (2016: € 7 mn), while reserves for current pension obligations and accrued pension rights totaled € 137 mn (2016: € 126 mn).

LOANS TO MEMBERS OF THE BOARD OF MANAGEMENT

As of 31 December 2017, there were no outstanding loans granted by Allianz Group companies to members of the Board of Management.

TERMINATION OF SERVICE

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

Arrangements for termination of service including retirement are as follows:

1. Board members who were appointed before 1 January 2010, and who have served a minimum of five years, are eligible for a six-month transition payment after leaving the Board of Management.

2. Severance payments made to Board members in case of early termination comply with the German Corporate Governance Code.

3. Special terms – which are also in accordance with the German Corporate Governance Code – apply if a Board member's service ended as a result of a "change of control" (i.e., if a situation arises in which a shareholder of Allianz SE, acting alone or together with other shareholders, holds more than 50% of voting rights in Allianz SE).

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

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

TERMINATION OF SERVICE – DETAILS OF THE PAYMENT ARRANGEMENTS

Transition payment (appointment before 1 January 2010)

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

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

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

Severance payment cap

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

1. is determined based on the previous year's annual base salary plus 50% of the target variable remuneration (annual bonus, annualized MTB, and equity-related remuneration: For a Board member with a fixed base salary of € 750 thou, the annual compensation would amount to € 1,875 thou. Hence, he/she would receive a maximum severance payment of € 3,750 thou) and

2. shall not exceed the latest year's actual total compensation.

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

Change of control

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

MISCELLANEOUS

INTERNAL AND EXTERNAL BOARD APPOINTMENTS

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

OUTLOOK FOR 2018

The remuneration of the two new regular members of the Board of Management, Niran Peiris and Giulio Terzariol, have been set at the same level as for the other regular members of the Board of Management.

Based on the yearly adequacy test, the Allianz SE Supervisory Board agreed to an increase of the base salary of Oliver Bäte, in line with the well-established approach at Allianz, from € 1,125 thou to € 1,312.5 thou – i.e., from 1.5 times to 1.75 times of a regular Board member. The target values of his variable components increase accordingly with his total target compensation resulting in € 5,250 thou.

Remuneration of the Supervisory Board

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

REMUNERATION PRINCIPLES

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

REMUNERATION STRUCTURE AND COMPONENTS

The remuneration structure, which comprises fixed and committee-related remuneration only, was approved by the Annual General Meeting in 2011 and is laid down in the Statutes of Allianz SE.

FIXED ANNUAL REMUNERATION

The remuneration of a Supervisory Board member consists of a fixed cash amount paid after the end of each business year for services rendered over that period. In 2017, as in 2016, each regular Supervisory Board member received a fixed compensation amounting to € 100 thou per year. Each Vice Chairperson received € 150 thou, the Chairperson received € 200 thou.

COMMITTEE-RELATED REMUNERATION

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

Committee-related remuneration
€ thou

Committee	Chair	Member
Personnel Committee, Standing Committee, Risk Committee, Technology Committee	40	20
Audit Committee	80	40

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. Should several meetings be held on the same or consecutive days, the attendance fee will only be paid once. In addition, Allianz SE reimburses the Supervisory Board members for their out-of-pocket expenses and the VAT payable on their Supervisory Board service. The Company provides insurance coverage and technical support to the Supervisory Board members to an extent reasonable for carrying out the Supervisory Board duties.

REMUNERATION FOR 2017

The total remuneration for all Supervisory Board members, including attendance fees, amounted to € 2,179 thou (2016: € 2,025 thou). The following table shows the individual remuneration for 2017 and 2016:

Individual remuneration: 2017 and 2016
€ thou (total might not sum up due to rounding)

Members of the Supervisory Board	Committees[1] A	N	P	R	S	T		Fixed remuneration	Committee remuneration	Attendance fees	Total remuneration
Michael Diekmann[2]	M	C	C	C	C	M	2017	133.3	120.0	3.7	257.0
(Chairman)							2016	-	-	-	-
Dr. Helmut Perlet[3]	M	C	C	C	C		2017	83.3	66.6	2.3	152.2
(Chairman)	M	C	C	C	C		2016	200.0	160.0	6.7	366.7
Dr. Wulf H. Bernotat[4]	C				M		2017	62.5	41.7	2.2	106.4
(Vice Chairman)	C				M		2016	150.0	100.0	4.5	254.5
Jim Hagemann Snabe	M[5]	M			M[6]	C	2017	133.3	56.7	4.5	194.5
(Vice Chairman)	M	M					2016	100.0	40.0	5.2	145.2
Rolf Zimmermann			M		M[7]	M	2017	150.0	41.7	4.5	196.2
(Vice Chairman)			M		M		2016	150.0	40.0	4.5	194.5
Dante Barban[8]				M			2017	41.7	8.3	3.0	53.0
				M			2016	100.0	20.0	4.5	124.5
Sophie Boissard[9]	M						2017	66.7	26.7	3.7	97.1
							2016	-	-	-	-
Christine Bosse		M[10]		M[11]			2017	100.0	28.3	4.5	132.8
			M	M			2016	100.0	40.0	4.5	144.5
Gabriele Burkhardt-Berg					M	M	2017	100.0	33.3	3.8	137.1
					M		2016	100.0	20.0	4.5	124.5
Jean Jacques Cette	M						2017	100.0	40.0	5.3	145.3
	M						2016	100.0	40.0	6.0	146.0
Dr. Friedrich Eichiner[12]	C[13]			M		M	2017	100.0	86.7	6.0	192.7
				M			2016	66.6	13.3	2.2	82.1
Martina Grundler[14]	M						2017	100.0	40.0	5.3	145.3
	M						2016	75.0	26.6	4.5	106.1
Herbert Hainer[15]			M		M		2017	66.7	26.7	3.0	96.4
							2016	-	-	-	-
Godfrey Robert Hayward[16]				M			2017	66.7	13.3	3.0	83.0
							2016	-	-	-	-
Prof. Dr. Renate Köcher[17]		M			M		2017	41.7	8.3	2.2	52.2
		M			M		2016	100.0	20.0	3.7	123.7
Jürgen Lawrenz				M	M[18]		2017	100.0	33.3	4.5	137.8
				M			2016	100.0	20.0	4.5	124.5
Total[19]							**2017**	**1,445.9**	**671.7**	**61.5**	**2,179.0**
							2016	**1,408.2**	**558.2**	**58.5**	**2,025.2**

Legend: C = Chairperson of the respective committee, M = Member of the respective committee
1_Abbreviations: A - Audit, N - Nomination, P - Personnel, R - Risk, S - Standing, T - Technology
2_Since 7 May 2017
3_Until 6 May 2017
4_Until 3 May 2017
5_Until 3 May 2017
6_Since 3 May 2017
7_Until 3 May 2017
8_Until 3 May 2017
9_Since 3 May 2017
10_Since 3 May 2017
11_Until 3 May 2017
12_Since 4 May 2016
13_Since 3 May 2017
14_Since 1 April 2016
15_Since 3 May 2017
16_Since 3 May 2017
17_Until 3 May 2017
18_Since 3 May 2017
19_The total reflects the remuneration of the full Supervisory Board in the respective year.

REMUNERATION FOR MANDATES IN OTHER ALLIANZ COMPANIES AND FOR OTHER FUNCTIONS

As remuneration for her membership in the Supervisory Board of Allianz Deutschland AG, Ms. Gabriele Burkhardt-Berg received € 61.8 thou for the financial year 2017. Mr. Jürgen Lawrenz did not receive any remuneration for his service on the Supervisory Board of Allianz Technology SE. All current employee representatives of the Supervisory Board except for Ms. Martina Grundler are employed by Allianz Group companies and receive a market-based remuneration for their services.

LOANS TO MEMBERS OF THE SUPERVISORY BOARD

As of 31 December 2017, there was one outstanding loan granted to a member of the Allianz SE Supervisory Board by an Allianz Group company: It is an € 80 thou mortgage loan from Allianz Bank, granted at the normal market interest rate in 2010, with an overall duration of ten years.

GROUP MANAGEMENT REPORT

C

BUSINESS OPERATIONS

Allianz Group structure

Allianz SE and its subsidiaries (the Allianz Group) offer property-casualty insurance, life/health insurance, and asset management products and services in over 70 countries, with the largest of our operations located in Europe. The Allianz Group insures 88.0 million customers. Allianz SE, the parent company of the Allianz Group, has its headquarters in Munich, Germany.

The Allianz Group's structure reflects both our business segments and geographical regions. Business activities are organized by product and type of service, based on how these are strategically managed: insurance activities, asset management activities, and corporate and other activities. Due to differences in the nature of products, risks, and capital allocation, insurance activities are further divided into property-casualty and life/health categories. In accordance with the responsibilities of the Board of Management, each of the insurance categories is grouped into regional reportable segments. Corporate and other activities are divided into three different reportable segments in order to differentiate between the respective products, risks, and capital allocation. In 2017, the Allianz Group had 14 reportable segments.

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

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

Insurance operations

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

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

Asset Management

Our two major investment management businesses, PIMCO and AllianzGI, operate under Allianz Asset Management (AAM). We are one of the largest asset managers in the world that actively manage assets. Our offerings cover a wide range of equity, fixed income, and alternative investment products and solutions. Our core markets here are the United States, Germany, France, Italy, the United Kingdom, and the Asia-Pacific region.

Corporate and Other

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

HOLDING & TREASURY

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

BANKING

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

ALTERNATIVE INVESTMENTS

Alternative Investments provides global alternative investment management services in the private equity, real estate, renewable energy, and infrastructure sectors, mostly on behalf of our insurance operations.

1_For further information on organizational changes, please refer to the Executive Summary of 2017 Results.
2_Based on currently available peer data. Final peer analysis not available until after publication of this Annual Report.

Worldwide presence and business segments

Market presence of our business operations[1]

Insurance Western & Southern Europe, Insurance Middle East, Africa, Asia Pacific	
Europe	
Property-Casualty, Life/Health, Banking	Italy
Property-Casualty, Life/Health	Greece
Property-Casualty, Life/Health	Turkey
Property-Casualty, Life/Health, Banking	France
Property-Casualty, Life/Health	Belgium
Property-Casualty, Life/Health	The Netherlands
Property-Casualty, Life/Health	Luxembourg
Middle East, North Africa & India	
Property-Casualty, Life/Health	Egypt
Property-Casualty, Life/Health	Lebanon
Property-Casualty, Life/Health	Saudi Arabia
Africa	
Property-Casualty	Benin
Property-Casualty, Life/Health	Burkina Faso
Property-Casualty, Life/Health	Cameroon
Property-Casualty	Central Africa
Property-Casualty	Congo Brazzaville
Property-Casualty	Ghana
Property-Casualty, Life/Health	Ivory Coast
Property-Casualty, Life/Health	Kenya
Property-Casualty, Life/Health	Madagascar
Property-Casualty	Mali
Property-Casualty	Morocco
Property-Casualty, Life/Health	Senegal
Property-Casualty	Togo
India	
Property-Casualty, Life/Health	India
Asia Pacific	
Property-Casualty, Life/Health	China
Property-Casualty	Hong Kong[3]
Property-Casualty, Life/Health	Indonesia
Property-Casualty	Japan[3]
Property-Casualty	Laos
Property-Casualty, Life/Health	Malaysia
Life/Health	Pakistan
Life/Health	Philippines
Property-Casualty	Singapore[3]
Property-Casualty, Life/Health	Sri Lanka
Life/Health	Taiwan
Property-Casualty, Life/Health	Thailand

Insurance Iberia & Latin America	
Iberia	
Property-Casualty, Life/Health	Spain
Property-Casualty, Life/Health	Portugal
Latin America	
Property-Casualty	Argentina
Property-Casualty	Brazil
Property-Casualty, Life/Health	Colombia
Property-Casualty, Life/Health	Mexico

Insurance German Speaking Countries, Insurance Central & Eastern Europe	
German Speaking Countries	
Property-Casualty, Life/Health, Banking	Germany[2]
Property-Casualty, Life/Health	Austria
Property-Casualty, Life/Health	Switzerland
Central & Eastern Europe	
Property-Casualty, Life/Health, Banking	Bulgaria
Property-Casualty, Life/Health	Croatia
Property-Casualty, Life/Health	Czech Republic
Property-Casualty, Life/Health	Hungary
Property-Casualty, Life/Health	Poland
Property-Casualty, Life/Health	Romania
Property-Casualty, Life/Health	Slovakia
US life insurance	
Life/Health	United States
Global insurance lines & Anglo markets	
Property-Casualty	United Kingdom
Property-Casualty, Life/Health	Australia
Property-Casualty	Ireland
Property-Casualty	Allianz Global Corporate & Specialty
Property-Casualty	Credit Insurance
Property-Casualty, Life/Health	Reinsurance
Property-Casualty, Life/Health	Russia
Property-Casualty	Ukraine
Allianz Partners	
Property-Casualty, Life/Health	Allianz Partners

Asset Management	
North and Latin America	
Retail Asset Management, Institutional Asset Management	United States
Retail Asset Management, Institutional Asset Management	Canada
Retail Asset Management, Institutional Asset Management	Brazil
Europe	
Retail Asset Management, Institutional Asset Management	Germany
Retail Asset Management, Institutional Asset Management	Austria
Retail Asset Management, Institutional Asset Management	France
Retail Asset Management, Institutional Asset Management	Italy
Retail Asset Management, Institutional Asset Management	Ireland
Retail Asset Management, Institutional Asset Management	Luxembourg
Retail Asset Management, Institutional Asset Management	Spain
Retail Asset Management, Institutional Asset Management	Switzerland
Retail Asset Management, Institutional Asset Management	Belgium
Retail Asset Management, Institutional Asset Management	The Netherlands
Retail Asset Management, Institutional Asset Management	United Kingdom
Retail Asset Management, Institutional Asset Management	Sweden
Asia Pacific	
Retail Asset Management, Institutional Asset Management	Japan
Retail Asset Management, Institutional Asset Management	Hong Kong
Retail Asset Management, Institutional Asset Management	Taiwan
Retail Asset Management, Institutional Asset Management	Singapore
Retail Asset Management, Institutional Asset Management	China
Retail Asset Management, Institutional Asset Management	Australia

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

1_This overview is based on our organizational structure as of 31 December 2017.
2_Oldenburgische Landesbank AG in Germany is classified as "held for sale".
3_Property-Casualty business belongs to Allianz Global Corporate & Specialty.

Our steering

BOARD OF MANAGEMENT AND ORGANIZATIONAL STRUCTURE

Allianz SE has a divisional Board structure based on functional and business responsibilities. Business-related divisions reflect our business segments Property-Casualty, Life/Health, Asset Management, and Corporate and Other. In 2017 they were overseen by five Board members. The remaining four divisions (i.e. Chairman of the Board of Management, Finance, Investments, and Operations[1]) focus on Group functions, along with business-related responsibilities.

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

TARGET SETTING AND MONITORING

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

We continuously monitor our business performance against these targets through monthly reviews – which cover key operational and financial metrics – to ensure we can move quickly and take appropriate measures in the event of negative developments. The Allianz Group uses operating profit and net income as key financial performance indicators across all its business segments. Other indicators include segment-specific figures, such as the combined ratio for Property-Casualty, return on equity[2] for Life/Health, and the cost-income ratio for Asset Management. To steer and control new business in our business segments Property-Casualty and Life/Health, we use Return on Risk Capital (RoRC). We also use new business margins for Life/Health. For a comprehensive view of our business segment performance, please refer to the chapters from page 39 onwards.

Besides performance steering, we also have a risk steering process in place, which is described in the Risk and Opportunity Report starting on page 62.

1_This member of the Board of Management also oversees Allianz Partners.
2_Excluding unrealized gains/losses on bonds net of shadow accounting.

Non-financial key performance indicators (KPIs) are mainly used for the sustainability assessment that we conduct when determining mid-term bonus levels. In line with our Renewal Agenda, KPIs mainly represent three key levers: True Customer Centricity, Digital by Default, and Inclusive Meritocracy. Examples include the Allianz Engagement Survey and Net Promoter Score (NPS[1]) results, diversity development, and the share of digital retail products/digital client communication.

Our Corporate Responsibility approach

Allianz seeks to position itself as the world's most trusted financial services provider and a global sustainability leader. As such, we strive to create sustainable economic value through a long-term approach to corporate governance, social responsibility, and environmental stewardship.

In 2017, we took the leading position among all rated insurance companies in the Dow Jones Sustainability Index (DJSI) ranking, scoring 87 out of 100 points. The DJSI ranks companies according to environmental, social, and governance (ESG) criteria, assessing their strategy and performance.

CORPORATE RESPONSIBILITY GOVERNANCE

Strong corporate governance is pivotal to our sustainability approach and features among our most important material issues.

Established in 2012, the Group ESG Board is the highest governing body for sustainability-related issues. It consists of three Allianz SE Board members and several department heads. They meet quarterly and are responsible for ensuring ESG integration across all business lines as well as all core processes dealing with insurance and investment decisions. Key topics of focus in 2017 included implementation of the recommendations of the Taskforce of Climate-related Financial Disclosures and development of a more systematic approach to investor engagement.

The Group ESG Board is in charge of corporate responsibility and climate-related topics, and leads on associated stakeholder engagement. Functional departments provide regular updates on sustainability issues directly to the Group ESG Board.

CORPORATE RESPONSIBILITY APPROACH

We want our stakeholders to know that Allianz is a financially solid and trustworthy company that embraces sustainable business as good business. To achieve this, we also need to understand our stakeholders' needs and concerns, which is why we engage with a broad range of social and political players and organizations. The insight they provide enables us to focus our Corporate Responsibility strategy, activities, and reporting on the right areas.

We organize our Corporate Responsibility strategy around three focus areas in which we address the relevant material issues that our stakeholders perceive as vital for business success and sustainability:

Low-carbon economy: supporting renewable energy and decarbonization through our investments; providing sustainable insurance solutions; reducing our environmental footprint.

Social inclusion: supporting the social inclusion of children and youth through our Future Generations program; developing solutions for customers in emerging markets; promoting diversity and wellbeing among our employees.

Business integration: integrating environmental, social, and governance (ESG) issues across our investment and insurance businesses; building trust through transparency, responsible sales, and data privacy.

For reporting purposes, we organize our approach around Allianz's five key roles as a sustainable insurer, responsible investor, trusted company, attractive employer, and committed corporate citizen.

Allianz SE and Allianz Group comply with the legal requirements to provide a non-financial statement and a non-financial Group statement according to §§ 289b (1), 315b (1) of the HGB by issuing a combined separate non-financial report for Allianz Group and Allianz SE according to §§ 289b (3), 315b (3), sentence 1, sentence 2 in conjunction with § 298(2) of the HGB. This report can be found on our website at: **www.allianz.com/nf-report.**

Please also refer to our 2017 Group Sustainability Report (to be published in April 2018) for full details of our corporate responsibility strategy, approach, and performance: **www.allianz.com/sustainability.**

1_NPS is a measurement of customers' willingness to recommend Allianz. Top-down NPS is measured regularly according to global cross-industry standards and allows benchmarking against competitors in the respective markets.

BUSINESS ENVIRONMENT

Economic environment 2017[1]

In terms of real economic growth, 2017 has been the best year for the global economy since 2011. Around the globe, many countries experienced a fairly strong cyclical upswing. Two factors drove much of last year´s positive development: the comeback of global trade and the expansionary credit cycle. In the United States, economic momentum increased in the course of 2017. Given the upturn in business investment as well as the rebound in exports, economic activity was on a broader footing than it had been in 2016. All in all, the U.S. economy expanded by about 2.3%. With an increase of 2.5%, growth in the Eurozone was slightly stronger than in the United States. The recovery gained more breadth both in terms of countries and demand components. The German economy expanded by 2.5% (in calendar-adjusted terms), increasingly supported by rising investment activity. In the emerging markets, growth finally reaccelerated in 2017, not least owing to continued stabilization in former recession countries such as Brazil and Russia. Overall, the global economy grew by an estimated 3.2%, considerably stronger than in 2016, when global output rose by 2.6%.

World economy and financial markets appeared to overlook the elevated global political uncertainties, at least in part. Stock market volatility was low. On the monetary policy front, in October the European Central Bank announced that it would extend its monthly bond purchasing program at least until the end of September 2018. In the United States, the Federal Reserve continued to normalize its monetary policy stance. It increased the federal funds rate range three times by 25 basis points, bringing it to 1.25% – 1.5%. Moreover, in October the Federal Reserve started a balance sheet normalization program. Yields on 10-year German government bonds reached 0.4% at year-end 2017, 20 basis points higher than at the end of 2016. Spreads on Eurozone government bonds ended the year more or less unchanged – with two major exceptions, Greece and Portugal, where bond spreads tightened substantially. The performance of major stock markets was clearly positive around the globe, with a number of indices reaching new all-time highs. Supported by improving economic conditions in the Eurozone, the Euro appreciated considerably against the U.S. Dollar in the course of 2017. The U.S. Dollar-to-Euro exchange rate was 1.20 at year-end (end of 2016: 1.05).

Business environment 2017 for the insurance industry

2017 was a mixed year for the insurance industry. On the one hand, the global economy gained momentum, supporting top-line growth across almost all regions and business lines. On the other hand, interest rates remained low, putting relentless pressure on investment returns. Above all, however, 2017 was a year of extreme natural catastrophes: Insured losses from natural catastrophes reached a new peak, almost tripling the previous year's figure. Losses were heavily concentrated in North America, however, where we experienced hurricanes (both in the United States and the Caribbean), wildfires in the United States, and earthquakes in Mexico, while in other regions, notably Asia and Europe, losses from natural catastrophes were less severe.

At the same time, the deep transformation of the business environment, much of which is driven by the digital revolution, continued unabatedly. For the insurance industry, it brings enormous challenges but also new opportunities. While overhauling the current business model requires sizeable resources, new technologies have helped insurers achieve quantum leaps in terms of customer centricity, product accessibility, and ease of doing business. Moreover, harnessing new technologies expanded the scope of insurance solutions offered to a wider range of threats, from cyber-attacks to health protection in emerging countries.

In the **property-casualty sector,** premium growth accelerated slightly in almost all markets, reflecting the broad-based recovery of the global economy. This general uptick in growth did not, however, change the growth differentials between regions: While Western Europe lagged, Emerging Asia powered ahead, with the two biggest markets, China and India, registering double-digit growth. Overall and at a global scale, premiums rose by an estimated 5% in 2017, after a 4% gain in 2016 (in nominal terms and adjusted for foreign currency translation effects). Global industry profitability declined in 2017, mainly due to the large losses from natural catastrophes experienced in the United States; but soft underwriting conditions in many business lines and low investment yields did not help either.

In the **life sector,** performance in the different regions was more mixed. While, for example, the U.S. market had to cope with lower premium growth, growth in Western Europe was on the up (albeit from a low base). Emerging markets, too, showed diverging growth trends: Eastern Europe experienced a rebound, Latin America a decline. Meanwhile, Emerging Asia remained unfazed and simply continued to show double-digit growth, with China leading the pack, clocking premium growth of around 20%. Government policies boosting demand played a quite significant role in this growth story. Overall and at a global scale, premiums rose by an estimated 5% in 2017 (in nominal terms and adjusted for foreign currency translation effects). Global industry profitability remained challenging as the low yield environment continued in 2017. On the other hand, market volatility was generally low and stock markets performed very well. Against this backdrop, insurers aligned their business model in several ways: by reallocating assets (towards riskier and/or less liquid asset classes), restructuring insurance portfolios (towards less capital intensive business lines) and through in-force management actions (such as life book disposals).

1_At the date of the publication of this report, not all general market data for the year 2017 used in the chapter Business Environment was final. Also, please note that the information provided in this chapter is based on our estimates.

Business environment 2017 for the asset management industry

As the global economy continued growing, 2017 also was an excellent year for equity markets. Leading indices showed a very strong performance. Especially U.S. equities rallied toward year-end, fueled by the anticipation of a corporate tax reform.

The global fixed-income market also enjoyed strong returns in 2017, driven by the U.S. bond market. The U.S. Federal Reserve Bank continued to gradually move away from its accommodative monetary policy and increased the federal funds rate in three steps. At the same time, the difference between short- and longer-dated U.S. Treasury yields declined significantly. In Europe, yields for 10-year German government bonds increased slightly in the course of the year, while the European Central Bank maintained its accommodative monetary policy.

The favorable developments in global capital markets also stimulated fund flows in the asset management industry. This was particularly true for the United States, where the long-term inflows for the year strongly outweighed the outflows. Taxable bond funds – both actively and passively managed – profited most from these U.S. net inflows, reflecting a shift from equities into fixed-income products. Strong net inflows were also recorded for international equities in the United States (both active and passive). Finally, U.S. equities also saw net inflows – largely due to passively managed funds, while actively managed equities experienced net outflows for the year. Overall, investor preference continued to show a trend towards passive products in 2017; active managers, however, did well in several market segments. In Europe, long-term net flows for 2017 reached a record high. In Germany, net inflows to mutual funds mainly went into multi-asset funds, followed by fixed-income products and equities.

EXECUTIVE SUMMARY OF 2017 RESULTS

KEY FIGURES

Key figures Allianz Group[1]

		2017	2016	Delta
Total revenues[2]	€ mn	126,149	122,416	3,733
Operating profit[3,4,5]	€ mn	11,097	11,056	41
Net income[3,4]	€ mn	7,207	7,329	(122)
Thereof: attributable to shareholders[4]	€ mn	6,803	6,962	(158)
Solvency II capitalization ratio[6,7]	%	229	218	11 %-p
Return on equity[4,8]	%	11.8	12.3	(0.4) %-p
Earnings per share[4]	€	15.24	15.31	(0.07)
Diluted earnings per share[4]	€	15.23	15.18	0.05

Earnings summary

MANAGEMENT'S ASSESSMENT OF 2017 RESULTS

Our **total revenues** increased by 5.0% on an internal basis[9], compared to 2016. A large part of the increase came from our Life/Health business segment; it was due to both stronger sales of capital-efficient products in Germany and higher unit-linked premiums in Italy and Taiwan. Internal premium growth in our Property-Casualty business segment was largely driven by Allianz Partners, Germany, and Brazil. Revenue growth in our Asset Management business segment was driven by higher third-party assets under management (AuM) driven fees.

Our **operating investment result** decreased by € 1,352 mn to € 23,923 mn, mainly due to lower realized gains on debt securities. This was partly offset by lower impairments.

Our **operating profit** increased by 0.4% compared to 2016 and was in the upper half of our 2017 target range. Our Asset Management business segment saw a strong increase in operating profit, mostly due to higher AuM-driven fees thanks to third-party net inflows. The operating profit in our Life/Health business segment increased due to a number of factors, including an improved technical margin in France and higher unit-linked management fees in Italy. The operating result in our Corporate and Other business segment also improved across all three reportable segments. Our Property-Casualty business segment experienced higher claims from natural catastrophes, resulting in a decline in operating profit. A lower investment result also contributed to the decrease.

Our **non-operating result** decreased by € 306 mn to a loss of € 949 mn. Non-operating realized gains (net) declined as a result of portfolio rebalancing actions in 2016. Impairments decreased as the prior year had included impairment losses on the South Korean Life/Health business and on the Oldenburgische Landesbank AG upon classification as held for sale. The 2017 impairment result includes the recognition of a liability in connection with the expected loss from the sale of Oldenburgische Landesbank AG[10].

Income taxes decreased by € 144 mn to € 2,941 mn, mostly due to tax benefits related to previous years and a lower valuation allowance of deferred tax assets. These effects were partly offset by a one-time expense that resulted from the revaluation of deferred taxes following U.S. tax reform. The effective tax rate fell to 29.0% (2016: 29.6%).

The lower non-operating result could only be partly offset by the lower income taxes, resulting in an overall decrease in **net income**.

Our **shareholders' equity**[11] fell by € 1.5 bn to € 65.6 bn. During 2017, Allianz SE purchased approximately 16.8 million own shares as part of its share-buy-back program announced in February 2017 with a total volume of € 3.0 bn.[12] Over the same period, our **Solvency II capitalization ratio** increased to 229% (includes share buy-back).

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

Other information

RECENT ORGANIZATIONAL CHANGES

Effective 1 January 2017, the Allianz Group reorganized the structure of its insurance activities to reflect the changes in the Board of Management responsibilities. The former reportable segment Asia Pacific was allocated to the reportable segment Western & Southern Europe, Middle East, Africa, Asia Pacific. Any previously reported information has been adjusted to reflect this change in reportable segments.

In addition, there were some minor reallocations between the reportable segments.

1_For further information on Allianz Group figures, please refer to note 4 to the consolidated financial statements.
2_Total revenues comprise statutory gross premiums written in Property-Casualty and Life/Health, operating revenues in Asset Management, and total revenues in Corporate and Other (Banking).
3_The Allianz Group uses operating profit and net income as key financial indicators to assess the performance of its business segments and of the Group as a whole.
4_Prior year figures have been adjusted in order to reflect the impact resulting from an accounting policy change to measure the Guaranteed Minimum Income Benefit (GMIB) liability at fair value for our life business. For further information, please refer to note 2 to the consolidated financial statements.
5_In light of the new operating profit definition, restructuring charges are reported outside of operating profit unless shared with policyholders. Prior year figures have been adjusted accordingly.
6_Figures as of 31 December.
7_Risk capital figures are group diversified at 99.5 % confidence level. Allianz Life US included based on third country equivalence with 150 % of "Risk Based Capital Company Action Level" since 30 September 2015. The Solvency II capitalization ratio as of 31 December 2017 includes share buy-back.
8_Represents the ratio of net income attributable to shareholders to the average shareholders' equity excluding unrealized gains/losses on bonds, net of shadow accounting, at the beginning of the year and at the end of the year.
9_Internal total revenue growth excludes the effects of foreign currency translation as well as acquisitions and disposals. Please refer to page 60 for a reconciliation of nominal total revenue growth to internal total revenue growth for each of our business segments and the Allianz Group as a whole.
10_As of 31 December 2017, all requirements were still fulfilled to present Oldenburgische Landesbank AG, Oldenburg, allocated to the reportable segment Banking (Corporate and Other) as a disposal group classified as held for sale. The closing of the transaction was nearly completed as of 31 December 2017. Therefore, an impairment and a liability of € 233 mn were recognized in connection with the expected loss from the sale of the Oldenburgische Landesbank AG. The Allianz shares in Oldenburgische Landesbank AG were transferred to the buyer on 7 February 2018. For further information, please refer to note 3 to the consolidated financial statements
11_For further information on shareholders' equity, please refer to page 55 of the Balance Sheet Review chapter.
12_For further information on the share buy-back program, please refer to note 19 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 § 315d and § 289f of the HGB starting on **page 17**,
- Takeover-related Statements and Explanations starting on **page 20**, and the
- Remuneration Report starting on **page 23**.

PROPERTY-CASUALTY INSURANCE OPERATIONS

KEY FIGURES

Key figures Property-Casualty[1]

		2017	2016	Delta
Gross premiums written	€ mn	52,262	51,535	727
Operating profit[2]	€ mn	5,053	5,464	(411)
Net income	€ mn	3,807	4,158	(350)
Loss ratio[3]	%	66.5	65.6	0.9 %-p
Expense ratio[4]	%	28.7	28.7	0.0 %-p
Combined ratio[5]	%	95.2	94.3	0.9 %-p

Gross premiums written[6]

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

This includes unfavorable foreign currency translation effects of € 693 mn[7] and positive (de)consolidation effects of € 225 mn. On an internal basis, our premiums went up 2.3 %, driven by a positive price effect of 1.2 % and a positive volume effect of 1.1 %.

The following operations contributed positively to internal growth:

Allianz Partners: Gross premiums grew to € 4,608 mn – an increase of 10.8 % on an internal basis. It was driven by our U.S. travel business and our health insurance business in Dubai.

Germany: Gross premiums amounted to € 10,074 mn. This internal growth of 1.7 % was mainly due to positive price effects in our motor and commercial property insurance business.

Brazil: Gross premiums went up 16.8 % on an internal basis and reached € 1,029 mn. This was mainly driven by our motor insurance business.

Spain: Gross premiums increased to € 2,376 mn – up 4.4 % on an internal basis. This was driven by positive volume and price effects across the portfolio.

The following operations weighed on internal growth:

Turkey: Gross premiums decreased to € 1,222 mn. This decrease – 11.2 % on an internal basis – largely resulted from our strategic reduction in market share in the motor third-party liability insurance business following a regulatory change.

Italy: Gross premiums amounted to € 4,512 mn. The decline of 1.3 % on an internal basis resulted from unfavorable price effects in our motor insurance business.

AGCS: Gross premiums fell to € 7,406 mn – a decrease of 0.6 % on an internal basis. It was largely due to negative price impacts across both our corporate and specialty lines of business.

Operating profit

Operating profit
€ mn

	2017	2016	Delta
Underwriting result	2,011	2,354	(344)
Operating investment income (net)	2,905	2,971	(66)
Other result[1,2]	138	139	(1)
Operating profit[2]	**5,053**	**5,464**	**(411)**

1_Consists of fee and commission income/expenses and other income/expenses.
2_In light of the new operating profit definition, restructuring charges are reported outside of operating profit unless shared with policyholders. Prior year figures have been adjusted accordingly.

The decrease in operating profit was mainly driven by the fact that our underwriting result suffered from higher losses from natural catastrophes. Furthermore, our investment result declined mainly due to negative foreign currency translation effects net of hedging.

The underwriting result decrease was driven by an increase in losses from natural catastrophes such as the storms Harvey, Maria, and Irma in the third quarter, and the California wildfires in the fourth quarter of 2017. A lower contribution from run-off compared to the previous year also aggravated this development. As a consequence our combined ratio deteriorated by 0.9 percentage points to 95.2 %.

Underwriting result
€ mn

	2017	2016	Delta
Premiums earned (net)	47,242	46,588	653
Accident year claims	(33,351)	(32,661)	(691)
Previous year claims (run-off)	1,927	2,084	(158)
Claims and insurance benefits incurred (net)	(31,425)	(30,576)	(848)
Acquisition and administrative expenses (net)	(13,537)	(13,352)	(185)
Change in reserves for insurance and investment contracts (net) (without expenses for premium refunds)[1]	(270)	(306)	36
Underwriting result	**2,011**	**2,354**	**(344)**

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

Our accident year loss ratio[8] was 70.6 % – a 0.5 percentage point deterioration compared to the previous year. This was driven by an increase in losses from natural catastrophes from € 689 mn to € 1,111 mn, representing an adverse impact on our combined ratio, which increased from 1.5 percentage points in 2016 to 2.4 percentage points in 2017.

1_For further information on Allianz Property-Casualty figures, please refer to note 4 to the consolidated financial statements.
2_In light of the new operating profit definition, restructuring charges are reported outside of operating profit unless shared with policyholders. Prior year figures have been adjusted accordingly.
3_Represents claims and insurance benefits incurred (net) divided by premiums earned (net).
4_Represents acquisition and administrative expenses (net) divided by premiums earned (net).
5_Represents the total of acquisition and administrative expenses (net) and claims and insurance benefits incurred (net) divided by premiums earned (net).
6_We comment on the development of our gross premium written on an internal basis, which means figures have been adjusted for foreign currency translation and (de-)consolidation effects in order to provide more comparable information.
7_Based on the average exchange rates in 2017 compared to 2016.

8_Represents claims and insurance benefits incurred (net) less previous year claims (run-off), divided by premiums earned (net).

Excluding losses from natural catastrophes, our accident year loss ratio improved by 0.4 percentage points to 68.2%. This was predominantly due to profitability improvements across the Allianz Group.

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

Benelux: 0.2 percentage points. The improvement was due to the absence of natural catastrophes in 2017 whereas 2016 had been impacted by storms, floods, and hail. Underwriting performance measures improved our accident year loss ratio further.

The following operations weighed on the development of our accident year loss ratio:

Reinsurance: 0.6 percentage points. The accident year loss ratio suffered from natural catastrophes such as the California wildfires in October and the storms in the third quarter of 2017.

Germany: 0.2 percentage points. The deterioration was driven by a heavy storm year. Storms Xavier, Paul, Herwart, and several smaller events burdened the result throughout the year.

Credit Insurance: 0.1 percentage points. This was driven by several medium sized large losses.

Our run-off result amounted to € 1,927 mn – after € 2,084 mn in 2016 – leading to a decreased run-off ratio of 4.1%, which was mainly driven by our operations Reinsurance, Germany, and United Kingdom. Furthermore, we saw a negative impact in the beginning of 2017, a result of the Ogden rate change which affected our operating entities Reinsurance, United Kingdom, and Ireland.

Total expenses amounted to € 13,537 mn in 2017, compared to € 13,352 mn in the previous year. Our expense ratio remained stable at 28.7% as a higher administrative expense ratio was offset by a lower acquisition ratio.

Operating investment income (net)
€ mn

	2017	2016	Delta
Interest and similar income (net of interest expenses)	3,371	3,391	(20)
Operating income from financial assets and liabilities carried at fair value through income (net)	(78)	(23)	(56)
Operating realized gains (net)	248	285	(37)
Operating impairments of investments (net)	(22)	(51)	29
Investment expenses	(399)	(376)	(23)
Expenses for premiums refunds (net)[1]	(215)	(255)	40
Operating investment income (net)[2]	**2,905**	**2,971**	**(66)**

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

Our operating investment income (net) decreased slightly, mainly due to an unfavorable foreign currency translation result net of hedging.

The negative development of the net interest and similar income resulted from lower income on debt securities, largely offset by a higher income from equities.

Other result
€ mn

	2017	2016	Delta
Fee and commission income	1,616	1,527	89
Other income	33	21	11
Fee and commission expenses	(1,509)	(1,407)	(101)
Other expenses	(2)	(3)	-
Other result[1]	**138**	**139**	**(1)**

1_In light of the new operating profit definition, restructuring charges are reported outside of operating profit unless shared with policyholders. Prior year figures have been adjusted accordingly.

Our other result remained stable compared to the previous year.

Net income

Net income decreased, which was driven by the decline in operating profit and a lower non-operating result that was partially offset by a decline in income taxes.

LIFE/HEALTH INSURANCE OPERATIONS

KEY FIGURES

Key figures Life/Health[1]

		2017	2016	Delta
Statutory premiums[2]	€ mn	67,277	64,636	2,642
Operating profit[3,4,5]	€ mn	4,412	4,277	134
Net income[3]	€ mn	2,968	2,660	308
Return on equity[3,6]	%	12.1	10.7	1.4 %-p

Our South Korean business was disposed of at the end of 2016. In order to best reflect the actual underlying drivers, operating profit was reported in 2016 excluding South Korea, and the South Korean operating loss specified as a separate item. Similarly, the figures for present value of new business premiums are shown without effects from the South Korean business. To ensure consistency with the Group income statement, however, prior year statutory premiums are presented including premiums collected from our South Korean business.

Statutory premiums[7]

On a nominal basis, statutory premiums increased by 4.1 %. This includes unfavorable foreign currency translation effects of € 494 mn and negative (de-)consolidation effects of € 1,293 mn. On an internal basis, statutory premiums went up by € 4,429 mn – or 7.0 % – to € 67,277 mn.

Statutory premiums in the German life business rose to € 21,124 mn, translating into 11.9% growth on an internal basis – which was largely due to higher sales of capital-efficient products. Statutory premiums in the German health business climbed to € 3,360 mn – a 2.2% increase on an internal basis –, much of which resulted from the acquisition of new customers in the supplementary health care coverage.

In the United States, statutory premiums amounted to € 9,720 mn, down 16.3 % on an internal basis. This was caused by a decrease in sales of fixed-indexed annuities. Increased sales of traditional variable annuities partly compensated for this development.

In Italy, statutory premiums grew to € 11,160 mn. This increase – 17.1 % on an internal basis – resulted mainly from higher unit-linked single-premium sales, and was partially offset by a decrease in traditional life business.

In France, statutory premiums went up to € 8,457 mn, an increase of 6.3 % on an internal basis. This was predominantly due to higher sales of capital-efficient products and a growth in our protection and health business.

In the Asia-Pacific region, statutory premiums stood at € 5,170 mn, a 26.4 % rise on an internal basis. It was largely due to an increase in unit-linked sales in Taiwan. Statutory premiums in South Korea amounted to € 1,307 mn in 2016.

Present value of new business premiums (PVNBP)[8,9,10]

Our PVNBP increased by € 2,267 mn to € 59,469 mn, largely because our business with unit-linked insurance products without guarantees generated higher sales in Italy and the Asia-Pacific region, as did our capital-efficient products in the German life business. This was partly offset by a sales decline in our business with fixed-indexed annuities in the United States.

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

	2017	2016	Delta
Guaranteed savings & annuities	23.9	28.5	(4.6)
Protection & health	14.4	14.4	(0.1)
Unit-linked without guarantee	25.6	20.1	5.5
Capital-efficient products	36.1	37.0	(0.9)
Total	**100.0**	**100.0**	**-**

1_For further information on Allianz Life/Health figures, please refer to note 4 to the consolidated financial statements.
2_Statutory premiums are gross premiums written from sales of life and health insurance policies, as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.
3_Prior year figures have been adjusted in order to reflect the impact resulting from an accounting policy change to measure the Guaranteed Minimum Income Benefit (GMIB) liability at fair value for our life business. For further information please refer to note 2 to the consolidated financial statements.
4_In light of the new operating profit definition, restructuring charges are reported outside of operating profit unless shared with policyholders. Prior year figures have been adjusted accordingly.
5_From the classification of our Korean life business as "held for sale" in the second quarter of 2016 until its disposal in the fourth quarter of 2016, the total result of € (204) mn was considered as non-operating.
6_Represents the ratio of net income to the average total equity, excluding unrealized gains/losses on bonds, net of shadow accounting, at the beginning of the year and at the end of the year.
7_Our comments in the following section on the development of our statutory gross premiums written refer to figures determined "on an internal basis", i.e. adjusted for foreign currency translation and (de-) consolidation effects, in order to provide more comparable information.

8_PVNBP before non-controlling interests.
9_Prior year figures changed in order to reflect the roll-out of profit source reporting to Turkey.
10_Prior year figures are presented excluding effects from the South Korean business.

Operating profit[1,2]

OPERATING PROFIT BY PROFIT SOURCES[3,4]

Operating profit by profit sources

€ mn

	2017	2016	Delta
Loadings and fees	5,989	5,726	264
Investment margin	4,112	4,487	(375)
Expenses	(6,860)	(6,821)	(38)
Technical margin	1,238	1,015	223
Impact of changes in DAC	(68)	(47)	(21)
Operating loss – South Korea[1]	-	(82)	82
Operating profit	**4,412**	**4,277**	**134**

1_The 2016 figure represents the operating loss of the first quarter only, as the negative result for the rest of 2016 was considered as non-operating.

Our **operating profit** rose, supported by an improved technical margin in France and higher unit-linked management fees in Italy.

LOADINGS AND FEES[5]

Loadings and fees

€ mn

	2017	2016	Delta
Loadings from premiums	3,871	3,793	78
Loadings from reserves	1,462	1,345	117
Unit-linked management fees	657	588	69
Loadings and fees[1]	**5,989**	**5,726**	**264**
Loadings from premiums as % of statutory premiums	5.8	6.0	(0.2)
Loadings from reserves as % of average reserves[2,3]	0.3	0.3	-
Unit-linked management fees as % of average unit-linked reserves[3,4]	0.5	0.4	-

1_Prior year figures are presented excluding the effects from the South Korean business.
2_Aggregate policy reserves and unit-linked reserves.
3_Yields are pro rata.
4_Unit-linked management fees, excluding asset management fees, divided by unit-linked reserves.

Loadings from premiums went up along with sales, much of which was driven by the Asia-Pacific region. The increase in **loadings from reserves** was largely attributable to a higher reserve volume in France as well as to higher product fee income stemming from the growth in our non-traditional variable-annuity business in the United States, due to favorable market movements. **Unit-linked management fees** rose, mainly in Italy, as a result of both higher performance fees and increased assets under management.

1_Prior year figures have been adjusted in order to reflect the impact resulting from an accounting policy change to measure the Guaranteed Minimum Income Benefit (GMIB) liability at fair value for our life business. For further information please refer to note 2 to the consolidated financial statements.
2_In light of the new operating profit definition, restructuring charges are reported outside of operating profit unless shared with policyholders. Prior year figures have been adjusted accordingly.
3_Prior year figures changed in order to reflect the roll-out of profit source reporting to Turkey.
4_The purpose of the Life/Health operating profit sources analysis is to explain movements in IFRS results by analyzing underlying drivers of performance on a Life/Health business segment consolidated basis.
5_Loadings and fees include premium and reserve based fees, unit-linked management fees, and policyholder participation in expenses.

INVESTMENT MARGIN[6]

Investment margin

€ mn

	2017	2016	Delta
Interest and similar income	17,856	17,749	107
Operating income from financial assets and liabilities carried at fair value through income (net)	(1,149)	(864)	(286)
Operating realized gains/losses (net)	5,333	6,610	(1,278)
Interest expenses	(102)	(105)	3
Operating impairments of investments (net)	(634)	(1,208)	574
Investment expenses	(1,332)	(1,192)	(140)
Other[1]	405	384	21
Technical interest	(8,745)	(8,757)	12
Policyholder participation	(7,519)	(8,130)	611
Investment margin[2]	**4,112**	**4,487**	**(375)**
Investment margin in basis points[3,4]	97	109	(12)

1_Other comprises the delta of out-of-scope entities, on the one hand, which are added here with their respective operating profit and different line item definitions compared to the financial statements, such as interest paid on deposits for reinsurance, fee and commission income and expenses excluding unit-linked management fees on the other hand.
2_Prior year figures are presented excluding the effects from the South Korean business.
3_Investment margin divided by the average of current end-of-period and previous end-of-period aggregate policy reserves.
4_Yields are pro rata.

Our **investment margin** declined, mainly due to much lower realizations in the German life business after the sale of Italian government bonds has resulted in an elevated level in 2016. A lower investment result in the United States driven by our business with fixed-indexed annuities due to a swing in the hedging result and unlocking has also contributed to this development. It was, however, partly compensated by decreased impairments in Germany, following a better performance of the equity market.

EXPENSES[7]

Expenses

€ mn

	2017	2016	Delta
Acquisition expenses and commissions	(4,963)	(5,029)	66
Administrative and other expenses	(1,897)	(1,793)	(104)
Expenses[1]	**(6,860)**	**(6,821)**	**(38)**
Acquisition expenses and commissions as % of PVNBP[2]	(8.3)	(8.8)	0.4
Administrative and other expenses as % of average reserves[3,4]	(0.4)	(0.3)	-

1_Prior year figures are presented excluding the effects from the South Korean business.
2_PVNBP before non-controlling interests.
3_Aggregate policy reserves and unit-linked reserves.
4_Yields are pro rata.

We recorded lower **acquisition expenses and commissions,** predominantly due to declined sales in the fixed-indexed annuities business in

6_The investment margin is defined as IFRS investment income net of expenses, less interest credited to IFRS reserves and policyholder participation (including policyholder participation beyond contractual and regulatory requirements mainly for the German life business).
7_Expenses include acquisition expenses and commissions (excluding commission clawbacks, which are allocated to the technical margin) as well as administrative and other expenses.

the United States. This was partly offset by higher expenses due to sales growth in the Asia-Pacific region, in our German life business, and in Italy.

Administrative and other expenses increased, mainly due to legal accruals for non-recurring items in the United States and Asia-Pacific region, but remained stable in relation to reserves.

TECHNICAL MARGIN[1]

Our technical margin increased, driven by one-off reserve adjustments both in 2017 and 2016 in the United States as well as improved loss ratios due to repricing and positive run-off in our protection and health business in France.

IMPACT OF CHANGE IN DEFERRED ACQUISITION COSTS (DAC)[2]

Impact of change in DAC
€ mn

	2017	2016	Delta
Capitalization of DAC	1,711	1,877	(166)
Amortization, unlocking and true-up of DAC	(1,779)	(1,924)	145
Impact of change in DAC[1]	**(68)**	**(47)**	**(21)**

1_Prior year figures are presented excluding the effects from the South Korean business.

The higher negative impact of change in DAC was due to lower capitalization of DAC, mainly resulting from decreased sales in fixed-indexed annuities in the United States. This was partly compensated by favorable unlocking effects in our business with fixed-indexed annuities in the United States.

OPERATING PROFIT BY LINES OF BUSINESS[3]

Operating profit by lines of business
€ mn

	2017	2016	Delta
Guaranteed savings & annuities	2,375	2,365	10
Protection & health	927	730	197
Unit-linked without guarantee	367	351	16
Capital-efficient products	743	913	(171)
Operating loss – South Korea[1]	-	(82)	82
Operating profit	**4,412**	**4,277**	**134**

1_The 2016 figure represents the operating loss of the first quarter only, as the negative result for the rest of 2016 was considered as non-operating.

The operating profit in our guaranteed savings & annuities line of business went up. Much of this increase was contributed by our traditional variable-annuity business in the United States, which benefited from favorable market movements. The higher operating profit in our protection & health line of business was largely driven by an improved technical margin in France and the United States. Our operating profit in the unit-linked without guarantee line of business increased, primarily due to higher unit-linked management fees in Italy. A decrease in operating profit in the capital-efficient products line was largely attributable to a lower investment margin in the United States.

Return on equity

Our return on equity increased by 1.4 percentage points to 12.1 %. Among other reasons, this is due to the fact that the 2016 figure had been negatively impacted by the unfavorable development of our South Korean business.

Net income

We registered an increase in our net income, which was largely due to our operating performance and the fact that the prior year's net income had been negatively affected by our business in South Korea.

1_Technical margin comprises risk result (risk premiums less benefits in excess of reserves less policyholder participation), lapse result (surrender charges and commission clawbacks) and reinsurance result.
2_Impact of change in DAC includes effects of change in DAC, unearned revenue reserves (URR) and value of business acquired (VOBA). It represents the net impact of deferral and amortization of acquisition costs and front-end loadings on operating profit and therefore deviates from the IFRS financial statements.
3_Prior year figures changed in order to reflect the roll-out of profit source reporting to Turkey.

ASSET MANAGEMENT

KEY FIGURES

Key figures Asset Management[1]

		2017	2016	Delta
Operating revenues	€ mn	6,408	6,022	385
Operating profit[2]	€ mn	2,440	2,206	234
Cost-income ratio[3]	%	61.9	63.4	(1.5) %-p
Net income	€ mn	1,546	1,411	136
Total assets under management as of 31 December	€ bn	1,960	1,871	89
thereof: Third-party assets under management as of 31 December	€ bn	1,448	1,361	87

Assets under management

Composition of total assets under management
€ bn

Type of asset class	as of 31 December 2017	as of 31 December 2016	Delta
Fixed income	1,553	1,489	64
Equities	164	166	(2)
Multi-assets[1]	163	153	10
Other[2]	81	63	17
Total	**1,960**	**1,871**	**89**

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

Net inflows[4] of **total assets under management** (AuM) amounted to € 147 bn in 2017. € 150 bn were attributable to third-party AuM net inflows (2016: € 20 bn net outflows), marking the highest yearly third-party AuM net inflows ever. The majority of this year's inflows were PIMCO's third-party AuM net inflows (€ 144 bn) – mainly in the United States and Europe. Strong third-party AuM net inflows were recorded in each quarter. AllianzGI also recorded third-party AuM net inflows (€ 6 bn), primarily in Europe.

Favorable effects from Market and Other[5] amounted to € 73 bn. € 50 bn were due to PIMCO and mainly related to fixed-income assets. The remaining € 23 bn stemmed from AllianzGI's equities and from multi-assets, albeit to a lesser extent.

Effects from consolidation, deconsolidation, and other adjustments added € 4 bn to total AuM.

Negative foreign currency translation effects amounted to € 135 bn and were primarily driven by the depreciation of the U.S. Dollar against the Euro. Despite these negative effects, total AuM increased by 4.8 %.

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

As of 31 December 2017, the shares of third-party AuM by business unit were 76.8 % (31 December 2016: 76.1 %) attributable to PIMCO and 23.2 % (31 December 2016: 23.9 %) attributable to AllianzGI.

The share of fixed-income assets rose from 75.5 % at the beginning of the year to 76.4 %. This was mainly due to the high third-party AuM net inflows and – to a lesser extent – to positive effects from Market and Other, which outweighed the negative foreign currency translation effects. The share of equities declined from 10.3 % to 9.4 %. Hereby, positive effects from equity markets could not offset third-party AuM net outflows in combination with negative foreign currency translation effects as well as deconsolidation effects. The shares of multi-assets and other were roughly stable at 10.2 % and 4.0 % (31 December 2016: 10.0 % and 4.2 %, respectively).

Mutual funds[6] had a 59.4 % share in third-party assets (31 December 2016: 57.8 %), while separate accounts[6] were at 40.6 % (31 December 2016: 42.2 %).

The regional allocation[7] of third-party AuM shifted as follows: America 53.4 %, Europe 35.1 % and the Asia-Pacific region 11.5 % (31 December 2016: 55.3 %, 32.8 % and 11.9 %, respectively). This development was due to strong growth in Europe, whereas the U.S. share was affected by negative foreign currency translation effects. The share of the Asia-Pacific region declined as positive effects, mostly from third-party AuM net inflows, were dampened by negative foreign currency translation effects as well as the deconsolidation of AllianzGI Korea.

The overall three-year rolling investment performance[8] of our Asset Management business improved significantly, with 91 % of third-party assets outperforming their respective benchmarks (31 December 2016: 83 %). The increase was driven by both PIMCO and AllianzGI, improving from 88 % to 95 % and from 63 % to 75 %, respectively.

1_For further information about our Asset Management business segment, please refer to note 4 to the consolidated financial statements.
2_In light of the new operating-profit definition, restructuring charges are reported outside of operating profit. Prior-year figures have been adjusted accordingly.
3_Represents operating expenses divided by operating revenues.
4_Net flows represent the sum of new client assets, additional contributions from existing clients – including dividend reinvestment –, withdrawals of assets from and termination of client accounts, and distributions to investors.
5_Market and Other represents current income earned on, and changes in the fair value of, securities held in client accounts. It also includes dividends from net investment income and from net realized capital gains to investors of open ended mutual funds and of closed end funds.
6_Mutual funds are investment vehicles (in the United States, investment companies subject to the U.S. code; in Germany, vehicles subject to the "Standard-Anlagerichtlinien des Fonds" Investmentgesetz) where the money of several individual investors is pooled into one account to be managed by the asset manager, e.g. open-end funds, closed-end funds. Separate accounts are investment vehicles where the money of a single investor is directly managed by the asset manager in a separate dedicated account (e.g. public or private institutions, high net worth individuals, and corporates).
7_Based on the location of the asset management company.
8_Three-year rolling investment performance reflects the mandate-based and volume-weighted three-year investment success of all third-party assets that are managed by Allianz Asset Management's portfolio-management units. For separate accounts and mutual funds, the investment success (valued on the basis of the closing prices) is compared with the investment success prior to cost deduction of the respective benchmark, based on various metrics. For some mutual funds, the investment success, reduced by fees, is compared with the investment success of the median of the respective Morningstar peer group (a position in the first and second quartile is equivalent to outperformance).

Operating revenues

Our **operating revenues** increased by 6.4% on a nominal basis and 7.8% on an internal basis[1].

We recorded lower **performance fees**, due to a decrease in PIMCO's fees, where carried interest declined due to the phasing out of one large private fund. AllianzGI's performance fees went up significantly, driven by positive developments in all business regions, especially in the United States.

Other net fee and commission income rose, driven by increased average third-party AuM, mostly at PIMCO. Third-party AuM-driven margins declined mainly at AllianzGI.

Other operating revenues increased largely due to positive foreign currency translation effects on financial assets and liabilities carried at fair value through profit and loss.

Operating profit

Our **operating profit** increased by a strong 10.6% on a nominal basis and 12.7% on an internal basis[1]. This was mainly due to strong growth in operating revenues, which was only partly offset by increased administrative expenses.

The increase in **administrative expenses** was mainly driven by higher personnel expenses at both PIMCO and AllianzGI. This development was mainly due to a rise in variable compensation going along with the overall positive business performance. To a lesser extent, an increase in non-personnel expenses contributed to the rise in administrative expenses.

Our **cost-income ratio** improved significantly, as revenue growth outpaced the increase in expenses.

Asset Management business segment information
€ mn

	2017	2016	Delta
Performance fees	437	474	(37)
Other net fee and commission income	5,938	5,545	393
Other operating revenues	33	3	30
Operating revenues	6,408	6,022	385
Administrative expenses (net), excluding acquisition-related expenses	3,968	3,817	(151)
Operating expenses	3,968	3,817	(151)
Operating profit	**2,440**	**2,206**	**234**

Net income

The increase in our **net income** corresponds to the positive development of our operating profit.

1_Operating revenues/operating profit adjusted for foreign currency translation and (de-)consolidation effects.

CORPORATE AND OTHER

KEY FIGURES

Key figures Corporate and Other[1]

€ mn

	2017	2016	Delta
Operating revenues	3,235	1,951	1,285
Operating expenses	(4,018)	(2,818)	(1,200)
Operating result[2]	(783)	(868)	85
Net income (loss)	(1,293)	(994)	(299)

Key figures reportable segments[2]

€ mn

	2017	2016	Delta
HOLDING & TREASURY			
Operating revenues	1,831	683	1,148
Operating expenses	(2,767)	(1,664)	(1,104)
Operating result	(936)	(981)	45
BANKING			
Operating revenues	1,018	1,029	(11)
Operating expenses	(922)	(955)	33
Operating result	96	74	22
ALTERNATIVE INVESTMENTS			
Operating revenues	398	245	153
Operating expenses	(341)	(206)	(135)
Operating result	57	39	18

Earnings summary

Our **operating result** improved in 2017, due to the positive developments in all our reportable segments.

Our **net loss** widened, which primarily resulted from the impairment driven by the recognition of a liability in connection with the expected loss from the sale of Oldenburgische Landesbank AG.[3]

In **Holding & Treasury,** we saw an improvement of our operating result. It was largely driven by a higher net interest result, as well as by lower administrative expenses caused by a decline in pension costs.

Banking's operating result increased, driven by both a higher net fee and commission result and lower loan loss provisions. The positive development was partly offset by a lower net interest result.

The operating result generated by **Alternative Investments** increased, due to a higher net fee and commission result that was only partially offset by higher administrative expenses.

1_Consolidation included. For further information about our Corporate and Other business segment, please refer to note 4 to the consolidated financial statements.

2_In light of the new operating profit definition, restructuring charges are reported outside of operating profit. Prior year figures have been adjusted accordingly.

3_As of 31 December 2017, all requirements were still fulfilled to present Oldenburgische Landesbank AG, Oldenburg, allocated to the reportable segment Banking (Corporate and Other), as a disposal group classified as held for sale. The closing of the transaction was nearly completed as of 31 December 2017. Therefore, an impairment and a liability of € 233 mn were recognized in connection with the expected loss from the sale of Oldenburgische Landesbank AG. The Allianz shares in Oldenburgische Landesbank AG were transferred to the buyer on 7 February 2018. For further information, please refer to note 3 to the consolidated financial statements.

OUTLOOK 2018

Overview: 2017 results versus previous year's outlook[1]

2017 results versus previous year outlook for 2017

	Outlook 2017 – as per Annual Report 2016	Results 2017
Allianz Group	Operating profit of € 10.8 bn, plus or minus € 0.5 bn.	Operating profit of € 11.1 bn.
	Protection of shareholders' investments, while continuing to provide attractive returns and dividends.	Return on equity (RoE)[1] amounted to 11.8 % (2016: 12.3 %). Proposed dividend at € 8.00 (2016: € 7.60) per share. Stable payout ratio of 50 %, based on expected number of eligible shares at the Annual General Meeting.
	Selective profitable growth.	Property-Casualty with continued sound risk selection and solid internal growth, Life/Health with growing asset base and strong new business margins, and Asset Management with strong net inflows.
Property-Casualty	Growth in gross premiums written: approximately 2 % on a nominal basis.	Gross premiums written increased by 1.4 %. Internal growth of 2.3 % was mainly driven by Allianz Partners, Germany and Brazil.
	Operating profit in the range of € 5.0 bn to € 5.6 bn.	Operating profit of € 5.1 bn is in the lower half of our target range. Despite improvements in our underwriting result a high burden from natural catastrophes impacted our results.
	Progress towards our combined ratio ambition of 94 % or better by 2018.	Combined ratio was at 95.2 % and above our expectations. The shortfall in profitability was driven by the development of natural catastrophes.
	Pressure on operating investment income (net) to continue due to reinvestments in a consistently low interest rate environment.	Operating investment income (net) decreased slightly, mainly due to an unfavorable foreign currency translation result net of hedging.
Life/Health	Continue with selective focus on profitable growth and further shift new business mix towards capital efficient, unit-linked, and protection products. Considering the disposal of our South Korean business, revenues are expected to be in the range of € 60.0 bn to € 66.0 bn.	Revenues of € 67.3 bn above our outlook range of € 60.0 bn to € 66.0 bn. Strong growth from capital-efficient products in Germany and from unit-linked sales in Italy and Taiwan.
	Operating profit between € 3.7 bn and € 4.3 bn.	Operating profit of € 4.4 bn is above target range, driven by investments with a net harvesting result above normalized level and a higher technical margin.
	RoE between 10.0 % and 12.0 %.	RoE[1] of 12.1 % above outlook range.
	Pressure on investment income due to low interest rates and continued capital market uncertainty.	Operating investment result reached favorable € 20.0 bn, which is slightly lower than 2016, as the previous year had been supported by a high level of realized gains from our portfolio de-risking actions.
Asset Management	Slight increase in total AuM due to positive market return, supported by moderate net inflows at PIMCO and at AllianzGI.	Total AuM grew by € 89 bn to € 1,960 bn as of 31 December 2017. The increase was driven by strong net inflows and positive market returns, together more than offsetting negative foreign currency translation effects. In the course of 2017, our Asset Management business segment saw outstanding third-party AuM net inflows of € 150 bn mainly due to PIMCO, but supported by AllianzGI.
	Operating profit in the range of € 2.0 bn to € 2.6 bn.	Operating profit amounted to € 2.4 bn, exceeding the mid-point of the target range.
	Cost-income ratio well below 65 %.	With a cost-income ratio of 61.9 % our Asset Management business segment came in well below 65 %.

1_Represents the ratio of net income against the average total equity, excluding unrealized gains/losses on bonds, net of shadow accounting, at the beginning of the year and at the end of the year. Prior year figures have been adjusted in order to reflect the impact resulting from an accounting policy change to measure the Guaranteed Minimum Income Benefit (GMIB) liability at fair value for our life business.

Economic outlook[2]

Although political uncertainties linger, the global economic outlook for 2018 is favorable. The U.S. economy is expected to grow by 2.6%. The recently adopted tax reform package should contribute to higher growth. The net tax reductions will underpin companies' propensity to invest and support solid consumption growth. In the Eurozone, growth is likely to exceed 2% again in 2018. In particular, apart from the favorable global backdrop, the fact that the loose European Central Bank monetary policy continues to provide support, coupled with broadly neutral fiscal policy, points to an ongoing recovery. As in 2017, the emerging market economies are expected to grow by close to 5%. Asian emerging markets continue to benefit from the revival of world trade and stable growth in China. The Eastern European countries capitalize on the continuing upturn in the Eurozone. We are currently faced with a rather high degree of synchronization, and for the world economy it is the strongest expansion period since 2011. Global output is expected to increase by 3.2% in 2018.

The uncertain global political environment bears the potential for higher financial market volatility. Monetary policy also contributes to this. As the U.S. economy is expected to expand solidly and inflation rates continue to move up, the Federal Reserve will carry on normalizing its monetary policy stance. Three further rate hikes in the course of 2018 look realistic. In addition, the Federal Reserve will rein in its balance sheet moderately. In the Eurozone, the European Central Bank is expected to terminate its monthly bond purchasing program in October, having halved the monthly volume to € 30 bn as of January 2018. No key interest rate hikes are expected before 2019. Modestly rising yields on 10-year U.S. government bonds, the good economic situation in the Eurozone, and gradually rising inflation rates are likely to influence investors´ interest rate expectations and exert upward pressure on European benchmark bond yields. For 10-year German government bonds, we see yields climbing modestly to about 1% in the course of 2018; yields on 10-year U.S. government bonds may end the year at close to 3%. While the ongoing Federal Reserve rate-hiking cycle will weigh on the Euro, a number of other factors will support it, among them the solid recovery in the Eurozone. We expect the Dollar-to-Euro exchange rate to close the year at about 1.15 (2017: 1.20).

1_For more detailed information on the previous year's outlook for 2017, please see the Annual Report 2016 from page 51 onward.

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

Insurance industry outlook

The insurance industry can look towards 2018 with some optimism, mainly for three reasons: Firstly, premium growth is set to increase as the stronger economic momentum bolsters demand for insurance. Secondly, the expected gradual rise in interest rates and yields can be seen as the harbinger of the end of the long and cold "yield winter", although it will still take some time until higher yields are reflected in higher investment incomes. Finally, after the increase in financial regulation in recent years, the insurance industry might enjoy a sort of respite in 2018, a breathing space for better coping with the new rules.

However, even if the macroeconomic and regulatory environment looks more favorable in 2018, it is by no means plain sailing for the insurance industry. New technologies, from digitalization to Artificial Intelligence, continue to change the industry profoundly: Business models need to be transformed, new skills to be learned, new partnerships to be built and new competition to be fended off. Furthermore, the ongoing digitalization of our lives will usher in a new era of regulation, governing the use of data – the oil of the 21st century. On the other hand, the upsides of the new technologies, in particular in terms of simplicity and accessibility, should become more visible in 2018, too.

In the **property-casualty sector,** premium growth is expected to accelerate in 2018, reflecting higher inflation and the ongoing broad-based recovery of the global economy. As in previous years, emerging markets are the main driver of growth: All regions, from Latin America over Africa to Asia, should continue their recovery; in Emerging Asia, premium growth could top 10 %. In contrast, growth in advanced markets will be much slower, at around 3 %. Overall, we expect global premium growth of about 5 % in 2018 (in nominal terms and adjusted for foreign currency translation effects). Assuming average losses from natural catastrophes and more positive rate dynamics – particularly in business lines affected by last year's losses – overall profitability is likely to increase, although investment income might remain a drag.

In the **life sector,** the overall picture is quite similar – with one exception: The growth lead of Emerging Asia over the rest of the world is even more pronounced. While the advanced markets' recovery proceeds at a snail's pace and other emerging markets show robust but more or less stable growth, many of Asia's emerging markets are expected to clock growth rates of 15 % or more. A rising middle class, urbanization, aging societies, and last but not least a favorable policy environment underpin the continued growth story. Overall, we expect global premium growth to increase by about 6 % in 2018 (in nominal terms and adjusted for foreign currency translation effects) compared to 2017. Global industry profitability could also improve in 2018, albeit only modestly. This change for the better has not so much to do with the slight rise in interest rates; it is mainly a result of recent management actions which steered insurance portfolios towards less capital intensive business lines (such as protection) and investment portfolios towards riskier but higher-yielding asset classes (such as infrastructure).

Asset management industry outlook

For the asset management industry, 2018 might bring higher financial market volatility due to the geopolitical uncertainty. While the positive economic outlook generally supports stock markets, we believe that current valuation levels are very high already. In addition, central banks are increasingly likely to move further away from accommodative monetary policies. We therefore expect a more modest capital market contribution to AuM growth. This may weigh down on net inflows in certain asset classes, while it might create opportunities in other areas. Investors may look to further de-risk into bonds as yields become more attractive. Furthermore, bonds continue to be particularly interesting for the growing number of retirees in developed countries as well as for liability-driven investors looking for a stable stream of income.

The industry's profitability remains under pressure from both continuous flows into passive products and rising distribution costs, so the trend towards industry consolidation will continue. At the same time, digital channels are expected to continue gaining prominence. Measures aimed at strengthening regulatory oversight and reporting could also affect profitability in the asset management sector. In order to continue growing, it is vital for asset managers to keep sufficient business volumes, ensure efficient operations, and maintain strong investment performance.

Overview: outlook and assumptions 2018 for the Allianz Group

Outlook 2018	
ALLIANZ GROUP	Operating profit of € 11.1 bn, plus or minus € 0.5 bn.
	Protection of shareholders' value, while continuing to provide attractive returns and dividends.
	Selective profitable growth.
PROPERTY-CASUALTY	Growth in gross premiums written: approximately 2 % on an internal basis.
	Operating profit in the range of € 5.1 bn to € 5.7 bn.
	Achievement of our combined ratio target of 94 % or better.
	Pressure on operating investment income (net) to continue, due to reinvestments in a consistently low interest rate environment.
LIFE/HEALTH	Continue with focus on profitable growth and further shift new business mix towards capital efficient, unit-linked, and protection products. Revenues are expected to be in the range of € 62.0 bn to € 68.0 bn.
	Operating profit between € 3.9 bn and € 4.5 bn.
	RoE between 10.0 % and 12.0 %.
	Pressure on investment income due to low interest rates and continued capital market uncertainty.
ASSET MANAGEMENT	We expect a moderate increase in total AuM due to solid third-party net inflows at both AllianzGI and PIMCO in 2018, supported by a slightly positive market return.
	Operating profit in the range of € 2.1 bn to € 2.7 bn.
	Cost-income ratio between 60 % and 65 %.

ASSUMPTIONS

Our outlook assumes no significant deviations from the following underlying assumptions:

- Global economic growth is set to continue.
- Modest rise in interest rates expected.
  - A 100 basis point increase or decrease in interest rates would, respectively, either raise or lower expected operating profit by approximately € 0.1 bn in the first year following the rate change.
- No major disruptions of capital markets.
- No disruptive fiscal or regulatory interference.
- Level of claims from natural catastrophes at expected average levels.
- Average U.S. Dollar to Euro exchange rate of 1.22.
  - A 10 % weakening or strengthening of the U.S. Dollar compared to our planned exchange rate of 1.22 to the Euro would have a negative or positive impact on operating profits of approximately € 0.3 bn, respectively.

Management's assessment of expected revenues and earnings for 2018

In 2017, our total revenues amounted to € 126.1 bn, a 3.0 % increase on a nominal and a 5.0 % increase on an internal basis[1] compared to 2016. For 2018, we envisage relatively stable total revenues, with Property-Casualty and Asset Management revenues showing an upward trend, while Life/Health revenues remaining rather stable due to our selective focus on profitable growth.

Our operating profit was in the upper half of our target range in 2017, hitting € 11.1 bn. For 2018, we envisage an operating profit of € 11.1 bn, plus or minus € 0.5 bn, as we expect a favorable development in the Property-Casualty business segment, rather stable results in the Asset Management business segment, and a slightly negative development in the Life/Health and Corporate and Other business segments.

Our net income attributable to shareholders decreased slightly this past year, amounting to € 6.8 bn. Consistent with our disclosure practice in the past, and given the susceptibility of our non-operating results to adverse capital market developments, we refrain from providing a precise outlook for net income. That said, following the negative impact from the U.S. tax reform 2017 we expect a positive annual impact of approximately € 0.3 bn from the U.S. tax reform starting in 2018. As a consequence, and assuming no major disruptions to occur in the capital markets, we anticipate an increase in net income for 2018.

PROPERTY-CASUALTY INSURANCE

We expect our revenues to increase by approximately 2% in 2018 (2017: + 1.4%), supported by favorable volume and price effects.

Premium growth in 2018 is expected mainly from our Global Lines such as Allianz Partners, where our B2B2C business activities are bundled. Further growth is expected in our core European markets such as Germany, Spain and Italy, as well as in Turkey.

We believe the overall slow rise in prices we witnessed in a number of markets in 2017 will continue in 2018. However, as in previous years we will keep our focus on achieving strong 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 2017, our combined ratio was at 95.2 %, falling short of our expectation. This shortfall in profitability was driven by a number of natural catastrophes. In 2018, we expect to achieve our target combined ratio of 94%. The underlying assumption is that the aggregate effect of improvements in pricing, claims management, and productivity will compensate for any underlying claims inflation. Despite the high volatility of natural catastrophes in recent years, we assume impacts to revert back to our historic claims experience.

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

Overall, we expect our 2018 operating profit to be in the range of € 5.1 bn to € 5.7 bn (2017: € 5.1 bn).

LIFE/HEALTH INSURANCE

In 2017, our Life/Health operating profit was € 4.4 bn, thus exceeding the target range, mainly because of a higher net harvesting result and a higher technical margin. For 2018, we expect operating profit in our Life/Health business segment to be between € 3.9 bn and € 4.5 bn.

As pointed out in 2015, RoE is one of the key performance indicators for the steering of our Life/Health business. In 2018, we expect the RoE of the Life/Health business segment to be between 10.0% and 12.0%.

We will remain focused on shifting our new business mix towards capital-efficient, unit-linked, and protection products – which, in view of the prolonged low-yield environment, also match customer needs – while maintaining strong shareholder returns and building on our strong track record of product innovation. In addition, we will continue to actively manage both our new and in-force business through continuous repricing, expense management, asset/liability management, and crediting strategies, which should allow us to further mitigate the impacts of difficult market conditions – particularly the low interest rates – and maintain our profitability targets.

It must be noted, however, that market volatility, along with the level of net harvesting, can significantly affect the Life/Health business segment results.

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

ASSET MANAGEMENT

While we expect continued strong inflows in 2018 at both PIMCO and AllianzGI, a moderation of the exceptionally high inflows of 2017 is likely to occur. Another growth opportunity should result from the integration of Allianz Capital Partners into AllianzGI on 1 January 2018, with the opportunity to leverage this platform for external growth in the future. While we expect performance fees to decrease slightly, growth in AuM should drive an increase in management and loading fees, and thus a slight increase in operating revenues, which should more than offset the moderate increase of operating expenses we envisage. Pressure on profit growth is likely to come from a weaker U.S. Dollar compared to 2017. All in all, we envisage our operating profit to range between € 2.1 bn and € 2.7 bn in 2018 (2017: € 2.4 bn).

In 2018, we continue to expect a cost-income ratio of well below 65% (2017: 61.9%) despite the slightly negative impact on the cost-income ratio related to the consolidation of Allianz Capital Partners into AllianzGI, supported by our focus on expense discipline and operational excellence. In the mid-term we expect our cost-income ratio to reach 60%.

CORPORATE AND OTHER

Our Corporate and Other business segment recorded an operating loss of € 0.8 bn in 2017. We predict an operating loss in the range of € 0.8 bn to € 1.0 bn for Corporate and Other (consolidation included) in 2018, as the positive impact in 2017, related to the cost allocation scheme for pension provisions, will not recur in 2018.

Financing and liquidity development and capitalization

The Allianz Group benefits from a very healthy liquidity position and excellent financial strength with a capitalization well above regulatory requirements.

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

We also monitor the capital position of the Group, as well as at each of our operating entities, very closely. In addition, we will continue to optimize the sensitivity of our solvency ratio to changes of interest rates and spreads through asset/liability management and life product design.

Expected dividend development[1]

For 2017, the Allianz SE Board of Management and Supervisory Board propose a dividend of € 8.00 per share.

In addition, Allianz SE has decided to launch a share buy-back program with a volume of up to € 2.0 bn as part of a previously announced policy to return capital to its shareholders on a flexible basis. The share buy-back program is based on the authorization granted by the Annual General Meeting on 7 May 2014. The buy-back program, which started in January 2018, is envisaged to be executed in the first six months of 2018. Allianz SE will cancel all repurchased shares.

Through prudent capital management, Allianz Group aims to maintain a healthy balance between an attractive yield and investment in profitable growth. We will continue to return 50% of Allianz Group's net income (attributable to shareholders) to shareholders in the form of a regular dividend.

Allianz also aims to keep the regular dividend per share at least at the level paid in the previous year. Allianz will also continue to return capital to its shareholders on a flexible basis.

All of the above remains subject to a sustainable Solvency II ratio above 160%, which is substantially below our current level of 229%[2] and 20 percentage points lower than our target range for the Solvency II ratio of 180 to 220%.

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

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

Cautionary note regarding forward-looking statements

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

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

No duty to update

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

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

2_Includes share buy-back.

BALANCE SHEET REVIEW

Shareholders' equity[1]

Shareholders' equity
€ mn

	As of 31 December 2017	As of 31 December 2016	Delta
Shareholders' equity			
Paid-in capital	28,928	28,928	-
Retained earnings	27,199	27,087	112
Foreign currency translation adjustment	(2,749)	(762)	(1,986)
Unrealized gains and losses (net)	12,175	11,830	344
Total[1]	**65,553**	**67,083**	**(1,530)**

1_Prior year figures have been adjusted in order to reflect the impact resulting from an accounting policy change to measure the Guaranteed Minimum Income Benefit (GMIB) liability at fair value for our life business. For further information, please refer to note 2 to the consolidated financial statements.

The decrease in shareholders' equity was largely due to the dividend pay-out in May 2017 (€ 3,410 mn) and the share buy-back program[2] which started in February 2017 (€ 2,998 mn). Negative impacts from foreign currency translation further contributed to the decline. Net income attributable to shareholders of € 6,803 mn had a partly off-setting effect.

Total assets and total liabilities

As of 31 December 2017, total assets amounted to € 901.3 bn and total liabilities were € 832.7 bn. Compared to year-end 2016, total assets and total liabilities increased by € 17.5 bn and by € 19.0 bn, respectively.

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

STRUCTURE OF INVESTMENTS – PORTFOLIO OVERVIEW

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

Asset allocation and fixed income portfolio overview

	As of 31 December 2017	As of 31 December 2016	Delta	As of 31 December 2017	As of 31 December 2016	Delta
Type of investment	€ bn	€ bn	€ bn	%	%	%-p
Debt instruments, thereof:	**576.1**	**577.3**	**(1.1)**	**86.7**	**88.4**	**(1.7)**
Government bonds	213.6	213.6	-	37.1	37.0	0.1
Covered bonds	83.0	89.9	(6.9)	14.4	15.6	(1.2)
Corporate bonds (excl. banks)	195.6	189.5	6.1	34.0	32.8	1.1
Banks	30.6	32.9	(2.3)	5.3	5.7	(0.4)
Other	53.4	51.4	2.0	9.3	8.9	0.4
Equities	**60.2**	**49.9**	**10.2**	**9.1**	**7.6**	**1.4**
Real estate	**11.4**	**11.7**	**(0.3)**	**1.7**	**1.8**	**(0.1)**
Cash/other	**16.7**	**14.2**	**2.5**	**2.5**	**2.2**	**0.3**
Total	**664.4**	**653.1**	**11.3**	**100.0**	**100.0**	**-**

Compared to year-end 2016, our overall asset allocation slightly changed towards equities, where we recorded inflows supported by higher unrealized gains.

Our well-diversified exposure to debt instruments slightly decreased, primarily due to negative currency impacts mainly related to U.S. Dollar. About 94% of this portfolio was invested in investment-grade bonds and loans.[3] Our government bonds portfolio contained, amongst others, bonds from Italy and Spain that represented 3.9%, and 1.9% shares of our debt instruments portfolio with unrealized gains (gross) of € 2,647 mn and € 842 mn. Of our covered bonds portfolio, 41.6% (31 December 2016: 41.3%) were German Pfandbriefe backed by either public-sector loans or mortgage loans. French, Spanish and Italian covered bonds had portfolio shares of 16.3%, 9.2% and 7.5%, respectively (31 December 2016: 16.0%, 9.4% and 7.5%).

Our exposure to equities increased due to strong performance on major equity markets. Our equity gearing[4] remained almost unchanged at 24% (31 December 2016: 23%).

1_This does not include non-controlling interests of € 3,049 mn and € 3,052 mn as of 31 December 2017 and 31 December 2016, respectively. For further information, please refer to note 19 to the consolidated financial statements.
2_For further information, please refer to note 19 to the consolidated financial statements
3_Excluding self-originated German private retail mortgage loans. For 3%, no ratings were available.

4_Equity gearing is defined as the ratio of our equity holdings allocated to the shareholder after policyholder participation and hedges to shareholders' equity plus off-balance sheet reverses less goodwill.

LIABILITIES

PROPERTY-CASUALTY LIABILITIES

As of 31 December 2017, the business segment's gross reserves for loss and loss adjustment expenses as well as discounted loss reserves amounted to € 66.2 bn, compared to € 65.7 bn at year-end 2016. On a net basis, our reserves, including discounted loss reserves, decreased slightly from € 57.3 bn to € 56.3 bn.[1]

LIFE/HEALTH LIABILITIES

Life/Health reserves for insurance and investment contracts increased by € 8.3 bn to € 499.1 bn. An € 20.4 bn increase (before foreign currency translation effects) in aggregate policy reserves was mainly driven by our operations in Germany (€ 12.6 bn) and the United States (€ 7.3 bn before foreign currency translation effects). Reserves for premium refunds increased slightly by € 1.3 bn (before foreign currency translation effects), due to higher unrealized gains to be shared with policyholders. Foreign currency translation effects reduced the balance sheet value by € 13.3 bn, mainly due to the weaker U.S. Dollar (€ (11.3) bn).

Off-balance sheet arrangements

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

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

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

Please refer to the Risk and Opportunity Report from **page 62** onwards for a description of the main concentrations of risk and other relevant risk positions.

Regulatory capital adequacy

For details on the regulatory capitalization of the Allianz Group, please refer to the Risk and Opportunity Report from **page 62** onwards.

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

LIQUIDITY AND FUNDING RESOURCES

Organization

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

Liquidity management of our operating entities

INSURANCE OPERATIONS

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

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

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

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

ASSET MANAGEMENT OPERATIONS

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

BANKING OPERATIONS

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

Liquidity management and funding of Allianz SE

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

LIQUIDITY RESOURCES AND USES

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

FUNDING SOURCES

Allianz SE's access to external funds depends on various factors such as capital market conditions, access to credit facilities, credit ratings, and credit capacity. The financial resources available to Allianz SE in the capital markets for short-, mid- and long-term funding needs are described below. In general, mid- to long-term financing is covered by issuing senior or subordinated bonds or ordinary shares.

EQUITY FUNDING

As of 31 December 2017, the issued capital registered at the Commercial Register was € 1,169,920,000. This was divided into 440,249,646 registered shares with restricted transferability. As of 31 December 2017, the Allianz Group held 1,369,717 (2016: 1,932,263) 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 2017:

Capital authorizations of Allianz SE

Capital authorization	Nominal amount	Expiry date of the authorization
Authorized Capital 2014/I	€ 550,000,000	6 May 2019
Authorized Capital 2014/II	€ 13,720,000	6 May 2019
Authorization to issue bonds carrying conversion and/or option rights	€ 10,000,000,000 (nominal bond value)	6 May 2019 (issuance of bonds)
Conditional Capital 2010/2014	€ 250,000,000	No expiry date for Conditional Capital 2010/2014 (issuance in case option or conversion rights are exercised)

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

LONG-TERM DEBT FUNDING

As of 31 December 2017, Allianz SE had senior and subordinated bonds with a variety of maturities outstanding, reflecting our focus on long-term financing. As the cost and availability of external funding may be negatively affected by general market conditions or by matters specific to the financial services industry or the Allianz Group, we seek to reduce refinancing risk by actively steering the maturity profile of our funding structure.

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

€ mn

	Contractual maturity date		
As of 31 December	Up to 1 year	1 - 5 years	Over 5 years
2017			
Senior bonds	500	4,237	3,801
Subordinated bonds	-	-	13,250
Total	**500**	**4,237**	**17,051**
2016			
Senior bonds	-	2,734	3,840
Subordinated bonds	1,400[2]	-	12,086
Total	**1,400**	**2,734**	**15,925**

1_Based on carrying value.
2_€ 1.4 bn subordinated bond called for redemption effective 17 February 2017.

Interest expenses on senior bonds decreased, mainly due to lower funding costs on average in 2017. For subordinated bonds, the increase of interest expenses was primarily driven by higher outstanding volumes on average in 2017.

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

	Nominal value	Carrying value	Interest expenses	Weighted average interest rate[2]
As of 31 December	€ mn	€ mn	€ mn	%
2017				
Senior bonds	8,595	8,538	209	3.1
Subordinated bonds	13,309	13,250	613	4.6
Total	**21,904**	**21,789**	**822**	**4.1**
2016				
Senior bonds	6,629	6,574	262	3.5
Subordinated bonds	13,537	13,485	584	4.6
Total	**20,165**	**20,059**	**845**	**4.2**

1_For further information on Allianz SE debt (issued or guaranteed) as of 31 December 2017, please refer to note 18 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 2017 and 2016:

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

€ mn

As of 31 December	Issuances[1]	Redemptions[1]	Issuance net of redemptions
2017			
Senior bonds	2,000	-	2,000
Subordinated bonds	1,500	1,400	100
2016			
Senior bonds	1,500	1,500	-
Subordinated bonds	1,422	-	1,422

1_Based on nominal value.

Funding in non-Euro currencies enables us to diversify our investor base or to take advantage of favorable funding costs in those markets. Funds raised in non-Euro currencies are incorporated in our general hedging strategy. As of 31 December 2017, approximately 17.6% (2016: 18.4%) of long-term debt was issued or guaranteed by Allianz SE in currencies other than the Euro.

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

€ mn

As of 31 December	Euro	Non-Euro	Total
2017			
Senior and subordinated bonds	18,050	3,854	21,904
2016			
Senior and subordinated bonds	16,450	3,715	20,165

1_Based on nominal value.

SHORT-TERM DEBT FUNDING

Short-term funding sources available are the Medium-Term Note Program and the Commercial Paper Program. Money market securities increased in the use of commercial paper, compared to the previous year-end. Interest expenses on money market securities increased mainly due to higher funding costs on average in 2017.

Money market securities of Allianz SE

	Carrying value	Interest expense	Average interest rate
As of 31 December	€ mn	€ mn	%
2017			
Money market securities	1,058	13	1.2
2016			
Money market securities	1,041	9	0.7

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

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

Allianz Group consolidated cash flows

Annual changes in cash and cash equivalents
€ mn

	2017	2016	Delta
Net cash flow provided by operating activities	33,188	21,461	11,727
Net cash flow used in investing activities	(24,755)	(19,765)	(4,990)
Net cash flow used in financing activities	(5,027)	(1,732)	(3,295)
Change in cash and cash equivalents [1]	2,656	16	2,640

1_ Includes effects of exchange rate changes on cash and cash equivalents of € (749) mn and € 52 mn in 2017 and 2016, respectively.

Net cash flow provided by operating activities increased by € 11.7 bn to € 33.2 bn in 2017. This consists 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 increased by € 1.5 bn to € 10.6 bn in 2017. Furthermore, operating cash flows from net changes in operating assets and liabilities, including other items, rose by € 10.2 bn to € 22.6 bn. The development of assets and liabilities held for trading, particularly in our Life/Health business segment in Germany, resulted in a net cash inflow. In addition, higher reserves for loss and loss adjustment expenses were recorded, driven by the property-casualty insurance business mainly in Germany and France.

Net cash outflow used in investing activities increased by € 5.0 bn to € 24.8 bn. The main drivers were higher net cash outflows from available-for-sale investments, particularly in Life/Health business segment in Germany. Moreover, new investments in associates and joint ventures required cash investments. Finally, the development of our position in loans and advances to banks and customers, mainly in our Life/Health business segment in Germany, led to net cash outflows.

Net cash outflow used in financing activities was higher in 2017 by € 3.3 bn and amounted to € 5.0 bn. The main reasons for this were transactions between equity holders, in particular the Allianz SE share buy-back program as well as the share purchase agreement with minority-shareholders of Euler Hermes. Those effects were partly compensated by higher net cash inflows from our refinancing activities, especially due to an increase in certificated liabilities.

Cash and cash equivalents amounted to € 17.1 bn, reflecting a € 2.7 bn increase compared to 2016. This resulted from higher cash on current accounts balances, mainly in investment funds, and higher balances with central banks in the reportable segment Banking (Corporate and Other).

For further information on the consolidated statements of cash flows, please refer to page 84.

RECONCILIATIONS

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

For further information, please refer to note 4 to the consolidated financial statements.

Composition of total revenues

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

Composition of total revenues
€ mn

	2017	2016
Property-Casualty		
Gross premiums written	**52,262**	**51,535**
Life/Health		
Statutory premiums	**67,277**	**64,636**
Asset Management		
Operating revenues	**6,408**	**6,022**
consisting of:		
Net fee and commission income	6,374	6,019
Net interest income[1]	8	(5)
Income from financial assets and liabilities carried at fair value through income (net)	25	6
Other income	1	3
Corporate and Other		
thereof: Total revenues (Banking)	**562**	**551**
consisting of:		
Interest and similar income	419	474
Income from financial assets and liabilities carried at fair value through income (net)[2]	20	14
Fee and commission income	576	540
Interest expenses, excluding interest expenses from external debt	(133)	(172)
Fee and commission expenses	(325)	(308)
Other income	4	-
Consolidation effects within Corporate and Other	2	2
Consolidation	**(360)**	**(328)**
Allianz Group total revenues	**126,149**	**122,416**

1_Represents interest and similar income less interest expenses.
2_Includes trading income.

Composition of total revenue growth

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

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

	Internal Growth	Changes in scope of consolidation	Foreign currency translation	Nominal Growth
2017				
Property-Casualty	2.3	0.4	(1.3)	1.4
Life/Health	7.0	(2.0)	(0.8)	4.1
Asset Management	7.8	0.2	(1.6)	6.4
Corporate and Other	1.9	-	-	1.9
Allianz Group	**5.0**	**(0.9)**	**(1.0)**	**3.0**
2016				
Property-Casualty	3.1	(1.0)	(2.2)	(0.1)
Life/Health	(3.1)	0.2	(0.5)	(3.4)
Asset Management	(7.5)	0.3	0.1	(7.1)
Corporate and Other	(4.4)	-	-	(4.4)
Allianz Group	**(0.8)**	**(0.3)**	**(1.2)**	**(2.2)**

Life/Health Insurance Operations

OPERATING PROFIT[1]

The reconciling item **scope** comprises the effects from out-of-scope entities in the profit sources reporting compilation. Operating profit from operating entities that are not in-scope entities is included in the investment margin. Currently, 21 entities comprising 99.1% of Life/Health total statutory premiums are in scope.

EXPENSES

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

The delta shown as **definitions** in acquisition expenses and commissions represents commission clawbacks, which are allocated to the technical margin. The delta shown as **definitions** in administrative and other expenses mainly represents restructuring charges, which are stated in a separate line item in the group income statement.[2]

Acquisition, administrative, capitalization, and amortization of DAC[1]
€ mn

	2017	2016
Acquisition expenses and commissions[2]	(4,963)	(5,029)
Definitions	14	14
Scope	(143)	(289)
Acquisition costs incurred	(5,092)	(5,304)
Capitalization of DAC[2]	1,711	1,877
Definition: URR capitalized	526	509
Definition: policyholder participation[3]	996	1,022
Scope	31	178
Capitalization of DAC	3,265	3,586
Amortization, unlocking, and true-up of DAC[2]	(1,779)	(1,924)
Definition: URR amortized	(47)	64
Definition: policyholder participation[3]	(1,117)	(881)
Scope	(32)	(401)
Amortization, unlocking, and true-up of DAC	(2,975)	(3,142)
Commissions and profit received on reinsurance business ceded	95	77
Acquisition costs[4]	**(4,707)**	**(4,782)**
Administrative and other expenses[2]	(1,897)	(1,793)
Definitions	148	148
Scope	(123)	(189)
Administrative expenses on reinsurance business ceded	13	4
Administrative expenses[4]	**(1,858)**	**(1,829)**

1_Prior year figures changed in order to reflect the roll-out of profit source reporting to Turkey.
2_As per Group Management Report.
3_For German Speaking Countries, policyholder participation on revaluation of DAC/URR capitalization/amortization.
4_As per notes to the consolidated financial statements.

IMPACT OF CHANGE IN DEFERRED ACQUISITION COSTS (DAC)

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

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

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

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

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

Reconciliation to Notes[1]
€ mn

	2017	2016
Acquisition expenses and commissions[2]	(4,963)	(5,029)
Administrative and other expenses[2]	(1,897)	(1,793)
Capitalization of DAC[2]	1,711	1,877
Amortization, unlocking, and true-up of DAC[2]	(1,779)	(1,924)
Acquisition and administrative expenses	**(6,927)**	**(6,868)**
Definitions	521	877
Scope	(267)	(702)
Commissions and profit received on reinsurance business ceded	95	77
Administrative expenses on reinsurance business ceded	13	4
Acquisition and administrative expenses (net)[3]	**(6,565)**	**(6,612)**

1_Prior year figures changed in order to reflect the roll out of profit source reporting to Turkey.
2_As per Group Management Report.
3_As per notes to the consolidated financial statements.

1_Prior year figures have been adjusted in order to reflect the impact resulting from an accounting policy change to measure the Guaranteed Minimum Income Benefit (GMIB) liability at fair value for our life business. For further information please refer to note 2 to the consolidated financial statements.
2_In light of the new operating profit definition, restructuring charges are reported outside operating profit unless shared with policyholders. Prior year figures have been adjusted accordingly.

RISK AND OPPORTUNITY REPORT

Target and strategy of risk management

Allianz aims to ensure that the Group is adequately capitalized at all times and that all related undertakings at least meet their respective regulatory capital requirements for the benefit of both shareholders and policyholders. Furthermore, risk capital reflecting the risk profile and the cost of capital are important aspects considered in business decisions.

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

We closely monitor the capital position and risk concentrations of the Group and its related undertakings along each of these dimensions, and apply regular stress tests (including standardized, historical and reverse stress test scenarios as well as monthly stress scenarios focusing on current and possible future developments). This allows us to take appropriate measures to ensure our continued capital and solvency strength.

Risk governance system

RISK MANAGEMENT FRAMEWORK

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

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

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

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

OUR STRATEGY

OUR BUSINESS ASPIRATIONS

Allianz Group seeks to position itself as the world's most trusted financial institution focusing on the following:

- Portfolio strength: establishing a strong and high-quality portfolio in large and attractive markets.
- Market leadership: maintaining a commanding position in each market with superior skills and scale.
- Customer centricity: practicing relentless execution centered on customers while outperforming competition.

These aspirations have been translated into clear ambitions for 2018. With regard to financial performance, we strive for a return on equity of 13 % (excluding unrealized gains/losses on bonds net of shadow accounting), while growing our earnings per share at a compound annual growth rate of 5 %.

To ensure the sustainability of our performance, we have set ourselves health targets for customer loyalty and employee engagement: Our ambition is for at least 75 % of our businesses to be or become rated by their customers as Loyalty Leader or above-market in terms of Net Promoter Score (NPS). At the same time, we aim to have our Inclusive Meritocracy Index at 72 % (or above) in 2018, a level we reached already in 2017.

OUR BUSINESS STRATEGY

In order to achieve these aspirations, the Board of Management of Allianz SE has defined a clear business strategy which is based on the following five pillars:

- True Customer Centricity: making superior customer experience the top priority for all our actions.
- Digital by Default: moving from selected leading assets to become "Digital by Default" everywhere.
- Technical Excellence: creating superior margins, innovation, and growth through best talents and state-of-the-art skills.
- Growth Engines: systematically exploiting new sources for profitable growth.

– Inclusive Meritocracy: reinforcing a culture where both people and performance matter, including gender diversity and women in leadership.

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

RISK GOVERNANCE STRUCTURE

SUPERVISORY BOARD AND BOARD OF MANAGEMENT

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

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

Supervisory Board Risk Committee

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

Group Finance and Risk Committee

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

OVERALL RISK ORGANIZATION AND ROLES IN RISK MANAGEMENT

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

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

Group Risk management function

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

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

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

Related undertakings

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

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

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

1_Related undertakings are also referred to as operating entities.

Other functions and bodies

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

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

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

Risk based steering and risk management

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

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

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

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

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

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

1_From a formalistic perspective, the German Supervisory Authority deems our model to be "partial" because not all our entities are using the internal model. Some of our smaller entities report under the standard model and others under the deduction and aggregation approach. Without loss of generality, we might use the term internal model in the following chapters, e.g., in case descriptions also referring to entities that use the internal model, or descriptions focusing on processes with respect to the internal model components.

MARKET RISK

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

As the fair values of our investment portfolios and liabilities depend on changes on the financial markets, we are exposed to the risk of adverse financial market developments. The long-dated liabilities in our Life/Health business segment contribute to interest rate risk, in particular if they cannot be matched by available investments due to long maturities; in addition, we are also exposed to adverse changes in equity and real estate prices, credit spread levels, inflation, implied volatilities, and currencies, which might impact the value of our portfolios.

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

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

INTEREST RATE RISK

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

INFLATION RISK

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

EQUITY RISK

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

CREDIT SPREAD RISK

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

CURRENCY RISK

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

REAL ESTATE RISK

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

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

CREDIT RISK

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

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

- Investment portfolio: Credit risk results from our investments in fixed-income bonds, loans, derivatives, cash positions, and receivables whose value may decrease depending on the credit quality of the obligor. However, losses due to credit events can be shared with the policyholder for certain life insurance products.
- Credit insurance: Credit risk arises from potential claim payments on limits granted by Euler Hermes to its policyholders. Euler Hermes insures its policyholders from credit risk associated with short-term trade credits advanced to clients of the policyholder. If the client of the policyholder is unable to meet its payment obligations, Euler Hermes indemnifies the loss to the policyholder.
- Reinsurance: Credit risk arises from potential losses from non-recoverability of reinsurance receivables or due to default on benefits under in-force reinsurance treaties. Our reinsurance partners are carefully selected by a dedicated team. Besides focusing on companies with strong credit profiles, we may further require letters of credit, cash deposits, or other financial measures to further mitigate our exposure to credit risk.

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

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

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

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

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

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

UNDERWRITING RISK

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

PROPERTY-CASUALTY

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

Premium risk

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

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

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

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

Reserve risk

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

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

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

LIFE/HEALTH

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

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

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

BUSINESS RISK

Business risks include cost risks and policyholder behavior risks, and are mostly driven by the Life/Health business and to a lesser extent by

1_Credit Risk Platform.
2_Property-Casualty is also referred to as Non-Life.
3_Life/Health is also referred to as Life.

the Property-Casualty business. Cost risks are associated with the risk that expenses incurred in administering policies are higher than expected or that new business volume decreases to a level that does not allow Allianz to absorb its fixed costs. Business risk is measured relative to baseline plans.

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

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

OPERATIONAL RISK

Operational risks represent losses resulting from inadequate or failed internal processes and can stem from a wide variety of sources, for example:

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

The operational risk capital of the Group is dominated by the risk of potential losses within the areas of "Clients, Products & Business Practices" and "Execution, Delivery and Process Management".

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

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

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

OTHER RISKS NOT MODELED IN THE INTERNAL MODEL

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

STRATEGIC RISK

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

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

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

LIQUIDITY RISK

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

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

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

In addition, the accumulated liquidity position of Allianz SE's cash pool is monitored and forecast on a daily basis. It is subject to an absolute minimum strategic cushion amount and an absolute minimum target liquidity amount, while the strategic liquidity planning for Allianz SE over time horizons of 12 months and three years is reported to the Board of Management regularly and is subject to an absolute minimum target level.

REPUTATIONAL RISK

Allianz's reputation as a well-respected and socially aware provider of financial services is influenced by our behavior in a range of areas such as product quality, corporate governance, financial performance, customer service, employee relations, intellectual capital, and corporate responsibility.

Reputational risk is the risk of an unexpected drop in the value of the Allianz SE share price, the value of the in-force business, or the value of future business caused by a decline in our reputation assessed by external stakeholders.

With the support of Group Communications and Corporate Responsibility (GCORE), Group Compliance, and the ESG Office[1], Group Risk defines sensitive business areas and applicable risk guidelines that are mandatory for all related undertakings in the Allianz Group. All Group and local functions affected cooperate in the identification of reputational risk. GCORE is responsible for risk assessment, which is based on a group-wide methodology. Since 2015, Allianz has embedded conduct risk triggers for fair products and services into the reputational risk management process.

The identification and assessment of reputational risks are part of a yearly Top Risk Assessment, during which senior management also decides on a risk management strategy and related actions. This is supplemented by quarterly updates. In addition, reputational risk is managed on a case-by-case basis. Single cases with a potential impact on other related undertakings or the Group have to be reported to the Allianz Group for pre-approval.

Internal risk capital framework

We define internal risk capital as the capital required to protect us against unexpected, extreme economic losses, and which forms the basis for determining our Solvency II regulatory capitalization. On a quarterly basis, we calculate and consistently aggregate internal risk capital across all business segments. We also project risk capital requirements on a bi-weekly basis during periods of financial market turbulence.

1_The Allianz Environmental, Social, Governance (ESG) Board and the ESG office are constituted as advisor to the Board of Management of Allianz SE and will further elevate environmental, social, and governance aspects in corporate governance and decision-making processes at the Allianz Group.

GENERAL APPROACH

We utilize an approach for the management of our risk profile and solvency position that reflects the Solvency II rules, in that it comprises our approved internal model and covers all major insurance operations[2]. Other entities are reflected based on standard formula results as well as on sectoral or local requirements for non-insurance operations, in accordance with the Solvency II framework.

INTERNAL MODEL

Our internal model is based on a VaR approach using a Monte Carlo simulation. Following this approach, we determine the maximum loss in portfolio value in scope of the model within a specified timeframe ("holding period", set at one year) and probability of occurrence ("confidence level", set at 99.5 %). We simulate risk events from all risk categories ("sources of risk") modeled and calculate the portfolio value based on the net fair value of assets minus liabilities, including risk mitigating measures like reinsurance contracts or derivatives, under each scenario.

The required risk capital is defined as the difference between the current portfolio value and the portfolio value under adverse conditions at the 99.5 % confidence level. Because we consider the impact of a negative or positive event on all risk sources and covered businesses at the same time, diversification effects across products and regions are taken into account. The results of our Monte Carlo simulation allow us to analyze our exposure to each source of risk both separately and in aggregate. We also analyze several pre-defined stress scenarios representing historical events, reverse stress tests, and adverse scenarios relevant for our portfolio. Furthermore, we conduct ad-hoc stress tests monthly to reflect current political and financial developments or to analyze a non-financial risk category more deeply.

COVERAGE OF THE RISK CAPITAL CALCULATIONS

Allianz's group internal model to calculate the solvency capital requirement covers all major insurance operations[3]. This includes the relevant assets (including fixed income, equities, real estate, and derivatives) and liabilities (including the run-off of all current and planned technical provisions as well as deposits, issued debt and other liabilities). For with-profit products in the Life/Health business segment, options and guarantees embedded in insurance contracts – including policyholder behavior – are taken into account.[4]

Smaller related undertakings within the European Economic Area which are not covered by the group internal model are reflected with their standard formula results. At Group level, the solvency capital requirements for smaller insurance undertakings outside the European Economic Area with only an immaterial impact on the Group's risk profile are accounted for by means of book value deduction.[5]

Risk capital related to our European banking operations is allocated to the Corporate and Other business segment, based on the approach applied by banks in accordance with the local requirements resulting from the Basel regulation (Basel standards). Capital requirements for banks represent an insignificant amount of approx-

2_Since 30 September 2015, Allianz Life US has been accounted for at 150% of RBC CAL, based on third-country equivalence, within our Group capitalization.
3_As mentioned under section "General approach", Allianz Life US is based on third-country equivalence.
4_For further information about participating life business, please refer to note 15 to the consolidated financial statements.
5_Under book value deduction, the book value of the respective entity is deducted from eligible Own Funds of the Group.

imately 1.7 % (2016: 1.7 %) of our total pre-diversified Group solvency requirement. Therefore, risk management with respect to banking operations is not discussed in more detail.

For our Asset Management business segment, we assign internal risk capital requirements based on sectorial regulatory capital requirements. The Asset Management business is mainly affected by operational risks. However, since most of our Asset Management business is not located within the Eurozone, at Group level its participation value bears a foreign exchange rate risk. Our Asset Management business is covered by adequate risk controlling processes, including qualitative risk assessments (such as the Top Risk Assessment) and regular reporting to the Group. As the impact on the Group's total solvency requirement is minor, risk management with respect to Asset Management is not discussed in more detail.

Therefore Allianz's risk capital framework covers all material and quantifiable risks. Risks specifically not covered by our group internal model include reputational, liquidity, and strategic risks.

ASSUMPTIONS AND LIMITATIONS

RISK-FREE RATE AND VOLATILITY ADJUSTMENT

When calculating the fair values of assets and liabilities, the assumptions regarding the underlying risk-free yield curve are crucial in determining and discounting future cash flows. We apply the methodology provided by the European Insurance and Occupational Pensions Authority (EIOPA) within the technical documentation (EIOPA-BoS-15/035) for the extrapolation of the risk-free interest rate curves beyond the last liquid tenor.[1]

In addition, we adjust the risk-free yield curves by a volatility adjustment in most markets where a volatility adjustment is defined by EIOPA and approved by the local regulator. This is done to better reflect the underlying economics of our business, as the cash flows of our insurance liabilities are largely predictable. The advantage of being a long-term investor, therefore, is the opportunity to invest in bonds yielding spreads over the risk-free return and earning this additional yield component over the duration of the bonds. Being a long-term investor mitigates much of the risk of forced selling of debt instruments at a loss prior to maturity.

We therefore take account of this by applying volatility adjustment to mitigate the credit spread risk, which we consider to be less substantial than the default risk.

VALUATION ASSUMPTIONS: REPLICATING PORTFOLIOS

We replicate the liabilities of our Life/Health insurance business as well as for our internal pension obligations. This technique enables us to represent all product-related options and guarantees, both contractual and discretionary, by means of standard financial instruments. In the risk calculation we use the replicating portfolio to determine and revalue these liabilities under all potentially adverse Monte Carlo scenarios.

1_Due to late availability of EIOPA publication, the risk-free interest rate term structure used might slightly differ from the one published by EIOPA.

DIVERSIFICATION AND CORRELATION ASSUMPTIONS

Our internal model considers concentration, accumulation, and correlation effects when aggregating results at Group level. The resulting diversification reflects the fact that not all potential worst-case losses are likely to materialize at the same time. As we are an integrated financial services provider offering a variety of products across different business segments and geographic regions, diversification is key to our business model.

Diversification typically occurs when looking at combined risks that are not, or only partly, interdependent. Important diversification factors include regions (e.g. windstorm in Australia vs. windstorm in Germany), risk categories (e.g. market risk vs. underwriting risk), and subcategories within the same risk category (e.g. commercial vs. personal lines of property and casualty risk). Ultimately, diversification is driven by the specific features of the investment or insurance products in question and their respective risk exposures. For example, an operational risk event at an Australian entity can be considered to be highly independent of a change in credit spreads for a French government bond held by a German entity.

Where possible, we derive correlation parameters for each pair of market risks through statistical analysis of historical data, considering quarterly observations over more than a decade. In case historical data or other portfolio-specific observations are insufficient or not available, correlations are set by the Correlation Settings Committee, which combines the expertise of risk and business experts in a well-defined and controlled process. In general, when using expert judgment we set the correlation parameters to represent the joint movement of risks under adverse conditions. Based on these correlations, we use an industry-standard approach, the Gaussian copula, to determine the dependency structure of quantifiable sources of risk within the applied Monte Carlo simulation.

ACTUARIAL ASSUMPTIONS

Our internal model also includes assumptions on claims trends, liability inflation, mortality, longevity, morbidity, policyholder behavior, expense, etc. We use our own internal historical data for actuarial assumptions wherever possible, and also consider recommendations from the insurance industry, supervisory authorities, and actuarial associations. The derivation of our actuarial assumptions is based on generally accepted actuarial methods. Within our internal risk capital and financial reporting framework, comprehensive processes and controls exist for ensuring the reliability of these assumptions.

MODEL LIMITATIONS

As the internal model is based on a 99.5 % confidence level, there is a low statistical probability of 0.5 % that actual losses could exceed this threshold at Group level in the course of one year.

We use model and scenario parameters derived from historical data, where available, to characterize future possible risk events. If future market conditions differ substantially from the past, for example in an unprecedented crisis, our VaR approach may be too conservative or too liberal in ways that are difficult to predict. In order to mitigate reliance on historical data, we complement our VaR analysis with stress testing.

Furthermore, we validate the model and parameters through sensitivity analyses, independent internal peer reviews and, where appropriate, independent external reviews, focusing on methods for selecting parameters and control processes. To ensure proper validation we established an Independent Validation Unit (IVU) within Group Risk, responsible for validating our internal model within a comprehensive model validation process. Overall, we believe that our validation efforts are effective and that the model adequately assesses the risks to which we are exposed.

The construction and application of the replicating portfolios mentioned are subject to the set of available replicating instruments and might be too simple or restrictive to capture all factors affecting the change in value of liabilities. As with other model components, the replications are subject to independent validation and to suitability assessments as well as to stringent data and process quality controls. Therefore, we believe that the liabilities are adequately represented by the replicating portfolios.

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

MODEL CHANGES IN 2017

In 2017, our internal model has been adjusted based on regulatory developments, validation of our model, and assessment of its appropriateness, as well as feedback received during the ongoing consultations with regulators. For the sake of clarity, all model changes and the resulting impacts on our risk profile are presented jointly within this section, based on data as of 31 December 2016.

The net impact of model changes in 2017 was € (82) mn. Behind this small net result were larger, offsetting impacts: risk capital increased by € 2 bn due to a change in real world credit spread scenarios and stochastic cash flow models for selected life entities, offset by favorable changes for own pensions, the inclusion of negative interest rate scenarios, and various minor and immaterial model changes.

We also updated the approach used for allocating risk capital to business segments and related undertakings by aligning it with the contributions derived from the tail scenarios underpinning our Group risk capital requirements. As a consequence, financial market risk categories (especially in the Life/Health segment) tend to be allocated more risk capital because they diversify less "in the tail" while the other risk categories are generally allocated less risk capital as they diversify more "in the tail".

In all subsequent sections, the figures including model changes will form the basis for the movement analysis of our risk profile in 2017.

Allianz Group: Impact of model change – allocated risk according to the risk profile (total portfolio before non-controlling interests)
€ mn

	Market risk		Credit risk		Underwriting risk		Business risk		Operational risk		Diversification		Total	
As of 31 December	2016[1]	2016[2]	2016[1]	2016[2]	2016[1]	2016[2]	2016[1]	2016[2]	2016[1]	2016[2]	2016[1]	2016[2]	2016[1]	2016[2]
Property-Casualty	3,480	5,805	2,440	2,502	10,718	10,307	835	937	2,227	2,248	(6,166)	(6,606)	13,533	15,193
Life/Health	19,404	12,824	4,914	5,550	400	1,323	3,517	3,536	1,996	2,028	(8,093)	(5,713)	22,138	19,549
Asset Management	42	163	28	29	-	-	-	-	760	768	98	-	929	960
Corporate and Other	1,999	2,753	668	683	44	179	-	-	644	617	(272)	(689)	3,084	3,543
Total Group	**24,925**	**21,546**	**8,051**	**8,763**	**11,162**	**11,809**	**4,352**	**4,473**	**5,627**	**5,661**	**(14,434)**	**(13,008)**	**39,683**	**39,244**
												Tax	(5,185)	(4,664)
												Total Group	**34,498**	**34,580**

1_2016 risk profile figures recalculated based on model changes in 2017 and the impact of minor and immaterial model changes were allocated proportionally.
2_2016 risk profile figures as reported previously.

In 2017, the changes to our internal model focused on the following risk categories:

MARKET RISK

Market risk was significantly affected by the negative interest rate, the credit spread, and the new cash flow model changes. The combined impact of the model changes on the total market risk was an increase of € 3.4 bn to € 24.9 bn (2016: € 21.5 bn).

CREDIT RISK

In 2017, the central credit risk model was changed to allow for a more granular and accurate valuation of exposures in a negative interest rate environment. Consistent with market expectations, counterparties from segments with very low or even negative credit spread levels now carry less credit risk. The credit-risk-reducing effect of this major model change was partially offset by indirect effects from cash flow model changes which reduced the policyholder participation in the Life/Health business segment.

Other immaterial credit risk model changes introduced in 2017 were mainly related to the introduction of new internal rating models for specific asset classes.

UNDERWRITING RISK

Property-Casualty

The increase in underwriting risk in the Property-Casualty business segment was mainly based on the central changes on natural catastrophe modelling for windstorms in Europe and earthquakes in Germany.

Life/Health

The considerable decrease in SCR contribution seen for the Life/Health business segment was mainly driven by the new allocation approach (€ (0.7) bn). There was no central model change performed in 2017 for the Life/Health underwriting risk and the local changes for this module were either minor or immaterial. The remaining impact therefore results from changes that affect the local cash flow models, in particular the introduction of the negative interest rate modeling and a new local cash flow model.

BUSINESS RISK

As for Life/Health underwriting risk, there was no central model change performed in 2017 for the business risk and all local changes for this module were either minor or immaterial.

OPERATIONAL RISK

No material operational risk model change has been applied in 2017.

IMPACT OF MODEL CHANGES ON ELIGIBLE GROUP OWN FUNDS

Model changes in 2017 resulted in a € 3.0 bn increase of Own Funds, mainly driven by regulatory and model changes including negative interest rate model.

Allianz risk profile and management assessment

RISK PROFILE AND MARKET ENVIRONMENT

As mentioned earlier, the Allianz Group is exposed to a variety of risks. The largest risks in terms of their contribution to Allianz's risk profile are:

- Market risk, especially interest rate risk, due to the duration mismatch between assets and liabilities for long-term savings products, equity risk, credit, and credit spread risks driven by assets backing long-term liabilities, which we take to benefit from the expected risk premium;
- Property-casualty premium and reserve risks resulting from natural and man-made catastrophes as well as from claims uncertainty.

The risk profile and relative contributions have changed in 2017, predominantly due to changes in the market environment as well as to management actions such as the decrease in asset durations, the reduction of exposures to some sovereign bond investments, and the significant increase in exposures to real estate and infrastructure investments.

POTENTIAL RISKS IN THE FINANCIAL MARKET AND IN OUR OPERATING ENVIRONMENT

Financial markets are characterized by historically low interest rates and risk premiums, prompting investors to look for higher-yielding – and potentially higher-risk – investments. In addition to sustained low interest rates, the challenges of implementing long-term structural reforms in key Eurozone countries and the uncertainty about the future path of monetary policy may lead to increasing market volatility. This could be accompanied by a flight to quality, combined with falling equity and bond prices due to rising spread levels, even in the face of potentially lower interest rates. Also, possible asset bubbles (as observed in the Chinese equity market) might spill over to other markets, or rising geopolitical tensions – e.g. caused by the North Korean missile program – might trigger market sell-offs, which would contribute to increasing volatility. We therefore continue to closely monitor political and financial developments – such as the Brexit in the United Kingdom, the European migrant crisis and the rise of Euroscepticism, or the situation on the Korean peninsula – in order to manage our overall risk profile to specific event risks.

REGULATORY DEVELOPMENTS

Following the approval of our internal model in November 2015, the model has been fully applied since the beginning of 2016. There is still uncertainty about the future capitalization requirements of Allianz, since the future capital requirements applicable for Global Systemically Important Insurers (so-called G-SII) are yet to be finalized. Due to the review of the Solvency II framework by EIOPA, future Solvency II capital requirements might change depending on the outcome. Finally, the potential for a multiplicity of different regulatory regimes, capital standards, and reporting requirements will increase operational complexity and costs.

MANAGEMENT ASSESSMENT

The Allianz Group's management feels comfortable with the Group's overall risk profile and has confidence in the effectiveness of its risk management framework to meet both, the challenges of a rapidly changing environment and the day-to-day business needs. This confidence is based on several factors, which are summarized below:

- Due to its effective capital management, the Allianz Group is well capitalized and met its internal, rating agency, and regulatory solvency targets as of 31 December 2017. Allianz is also confident that it will be able to meet the capital requirements under new regulatory regimes. Allianz remains one of the highest rated insurance groups in the world, as reflected by our external ratings.
- The Group's management also believes that Allianz is well positioned to deal with potentially adverse future events – due, in part, to our strong internal limit framework, which is defined by the Group's risk appetite, and our risk management practices which include our approved internal model.
- The Group has a conservative investment profile and disciplined business practices in the Property-Casualty, Life/Health, and Asset Management business segments, leading to sustainable operating earnings with a well-balanced risk-return profile.
- Finally, the Group has the additional advantage of being well-diversified, both geographically and across a broad range of businesses and products.

SOLVENCY II REGULATORY CAPITALISATION

The Allianz Group's Own Funds and capital requirements are based on the market value balance sheet approach as the major economic principle of Solvency II rules[1]. Our regulatory capitalization is shown in the following table.

Allianz Group: Solvency II regulatory capitalization

As of 31 December		2017	2016
Own Funds	€ bn	76.4	75.3
Capital requirement	€ bn	33.3	34.6
Capitalization ratio	%	229	218

The following table summarizes our Solvency II regulatory capitalization ratios disclosed over the course of the year 2017.

Allianz Group: Solvency II regulatory capitalization ratios
%

	31 December 2017	30 September 2017	30 June 2017	31 March 2017	31 December 2016
Capitalization ratio	229[1]	227	219	212[1]	218

1_Includes share buy-back.

Compared to year-end 2016, our Solvency II capitalization increased by 11 percentage points to 229 % (2016: 218 %). This was driven by an increase in Own Funds and an overall decrease in the Solvency II capital requirement. The increase in the Solvency II capitalization ratio was mainly due to strong Solvency II earnings and favorable markets that were characterized by higher interest rates, lower credit spreads, and rising equities. Model changes also contributed to the increase of the capitalization ratio. These positive impacts were partly offset by capital management activities like the share buy-backs as well as the dividend accrual throughout the year. Management actions such as the acquisition of Liverpool Victoria (LV=) and part of the non-controlling interests of Euler Hermes, the decrease in exposures to some government bonds, and the improvement of our interest rate risk profile had further compensating effects. Other effects such as taxes, changes in transferability restrictions, and diversification effects contributed to a further reduction of the Solvency II capitalization ratio.

The following table presents the sensitivities of our Solvency II capitalization ratio under certain standard financial scenarios.

Allianz Group: Solvency II regulatory capitalization ratio sensitivities
%

As of 31 December	2017	2016
Base capitalization ratio	229	218
Interest rates up by 0.5 %[1]	231	220
Interest rates down by 0.5 %[1]	218	207
Equity prices up by 30 %	240	224
Equity prices down by 30 %	223	216
Combined scenario: Equity prices down by 30 % Interest rate down by 0.5 %[1]	212	203

1_Non-parallel interest rate shifts due to extrapolation of the yield curve beyond the last liquid point in line with Solvency II rules.

The Allianz Group is a financial conglomerate within the scope of the Financial Conglomerate Directive (FCD). The FCD does not impose a materially different capital requirement on Allianz Group compared to Solvency II.

A.1.3 Quantifiable risks and opportunities by risk category

This Risk and Opportunity Report outlines the Group's risk figures, reflecting its risk profile based on pre-diversified risk figures and group diversification effects.

At the Allianz Group, we measure and steer risk based on an approved internal model, under which we derive our risk capital from potential adverse developments of Own Funds. The resulting risk profile provides an overview of how risks are distributed over different risk categories, and determines the regulatory capital requirements in accordance with Solvency II.

With the exception of the Asset Management business segment, all business segments are exposed to the full range of risk categories stated. As mentioned earlier, the Asset Management business segment is predominantly exposed to operational and market risks and to a lesser extent to credit risk.

The pre-diversified risk figures reflect the diversification effect within each modeled risk category (i.e. market, credit, underwriting, business, and operational risk) but do not include the diversification effects across risk categories. Group-diversified risk figures also capture the diversification effect across all risk categories.

1_Own Funds and capital requirement are calculated under consideration of volatility adjustment and yield curve extension, as described in section Risk-free rate and volatility adjustment.

The Group-diversified risk is broken down as follows:

Allianz Group: Allocated risk according to the risk profile (total portfolio before non-controlling interests)
€ mn

	Market risk		Credit risk		Underwriting risk		Business risk		Operational risk		Diversification		Total	
As of 31 December	2017	2016[1]	2017	2016[1]	2017	2016[1]	2017	2016[1]	2017	2016[1]	2017	2016[1]	2017	2016[1]
Property-Casualty	4,300	3,480	2,433	2,440	11,417	10,718	844	835	1,875	2,227	(4,198)	(6,166)	16,671	13,533
Life/Health	15,868	19,404	3,851	4,914	413	400	3,556	3,517	1,945	1,996	(7,858)	(8,093)	17,775	22,138
Asset Management	170	42	19	28	-	-	-	-	755	760	-	98	943	929
Corporate and Other	1,279	1,999	651	668	147	44	-	-	885	644	(490)	(272)	2,472	3,084
Total Group	**21,617**	**24,925**	**6,954**	**8,051**	**11,978**	**11,162**	**4,400**	**4,352**	**5,459**	**5,627**	**(12,546)**	**(14,434)**	**37,862**	**39,683**
												Tax	(4,545)	(5,185)
												Total Group	**33,317**	**34,498**

1_2016 risk profile figures recalculated based on model changes in 2017 and the impact of minor and immaterial model changes were allocated proportionally.

The following sections explain the evolution of our risk profile per risk category modeled. All risks are presented on a pre-diversified basis and concentrations of single sources of risk are discussed accordingly.

As of 31 December 2017, the group-diversified risk capital, reflecting our risk profile before non-controlling interests, amounting to € 33.3 bn (2016: € 34.6 bn) represented a stable diversification benefit[1] of approximately 25% compared to 2016. The drop in Solvency II capital requirement was mainly due to favorable market developments, specifically an increase in interest rates and a tightening of credit spreads. Management actions predominantly driven by M&A transactions increased the SCR, which was mostly offset by the contribution of business evolution.

MARKET RISK

The following table presents our group-wide risk figures related to market risks by business segment and source of risk.

Allianz Group: Risk profile – market risk by business segment and source of risk (total portfolio before tax and non-controlling interests)
pre-diversified, € mn

	Interest rate		Inflation		Credit spread		Equity		Real estate		Currency		Total	
As of 31 December	2017	2016[1]	2017	2016[1]	2017	2016[1]	2017	2016[1]	2017	2016[1]	2017	2016[1]	2017	2016[1]
Property-Casualty	(390)	(428)	(1,642)	(2,217)	2,851	2,885	2,468	2,316	1,038	922	(26)	2	4,300	3,480
Life/Health	2,491	3,874	(98)	(111)	6,930	9,031	5,835	5,571	823	908	(113)	131	15,868	19,404
Asset Management	28	23	-	-	-	-	28	21	28	18	85	(21)	170	42
Corporate and Other	352	471	(511)	(161)	727	858	478	793	111	97	122	(59)	1,279	1,999
Total Group	**2,481**	**3,941**	**(2,250)**	**(2,489)**	**10,508**	**12,774**	**8,809**	**8,701**	**2,000**	**1,945**	**69**	**54**	**21,617**	**24,925**
												Share of total Group pre-diversified risk	42.9%	46.1%

1_2016 risk profile figures recalculated based on model changes in 2017 and the impact of minor and immaterial model changes were allocated proportionally.

Our total pre-diversified market risk showed a decrease of € 3.3 bn, which was mainly driven by interest rate and credit spread risk in the Life/Health business segment. The decrease in interest rate risk was driven by the significant increase in the rates as well as by management actions to improve our interest rate risk profile by asset/liability management measures. For credit spread risk, the decrease was driven by narrowing credit spreads observed in financial markets and the increase in policyholder participation in the Life/Health business segment. These were also supported by exposure changes due to ALM measures and the corresponding effects on the liability side.

INTEREST RATE RISK

As of 31 December 2017, our interest rate sensitive investments excluding unit-linked business – amounting to a market value of € 427.3 bn (2016: € 428.5 bn)[2] – would have gained € 41.6 bn (2016: € 31.4 bn) or lost € 36.1 bn (2016: € 36.1 bn)[3] in value in the event of interest rates changing by -100 and +100 basis points, respectively.

EQUITY RISK

As of 31 December 2017, our investments excluding unit-linked business that are sensitive to changing equity markets – amounting to a market value of € 57.1 bn[4] (2016: € 47.0 bn) – would have lost € 14.9 bn[5] (2016: € 12.4 bn) in value assuming equity markets declined by 30%.

1_Diversification before tax.

2_The stated market value includes all assets whose market value is sensitive to interest rate movements (excluding unit-linked business) reflecting the Solvency II framework, and therefore is not based on classifications given by accounting principles.
3_The effects do not consider policyholder participation.
4_The stated market value includes all assets whose market value is sensitive to equity movements (excluding unit-linked business) reflecting the Solvency II framework, and therefore is not based on classifications given by accounting principles.
5_The effect does not consider policyholder participation.

REAL ESTATE RISK

As of 31 December 2017, about 4.0% (2016: 3.3%) of the total pre-diversified risk was related to real estate exposures.

CREDIT RISK

The following table presents our group-wide risk figures related to credit risks by business segment.

Allianz Group: Risk profile – allocated credit risk by business segment (total portfolio before tax and non-controlling interests)
pre-diversified

As of 31 December		2017	2016[1]
Property-Casualty	€ mn	2,433	2,440
Life/Health	€ mn	3,851	4,914
Asset Management	€ mn	19	28
Corporate and Other	€ mn	651	668
Total Group	**€ mn**	**6,954**	**8,051**
Share of total Group pre-diversified risk	%	13.8	14.9

1_2016 risk profile figures recalculated based on model changes in 2017 and the impact of minor and immaterial model changes were allocated proportionally.

Throughout 2017, the credit environment remained stable. Overall credit risk for the Group decreased compared to last year, primarily driven by an increase of policyholder participation in the Life/Health business segment as a result of better market conditions. Annual updates based on extended time series were performed for credit risk parameters like the transition matrix and asset correlations, which only had a slightly positive effect on credit risk.

CREDIT RISK – INVESTMENTS

As of 31 December 2017, the credit risk arising from our investment portfolio accounted for 85.2% (2016: 86.4%) of our total Group pre-diversified internal credit risk[1].

Credit risk in the Life/Health business segment is primarily driven by long-term assets covering long-term liabilities. Typical investments are government bonds, senior corporate bonds, covered bonds, self-originated mortgages and loans, and a modest amount of derivatives. In the Property-Casualty business segment, fixed-income securities tend to be short- to mid-term, due to the nature of the business, which explains the lower credit risk consumption in this segment.

The counterparty credit risk arising from derivatives is low, since derivatives usage is governed by the group-wide internal guidelines for collateralization of derivatives, which stipulates master netting and collateral agreements with each counterparty and requires high-quality and liquid collateral. In addition, Allianz closely monitors the credit ratings of counterparties and exposure movements.

As of 31 December 2017, the rating distribution based on issue (instrument) ratings of our fixed-income portfolio was as follows:

Rating distribution of Allianz Group's fixed-income portfolio[1] – fair value
€ bn

Type of issuer	Government/ agency		Covered bond		Corporate		Banks		ABS/MBS		Short-term loan		Other		Total	
As of 31 December	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
AAA	42.8	42.3	55.0	57.9	2.0	1.5	1.7	1.6	16.9	17.5	-	0.1	-	-	118.4	120.9
AA	93.4	95.0	15.8	18.6	21.7	20.9	4.4	6.0	2.9	2.3	0.9	1.1	-	-	139.1	144.0
A	19.4	17.1	9.8	8.8	56.1	55.8	15.7	15.4	1.1	0.9	0.4	0.2	0.4	0.7	103.0	98.9
BBB	47.7	49.8	2.3	4.2	100.2	93.9	7.3	8.3	0.4	0.5	0.4	0.8	0.3	0.3	158.7	157.8
BB	5.4	5.3	-	0.3	5.0	6.5	0.7	0.9	0.1	0.1	0.2	0.2	-	-	11.5	13.3
B	2.8	2.1	-	-	1.0	1.3	0.1	-	0.1	0.1	-	-	-	-	4.0	3.6
CCC	-	-	-	-	0.3	0.7	-	-	0.1	0.1	-	-	-	-	0.3	0.8
CC	-	-	-	-	-	0.1	-	-	0.1	0.1	-	-	-	-	0.1	0.1
C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1
D	-	-	-	-	-	0.1	-	-	-	-	-	-	-	-	-	0.1
Not rated	2.1	1.9	0.1	0.1	9.2	8.7	0.6	0.6	-	-	1.1	1.2	4.9	3.7	18.0	16.3
Total	**213.6**	**213.6**	**83.0**	**90.0**	**195.6**	**189.5**	**30.6**	**32.9**	**21.7**	**21.6**	**3.1**	**3.7**	**5.6**	**4.7**	**553.1**	**555.8**

1_In accordance with the Group Management Report, figures stated include investments of Banking and Asset Management. Table excludes private loans. Stated market values include investments not in scope of the Solvency II framework.

CREDIT RISK – CREDIT INSURANCE

As of 31 December 2017, 9.6% (2016: 7.4%) of our total Group pre-diversified internal credit risk was allocated to Euler Hermes credit insurance exposures, for which the relative increase is primarily driven by the lower credit risk of the investment portfolio.

CREDIT RISK – REINSURANCE

As of 31 December 2017, 0.7% (2016: 0.5%) of our total Group pre-diversified internal credit risk was allocated to reinsurance exposures – of which 51.8% (2016: 46.8%) was related to reinsurance counterparties in the United States and Germany.

As of 31 December 2017, 67.8% (2016: 84.0%) of the Allianz Group's reinsurance recoverables were distributed among reinsurers that had been assigned at least an "A-" rating. The non-rated reinsurance recoverables represented 30.1% (2016: 15.1%).

The increase in total and non-rated exposure mainly results from the inclusion of reinsurance captive exposures in the rating overview

1_Additionally, 4.5 % (2016: 5.7 %) of our total Group pre-diversified internal credit risk is allocated to receivables, potential future exposure for derivatives and reinsurance, and other off-balance sheet exposures for 2017. For substantial exposures to non-rated captives, risk mitigating techniques like collateral agreements or funds-withheld concepts are in place.

Reinsurance recoverables by rating class[1]
€ bn

As of 31 December	2017	2016
AAA	0.01	0.04
AA+ to AA-	6.47	6.41
A+ to A-	4.94	4.62
BBB+ to BBB-	0.33	0.12
Non-investment grade	0.01	-
Not assigned	5.08	1.99
Total	**16.85**	**13.18**

1_Represents gross exposure broken down by reinsurer. For 2017 reinsurance captives exposure included.

UNDERWRITING RISK

The following table presents the pre-diversified risk calculated for underwriting risks associated with our insurance business.

Allianz Group: Risk profile – allocated underwriting risk by business segment and source of risk (total portfolio before non-controlling interests)[1]
pre-diversified, € mn

	Premium natural catastrophe		Premium terror		Premium non-catastrophe		Reserve		Biometric		Total	
As of 31 December	2017	2016[2]	2017	2016[2]	2017	2016[2]	2017	2016[2]	2017	2016[2]	2017	2016[2]
Property-Casualty	515	377	(16)	13	5,005	4,444	5,799	5,795	114	89	11,417	10,718
Life/Health	-	-	-	-	-	-	-	-	413	400	413	400
Asset Management	-	-	-	-	-	-	-	-	-	-	-	-
Corporate and Other	-	-	-	-	-	-	-	-	147	44	147	44
Total Group	**515**	**377**	**(16)**	**13**	**5,005**	**4,444**	**5,799**	**5,795**	**675**	**533**	**11,978**	**11,162**
Share of total Group pre-diversified risk											23.76 %	20.63 %

1_As risks are measured in an integrated approach and on an economic basis, internal risk profile takes reinsurance effects into account.
2_2016 risk profile figures recalculated based on model changes in 2017 and the impact of minor and immaterial model changes were allocated proportionally.

PROPERTY-CASUALTY

During 2017, the total of the stand-alone underwriting risk capital on a Group-diversified basis increased by € 0.2 bn. This slight increase is mainly driven by exposure and model updates as well as discounting effects. The remaining difference is due to diversification effects with other underwriting risk categories.

Overall, the underwriting risk profile for the Allianz Group is not expected to change materially as we do not plan to significantly change our underwriting standards (Allianz Standard for P&C Underwriting), or our Group natural catastrophe man-made or terror risk appetite (i.e. retrocession reinsurance strategy).

The loss ratios for the Property-Casualty business segment can be seen in the following table:

Property-Casualty loss ratios[1] for the past ten years
%

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Loss ratio	66.5	65.6	66.2	66.0	65.9	68.3	69.9	69.1	69.5	68.0
Loss ratio excluding natural catastrophes	64.2	64.2	64.6	65.1	63.0	66.6	65.5	65.9	68.4	66.3

1_Represents claims and insurance benefits incurred (net), divided by premiums earned (net).

The top three perils contributing to the natural catastrophe risk as of 31 December 2017 were: windstorms in Europe, floods in Germany, and earthquakes in Australia.

LIFE/HEALTH

The risk capital contribution from biometric risk increased by € 0.1 bn compared to the previous year (after considering model changes). This is mainly due to the annual calibration update of the stochastic longevity risk model. The impact of this model update for the Property-Casualty and the Corporate business segments is mainly generated by the longevity risk of the corresponding pension schemes.

Due to effective product design and the diversity of our products, there were no significant concentrations of underwriting risks within our Life/Health business segment.

BUSINESS RISK

There was no significant impact on the overall business risk from regular model updates or the evolution of our business. The business risk contribution remained stable at € 4.4 bn.

OPERATIONAL RISK

The marginal decrease shown in the operational risk was driven by the annual regular update of local parameters. Foreign currency exchange effects played a secondary role.

LIQUIDITY RISK

Detailed information regarding the Allianz Group's liquidity risk exposure, liquidity, and funding – including changes in cash and cash equivalents – is provided in Liquidity and Funding Resources from page 57 onwards and in notes 12, 18 and 33 to the consolidated financial statements. As inferred from the section on management of liquidity risks and interest rate risks, they are properly managed and monitored but not quantified.

CONTROLS OVER FINANCIAL REPORTING

The following information is provided pursuant to § 289(4) and § 315(4) of the German Commercial Code ("Handelsgesetzbuch – HGB").

In line with both our prudent approach to risk governance and compliance with regulatory requirements, we have created a structure to identify and mitigate the risk of material errors in our consolidated financial statements (this also includes our market value balance sheet and risk capital controls). Our system of internal control over financial reporting (ICOFR) is regularly reviewed and updated. ICOFR is split into an Entity-Level Control Assessment Process (ELCA), IT General Controls (ITGC) and controls at process levels. The ELCA framework contains controls to monitor the system of governance effectiveness. In the ITGC framework we have implemented, for example, controls for access right management and for project and change management. Going forward, the current ICOFR framework will be part of an Integrated Risk and Control System (IRCS). The IRCS is split into three main components: Reporting Risk (currently ICOFR), Compliance Risk, and Operational Risk.

ACCOUNTING AND CONSOLIDATION PROCESSES

The accounting and consolidation processes we use to produce consolidated financial statements are based on a central consolidation and reporting IT solution and local general ledger solutions. The latter are largely harmonized throughout the Group, using standardized processes, master data, posting logics, and interfaces for data delivery to the Holding. Access rights to accounting systems are managed according to strict authorization procedures.

Accounting rules for the classification, valuation, and disclosure of all items in the balance sheet, the income statement, and notes related to the annual and interim financial statements are defined primarily in our Group accounting manual. Internal controls are embedded in the accounting and consolidation processes to safeguard the accuracy, completeness, and consistency of the information provided in our financial statements.

INTERNAL CONTROL SYSTEM APPROACH

Our approach can be summarized as follows:

- We use a top-down, risk-based approach to determine the accounts and operating entities that should fall under the scope of our system of internal control over financial reporting (as well as IRCS). The methodology is described in our ICOFR manual and the IRCS Guideline. During the scoping process, both materiality and susceptibility to a misstatement are considered simultaneously. In addition to the quantitative calculation, we also consider qualitative criteria – such as expected increase in business volume – which are provided by different Group Centers, Group Audit, and external Audit.
- Then, our local entities identify risks that could lead to material financial misstatements, including all relevant root causes (i.e. human processing errors, fraud, system shortcomings, external factors, etc.).
- Preventive and detective key controls to address financial reporting risks have been put in place to reduce the likelihood and impact of financial misstatements. If a potential risk materializes, actions are taken to reduce the impact of the financial misstatement. Given the strong dependence of financial reporting processes on information technology systems, we also implement IT controls.
- Finally, we focus on ensuring that controls are appropriately designed and effectively executed to mitigate risk. We have set consistent documentation requirements across the Allianz Group for elements such as processes, related key controls, and execution. We conduct an annual assessment of our control system to maintain and continuously enhance its effectiveness. Group Audit and local internal audit functions ensure that the overall quality of our control system is subjected to regular control-testing, to assure reasonable design and operating effectiveness. Internal Audit does so through a comprehensive risk-based approach, which assesses the key controls of the company's internal procedures and processes, including local and group-internal controls over financial reporting risks, from an integrated perspective.

GOVERNANCE

Responsibility for ensuring the completeness, accuracy, and reliability of our consolidated financial statements rests with the Chairman of the Allianz SE Board of Management, as well as the board member responsible for Finance, Controlling, and Risk, supported by Group Center functions, the Group Disclosure Committee, and operating entities.

The Group Disclosure Committee ensures that these board members are made aware of all material information that could affect our disclosures, and assesses the completeness and accuracy of the information provided in the quarterly statements, half-year, and annual financial reports as well as in the Solvency II qualitative reports[1]. In 2017, the Group Disclosure Committee met on a quarterly basis before the quarterly statements and financial reports were issued. An additional meeting was held prior to issuance of the Solvency II qualitative reports.

Subsidiaries within the scope of our control system are individually responsible for adhering to the Group's internal governance and control policy and for creating local Disclosure Committees that are similar to the Group–level committee. The entities' CEOs and CFOs provide periodic sign-offs to the management of Allianz SE, certifying the effectiveness of their local systems of internal control as well as the completeness, accuracy, and reliability of financial data reported to the Holding.

1_Solvency Financial Condition Report and Regular Supervisory Report.

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CONSOLIDATED FINANCIAL STATEMENTS

D

CONSOLIDATED BALANCE SHEETS

Consolidated balance sheets

€ mn

As of 31 December	note	2017	2016[1]
ASSETS			
Cash and cash equivalents		17,119	14,463
Financial assets carried at fair value through income	5	8,177	8,333
Investments	6	546,828	536,869
Loans and advances to banks and customers	7	104,224	105,369
Financial assets for unit-linked contracts		119,141	111,325
Reinsurance assets	8	16,375	15,562
Deferred acquisition costs	9	23,184	24,887
Deferred tax assets	32	931	1,003
Other assets	10	37,731	38,050
Non-current assets and assets of disposal groups classified as held for sale	3	14,329	14,196
Intangible assets	11	13,262	13,752
Total assets		**901,300**	**883,809**
LIABILITIES AND EQUITY			
Financial liabilities carried at fair value through income[2]		11,291	11,271
Liabilities to banks and customers	12	12,746	13,038
Unearned premiums	13	21,442	21,360
Reserves for loss and loss adjustment expenses	14	73,292	72,373
Reserves for insurance and investment contracts	15	513,687	505,322
Financial liabilities for unit-linked contracts	16	119,141	111,325
Deferred tax liabilities	32	4,906	4,683
Other liabilities	17	39,639	39,867
Liabilities of disposal groups classified as held for sale	3	13,662	13,290
Certificated liabilities	18	9,596	7,615
Subordinated liabilities	18	13,295	13,530
Total liabilities		832,698	813,674
Shareholders' equity		65,553	67,083
Non-controlling interests		3,049	3,052
Total equity	19	68,602	70,135
Total liabilities and equity		**901,300**	**883,809**

1_Due to the change in accounting policies for GMIBs, the figures as of 31 December 2016 have been adjusted retrospectively. For further information please refer to note 2.
2_Include mainly derivative financial instruments.

CONSOLIDATED INCOME STATEMENTS

Consolidated income statements

€ mn

	note	2017	2016
Gross premiums written		77,345	76,331
Ceded premiums written		(4,912)	(4,901)
Change in unearned premiums (net)		(1,007)	(1,073)
Premiums earned (net)	20	71,427	70,357
Interest and similar income	21	21,848	22,149
Income from financial assets and liabilities carried at fair value through income (net)	22	(1,204)	(850)
Realized gains/losses (net)	23	6,546	8,403
Fee and commission income	24	10,937	10,491
Other income		36	100
Total income		109,590	110,649
Claims and insurance benefits incurred (gross)		(56,644)	(55,914)
Claims and insurance benefits incurred (ceded)		5,427	2,758
Claims and insurance benefits incurred (net)	25	(51,218)	(53,156)
Change in reserves for insurance and investment contracts (net)	26	(14,427)	(13,201)
Interest expenses	27	(1,149)	(1,207)
Loan loss provisions		(25)	(46)
Impairments of investments (net)	28	(1,160)	(1,940)
Investment expenses	29	(1,269)	(1,306)
Acquisition and administrative expenses (net)	30	(25,702)	(25,301)
Fee and commission expenses	31	(3,857)	(3,734)
Amortization of intangible assets		(154)	(154)
Restructuring charges		(477)	(186)
Other expenses		(5)	(5)
Total expenses		(99,442)	(100,236)
Income before income taxes		**10,148**	**10,413**
Income taxes	32	(2,941)	(3,085)
Net income		**7,207**	**7,329**
Net income attributable to:			
Non-controlling interests		404	367
Shareholders		6,803	6,962
Basic earnings per share (€)		15.24	15.31
Diluted earnings per share (€)		15.23	15.18

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Consolidated statements of comprehensive income
€ mn

	2017	2016
Net income	**7,207**	**7,329**
Other comprehensive income		
Items that may be reclassified to profit or loss in future periods		
Foreign currency translation adjustments		
Reclassifications to net income	1	13
Changes arising during the year	(2,036)	135
Subtotal	(2,035)	148
Available-for-sale investments		
Reclassifications to net income	(986)	(1,678)
Changes arising during the year	1,358	2,552
Subtotal	373	875
Cash flow hedges		
Reclassifications to net income	(55)	(17)
Changes arising during the year	31	74
Subtotal	(24)	57
Share of other comprehensive income of associates and joint ventures		
Reclassifications to net income	-	13
Changes arising during the year	(78)	(4)
Subtotal	(78)	9
Miscellaneous		
Changes arising during the year	19	(127)
Subtotal	19	(127)
Items that may never be reclassified to profit or loss		
Changes in actuarial gains and losses on defined benefit plans	100	(335)
Total other comprehensive income	(1,645)	626
Total comprehensive income	**5,563**	**7,955**
Total comprehensive income attributable to:		
Non-controlling interests	393	405
Shareholders	5,170	7,551

For further information on the income taxes associated with different components of other comprehensive income, please see note 32.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Consolidated statements of changes in equity
€ mn

	Paid-in capital	Retained earnings	Foreign currency translation adjustments	Unrealized gains and losses (net)	Share-holders' equity	Non-controlling interests	Total equity
Balance as of 1 January 2016[1]	**28,928**	**23,894**	**(926)**	**10,920**	**62,815**	**2,955**	**65,771**
Total comprehensive income[2]	-	6,476	160	914	7,551	405	7,955
Paid-in capital	-	-	-	-	-	-	-
Treasury shares	-	2	-	-	2	-	2
Transactions between equity holders[3]	-	35	4	(4)	35	17	52
Dividends paid	-	(3,320)	-	-	(3,320)	(325)	(3,646)
Balance as of 31 December 2016	**28,928**	**27,087**	**(762)**	**11,830**	**67,083**	**3,052**	**70,135**
Total comprehensive income[2]	-	6,820	(1,973)	323	5,170	393	5,563
Paid-in capital	-	-	-	-	-	-	-
Treasury shares	-	41	-	-	41	-	41
Transactions between equity holders[3,4]	-	(3,340)	(13)	21	(3,331)	(145)	(3,476)
Dividends paid	-	(3,410)	-	-	(3,410)	(251)	(3,661)
Balance as of 31 December 2017	**28,928**	**27,199**	**(2,749)**	**12,175**	**65,553**	**3,049**	**68,602**

1_Due to the change in accounting policies for GMIBs, the balance as of 1 January 2016 has been adjusted retrospectively. For further information please refer to note 2.
2_Total comprehensive income in shareholders' equity for the year ended 31 December 2017 comprises net income attributable to shareholders of € 6,803 mn (2016: € 6,962 mn).
3_Includes income taxes within retained earnings.
4_For further information regarding the share buy-back program 2017, please refer to note 19.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Consolidated statements of cash flows

€ mn

	2017	2016
SUMMARY		
Net cash flow provided by operating activities	33,188	21,461
Net cash flow used in investing activities	(24,755)	(19,765)
Net cash flow used in financing activities	(5,027)	(1,732)
Effect of exchange rate changes on cash and cash equivalents	(749)	52
Change in cash and cash equivalents	2,656	16
Cash and cash equivalents at beginning of period	14,463	14,842
Cash and cash equivalents reclassified to assets of disposal groups classified as held for sale	-	(395)
Cash and cash equivalents at end of period	**17,119**	**14,463**
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	**7,207**	**7,329**
Adjustments to reconcile net income to net cash flow provided by operating activities		
Share of earnings from investments in associates and joint ventures	(506)	(288)
Realized gains/losses (net) and impairments of investments (net) of:		
Available-for-sale and held-to-maturity investments, investments in associates and joint ventures, real estate held for investment, loans and advances to banks and customers, non-current assets and disposal groups classified as held for sale	(5,452)	(6,540)
Other investments, mainly financial assets held for trading and designated at fair value through income	(2,481)	2,710
Depreciation and amortization	1,544	1,345
Loan loss provisions	25	46
Interest credited to policyholder accounts	4,868	4,563
Net change in:		
Financial assets and liabilities held for trading	5,144	(3,026)
Reverse repurchase agreements and collateral paid for securities borrowing transactions	130	(696)
Repurchase agreements and collateral received from securities lending transactions	108	(1,278)
Reinsurance assets	(2,455)	(587)
Deferred acquisition costs	(546)	(588)
Unearned premiums	841	909
Reserves for loss and loss adjustment expenses	3,300	622
Reserves for insurance and investment contracts	15,233	16,569
Deferred tax assets/liabilities	806	404
Other (net)	5,421	(33)
Subtotal	25,981	14,132
Net cash flow provided by operating activities	**33,188**	**21,461**
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from the sale, maturity or repayment of:		
Financial assets designated at fair value through income	2,079	2,224
Available-for-sale investments	147,599	156,085
Held-to-maturity investments	305	466
Investments in associates and joint ventures	945	850
Non-current assets and disposal groups classified as held for sale	420	156
Real estate held for investment	152	407
Fixed assets of renewable energy investments	-	3
Loans and advances to banks and customers (purchased loans)	6,333	8,409
Property and equipment	153	128
Subtotal	157,986	168,728

CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED

Consolidated statements of cash flows

€ mn

	2017	2016
Payments for the purchase or origination of:		
Financial assets designated at fair value through income	(1,931)	(2,193)
Available-for-sale investments	(167,932)	(174,302)
Held-to-maturity investments	(616)	(151)
Investments in associates and joint ventures	(2,852)	(1,557)
Non-current assets and disposal groups classified held for sale	(199)	(1)
Real estate held for investment	(680)	(409)
Fixed assets of renewable energy investments	(218)	(720)
Loans and advances to banks and customers (purchased loans)	(2,214)	(3,007)
Property and equipment	(1,374)	(1,335)
Subtotal	(178,016)	(183,676)
Business combinations (note 3):		
Proceeds from sale of subsidiaries, net of cash disposed	-	(8)
Change in other loans and advances to banks and customers (originated loans)	**(4,517)**	**(4,848)**
Other (net)	**(209)**	**38**
Net cash flow used in investing activities	**(24,755)**	**(19,765)**
CASH FLOW FROM FINANCING ACTIVITIES		
Net change in liabilities to banks and customers	(60)	911
Proceeds from the issuance of certificated liabilities and subordinated liabilities	7,463	7,059
Repayments of certificated liabilities and subordinated liabilities	(5,173)	(6,155)
Transactions between equity holders	(3,477)	52
Dividends paid to shareholders	(3,661)	(3,646)
Net cash from sale or purchase of treasury shares	42	44
Other (net)	(162)	4
Net cash flow used in financing activities	**(5,027)**	**(1,732)**
SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS		
Income taxes paid	(2,099)	(2,933)
Dividends received	2,249	1,809
Interest received	18,335	19,263
Interest paid	(1,251)	(1,185)
SIGNIFICANT NON-CASH TRANSACTIONS		
Transfer of profit participating notes		
Investments in associates and joint ventures	-	815
Loans and advances to banks and customers	-	(815)

Cash and cash equivalents

€ mn

As of 31 December	2017	2016
Balances with banks payable on demand	8,745	6,855
Balances with central banks	1,973	1,273
Cash on hand	71	94
Treasury bills, discounted treasury notes, similar treasury securities, bills of exchange and checks	6,331	6,241
Total	**17,119**	**14,463**

Changes in liabilities arising from financing activities

€ mn

	Liabilities to banks and customers	Certificated and subordinated liabilities	Total
As of 1 January 2017	**8,998**	**21,145**	**30,143**
Net cash flows	(60)	2,291	2,231
Non-cash transactions			
Changes in the consolidated subsidiaries of the Allianz Group	(180)	-	(180)
Foreign currency translation adjustments	59	(8)	50
Fair value and other changes	109	(536)	(427)
As of 31 December 2017	**8,925**	**22,891**	**31,817**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

1 _ Nature of operations and basis of presentation

The accompanying consolidated financial statements present the operations of Allianz SE with its registered office in Königinstrasse 28, 80802 Munich, Germany, and its subsidiaries (the Allianz Group). Allianz SE is recorded in the Commercial Register of the municipal court in Munich under the number HRB 164232.

They have been prepared in conformity with International Financial Reporting Standards (IFRS), as adopted under European Union (E.U.) regulations in accordance with § 315e (1) of the German Commercial Code (HGB). Within these consolidated financial statements, the Allianz Group has applied all standards and interpretations issued by the IASB and endorsed by the E.U. that are compulsory as of 31 December 2017.

In accordance with the provisions of IFRS 4, insurance contracts are recognized and measured on the basis of accounting principles generally accepted in the United States of America (US GAAP) as at first-time adoption of IFRS 4 on 1 January 2005.

The consolidated financial statements have been prepared as of and for the year ended 31 December 2017. The Allianz Group's presentation currency is the Euro (€). Amounts are rounded to the nearest million (€ mn) unless otherwise stated.

The consolidated financial statements were authorized for issue by the Board of Management on 13 February 2018.

The Allianz Group offers Property-Casualty insurance, Life/Health insurance, and Asset Management products and services in over 70 countries.

2 _ Accounting policies, significant estimates, and new accounting pronouncements

SIGNIFICANT ACCOUNTING POLICIES AND USE OF ESTIMATES AND ASSUMPTIONS

The following paragraphs describe important accounting policies as well as significant estimates and assumptions which are relevant for the Allianz Group's consolidated financial statements. Estimates and assumptions particularly influence the inclusion method as well as the accounting treatment of financial instruments and insurance contracts, goodwill, pension liabilities and similar obligations, and deferred taxes. The significant estimates and assumptions are explained in the respective paragraphs.

PRINCIPLES OF CONSOLIDATION

Scope of consolidation and consolidation procedures

In accordance with IFRS 10, the Allianz Group's consolidated financial statements include the financial statements of Allianz SE and its subsidiaries. The Allianz Group controls a subsidiary when it is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are usually entities where Allianz SE, directly or indirectly, owns more than half of the voting rights or similar rights with the ability to affect the returns of the subsidiaries for its own benefit. In order to determine whether entities qualify as subsidiaries, potential voting rights that are currently exercisable or convertible are taken into consideration.

For some subsidiaries where the Allianz Group does not hold a majority stake, management has assessed that the Allianz Group controls these companies. The Allianz Group controls these entities based on distinctive rights stipulated by shareholder agreements between the Allianz Group and the other shareholders in these companies.

There are some companies where the Allianz Group holds a majority stake but where management has assessed that the Allianz Group does not control these entities because it has no majority representation in the governing bodies and/or it requires at least the confirmative vote of another investor to pass any decisions over relevant activities.

For certain entities, voting or similar rights are not the dominant factor of control, such as when voting rights relate to administrative tasks only and returns are directed by means of contractual arrangements, as is the case mainly for investment funds managed by Allianz Group internal asset managers. In such cases, the investment fund qualifies as subsidiary if the Allianz Group is in a principal instead of an agent role with regard to the investment fund. Above all, this qualification takes into account kick-out rights held by third-party investors as well as the aggregate economic interest of the Allianz Group in the investment funds.

Subsidiaries are consolidated as from the date on which control is obtained by the Allianz Group, up to the date on which the Allianz Group no longer maintains control. Accounting policies of subsidiaries are adjusted as necessary to ensure consistency with the accounting policies adopted by the Allianz Group. The effects of intra-Allianz Group transactions are eliminated.

Business combinations and measurement of non-controlling interests

Where newly acquired subsidiaries are subject to business combination accounting, the provisions of IFRS 3 are applied. Any non-controlling interests in the acquiree can be measured either at its fair value at the acquisition date or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. This option is exercised on a case-by-case basis.

Associates and joint arrangements

Associates are entities over which the Allianz Group can exercise significant influence. In general, if the Allianz Group holds 20% or more of the voting power in an investee but does not control the investee, it is assumed to have significant influence. Investments in associates are generally accounted for using the equity method.

Although the Allianz Group's share in some companies is below 20%, management has assessed that the Allianz Group has significant influence over these companies because it is represented in the governing bodies that decide on the relevant activities of these companies.

For certain investment funds in which the Allianz Group holds a stake of above 20%, management has assessed that the Allianz Group has no significant influence because it is not represented in the governing bodies of these investment funds.

Pursuant to IFRS 11, investments in joint arrangements have to be classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Allianz Group has assessed the nature of all its joint arrangements and determined them to be joint ventures. Those are generally accounted for using the equity method.

The Allianz Group accounts for all material investments in associates and joint arrangements with a time lag of no more than three months. Income from investments in associates and joint arrangements – excluding distributions – is included in interest and similar income. Accounting policies of associates and joint arrangements are adjusted where necessary to ensure consistency with the accounting policies adopted by the Allianz Group.

For further information, please refer to note 43.

FOREIGN CURRENCY TRANSLATION

Translation from any foreign currency to the functional currency

The individual financial statements of each of the Allianz Group's subsidiaries are prepared in the currency prevailing in the primary economic environment where the subsidiary conducts its ordinary activities (its functional currency). Transactions recorded in currencies other than the functional currency (foreign currencies) are recorded at the exchange rate prevailing on the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the closing exchange rate. While non-monetary items denominated in foreign currencies and measured at historical cost are translated at historical rates, non-monetary items measured at fair value are translated using the closing rate. Foreign currency gains and losses arising from foreign currency transactions are reported in income from financial assets and liabilities carried at fair value through income (net), except when the gain or loss on a non-monetary item measured at fair value is recognized in other comprehensive income. In this case, any foreign exchange component of that gain or loss is also recognized in other comprehensive income.

Translation from the functional currency to the presentation currency

For the 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; income and expenses are translated at the quarterly average exchange rate. Any foreign currency translation differences, including those arising from the equity method, are recorded in other comprehensive income.

FINANCIAL INSTRUMENTS

Recognition and Derecognition

Financial assets are generally recognized and derecognized on the trade date, i.e. when the Allianz Group commits to purchase or sell securities or incur a liability.

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the Allianz Group transfers the asset and substantially all of the risks and rewards of ownership. A financial liability is derecognized when it is extinguished.

Offsetting

Financial assets and liabilities are offset and the net amount is presented in the balance sheet only when there is a legally enforceable right to offset the recognized amounts and when there is an intention to either settle on a net basis or to realize the asset and settle the liability simultaneously.

Securities lending and repurchase agreements

The Allianz Group enters into securities lending transactions and repurchase agreements. Cash received in the course of those trans-actions is recognized together with a corresponding liability. Securities received as collateral under lending transactions are not recognized, and securities sold under repurchase agreements are not derecognized, if risks and rewards have not been transferred. Securities borrowing transactions generally require the Allianz Group to deposit cash with the security's lender. Fees paid are reported as interest expenses.

Measurement at fair value

The Allianz Group carries certain financial instruments at fair value and discloses the fair value of all financial instruments. The fair value of an asset or liability is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

Assets and liabilities measured or disclosed at fair value in the consolidated financial statements are measured and classified in accordance with the fair value hierarchy in IFRS 13, which categorizes the inputs to valuation techniques used to measure fair value into three levels.

The level 1 inputs of financial instruments traded in active markets are based on unadjusted quoted market prices or dealer price quotations for identical assets or liabilities on the last exchange trading day prior to or at the reporting date, if the latter is a trading day.

Level 2 applies if the market for a financial instrument is not active or when the fair value is determined by using valuation techniques based on observable input parameters. Such market inputs are observable substantially over the full term of the asset or liability and include references to formerly quoted prices for identical instruments from an active market, quoted prices for identical instruments from an inactive market, quoted prices for similar instruments from active markets, and quoted prices for similar instruments from inactive markets. Market observable inputs also include interest rate yield curves, volatilities, and foreign currency exchange rates.

Level 3 applies where not all input parameters are observable in the market. Accordingly, the fair value is based on valuation techniques using non-market observable inputs. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which observable market prices exist and other valuation models. Appropriate adjustments are made, for example, for credit risks. In particular when observable market inputs are not available, the use of estimates and assumptions may have a strong impact on the valuation outcome.

For fair value measurements categorized as level 2 and level 3, the Allianz Group uses valuation techniques consistent with the three widely used valuation techniques listed in IFRS 13:

- Market approach: Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach: Amount that would currently be required to replace the service capacity of an asset (replacement cost).
- Income approach: Conversion of future amounts such as cash flows or income to a single current amount (present value technique).

There is no one-to-one connection between valuation technique and hierarchy level. Depending on whether valuation techniques are based on significant observable or unobservable inputs, financial instruments are classified in the fair value hierarchy.

Estimates and assumptions of fair values and hierarchies are particularly significant when determining the fair value of financial instruments for which at least one significant input is not based on observable market data (classified as level 3 of the fair value hierarchy). The availability of market information is determined by the relative trading levels of identical or similar instruments in the market, with emphasis placed on information that represents actual market activity or binding quotations from brokers or dealers.

The degree of judgment used in measuring the fair value of financial instruments closely correlates with the level of non-market observable inputs. The Allianz Group uses a maximum of observable inputs and a minimum of non-market observable inputs when measuring fair value. Observability of input parameters is influenced by various factors such as type of the financial instrument, whether a market is established for the particular instrument, specific transaction characteristics, liquidity, and general market conditions. If the fair value cannot be measured reliably, amortized cost is used as a proxy for determining fair values.

For further information, please refer to note 34.

Impairments

The evaluation of whether a financial debt instrument is impaired requires analysis of the underlying credit risk/quality of the relevant issuer and involves significant management judgment. In particular, current publicly available information with regard to the issuer and the particular security is considered relating to factors including, but not limited to, evidence of significant financial difficulty of the issuer and breach of contractual obligations of the security, such as a default or delinquency on interest or principal payments. The Allianz Group also considers other factors which could provide objective evidence of a loss event, including the probability of bankruptcy and the lack of an active market due to financial difficulty. The presence of either a decline in fair value below amortized cost or the downgrade of an issuer's credit rating does not in itself represent objective evidence of a loss event, but may represent objective evidence of a loss event when considered with other available information.

Once impairment is triggered for an available-for-sale debt instrument, the cumulative loss recognized in the other comprehensive income is reclassified to profit or loss. The cumulative loss corresponds to the difference between amortized cost and the current fair value of the investment. Further declines in fair value are recognized in other comprehensive income unless there is further objective evidence that such declines are due to a credit-related loss event. If in subsequent periods the impairment loss is reversed, the reversal is measured as the lesser of the full original impairment loss previously recognized in the income statement and the subsequent increase in fair value.

For held-to-maturity investments and loans, the impairment loss is measured as the difference between the amortized cost and the expected future cash flows using the original effective interest rate.

An available-for-sale equity security is considered to be impaired if there is objective evidence that the cost may not be recovered. The Allianz Group's policy considers a decline to be significant if the fair value is below the weighted average cost by more than 20%. A decline is considered to be prolonged if the fair value is below the weighted average cost for a period of more than nine consecutive months. If an available-for-sale equity security is impaired, any further declines in the fair value at subsequent reporting dates are recognized as impairments.

Reversals of impairments of available-for-sale equity securities are not recorded through the income statement but recycled out of other comprehensive income when sold.

Hedge accounting

For derivative financial instruments used in hedge transactions that meet the criteria for hedge accounting, the Allianz Group designates the derivative as a hedging instrument in a fair value hedge, cash flow hedge, or hedge of a net investment in a foreign operation. The Allianz Group documents the hedge relationship, as well as its risk management objective and strategy for entering into the hedge transaction. The Allianz Group assesses, both at the hedge's inception and on an ongoing basis, whether the hedging instruments used are expected to be highly effective in offsetting changes in fair values or cash flows of the hedged items.

Derivative financial instruments designated in hedge accounting relationships are included in the line items Other assets and Other liabilities. Freestanding derivatives are included in the line item financial assets or liabilities held for trading. For further information on derivatives, please refer to note 33.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include balances with banks payable on demand, balances with central banks, cash on hand, treasury bills to the extent they are not included in financial assets held for trading, and checks and bills of exchange that are eligible for refinancing at central banks, subject to a maximum term of three months from the date of acquisition.

FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE THROUGH INCOME

Financial assets and liabilities carried at fair value through income include financial assets and liabilities held for trading as well as financial assets and liabilities designated at fair value through income. While the former category includes trading instruments and financial derivatives, the latter category is mainly designated at fair value to avoid accounting mismatches.

INVESTMENTS

Available-for-sale investments

Available-for-sale investments comprise debt and equity instruments that are designated as available for sale or do not fall into the other measurement categories. These investments are measured at fair value through other comprehensive income. When an investment is derecognized or determined to be impaired, the cumulative gain or loss previously recorded in other comprehensive income is transferred and recognized in the consolidated income statement. Realized gains and losses on those instruments are generally determined by applying the average cost method at the subsidiary level.

Held-to-maturity investments

Held-to-maturity investments are debt securities with fixed or determinable payments and fixed maturities, for which the Allianz Group has the positive intent and ability to hold to maturity. These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method.

Funds held by others under reinsurance contracts assumed

Funds held by others under reinsurance contracts assumed relate to cash deposits to which the Allianz Group is entitled, but which the ceding insurer retains as collateral for future obligations of the Allianz Group. The cash deposits are recorded at the amount due on repayment, less any impairment for balances that are deemed not to be recoverable.

Investments in associates and joint ventures

For details on the accounting for investments in associates and joint ventures please see the section principles of consolidation.

Real estate held for investment

Real estate held for investment is carried at cost less accumulated depreciation and impairments. Real estate held for investment is depreciated on a straight-line basis over its useful life, with a maximum of 50 years, and regularly tested for impairment.

Fixed assets of renewable energy investments

These assets are accounted for as property, plant and equipment in line with IAS 16. Hence, they are carried at cost less accumulated depreciation and impairments.

LOANS AND ADVANCES TO BANKS AND CUSTOMERS

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as financial assets held for trading, designated at fair value through income, or designated as available for sale. These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method.

FINANCIAL ASSETS AND LIABILITIES FOR UNIT-LINKED CONTRACTS

Financial assets for unit-linked contracts are recorded at fair value, with changes in fair value recognized in the income statement together with the offsetting changes in fair value of the corresponding financial liabilities for unit-linked contracts.

REINSURANCE ASSETS

Assets and liabilities related to reinsurance are reported on a gross basis. Reinsurance assets include balances expected to be recovered from reinsurance companies. The amount of reserves ceded to reinsurers is estimated in a manner consistent with the claim liability associated with the reinsured risks. To the extent that the assuming reinsurers are unable to meet their obligations, the respective ceding insurers of the Allianz Group remain liable to its policyholders for the portion reinsured. Consequently, allowances are made for receivables on reinsurance contracts which are deemed uncollectible.

DEFERRED ACQUISITION COSTS

Deferred acquisition costs (DAC)

Costs that vary with and are directly related to the acquisition and renewal of insurance contracts and investment contracts with discretionary participation features are deferred by recognizing a DAC asset. At inception, DAC is tested to ensure that it is recoverable over the life of the contracts. Subsequently, loss recognition tests at the end of each reporting period ensure that the DAC is covered by future profits.

For short-duration, traditional long-duration, and limited-payment insurance contracts, DAC is amortized in proportion to premium revenue recognized. For universal life-type and participating life insurance contracts as well as investment contracts with discretionary participation features, DAC is generally amortized over the life of a book of contracts based on estimated gross profits (EGP) or estimated gross margins (EGM), respectively.

Acquisition costs for unit-linked investment contracts are deferred in accordance with IAS 18 if the costs are incremental. For non-unit-linked investment contracts accounted for under IAS 39 at amortized cost, acquisition costs that meet the definition of transaction costs under IAS 39 are considered in the aggregate policy reserves.

Present value of future profits (PVFP)

The value of an insurance business or an insurance portfolio acquired is measured by the PVFP, which is the present value of net cash flows anticipated in the future from insurance contracts in force at the date of acquisition. It is amortized over the life of the relevant contracts.

Deferred sales inducements

Sales inducements on non-traditional insurance contracts are deferred and amortized using the same methodology and assumptions as for deferred acquisition costs.

Shadow accounting

For insurance contracts and investment contracts with discretionary participation features, shadow accounting is applied to DAC, PVFP and deferred sales inducements in order to include the effect of unrealized gains or losses in the measurement of these assets in the same way as it is done for realized gains or losses. When the gains or losses are realized they are recognized in the income statement through recycling and prior adjustments due to shadow accounting are reversed.

OTHER ASSETS

Other assets primarily consist of receivables, accrued dividends, interest and rent as well as own-used property and equipment. Depreciation is generally computed using the straight-line method over the estimated useful lives of the assets.

The table below summarizes estimated useful lives for real estate held for own use, equipment and software.

Estimated useful lives (in years)

	Years
Real estate held for own use	max. 50
Software	2 – 13
Equipment	2 – 10

INTANGIBLE ASSETS AND GOODWILL

Intangible assets with finite useful lives are measured at cost less accumulated amortization and impairments. Intangible assets with indefinite useful lives are tested annually for impairment and whenever there is a triggering event. They are also reviewed annually to determine whether the indefinite-life classification is still appropriate.

The table below summarizes estimated useful lives and the amortization methods for each class of intangible assets with finite useful lives.

Estimated useful lives (in years) and amortization methods

	Useful lives	Amortization method
Long-term distribution agreements	10 – 25	straight-line considering contractual terms
Acquired business portfolios	13 – 42	in proportion to the consumption of future economic benefit
Customer relationship	6 – 13	straight-line or in relation to customer churn rates

For business combinations goodwill is recognized in the amount of the consideration transferred in excess of the fair values assigned to the identifiable assets acquired and liabilities assumed. Goodwill is accounted for at the acquiree in the acquiree's functional currency. There is an at least annual evaluation whether it is deemed recoverable.

The recoverable amounts of all cash generating units (CGUs) to test goodwill and other indefinite life intangible assets for impairment are typically determined on the basis of value in use calculations. The determination of a CGU's recoverable amount requires significant judgment regarding the selection of appropriate valuation techniques and assumptions. These assumptions include, for example, the selection of input parameters for the projection of future earnings. Further explanations on the impairment test for goodwill and its significant assumptions as well as respective sensitivity analyses are given in note 11.

INSURANCE, INVESTMENT AND REINSURANCE CONTRACTS

Insurance and investment contracts

Insurance contracts and investment contracts with discretionary participating features are accounted for under the insurance accounting provisions of US GAAP, as have been applied at first-time adoption of IFRS 4 on 1 January 2005, wherever IFRS 4 does not provide specific guidance. Investment contracts without discretionary participation features are accounted for as financial instruments in accordance with IAS 39.

Reinsurance contracts

The Allianz Group's consolidated financial statements reflect the effects of ceded and assumed reinsurance contracts. Assumed reinsurance premiums, commissions, and claim settlements, as well as the reinsurance element of technical provisions, are accounted for in accordance with the conditions of the reinsurance contracts, and in consideration of the original contracts for which the reinsurance was concluded. When the reinsurance contracts do not transfer significant insurance risk, deposit accounting is applied as required under the related reinsurance accounting provisions of US GAAP or under IAS 39.

Liability adequacy tests

Liability adequacy tests are performed for each insurance portfolio, based on estimates of future claims, costs, premiums earned, and proportionate investment income. For short-duration contracts, a premium deficiency is recognized if the sum of expected claim costs and claim adjustment expenses, expected dividends to policyholders, DAC, and maintenance expenses exceeds related unearned premiums while considering anticipated investment income.

For long-duration contracts, a premium deficiency is recognized, if actual experience regarding investment yields, mortality, morbidity, terminations, or expense indicates that existing contract liabilities, along with the present value of future gross premiums, will not be sufficient to cover the present value of future benefits and to recover DAC.

UNEARNED PREMIUMS

For short-duration insurance contracts, such as most of the property and casualty contracts, premiums to be earned in future years are recorded as unearned premiums. These premiums are earned in subsequent periods in relation to the insurance coverage provided.

Amounts charged as consideration for origination of certain long-duration insurance contracts (i.e. initiation or front-end fees) are reported as unearned revenues and, as such, included in unearned premiums. These fees are recognized using the same amortization methodology as DAC, including shadow accounting.

RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES

Reserves are established for the payment of losses and loss adjustment expenses (LAE) on claims which have occurred but are not yet settled. Reserves for loss and loss adjustment expenses fall into two categories: case reserves for reported claims and reserves for incurred but not reported losses (IBNR).

Case reserves for reported claims are based on estimates of future payments that will be made with respect to claims, including LAE relating to such claims. 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.

Reserves for loss and loss adjustment expenses are not discounted, except when payment amounts are fixed and timing is reasonably determinable.

RESERVES FOR INSURANCE AND INVESTMENT CONTRACTS

Reserves for insurance and investment contracts include aggregate policy reserves, reserves for premium refunds and other insurance reserves.

Aggregate policy reserves

The aggregate policy reserves for participating life insurance contracts are calculated using the net level premium method based on assumptions for mortality, morbidity and interest rates that are guaranteed in the contract or used in determining the policyholder dividends (or premium refunds).

For traditional long-duration insurance contracts, such as traditional life and health products, aggregate policy reserves are computed using the net level premium method, based on best-estimate assumptions adjusted for a provision for adverse deviation for mortality, morbidity, expected investment yields, surrenders, and expenses at the policy inception date, which remain locked in thereafter unless a premium deficiency occurs.

The aggregate policy reserves for universal life-type insurance contracts are equal to the account balance, which represents premiums received and investment return credited to the policy, less deductions for mortality costs and expense charges. The aggregate policy reserve also includes reserves for investment contracts with discretionary participation features as well as for liabilities for guaranteed minimum mortality and morbidity benefits related to non-traditional contracts with annuitization options and unit-linked insurance contracts.

Insurance contract features not closely related to the underlying insurance contracts are bifurcated from the insurance contracts and accounted for as derivatives in line with IFRS 4 and IAS 39.

The assumptions used for aggregate policy reserves are determined using current and historical client data, industry data, and in the case of 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 are as follows:

Interest rate assumptions

%

	Traditional long-duration insurance contracts	Participating life insurance contracts
Deferred acquisition costs	2.5 – 6.0	2.2 – 5.0
Aggregate policy reserves	2.5 – 6.0	0.8 – 4.3

The Allianz Group has recognized all rights and obligations related to issued insurance contracts according to its accounting policies, and thus has not separately recognized an unbundled deposit component in respect of any of its insurance contracts.

Non-unit-linked investment contracts without discretionary participating features are accounted for under IAS 39. The aggregate policy reserves for those contracts are initially recognized at fair value, or the amount of the deposit by the contract holder, net of the transaction costs that are directly attributable to the issuance of the contract. Subsequently, those contracts are measured at amortized cost using the effective interest rate method.

Reserves for premium refunds

Reserves for premium refunds include the amounts allocated under the relevant local statutory/contractual regulations or, at the entity's discretion, to the accounts of the policyholders and the amounts resulting from the differences between these IFRS-based financial statements and the local financial statements (latent reserves for premium refunds), which will reverse and enter into future profit participation calculations. Unrealized gains and losses recognized for available-for-sale investments are recognized in the latent reserves for premium refunds to the extent that policyholders will participate in such gains and losses on the basis of statutory or contractual regulations when they are realized, based on and similar to shadow accounting. The profit participation allocated to participating policyholders or disbursed to them reduces the reserves for premium refunds.

RESERVING PROCESS

For Life/Health and Property-Casualty, the central oversight process around reserve estimates includes the setting of group-wide standards and guidelines, regular site visits, as well as regular quantitative and qualitative reserve monitoring.

The oversight and monitoring of the Allianz Group's reserves culminate in quarterly meetings of the Allianz Group Reserve Committee, which is the supervising body that governs all significant reserves. It particularly monitors key developments across the Allianz Group affecting the adequacy of reserves.

Life/Health reserves are subject to estimates and assumptions, especially on the life expectancy and health of an insured individual (mortality, longevity, and morbidity risk) and on the development of interest rates and investment returns (asset-liability mismatch risk). These assumptions also have an impact on the presentation of costs arising from the origination of insurance business (acquisition costs and sales inducements) and the value of acquired insurance business (PVFP). To ensure consistency in the application of actuarial methods and assumptions in the Life/Health reserving process, the Allianz Group has designed a two-stage reserving process:

Stage one: Life/Health reserves are calculated by qualified local staff experienced in the subsidiaries' business. Actuaries in the local entities also conduct tests of the adequacy of the premiums and reserves to cover future claims and expenses (liability adequacy tests). The process follows group-wide standards for applying consistent and plausible assumptions. The appropriateness of the reserves and their compliance with group-wide standards is confirmed by the local actuary.

Stage two: The Allianz Group Actuarial 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 set by leveraging the use of actuarial techniques and educated judgment. A two-stage process exists for the setting of reserves in the Allianz Group:

Stage one: Property-Casualty reserves are calculated by local reserving actuaries at the Allianz operating entities. Reserves are set based on a thorough analysis of historical data, enhanced by inter-actions with other business functions (e.g. Underwriting, Claims and Reinsurance). Actuarial judgment is applied where necessary, especially in cases where data is unreliable, scanty or unavailable. The judgment of Property-Casualty actuaries is based on past experience of the characteristics of each line of business, the current stage of the underwriting cycle, and the external environment in which the subsidiary operates. The reserves are proposed to a local reserve committee, whereat the rationale of the selections are discussed and subsequently documented. A final decision on the reserve selection is made in the reserve committee. Local actuaries are responsible for their compliance with the Group Actuarial Standards and Guidelines.

Stage two: The Allianz Group Actuarial Department forms an opinion on the adequacy of the reserves proposed by the local entities. The Allianz Group Actuarial Department challenges the operating entities' selection through their continuous interaction with local teams and quarterly attendance in the local reserve committees. The ability to form a view on reserve adequacy is further enabled by regular reviews of the local reserving practices. Such reviews consist of an evaluation of the reserving process as well as of the appropriateness and consistency of assumptions, and an analysis of movement of reserves. Significant findings from these reviews are communicated in the Allianz Group Reserve Committee to initiate actions where necessary.

OTHER LIABILITIES

Pensions and similar obligations

Pensions and similar obligations are measured at present value and presented net of plan assets by applying the provisions of IAS 19. These valuations rely on extensive assumptions. Key assumptions such as discount rates, inflation rates, compensation increases, pension increases, and rates of medical cost trends are defined centrally at the Allianz Group level, considering the circumstances in the 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, and currently available market and industry data.

Further explanations and sensitivity calculations are given in note 38.

Share-based compensation plans

The share-based compensation plans of the Allianz Group are classified as either equity-settled or cash-settled plans. Equity-settled plans are measured at fair value on the grant date (grant-date fair value) and the grant-date fair value is recognized as an expense over the vesting period. Where equity-settled plans involve equity instruments of Allianz SE, a corresponding increase in shareholders' equity is recognized. Where equity-settled plans involve equity instruments of subsidiaries of the Allianz Group, the corresponding increase is recognized in non-controlling interests. Equity-settled plans include a best estimate of the number of equity instruments that are expected to vest in determining the amount of expense to be recognized. For cash-settled plans, the Allianz Group accrues the fair value of the award as compensation expenses over the vesting period. Upon vesting, any change in the fair value of any unexercised awards is also recognized as a compensation expense. Where expected tax deductions differ, in terms of amount and timing, from the cumulative share-based payment expense recognized in profit or loss, deferred taxes are recognized on temporary differences.

Financial liabilities for puttable equity instruments

The Allianz Group records financial liabilities where non-controlling investors have the right to put their equity instruments back to the Allianz Group, which is primarily the case for mutual funds controlled but not wholly owned by the Allianz Group. These liabilities are generally required to be recorded at the redemption amount, with changes recognized in equity for put options over non-controlling interests and in the income statement for redeemable fund units.

CERTIFICATED LIABILITIES AND SUBORDINATED LIABILITIES

Certificated liabilities and subordinated liabilities are subsequently measured at amortized cost, using the effective interest method to amortize the premium or discount to the redemption value over the life of the liability.

EQUITY

Issued capital represents the mathematical per-share value received at the issuance of shares. Additional paid-in capital represents the premium exceeding the issued capital received at the issuance of shares.

Retained earnings comprise the net income of the current year, earnings not yet distributed from prior years, treasury shares, and any amounts directly recognized in equity according to IFRS. Treasury shares are deducted from shareholders' equity. No gain or loss is recognized on the sale, issuance, acquisition, or cancellation of these shares. Any consideration paid or received is recorded directly in shareholders' equity.

Please refer to the above section explaining foreign currency changes that are recognized in equity. The effective portion of gains and losses of hedging instruments designated as hedges of a net investment in a foreign operation is recognized in foreign currency translation adjustments.

Unrealized gains and losses (net) include unrealized gains and losses from available-for-sale investments and from derivative financial instruments that meet the criteria for cash flow hedge accounting.

Non-controlling interests represent equity in subsidiaries, not attributable directly or indirectly, to Allianz SE as parent.

PREMIUMS

Premiums for short-duration insurance contracts are recognized as revenues over the period of the contract in proportion to the amount of insurance protection provided. Premiums for long-duration insurance contracts are recognized as earned when due.

Revenues for universal life-type and investment contracts represent charges assessed against the policyholders' account balances for front-end loads, net of the change in unearned revenue liabilities, cost of insurance, surrenders, and policy administration, and are included within premiums earned (net).

Premiums ceded for reinsurance are deducted from premiums written.

INTEREST AND SIMILAR INCOME AND INTEREST EXPENSES

Interest income and interest expenses are recognized on an accrual basis. Interest income is recognized using the effective interest method. This line item also includes dividends from available-for-sale equity securities as well as income from investments in associates and joint ventures. Dividends are recognized in income when the right to receive the dividend is established. Share of earnings from investments in associates and joint ventures represents the share of net income from entities accounted for using the equity method.

INCOME FROM FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE THROUGH INCOME (NET)

Income from financial assets and liabilities carried at fair value through income (net) includes all investment income as well as realized and unrealized gains and losses from financial assets and liabilities carried at fair value through income. In addition, commissions attributable to trading operations and related interest expenses as well as refinancing and transaction costs are included in this line item. Foreign currency gains and losses on monetary items are also reported within income from financial assets and liabilities carried at fair value through income (net).

FEE AND COMMISSION INCOME

Fee and commission income primarily consists of asset management fees which are recognized when the service is provided. Performance fees may not be recognized as fee income before the respective benchmark period is completed, because, before its completion, the obligation to pay the fee is conditional, the fund performance is regularly not reliably estimable, and related service is not fully performed. In any case, performance-related fees from alternative investment products (carried interest) are not recognized as revenue prior to the date of the official declaration of distribution by the fund.

CLAIMS AND INSURANCE BENEFITS INCURRED

These expenses consist of claims and insurance benefits incurred during the period, including benefit claims in excess of policy account balances and interest credited to policy account balances. Furthermore, it includes claim handling costs directly related to the processing and settlement of claims. Reinsurance recoveries are deducted from claims and insurance benefits.

INCOME TAXES

Current income taxes are calculated based on the respective local taxable income and local tax rules for the period. In addition, current income taxes presented for the period include adjustments for uncertain tax payments or tax refunds for periods not yet finally assessed, including interest expenses and penalties on the underpayment of taxes. In the event that amounts included in the tax return are considered unlikely to be accepted by the tax authorities (uncertain tax positions), a provision for income taxes is recognized. The amount is based on the best possible assessment of the tax payment expected. Tax refund claims from uncertain tax positions are recognized when it is probable that they can be realized.

Deferred tax assets or liabilities are calculated for temporary differences between the tax bases and the financial statement carrying amounts, including differences from consolidation, unused tax loss carry-forwards, and unused tax credits. Measurement is based on enacted or substantively enacted tax rates and tax rules. Assessments as to the recoverability of deferred tax assets require the use of judgment regarding assumptions related to estimated future taxable profits. This includes the character and amounts of taxable future profits, the periods in which those profits are expected to occur, and the availability of tax planning opportunities. The Allianz Group recognizes a valuation allowance for deferred tax assets when it is unlikely that a corresponding amount of future taxable profit will be available against which the deductible temporary differences, tax loss carry forwards and tax credits can be utilized.

The analysis and forecasting required in this process are performed for individual jurisdictions by qualified local tax and financial professionals. Given the potential significance surrounding the underlying estimates and assumptions, group-wide policies and procedures have been designed to ensure consistency and reliability around the recoverability assessment process. Forecast operating results are based upon approved business plans, which are themselves subject to a well-defined process of control. As a matter of policy, especially strong evidence supporting the recognition of deferred tax assets is required if an entity has suffered a loss in either the current or the preceding period. Recognition and recoverability of all significant deferred tax assets are reviewed by tax professionals at Group level and by the Allianz Group Tax Committee.

Changes in deferred tax assets and liabilities are generally recognized through profit and loss in the consolidated income statement, except for changes recognized directly in equity.

Further explanations are given in note 32.

CHANGE IN ACCOUNTING POLICIES

At the beginning of 2017, the Allianz Group entered into an economic hedging program for its Guaranteed Minimum Income Benefits (GMIBs), which were sold as part of its variable annuity portfolio. In order to mitigate accounting mismatches between the hedging derivatives and the GMIBs, the Allianz Group has started measuring the GMIBs at fair value through profit or loss as of 1 January 2017. This change in measurement is permitted by IFRS 4 and represents an accounting policy change. Accounting policy changes have to be applied retrospectively. The total effect of the new measurement on prior period numbers is as follows:

Changes to the consolidated balance sheet resulting from the change in accounting policies for GMIBs as of 1 January 2016
€ mn

As of 1 January 2016	As previously reported	Change in accounting policies GMIBs	As reported
Financial liabilities carried at fair value through income	9,207	668	9,875
Reserves for insurance and investment contracts	486,222	(163)	486,059
Deferred tax liabilities	4,003	(177)	3,826
Total liabilities	782,843	329	783,172
Shareholders' equity	63,144	(329)	62,815
Non-controlling interests	2,955	-	2,955
Total equity	66,099	(329)	65,771
Total liabilities and equity	**848,942**	**-**	**848,942**

Changes to the consolidated balance sheet resulting from the change in accounting policies for GMIBs as of 31 December 2016
€ mn

As of 31 December 2016	As previously reported	Change in accounting policies GMIBs	As reported
Financial liabilities carried at fair value through income	10,737	534	11,271
Reserves for insurance and investment contracts	505,460	(138)	505,322
Deferred tax liabilities	4,822	(139)	4,683
Total liabilities	813,417	258	813,674
Shareholders' equity	67,341	(258)	67,083
Non-controlling interests	3,052	-	3,052
Total equity	70,392	(258)	70,135
Total liabilities and equity	**883,809**	**-**	**883,809**

In the consolidated income statement for the year ended 31 December 2016, the GMIB-related change in accounting policies led to a € 149 mn increase in income from financial assets and liabilities carried at fair value through income (net) and a € 28 mn decrease in changes in reserves for insurance and investment contracts (net). Together with the increase of income taxes of € 42 mn, the net income increased by € 79 mn. This led to a 17 cent increase in earnings per share.

NEW ACCOUNTING PRONOUNCEMENTS

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

The following amendments and revisions to existing standards became effective for the Allianz Group's consolidated financial statements as of 1 January 2017:

- IAS 7, Disclosure Initiative,
- IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses,
- Annual Improvements to IFRSs 2014-2016 Cycle (Amendments to IFRS 12).

No material impact arose on the financial results or the financial position of the Allianz Group.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

IFRS 17, Insurance Contracts and IFRS 9, Financial Instruments

IFRS 17, Insurance Contracts, was issued by the IASB in May 2017, with the effective date of 1 January 2021 (retrospective application). IFRS 17 provides comprehensive guidance on accounting for insurance contracts and investment contracts with discretionary participation features. For non-life insurance contracts, IFRS 17 introduces mandatory discounting of loss reserves as well as a risk adjustment for non-financial risk. Further, IFRS 17 will change the presentation of insurance contract revenue, a gross written premium will no longer be presented in the statement of comprehensive income.

For long-duration life insurance contracts, IFRS 17 is expected to have a significant impact on actuarial modeling as more granular cash flow projections and regular updates of all assumptions will be required, either resulting in profit or loss or impacting the "contractual service margin", a separate component of the insurance liability representing unearned profits from in-force contracts. Further, IFRS 17 introduces different measurement approaches for the insurance contract liabilities, reflecting a different extent of policyholder participation in investment or insurance entity performance.

Due to the strong interaction between underlying assets held and the measurement of direct participating insurance contracts, the Allianz Group decided to use the option to defer the full implementation of IFRS 9 until IFRS 17 becomes effective on 1 January 2021. The amendment to IFRS 4, which allows this deferral, has been endorsed by the EU in November 2017.

IFRS 9, issued by the IASB in July 2014, will fully replace IAS 39 and provides a new approach on how to classify financial instruments based on their cash flow characteristics and the business model under which they are managed. Furthermore, the standard introduces a new forward looking impairment model for debt instruments and provides new rules for hedge accounting.

It can be assumed that the main impact from IFRS 9 will arise from the new classification rules leading to more financial instruments being measured at fair value through profit and loss as well as from the new impairment model. In this context, interdependencies with IFRS 17 have to be considered to come to a final conclusion on the combined impact of both standards.

The Allianz Group is currently assessing the impact of the application of both IFRS 17 and IFRS 9. As of the date of the publication of these consolidated financial statements it is not practicable to quantify the effect on the Allianz Group consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 supersedes IAS 18, IAS 11, and a number of revenue-related interpretations. With the introduction of IFRS 15, the IASB pursued the objective of developing a single revenue standard containing comprehensive principles for recognizing revenue. The effective date is 1 January 2018.

The Allianz Group revenues in scope of IFRS 15 are fee and commission income primarily consisting of asset management and performance fees. The management fees are currently recognized when the services are provided. Performance fees are recognized as fee income after the respective benchmark period is completed.

Under IFRS 15, revenue will be recognized when (or as) the Allianz Group satisfies a performance obligation by transferring a service to a customer. Furthermore, revenue will be recognized for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue will not occur. The guidance also changes the accounting for certain contract costs and revises the criteria for determining if an entity is acting as a principal or agent in certain arrangements.

Based on Allianz Group's assessment, the presentation and timing of revenue recognition are broadly similar. Therefore, the Allianz Group concluded that the application of IFRS 15 does not result in a significant impact. The impacts Allianz Group identified primarily relate to principal versus agent considerations and the accounting treatment for certain asset management related upfront distribution costs which under IFRS 15 no longer can be capitalized.

The Group adopted IFRS 15 using the cumulative effect method on the required effective date (i.e. 1 January 2018). As a result, the Allianz Group will not apply the requirements of IFRS 15 to the comparative period presented. The impact on retained earnings as of 1 January 2018 is not significant.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16, Leases, which supersedes IAS 17. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Allianz Group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the borrowing rate at 1 January 2019, the composition of the lease portfolio at that date, the latest assessment of whether the Allianz Group will exercise any lease renewal options, and the extent to which the Allianz Group chooses to use practical expedients and recognition exemptions.

So far, the most significant impact identified is that the Allianz Group will recognize new assets and liabilities for its operating leases. As at 31 December 2017, the Allianz Group future minimum lease payments under non-cancellable operating leases amounted to € 3.0 bn on an undiscounted basis (see note 37). In addition, IFRS 16 replaces the straight-line operating lease expenses with a depreciation charge for right-of-use assets and interest expenses on lease liabilities.

The Allianz Group currently plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach.

Further amendments and interpretations

In addition to the above-mentioned accounting pronouncements recently issued, the following amendments and revisions to standards and interpretations have been issued by the IASB but are not yet effective for or adopted early by the Allianz Group.

Further amendments and interpretations

Standard/Interpretation	Effective date
IFRS 2, Classification and Measurement of Share-based Payment Transactions	Annual periods beginning on or after 1 January 2018
IFRS 9, Prepayment Features with Negative Compensation	Annual periods beginning on or after 1 January 2021
IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	-
IFRS 15, Clarification to IFRS 15	Annual periods beginning on or after 1 January 2018
IAS 28, Long-term Interests in Associates and Joint Ventures	Annual periods beginning on or after 1 January 2019
IAS 40, Transfers of Investment Property	Annual periods beginning on or after 1 January 2018
IFRIC 22, Foreign Currency Transactions and Advance Consideration	Annual periods beginning on or after 1 January 2018
IFRIC 23, Uncertainty over Income Tax Treatments	Annual periods beginning on or after 1 January 2019
Annual Improvements to IFRSs 2015 – 2017 Cycle (Amendments to IFRS 3 and 11 and IAS 12 and 23)	Annual periods beginning on or after 1 January 2019

The amendments and interpretations are not expected to have a material impact on the financial position and financial results of the Allianz Group. Early adoption is generally allowed but not intended by the Allianz Group.

3 _ Consolidation and classification as held for sale

SIGNIFICANT ACQUISITIONS

In 2017 and 2016, no significant acquisitions occurred.

SIGNIFICANT CHANGES IN NON-CONTROLLING INTERESTS

In November and December 2017, the Allianz Group acquired approximately 15% of Euler Hermes Group SA share capital for € 779 mn in cash, equivalent to € 122 per share. As a result, the Allianz Group increased its ownership to approximately 78% (excluding treasury shares held by Euler Hermes representing 1.45% of its share capital) of Euler Hermes Group SA share capital as of 31 December 2017.

In January 2018, Allianz launched a simplified cash tender offer to acquire the remaining 8,769,824 outstanding Euler Hermes shares not already owned by Allianz at the price of € 122 per share. The tender offer was open from 15 January until 13 February 2018. During this period, the Allianz Group extended its ownership to 92.43% (excluding the treasury shares).

Since then, the Allianz Group has acquired additional Euler Hermes shares on the market at a price of € 122 per share, increasing its ownership to 93.86% (excluding the treasury shares) of Euler Hermes Group SA share capital.

During 2016, no significant changes in non-controlling interests occurred.

CLASSIFICATION AS HELD FOR SALE

Non-current assets and disposal groups classified as held for sale
€ mn

As of 31 December	2017	2016
Assets of disposal groups classified as held for sale		
Oldenburgische Landesbank AG, Oldenburg	14,102	13,915
Other disposal groups	6	42
Subtotal	14,108	13,957
Non-current assets classified as held for sale		
Real estate held for investment	216	160
Real estate held for own use	4	79
Subtotal	220	239
Total	**14,329**	**14,196**
Liabilities of disposal groups classified as held for sale		
Oldenburgische Landesbank AG, Oldenburg	13,657	13,282
Other disposal groups	6	8
Total	**13,662**	**13,290**

OLDENBURGISCHE LANDESBANK AG, OLDENBURG

As of 31 December 2017, all requirements were still fulfilled to present Oldenburgische Landesbank AG, Oldenburg, allocated to the reportable segment Banking (Corporate and Other) as a disposal group classified as held for sale.

Reclassified assets and liabilities
€ mn

Cash and cash equivalents	613
Financial assets carried at fair value through income	15
Investments	2,367
Loans and advances to banks and customers	10,944
Deferred tax assets	71
Other assets	93
Total assets	**14,102**
Financial liabilities carried at fair value through income	10
Liabilities to banks and customers	12,697
Other liabilities	645
Certificated liabilities	135
Subordinated liabilities	169
Total liabilities	**13,657**

As of 31 December 2017, cumulative gains of € 48 mn were reported in other comprehensive income relating to the disposal group classified as held for sale. The closing of the transaction was nearly completed as of 31 December 2017. Therefore, an impairment and a liability of € 233 mn were recognized in connection with the expected loss from the sale of Oldenburgische Landesbank AG. The Allianz shares in Oldenburgische Landesbank AG were transferred to the buyer on 7 February 2018.

4 _ 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 the business segments Property-Casualty and Life/Health. In accordance with the responsibilities of the Board of Management, each of the insurance business segments is grouped into the following reportable segments:

- German Speaking Countries and Central & Eastern Europe,
- Western & Southern Europe, Middle East, Africa, Asia Pacific
- Iberia & Latin America,
- USA (Life/Health only),
- Global Insurance Lines & Anglo Markets,
- Allianz Partners (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 14 reportable segments in accordance with IFRS 8.

The types of products and services from which the reportable segments derive revenues are described below.

PROPERTY-CASUALTY

In the business segment Property-Casualty, reportable segments offer a wide variety of insurance products to both private and corporate customers, including motor liability and own damage, accident, general liability, fire and property, legal expense, credit, and travel insurance.

LIFE/HEALTH

In the business segment Life/Health, reportable segments offer a comprehensive range of life and health insurance products on both an individual and a group basis, including annuities, endowment and term insurance, unit-linked and investment-oriented products, as well as full private health, supplemental health, and long-term care insurance.

ASSET MANAGEMENT

The reportable segment Asset Management operates as a global provider of institutional and retail asset management products and services to third-party investors. It also provides investment management services to the Allianz Group's insurance operations. The products for retail and institutional customers include equity and fixed-income funds as well as alternative products. The United States, Europe, and the Asia-Pacific region represent the primary asset management markets.

CORPORATE AND OTHER

The reportable segment Holding & Treasury includes the management and support of the Allianz Group's businesses through its strategy, risk, corporate finance, treasury, financial reporting, controlling, communication, legal, human resources, technology, and other functions. The reportable segment Banking consists of the banking activities in Germany, France, Italy, the Netherlands (until July 2017), and Bulgaria. The banks offer a wide range of products for corporate and retail clients, with a primary focus on the latter. The reportable segment Alternative Investments provides global alternative investment management services in the private equity, real estate, renewable energy, and infrastructure sectors, mainly on behalf of the Allianz Group's insurance operations.

GENERAL SEGMENT REPORTING INFORMATION

Prices for transactions between reportable segments are set on an arm's length basis in a manner similar to transactions with third parties. Transactions between reportable segments are eliminated in the consolidation. Financial information is recorded based on reportable segments; cross-segmental country-specific information is not determined.

REPORTABLE SEGMENTS MEASURE OF PROFIT OR LOSS

The Allianz Group uses operating profit to evaluate the performance of its reportable segments as well as of the Allianz Group as a whole. Operating profit highlights the portion of income before income taxes that is attributable to the ongoing core operations of the Allianz Group. The Allianz Group considers the presentation of operating profit to be useful and meaningful to investors because it enhances the understanding of the Allianz Group's underlying operating performance and the comparability of its operating performance over time.

To better understand the ongoing operations of the business, the Allianz Group generally excludes the following non-operating effects:

- income from financial assets and liabilities carried at fair value through income (net),
- realized gains/losses (net) and impairments of investments (net),
- interest expenses from external debt,
- acquisition-related expenses (from business combinations),
- amortization of intangible assets,
- restructuring charges, and
- profit (loss) of substantial subsidiaries classified as held for sale.

The following exceptions apply to this general rule:

- In all reportable segments, income from financial assets and liabilities carried at fair value through income (net) is treated as operating profit if the income relates to operating business.
- For life/health insurance business and property-casualty insurance products with premium refunds, all items listed above are included in operating profit if the profit sources are shared with policyholders. There is one exception from this general rule with regard to policyholder participation in extraordinary tax benefits and expenses. As IFRS require that the consolidated income statements present all tax effects in the line item income taxes, even when they belong to policyholders, the corresponding expenses for premium refunds are shown as non-operating as well.

Operating profit should be viewed as complementary to, and not as a substitute for, income before income taxes or net income as determined in accordance with IFRS.

RECENT ORGANIZATIONAL CHANGES

Effective 1 January 2017, the Allianz Group reorganized the structure of its insurance activities to reflect the changes in the responsibilities of the Board of Management. The former reportable segment Asia Pacific has been allocated to the reportable segment Western & Southern Europe, Middle East, Africa, Asia Pacific. 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	2017	2016	2017	2016
ASSETS				
Cash and cash equivalents	3,317	3,429	9,025	7,014
Financial assets carried at fair value through income	604	539	7,442	7,427
Investments	101,668	102,430	424,294	415,023
Loans and advances to banks and customers	10,610	11,508	92,674	93,142
Financial assets for unit-linked contracts	-	-	119,141	111,325
Reinsurance assets	11,437	10,016	5,034	5,625
Deferred acquisition costs	4,715	4,782	18,469	20,105
Deferred tax assets	891	1,175	685	537
Other assets	22,787	22,392	19,416	19,143
Non-current assets and assets of disposal groups classified as held for sale	23	97	204	146
Intangible assets	2,985	2,870	2,934	3,078
Total assets	**159,036**	**159,237**	**699,318**	**682,564**

	Property-Casualty		Life/Health	
As of 31 December	2017	2016	2017	2016
LIABILITIES AND EQUITY				
Financial liabilities carried at fair value through income	133	129	11,021	10,928
Liabilities to banks and customers	1,237	864	5,655	5,551
Unearned premiums	17,065	17,276	4,402	4,108
Reserves for loss and loss adjustment expenses	62,093	61,617	11,256	10,790
Reserves for insurance and investment contracts	14,928	14,837	499,060	490,739
Financial liabilities for unit-linked contracts	-	-	119,141	111,325
Deferred tax liabilities	2,445	2,674	3,956	3,697
Other liabilities	18,876	19,261	14,600	14,622
Liabilities of disposal groups classified as held for sale	6	-	-	3
Certificated liabilities	11	11	11	11
Subordinated liabilities	-	-	65	95
Total liabilities	**116,794**	**116,668**	**669,168**	**651,869**

Asset Management		Corporate and Other		Consolidation		Group	
2017	2016	2017	2016	2017	2016	2017	2016
1,050	1,155	3,919	3,053	(192)	(187)	17,119	14,463
72	63	492	701	(434)	(398)	8,177	8,333
24	133	105,441	103,578	(84,599)	(84,295)	546,828	536,869
59	65	5,368	6,081	(4,488)	(5,427)	104,224	105,369
-	-	-	-	-	-	119,141	111,325
-	-	-	-	(96)	(78)	16,375	15,562
-	-	-	-	-	-	23,184	24,887
148	260	958	936	(1,752)	(1,904)	931	1,003
3,215	2,924	8,871	8,556	(16,558)	(14,965)	37,731	38,050
-	29	14,105	13,925	(3)	(2)	14,329	14,196
7,332	7,794	12	11	-	-	13,262	13,752
11,901	**12,422**	**139,165**	**136,841**	**(108,120)**	**(107,256)**	**901,300**	**883,809**

Asset Management		Corporate and Other		Consolidation		Group	
2017	2016	2017	2016	2017	2016	2017	2016
-	-	577	615	(440)	(400)	11,291	11,271
174	174	7,208	8,424	(1,527)	(1,974)	12,746	13,038
-	-	-	-	(26)	(24)	21,442	21,360
-	-	-	-	(57)	(34)	73,292	72,373
-	-	(109)	(57)	(193)	(196)	513,687	505,322
-	-	-	-	-	-	119,141	111,325
79	29	178	188	(1,752)	(1,904)	4,906	4,683
2,936	2,925	26,242	25,283	(23,015)	(22,223)	39,639	39,867
-	5	13,682	13,306	(25)	(25)	13,662	13,290
-	-	12,367	10,586	(2,794)	(2,994)	9,596	7,615
-	-	13,250	13,485	(20)	(50)	13,295	13,530
3,188	**3,133**	**73,396**	**71,830**	**(29,848)**	**(29,826)**	**832,698**	**813,674**
				Total equity		**68,602**	**70,135**
				Total liabilities and equity		**901,300**	**883,809**

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	
	2017	2016	2017	2016
Total revenues[1]	**52,262**	**51,535**	**67,277**	**64,636**
Premiums earned (net)	47,242	46,588	24,185	23,769
Operating investment result				
Interest and similar income	3,465	3,476	17,856	18,204
Operating income from financial assets and liabilities carried at fair value through income (net)	(78)	(23)	(1,149)	(863)
Operating realized gains/losses (net)	248	285	5,333	6,612
Interest expenses, excluding interest expenses from external debt	(94)	(85)	(102)	(108)
Operating impairments of investments (net)	(22)	(51)	(634)	(1,208)
Investment expenses	(399)	(376)	(1,332)	(1,205)
Subtotal	3,120	3,226	19,971	21,433
Fee and commission income	1,616	1,527	1,454	1,346
Other income	33	21	1	70
Claims and insurance benefits incurred (net)	(31,425)	(30,576)	(19,798)	(22,584)
Operating change in reserves for insurance and investment contracts (net)[2]	(485)	(561)	(13,937)	(12,505)
Loan loss provisions	-	-	-	-
Acquisition and administrative expenses (net), excluding acquisition-related expenses	(13,537)	(13,352)	(6,565)	(6,612)
Fee and commission expenses	(1,509)	(1,407)	(700)	(655)
Operating amortization of intangible assets	-	-	(19)	(19)
Operating restructuring charges	-	-	(27)	(20)
Other expenses	(2)	(3)	(154)	(149)
Reclassifications[3]	-	-	-	204
Operating profit (loss)	**5,053**	**5,464**	**4,412**	**4,277**
Non-operating investment result				
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(5)	(53)	46	26
Non-operating realized gains/losses (net)	609	814	137	81
Non-operating impairments of investments (net)	(163)	(236)	(54)	(227)
Subtotal	442	524	129	(121)
Non-operating change in reserves for insurance and investment contracts (net)	-	-	(61)	-
Interest expenses from external debt	-	-	-	-
Acquisition-related expenses	-	-	-	-
Non-operating amortization of intangible assets	(61)	(60)	(52)	(52)
Non-operating restructuring charges	(233)	(94)	(50)	(72)
Reclassifications[3]	-	-	-	(204)
Non-operating items	148	371	(34)	(449)
Income (loss) before income taxes	5,201	5,835	4,377	3,829
Income taxes	(1,394)	(1,677)	(1,410)	(1,169)
Net income (loss)	**3,807**	**4,158**	**2,968**	**2,660**
Net income (loss) attributable to:				
Non-controlling interests	167	155	146	137
Shareholders	3,640	4,003	2,821	2,522

1_Total revenues comprise statutory gross premiums written in Property-Casualty and Life/ Health, operating revenues in Asset Management, and total revenues in Corporate and Other (Banking).
2_For the year ended 31 December 2017, includes expenses for premium refunds (net) in Property-Casualty of € (215) mn (2016: € (255) mn).
3_From the classification of the South Korean life business as "held for sale" in the second quarter of 2016 until its disposal in the fourth quarter of 2016, the total result was considered as non-operating. Furthermore, tax reclassifications were included in these lines until 2016. From 2017 onwards, these reclassifications are shown in the lines operating / non-operating change in reserves for insurance and investment contracts (net).

Asset Management		Corporate and Other		Consolidation		Group	
2017	2016	2017	2016	2017	2016	2017	2016
6,408	**6,022**	**562**	**551**	**(360)**	**(328)**	**126,149**	**122,416**
-	-	-	-	-	-	71,427	70,357
19	6	731	707	(223)	(244)	21,848	22,149
25	6	(1)	18	-	1	(1,203)	(861)
-	-	-	-	(68)	3	5,513	6,900
(11)	(11)	(311)	(379)	208	235	(311)	(349)
-	-	-	-	-	-	(656)	(1,259)
-	-	(109)	(100)	571	376	(1,269)	(1,306)
33	1	310	245	489	370	23,923	25,274
7,904	7,401	2,349	1,066	(2,387)	(850)	10,937	10,491
1	3	156	160	(154)	(154)	36	100
-	-	-	-	5	5	(51,218)	(53,156)
-	-	-	-	56	(135)	(14,366)	(13,201)
-	-	(25)	(46)	-	-	(25)	(46)
(3,968)	(3,817)	(1,578)	(1,466)	(61)	(58)	(25,709)	(25,303)
(1,530)	(1,382)	(1,992)	(825)	1,873	535	(3,857)	(3,734)
-	-	-	-	-	-	(19)	(19)
-	-	-	-	-	-	(27)	(20)
-	-	(3)	(2)	154	149	(5)	(5)
-	-	-	-	-	115	-	319
2,440	**2,206**	**(783)**	**(868)**	**(24)**	**(23)**	**11,097**	**11,056**
-	-	(71)	40	29	(1)	(1)	11
(15)	-	108	500	194	108	1,033	1,503
-	-	(287)	(217)	-	-	(504)	(681)
(15)	-	(250)	322	223	107	528	833
-	-	-	-	-	-	(61)	-
-	-	(838)	(858)	-	-	(838)	(858)
7	2	-	-	-	-	7	2
(13)	(12)	(9)	(11)	-	-	(135)	(135)
(10)	(1)	(157)	-	-	-	(450)	(166)
-	-	-	-	-	(115)	-	(319)
(31)	(11)	(1,254)	(546)	223	(8)	(949)	(643)
2,408	2,194	(2,037)	(1,414)	199	(31)	10,148	10,413
(862)	(784)	744	420	(19)	126	(2,941)	(3,085)
1,546	**1,411**	**(1,293)**	**(994)**	**179**	**95**	**7,207**	**7,329**
73	66	16	12	1	(3)	404	367
1,473	1,344	(1,309)	(1,006)	178	99	6,803	6,962

RECONCILIATION OF REPORTABLE SEGMENTS TO ALLIANZ GROUP FIGURES

Reconciliation of reportable segments to Allianz Group figures

€ mn

	Total revenues		Premiums earned (net)		Operating profit (loss)		Net income (loss)	
	2017	2016	2017	2016	2017	2016	2017	2016
German Speaking Countries and Central & Eastern Europe	14,820	14,465	12,446	12,111	1,369	1,609	1,175	1,394
Western & Southern Europe, Middle East, Africa, Asia Pacific	12,675	12,915	11,477	11,522	1,950	1,707	1,327	1,146
Iberia & Latin America	4,917	4,552	3,656	3,381	278	99	129	(38)
Global Insurance Lines & Anglo Markets	21,842	22,113	15,386	15,725	1,281	1,900	1,077	1,560
Allianz Partners	4,608	4,185	4,276	3,850	174	150	107	97
Consolidation and Other	(6,600)	(6,695)	-	-	-	-	(9)	(2)
Total Property-Casualty	**52,262**	**51,535**	**47,242**	**46,588**	**5,053**	**5,464**	**3,807**	**4,158**
German Speaking Countries and Central & Eastern Europe	27,225	24,922	15,055	14,593	1,631	1,664	1,075	1,134
Western & Southern Europe, Middle East, Africa, Asia Pacific[1]	28,781	26,191	6,990	7,114	1,356	1,233	975	545
Iberia & Latin America	2,011	1,997	505	526	328	264	244	188
USA	9,720	11,856	1,261	1,144	1,049	1,081	637	764
Global Insurance Lines & Anglo Markets	573	587	372	390	38	30	26	25
Consolidation	(1,034)	(917)	2	1	10	6	10	4
Total Life/Health	**67,277**	**64,636**	**24,185**	**23,769**	**4,412**	**4,277**	**2,968**	**2,660**
Asset Management	**6,408**	**6,022**	**-**	**-**	**2,440**	**2,206**	**1,546**	**1,411**
Holding & Treasury	-	-	-	-	(936)	(981)	(1,171)	(1,029)
Banking	560	549	-	-	96	74	(170)	9
Alternative Investments	-	-	-	-	57	39	48	21
Consolidation	2	2	-	-	-	-	-	5
Total Corporate and Other	**562**	**551**	**-**	**-**	**(783)**	**(868)**	**(1,293)**	**(994)**
Consolidation	**(360)**	**(328)**	**-**	**-**	**(24)**	**(23)**	**179**	**95**
Group	**126,149**	**122,416**	**71,427**	**70,357**	**11,097**	**11,056**	**7,207**	**7,329**

1_From the classification of the Korean life business as "held for sale" in the second quarter of 2016 until its disposal in the fourth quarter of 2016, the total result was considered as non-operating.

NOTES TO THE CONSOLIDATED BALANCE SHEETS

5 _ Financial assets carried at fair value through income

Financial assets carried at fair value through income

€ mn

As of 31 December	2017	2016
Financial assets held for trading		
Debt securities	405	264
Equity securities	210	210
Derivative financial instruments	2,461	2,433
Subtotal	3,076	2,907
Financial assets designated at fair value through income		
Debt securities	2,603	2,970
Equity securities	2,498	2,457
Subtotal	5,101	5,426
Total	**8,177**	**8,333**

6 _ Investments

Investments

€ mn

As of 31 December	2017	2016
Available-for-sale investments	520,397	512,268
Held-to-maturity investments	2,678	2,399
Funds held by others under reinsurance contracts assumed	836	912
Investments in associates and joint ventures	9,010	7,161
Real estate held for investment	11,419	11,732
Fixed assets of renewable energy investments	2,488	2,397
Total	**546,828**	**536,869**

AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments

€ mn

As of 31 December	2017				2016			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Debt securities								
Corporate bonds	228,439	15,579	(493)	243,526	230,504	15,944	(1,575)	244,874
Government and government agency bonds[1]	177,186	22,551	(827)	198,911	173,456	27,121	(1,663)	198,914
MBS/ABS	21,405	368	(140)	21,633	21,258	441	(303)	21,396
Other	4,472	715	(18)	5,169	3,569	753	(17)	4,305
Subtotal[2]	431,503	39,213	(1,477)	469,239	428,787	44,259	(3,557)	469,489
Equity securities	37,195	14,241	(278)	51,158	30,323	12,649	(192)	42,779
Total	**468,697**	**53,455**	**(1,755)**	**520,397**	**459,109**	**56,908**	**(3,750)**	**512,268**

1_As of December 2017, fair value and amortized cost of bonds from countries with a rating below AA amount to € 74,132 mn (2016: € 73,519 mn) and € 68,638 mn (2016: € 67,571 mn), respectively.
2_As of December 2017, fair value and amortized cost of debt securities with a contractual maturity of less than 12 months amount to € 30,037 mn (2016: € 30,420 mn) and € 29,222 mn (2016: € 29,807 mn), respectively.

HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments

€ mn

As of 31 December	2017				2016			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Government and government agency bonds	2,368	271	(19)	2,621	2,001	342	-	2,343
Corporate bonds[1]	310	62	-	372	398	65	(1)	462
Total[2]	**2,678**	**333**	**(19)**	**2,992**	**2,399**	**407**	**(1)**	**2,805**

1_Also include corporate mortgage-backed securities.
2_As of 31 December 2017, fair value and amortized cost of debt securities with a contractual maturity of less than 12 months amount to € 186 mn (2016: € 294 mn) and € 184 mn (2016: € 287 mn), respectively.

UNREALIZED LOSSES ON AVAILABLE-FOR-SALE INVESTMENTS AND HELD-TO-MATURITY INVESTMENTS

DEBT SECURITIES

Total unrealized losses amounted to € 1,496 mn as of 31 December 2017. The Allianz Group holds a large variety of government bonds and corporate bonds, mostly of or domiciled in OECD countries.

In general, the credit risk of government bonds is rather moderate since they are backed by fiscal capacity of the issuers who typically hold an investment-grade country- and/or issue-rating. During 2017, interest rates of government bonds decreased in some countries, while increasing in others. This development, supported by realizations, led to a decrease in unrealized losses on government bonds of € 818 mn.

The unrealized losses on the Allianz Group's investments in government bonds are spread over several countries with the main part coming from Europe.

For the vast majority of corporate bonds, the issuer/the issues have an investment grade rating. The decrease in unrealized losses of € 1,082 mn compared to 31 December 2016 is due to decreasing interest rates.

The main impact from unrealized losses on corporate bonds comes from the financial and consumer 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 2017.

EQUITY SECURITIES

As of 31 December 2017, unrealized losses amounted to € 278 mn which is an increase of € 86 mn compared to 31 December 2016. They concern equity securities that did not meet the criteria of the Allianz Group's impairment policy for equity instruments as described in note 2. The major part of these unrealized losses has been in a continuous loss position of less than 6 months.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

As of 31 December 2017, loans to associates and joint ventures amounted to € 1,598 mn (2016: € 1,381 mn).

Associates and joint ventures
€ mn

	2017	2016
Share of earnings	506	290
Share of other comprehensive income	(78)	9
Share of total comprehensive income	**428**	**299**

REAL ESTATE HELD FOR INVESTMENT

Real estate held for investment
€ mn

	2017	2016
Cost as of 1 January	14,691	15,113
Accumulated depreciation as of 1 January	(2,959)	(3,136)
Carrying amount as of 1 January	**11,732**	**11,977**
Additions	538	410
Changes in the consolidated subsidiaries of the Allianz Group	(193)	(1)
Disposals and reclassifications into non-current assets and assets of disposal groups classified as held for sale	(188)	(425)
Reclassifications	33	(14)
Foreign currency translation adjustments	(252)	(1)
Depreciation	(252)	(257)
Impairments	(24)	(17)
Reversals of impairments	24	59
Carrying amount as of 31 December	**11,419**	**11,732**
Accumulated depreciation as of 31 December	2,967	2,959
Cost as of 31 December	14,386	14,691

FIXED ASSETS OF RENEWABLE ENERGY INVESTMENTS

Fixed assets of renewable energy investments[1]
€ mn

	2017	2016
Cost as of 1 January	2,868	2,151
Accumulated depreciation as of 1 January	(472)	(387)
Carrying amount as of 1 January	**2,397**	**1,763**
Additions	218	719
Changes in the consolidated subsidiaries of the Allianz Group	-	2
Disposals	-	(3)
Depreciation	(91)	(83)
Impairments	(36)	-
Carrying amount as of 31 December	**2,488**	**2,397**
Accumulated depreciation as of 31 December	597	472
Cost as of 31 December	3,086	2,868

1_Include fixed assets of wind parks and solar parks.

7 _ Loans and advances to banks and customers

Loans and advances to banks and customers
€ mn

As of 31 December	2017	2016
Short-term investments and certificates of deposit	3,094	3,699
Loans	99,526	99,883
Other	1,697	1,884
Subtotal	104,317	105,466
Loan loss allowance	(94)	(97)
Total[1]	**104,224**	**105,369**

1_Includes loans and advances to banks and customers due within one year of € 10,055 mn (2016: € 11,677 mn).

8 _ Reinsurance assets

Reinsurance assets
€ mn

As of 31 December	2017	2016
Unearned premiums	1,504	1,543
Reserves for loss and loss adjustment expenses	10,112	8,685
Aggregate policy reserves	4,633	5,211
Other insurance reserves	127	124
Total	**16,375**	**15,562**

Changes in aggregate policy reserves ceded to reinsurers are as follows:

Changes in aggregate policy reserves ceded to reinsurers
€ mn

	2017	2016
Carrying amount as of 1 January	**5,211**	**5,366**
Foreign currency translation adjustments	(513)	92
Changes recorded in the consolidated income statements	70	175
Other changes	(135)	(422)
Carrying amount as of 31 December	**4,633**	**5,211**

The reserves for loss and loss adjustment expenses ceded to reinsurers in the business segment Property-Casualty amounted to € 9,587 mn (2016: € 8,119 mn) as of 31 December 2017. Their change is shown in the respective table in note 14.

The Allianz Group reinsures a portion of the risks it underwrites in an effort to control its exposure to losses and events and to protect its capital resources. For natural catastrophe events, the Allianz Group has a centralized program in place that pools exposures from its subsidiaries by internal reinsurance agreements. Allianz SE limits exposures in this portfolio through external reinsurance. For other risks, the subsidiaries of the Allianz Group have individual reinsurance programs in place. Allianz SE participates with up to 100% on an arm's length basis in these cessions, in line with local requirements. The risk coming from these cessions is also limited by external retrocessions.

Reinsurance involves credit risk and is subject to aggregate loss limits. Reinsurance does not legally discharge the respective Allianz company from primary liability under the reinsured policies. Although the reinsurer is liable to this company to the extent of the business ceded, the Allianz company remains primarily liable as the direct insurer 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 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 2017 and 2016. The Allianz Group primarily maintains business relations with highly rated reinsurers.

9 _ Deferred acquisition costs

Deferred acquisition costs
€ mn

As of 31 December	2017	2016
Deferred acquisition costs		
Property-Casualty	4,715	4,782
Life/Health	17,568	18,780
Subtotal	22,283	23,562
Deferred sales inducements	450	781
Present value of future profits	451	544
Total	**23,184**	**24,887**

Changes in deferred acquisition costs
€ mn

	2017	2016
Carrying amount as of 1 January	**24,887**	**25,234**
Additions	9,576	9,663
Changes in the consolidated subsidiaries of the Allianz Group	-	31
Foreign currency translation adjustments	(1,256)	257
Changes in shadow accounting	(824)	(754)
Amortization	(9,199)	(9,544)
Carrying amount as of 31 December	**23,184**	**24,887**

10 _ Other assets

Other assets

€ mn

As of 31 December	2017	2016
Receivables		
Policyholders	6,134	5,938
Agents	4,231	4,217
Reinsurance	2,594	2,755
Other	4,904	5,126
Less allowances for doubtful accounts	(594)	(632)
Subtotal	17,270	17,404
Tax receivables		
Income taxes	2,032	1,809
Other taxes	1,742	1,615
Subtotal	3,775	3,424
Accrued dividends, interest, and rent	6,671	7,257
Prepaid expenses	442	390
Derivative financial instruments used for hedging that meet the criteria for hedge accounting, and firm commitments	538	677
Property and equipment		
Real estate held for own use	2,941	3,024
Software	2,786	2,640
Equipment	1,432	1,477
Subtotal	7,159	7,141
Other assets	1,876	1,756
Total[1]	**37,731**	**38,050**

1_Includes other assets due within one year of € 32,008 mn (2016: € 32,767 mn)

PROPERTY AND EQUIPMENT

Property and equipment

€ mn

	2017			2016		
	Real estate held for own use	Software	Equipment	Real estate held for own use	Software	Equipment
Cost as of 1 January	3,995	7,283	4,381	4,345	6,671	4,254
Accumulated depreciation as of 1 January	(971)	(4,643)	(2,904)	(1,084)	(4,310)	(2,828)
Carrying amount as of 1 January	**3,024**	**2,640**	**1,477**	**3,261**	**2,361**	**1,426**
Additions	109	845	418	94	818	392
Changes in the consolidated subsidiaries of the Allianz Group	-	(12)	-	(56)	(31)	15
Disposals and reclassifications into non-current assets and assets of disposal groups classified as held for sale	(46)	(10)	(82)	(152)	(35)	(129)
Reclassifications	(33)	17	(20)	(41)	26	47
Foreign currency translation adjustments	(41)	(22)	(57)	(18)	2	3
Depreciation/Amortization	(70)	(565)	(303)	(76)	(491)	(275)
Impairments	(2)	(106)	(1)	(3)	(9)	(1)
Reversals of impairments	-	-	-	13	-	-
Carrying amount as of 31 December	**2,941[1]**	**2,786[2]**	**1,432**	**3,024**	**2,640**	**1,477**
Accumulated depreciation as of 31 December	997	4,633	2,887	971	4,643	2,904
Cost as of 31 December	3,938	7,420	4,318	3,995	7,283	4,381

1_As of 31 December 2017, assets pledged as security and other restrictions on title were € 103 mn (2016: € 121 mn).
2_As of 31 December 2017, includes € 1,838 mn (2016: € 1,708 mn) for self-developed software and € 948 mn (2016: € 932 mn) for software purchased from third parties.

11 _ Intangible assets

Intangible assets
€ mn

As of 31 December	2017	2016
Goodwill	11,848	12,372
Distribution agreements[1]	918	951
Other[2]	496	429
Total	**13,262**	**13,752**

1_Primarily include the long-term distribution agreements with Commerzbank AG of € 223 mn (2016: € 261 mn), Banco Popular S.A. of € 352 mn (2016: € 371 mn), Yapi ve Kredi Bankasi A.S. of € 71 mn (2016: € 96 mn), Philippine National Bank of € 67 mn (2016: € 83 mn) and HSBC Asia, HSBC Turkey, BTPN Indonesia and Maybank Indonesia of € 110 mn (2016: € 133 mn).
2_Primarily include acquired business portfolios, customer relationships, heritable building rights, land use rights, lease rights, renewal rights and brand names.

GOODWILL

Goodwill
€ mn

	2017	2016
Cost as of 1 January	12,812	13,077
Accumulated impairments as of 1 January	(440)	(976)
Carrying amount as of 1 January	**12,372**	**12,101**
Additions	32	214
Disposals	-	-
Foreign currency translation adjustments	(556)	58
Impairments	-	-
Carrying amount as of 31 December	**11,848**	**12,372**
Accumulated impairments as of 31 December	440	440
Cost as of 31 December	12,288	12,812

2017

Additions are mainly related to goodwill arising from the acquisition of Sound Harbor Partners, a New York based private credit manager.

2016

Additions are mainly related to goodwill arising from the acquisition of Allianz Maroc S.A. (formerly Zurich Assurance Maroc S.A.), Casablanca, effective 3 November 2016, Allianz C.P. General Insurance, Bangkok, effective 3 October 2016, Rogge Global Partners Ltd., London, effective 31 May 2016, several insurance portfolios in the Netherlands and several wind parks.

IMPAIRMENT TEST FOR GOODWILL

Allocation principles

For the purpose of impairment testing, the Allianz Group has allocated goodwill to CGUs[1]. These CGUs represent the lowest level at which goodwill is monitored for internal management purposes.

CGUs in the Property-Casualty business segment are:

- Insurance German Speaking Countries,
- Insurance Western & Southern Europe, Middle East and Africa, including Belgium, France, Greece, Italy, Luxembourg, the Netherlands, Turkey, Middle East and Africa,
- Insurance Asia,
- Insurance Iberia & Latin America, including Mexico, Portugal, South America and Spain,
- Insurance Central and Eastern Europe, including Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania and Slovakia,
- Global Insurance Lines & Anglo Markets, including Australia, Ireland, Russia, Ukraine and the United Kingdom,
- Specialty Lines I, including Allianz Re, Allianz Global Corporate & Specialty and Credit Insurance, and
- Specialty Lines II, including Allianz Partners.

CGUs in the Life/Health business segment are:

- Insurance German Speaking Countries,
- Health Germany,
- Insurance Western & Southern Europe, Middle East and Africa, including Belgium, France, Greece, Italy, Luxembourg, the Netherlands, Turkey, Middle East and Africa,
- Insurance Central and Eastern Europe, including Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania and Slovakia, and
- Insurance USA.

The business segment Asset Management is represented by the CGU Asset Management, including mainly Allianz Global Investors and PIMCO.

1_The following paragraphs only include the CGUs that contain goodwill.

The carrying amounts of goodwill are allocated to the Allianz Group's CGUs as of 31 December 2017 and 2016 as follows:

Allocation of carrying amounts of goodwill to CGUs
€ mn

As of 31 December	2017	2016
PROPERTY-CASUALTY		
Insurance German Speaking Countries	287	285
Insurance Western & Southern Europe, Middle East and Africa	1,371	1,418
Insurance Asia	99	101
Insurance Iberia & Latin America	21	21
Insurance Central and Eastern Europe	292	292
Global Insurance Lines & Anglo Markets	364	376
Specialty Lines I	38	39
Specialty Lines II	21	21
Subtotal	2,494	2,553
LIFE/HEALTH		
Insurance German Speaking Countries	637	629
Health Germany	331	330
Insurance Western & Southern Europe, Middle East and Africa	651	655
Insurance Central and Eastern Europe	23	23
Insurance USA	459	481
Subtotal	2,100	2,117
ASSET MANAGEMENT	7,254	7,702
Total	**11,848**	**12,372**

Valuation techniques

The recoverable amounts for all CGUs are determined on the basis of value in use calculations. The Allianz Group applies generally acknowledged valuation principles to determine the value in use.

For all CGUs in the Property-Casualty business segment and for the CGU Asset Management, the Allianz Group uses the discounted earnings method to derive the value in use. Generally, the basis for the determination of the discounted earnings value is the business plan ("detailed planning period") as well as the estimate of the sustainable returns and eternal growth rates, which can be assumed to be realistic on a long-term basis ("terminal value") for the operating entities included in the CGU. The discounted earnings value is calculated by discounting the future earnings using an appropriate discount rate. The business plans applied in the value in use calculations are the results of the structured management dialogues between the Board of Management of Allianz SE and the operating entities in connection with a reporting process integrated into these dialogues. Generally, the business plans comprise a planning horizon of three years and are based on the current market environment.

The terminal values are largely based on the expected profits of the final year of the detailed planning period. Where necessary, the planned profits are adjusted to reflect long-term sustainable earnings. The financing of the assumed eternal growth in the terminal values is accounted for by appropriate profit retention.

For all CGUs in the Life/Health business segment, the value in use is based on an Appraisal Value method which is derived from the Embedded Value and new business value calculation. As a starting point for the impairment test for the CGUs in the Life/Health business segment, the Market Consistent Embedded Value (MCEV) and a multiple of the Market Consistent Value of New Business is used. MCEV is an industry-specific valuation method to assess the current value of the in-force portfolio. The Allianz Group uses an economic balance sheet approach to derive the MCEV, which is directly taken out of the market value balance sheet (MVBS) as determined using Solvency II guidance. In case where no adequate valuation reflecting a long-term view in line with management judgment and market experience could be derived from market consistent methodology, the Appraisal Value can be derived from a Traditional Embedded Value (TEV). This was not the case in 2017.

Significant assumptions

In determining the business plans, certain key assumptions were made in order to project future earnings.

For entities included in the CGUs of the Property-Casualty business segment, the business plans are mainly based on key assumptions including expense ratio, loss ratio, investment income, risk capital, market share, premium rate changes, and taxes. The 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 CGUs in the Property-Casualty business segment are as follows:

Discount rates and eternal growth rates for the CGUs in the Property-Casualty business segment[1]
%

CGUs in the Property-Casualty business segment	Discount rate	Eternal growth rate
Insurance German Speaking Countries	7.5	0.9
Insurance Western & Southern Europe, Middle East and Africa	9.1	2.1
Insurance Asia	11.2	3.6
Insurance Iberia & Latin America	10.4	2.5
Insurance Central and Eastern Europe	8.9	1.5
Global Insurance Lines & Anglo Markets	8.7	1.6
Specialty Lines I	7.8	1.0
Specialty Lines II	7.7	1.0

1_The table provides an overview of weighted key parameters on CGU level of the country-specific discount rates and eternal growth rates used.

For entities included in the CGUs of the business segment Life/Health, the MCEV is the excess of assets over liabilities of the MVBS according to the Solvency II requirements. Assets and liabilities included in the MVBS are measured at their market value as of the reporting date. Technical provisions are an essential part of the liabilities included in the MVBS and generally consist of the best estimate plus a risk margin. The best estimate corresponds to the probability-weighted average of future cash flows considering the time value of money, using the relevant risk-free interest rate term structure. The calculation of the best estimate is based on assumptions made for demographic factors (e.g. mortality, morbidity, lapse/surrender rates), expense allowances, taxation, assumptions on market conditions for market consistent projections (e.g. reference rates, volatilities) as well as investment strategy and asset allocation of the entity. The risk margin ensures that the value of the technical provisions is equivalent to the amount that the entity would be expected to require in order to take on and meet the insurance and reinsurance obligations.

Reference rates used for the calculation of the best estimate follow EIOPA specifications for the Solvency II guidance.

The following table provides an overview of the reference rates for the CGUs in the Life/Health business segment:

Reference rates for the CGUs in the Life/Health business segment

CGUs in the Life/Health business segment	Reference rate for entities with Appraisal Value based on MCEV
Insurance German Speaking Countries	Euro swap curve minus 10 bps credit risk adjustment plus 4 bps volatility adjustment CHF swap curve minus 10 bps credit risk adjustment minus 3 bps volatility adjustment
Health Germany	Euro swap curve minus 10 bps credit risk adjustment plus 4 bps volatility adjustment
Insurance Western & Southern Europe, Middle East and Africa	Euro swap curve minus 10 bps credit risk adjustment plus 4 bps volatility adjustment
Insurance Central and Eastern Europe	For those entities reporting in Euro: Euro swap curve minus 10 bps credit risk adjustment plus 4 bps volatility adjustment For other entities: Local swap curve minus 10 bps credit risk plus volatility adjustment for the following currencies only (HRK: 4 bps, CZK: 4 bps, PLN: 11 bps)
Insurance USA	Local swap curve minus 10 bps credit risk adjustment plus 28 bps volatility adjustment

The new business value calculation is based on a best estimate of one year of value of new business, multiplied by a factor (multiple) to capture expected future new business. The best estimate of new business is generally derived from the achieved value of new business. The new business multiple accounts for the risk and the growth associated with future new business in analogy to the discount rate and the growth rate in a discounted earnings method. For all CGUs in the Life/Health business segment, a multiple of not more than ten times the value of new business is applied.

For entities included in the CGU of the Asset Management business segment, key assumptions include assets under management growth, cost-income ratio, and risk capital. The key assumptions are based on the current market environment. The discount rate for the CGU Asset Management is 9.7 % and the eternal growth rate is 1.0 %.

Sensitivity analysis

Sensitivity analyses were performed with regard to discount rates and key value drivers of the business plans.

For the CGUs in the business segment Property-Casualty and for the CGU Asset Management, sensitivity analyses were performed in respect to the long-term sustainable combined ratios and cost-income ratios. For all CGUs, excluding Property-Casualty Insurance Asia, discounted earnings value sensitivities still exceeded their respective carrying amounts. The recoverable amount of the CGU Insurance Asia in the business segment Property-Casualty slightly exceeds its carrying amount. An increase of less than 50 basis points in the discount rate or the combined ratio results in the recoverable amount of the CGU getting close to its carrying amount.

In the business segment Life/Health, sensitivity analyses were performed based on MCEV sensitivity testing on the reference rate. The analyses have shown that in case of a decrease in reference rates by 50 basis points, the appraisal value of each CGU still exceeds its carrying amount.

12 _ Liabilities to banks and customers

Liabilities to banks and customers
€ mn

As of 31 December	2017	2016
Payable on demand and other deposits	973	897
Repurchase agreements and collateral received from securities lending transactions and derivatives	3,821	4,040
Other	7,953	8,101
Total[1]	**12,746**	**13,038**

1_Consists of liabilities to banks and customers due within one year of € 10,995 mn (2016: € 10,193 mn), 1 – 5 years of € 1,097 mn (2016: € 2,256 mn) and over 5 years of € 654 mn (2016: € 590 mn).

13 _ Unearned premiums

Unearned premiums
€ mn

As of 31 December	2017	2016
Property-Casualty	17,065	17,276
Life/Health	4,402	4,108
Consolidation	(26)	(24)
Total	**21,442**	**21,360**

14 _ Reserves for loss and loss adjustment expenses

As of 31 December 2017, the reserves for loss and loss adjustment expenses of the Allianz Group totaled € 73,292 mn (2016: € 72,373 mn). The following table reconciles the beginning and ending reserves for the Property-Casualty business segment for the years ended 31 December 2017 and 2016.

Change in the reserves for loss and loss adjustment expenses in the Property-Casualty business segment
€ mn

	2017			2016		
	Gross	Ceded	Net	Gross	Ceded	Net
As of 1 January	**61,617**	**(8,119)**	**53,497**	**61,169**	**(7,228)**	**53,942**
Balance carry forward of discounted loss reserves	4,055	(298)	3,757	3,882	(332)	3,550
Subtotal	65,671	(8,417)	57,254	65,051	(7,560)	57,492
Loss and loss adjustments expenses incurred						
Current year	38,305	(4,954)	33,351	35,402	(2,741)	32,661
Prior years	(2,043)	116	(1,927)	(2,530)	445	(2,084)
Subtotal	36,262	(4,838)	31,425	32,872	(2,296)	30,576
Loss and loss adjustments expenses paid						
Current year	(17,749)	1,080	(16,669)	(17,291)	883	(16,409)
Prior years	(15,764)	1,655	(14,109)	(15,640)	646	(14,994)
Subtotal	(33,513)	2,735	(30,778)	(32,932)	1,529	(31,403)
Foreign currency translation adjustments and other changes[1]	(2,232)	646	(1,586)	407	(84)	323
Changes in the consolidated subsidiaries of the Allianz Group	-	-	-	272	(7)	265
Subtotal	66,189	(9,874)	56,314	65,671	(8,417)	57,254
Ending balance of discounted loss reserves	(4,096)	287	(3,809)	(4,055)	298	(3,757)
As of 31 December	**62,093**	**(9,587)**	**52,505**	**61,617**	**(8,119)**	**53,497**

1_Include effects of foreign currency translation adjustments for prior year's claims of gross € (2,127) mn (2016: € 116 mn) and of net € (1,579) mn (2016: € (41) mn) and for current year claims of gross € (406) mn (2016: € (55) mn) and of net € (322) mn (2016: € (68) 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 2017, the Allianz Group recorded additional income of € 1,927 mn (2016: € 2,084 mn) net in respect of losses occurring in prior years. During the year ended 31 December 2017, this amount, expressed as a percentage of the net balance of the beginning of the year, was 3.4 % (2016: 3.6 %).

CHANGES IN HISTORICAL RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES (LAE)

The analysis of loss and LAE reserves by actuaries and management is conducted by line of business and separately for specific claim types such as asbestos and environmental claims. The origin year of losses is taken into consideration by analyzing each line of business by accident year. While this determines the estimates of reserves for loss and LAE by accident year, the effect in the consolidated income statement in the respective calendar year combines the accident year loss ratio for the current year with the favorable or adverse development from prior years (run-off).

Although discounted loss reserves have been reclassified to "Reserves for insurance and investment contracts" in the balance sheet, the underlying business development of these non-life reserves is still considered in the loss ratio. Therefore the tables below show the loss development by accident year including the business development of discounted loss reserves.

The run-off triangle, also known as the "loss triangle", is a tabular representation of loss-related data (such as payments, loss reserves, ultimate losses) in two time-related dimensions. One of these is the calendar year, the other is the accident year (year of loss occurrence). Run-off triangles – as the basis for measuring loss reserves – express how the loss reserves change over the course of time due to payments made and new estimates of the expected ultimate loss at the respective reporting date.

The run-off triangles are not prepared on a currency-adjusted basis. This means all figures are translated from the respective local currency into the Allianz Group presentation currency (Euro), consistently using the exchange rates applicable at the respective reporting date. This ensures that the reserves reconcile with reserves in the consolidated balance sheet.

LOSS PAYMENTS FOR THE INDIVIDUAL ACCIDENT YEARS (PER CALENDAR YEAR, NET)

Loss payments for the individual accident years (per calendar year, net)
€ mn

	Accident year										
Calendar year	2008 and prior	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
2008	25,135										**25,135**
2009	12,799	13,368									**26,167**
2010	5,676	6,688	14,094								**26,459**
2011	3,559	1,725	6,945	14,316							**26,545**
2012	2,872	1,107	1,972	7,434	14,443						**27,828**
2013	2,435	712	1,113	2,090	7,181	15,449					**28,979**
2014	2,031	465	729	1,169	1,890	7,009	15,410				**28,702**
2015	1,626	395	476	775	1,054	1,850	7,564	16,291			**30,031**
2016	2,157	260	364	546	727	1,004	2,007	7,929	16,409		**31,403**
2017	1,095	181	269	303	425	710	1,022	2,261	7,842	16,669	**30,778**

RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES FOR THE INDIVIDUAL ACCIDENT YEARS AT THE RESPECTIVE REPORTING DATE (NET)

Reserves for loss and loss adjustment expenses for the individual accident years at the respective reporting date (net)
€ mn

	Accident year										
As of 31 December	2008 and prior	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
2008	47,796										**47,796**
2009	34,465	14,074									**48,539**
2010	28,666	7,456	14,729								**50,850**
2011	24,876	5,147	7,218	15,596							**52,836**
2012	23,082	4,061	5,238	7,861	15,564						**55,807**
2013	20,104	3,117	3,837	5,190	7,239	13,957					**53,445**
2014	18,417	2,492	3,105	4,066	5,223	7,101	15,215				**55,619**
2015	16,550	2,064	2,614	3,208	3,931	5,182	7,585	16,358			**57,492**
2016	13,930	1,725	2,141	2,564	3,040	3,894	5,262	7,991	16,708		**57,254**
2017	11,822	1,425	1,625	1,945	2,356	2,815	3,891	5,407	8,454	16,573	**56,314**

ULTIMATE LOSS FOR THE INDIVIDUAL ACCIDENT YEARS AT THE RESPECTIVE REPORTING DATE (NET)

Ultimate loss for the individual accident years at the respective reporting date (net)
€ mn

	Accident year										
Calendar year	2008 and prior	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
2008	72,931										
2009	72,400	27,442									
2010	72,277	27,512	28,823								
2011	72,046	26,928	28,257	29,912							
2012	73,124	26,950	28,250	29,610	30,007						
2013	72,580	26,718	27,962	29,029	28,863	29,407					
2014	72,925	26,557	27,958	29,074	28,736	29,560	30,625				
2015	72,683	26,524	27,943	28,990	28,498	29,490	30,560	32,649			
2016	72,220	26,445	27,834	28,893	28,334	29,206	30,244	32,211	33,116		
2017	71,208	26,325	27,588	28,577	28,076	28,837	29,896	31,888	32,705	33,242	
Surplus[1]	1,723	1,117	1,235	1,335	1,932	569	729	761	411	–[3]	**9,812**
Reduction 2017 versus 2016[2]	1,012	120	247	316	258	368	348	323	411	–[3]	**3,403**

1_Includes effects from foreign currency translation adjustments and other changes.
2_The total development 2017 to 2016 of € 3,403 mn represents the cumulative surplus from reestimating the ultimate loss for prior year claims. Considering foreign currency translation adjustments of net € (1,579) mn as well as changes in the consolidated subsidiaries of the Allianz Group and other changes of in total € 102 mn, this leads to an effective run-off of net € 1,927 mn, which can be found in the table "Change in reserves for loss and loss adjustment expenses" within this note.
3_Presentation not meaningful.

CALENDAR YEAR PREMIUMS EARNED AND ULTIMATE LOSS RATIOS FOR THE INDIVIDUAL ACCIDENT YEARS AT THE RESPECTIVE REPORTING DATE (NET)

Calendar year premiums earned and ultimate loss ratios for the individual accident years at the respective reporting date (net)

	Premiums earned (net)	Accident year								
		2009	2010	2011	2012	2013	2014	2015	2016	2017
	€ mn	%	%	%	%	%	%	%	%	%
2009	37,828	72.5								
2010	39,303	72.7	73.3							
2011	39,898	71.2	71.9	75.0						
2012	41,705	71.2	71.9	74.2	72.0					
2013	42,047	70.6	71.1	72.8	69.2	69.9				
2014	43,759	70.2	71.1	72.9	68.9	70.3	70.0			
2015	46,430	70.1	71.1	72.7	68.3	70.1	69.8	70.3		
2016	46,588	69.9	70.8	72.4	67.9	69.5	69.1	69.4	71.1	
2017	47,242	69.6	70.2	71.6	67.3	68.6	68.3	68.7	70.2	70.4

The ultimate loss of an accident year comprises all payments made for that accident year up to the reporting date, plus the loss reserves at the reporting date. Given complete information regarding all losses incurred up to the reporting date, the ultimate loss for each accident-year period would remain unchanged. In practice, however, the ultimate loss (based on estimates) is exposed to fluctuations that reflect the increase in knowledge regarding the loss cases. The loss ratio presented above deviates from the reported loss ratio because the ultimate loss in the table above is based on the sum of the payments plus the loss reserves, not the incurred loss from the consolidated income statement. This means that effects like changes in consolidated subsidiaries, foreign currency translation and unwinding of discounted loss reserves are presented differently.

CONTRACTUAL CASH FLOWS

As of 31 December 2017, the reserves for loss and loss adjustment expenses which are expected to be due in 2018 amounted to € 16,935 mn, while those expected to be due between 2019 and 2022 amounted to € 13,320 mn and those expected to be due after 2022 amounted to € 26,060 mn.

15 _ Reserves for insurance and investment contracts

Reserves for insurance and investment contracts
€ mn

As of 31 December	2017	2016
Aggregate policy reserves	440,926	433,610
Reserves for premium refunds	71,776	70,664
Other insurance reserves	984	1,048
Total	**513,687**	**505,322**

AGGREGATE POLICY RESERVES

Aggregate policy reserves
€ mn

	2017	2016
As of 1 January	**433,610**	**425,150**
Balance carry forward of discounted loss reserves	(4,055)	(3,882)
Subtotal	429,556	421,268
Foreign currency translation adjustments	(13,054)	2,817
Changes in the consolidated subsidiaries of the Allianz Group	-	(10,287)
Changes recorded in the consolidated income statements	3,268	196
Premiums collected	24,941	25,945
Separation of embedded derivatives	2,061	(555)
Interest credited	4,868	4,563
Dividends allocated to policyholders	1,740	1,224
Releases upon death, surrender and withdrawal	(16,460)	(15,719)
Policyholder charges	(1,387)	(1,643)
Portfolio acquisitions and disposals	9	(9)
Other changes[1]	1,291	1,757
Subtotal	436,833	429,556
Ending balance of discounted loss reserves	4,093	4,055
As of 31 December	**440,926**	**433,610**

1_Mainly relate to insurance contracts when policyholders change their contract from an unit-linked to an universal life-type contract.

RESERVES FOR PREMIUM REFUNDS

Reserves for premium refunds
€ mn

	2017	2016
Amounts already allocated under local statutory or contractual regulations		
As of 1 January	**16,101**	**15,400**
Foreign currency translation adjustments	(19)	7
Changes in the consolidated subsidiaries of the Allianz Group	-	(36)
Changes	113	731
As of 31 December	**16,196**	**16,101**
Latent reserves for premium refunds		
As of 1 January	**54,563**	**44,332**
Foreign currency translation adjustments	(215)	41
Changes in the consolidated subsidiaries of the Allianz Group	-	(10)
Changes due to fluctuations in market value	(2,603)	4,980
Changes due to valuation differences charged to income	3,836	5,220
As of 31 December	**55,581**	**54,563**
Total	**71,776**	**70,664**

CONCENTRATION OF INSURANCE RISK IN THE LIFE/HEALTH BUSINESS SEGMENT

The Allianz Group's Life/Health business segment provides a wide variety of insurance and investment contracts to individuals and groups in over 30 countries around the world. Individual contracts include both traditional contracts and unit-linked contracts. Without taking policyholder participation into account, traditional contracts generally incorporate significant investment risk for the Allianz Group, while unit-linked contracts generally result in the contract holder assuming the investment risk. Traditional contracts include life, endowment, annuity and health contracts. Traditional annuity contracts are issued in both deferred and immediate types. In addition, the Allianz Group's life insurance operations in the United States issue a significant amount of equity-indexed deferred annuities. In certain markets, the Allianz Group also issues group life, group health and group pension contracts.

As of 31 December 2017 and 2016, the Allianz Group's reserves for insurance and investment contracts for the business segment Life/Health are summarized per reportable segment as follows:

Concentration of insurance risk in the Life/Health business segment per reportable segment
€ mn

As of 31 December	2017			2016		
	Reserves for insurance and investments contracts	Financial liabilities for unit-linked contracts	Total	Reserves for insurance and investments contracts	Financial liabilities for unit-linked contracts	Total
German Speaking Countries and Central & Eastern Europe	285,995	10,434	296,430	272,181	9,526	281,708
Western & Southern Europe, Middle East, Africa, Asia Pacific	120,632	84,545	205,177	121,386	75,000	196,386
Iberia & Latin America	9,462	683	10,145	9,590	505	10,095
USA	85,916	23,478	109,395	89,957	26,294	116,251
Global Insurance Lines & Anglo Markets	903	-	903	1,038	-	1,038
Consolidation	(3,848)	-	(3,848)	(3,413)	-	(3,413)
Total	**499,060**	**119,141**	**618,201**	**490,739**	**111,325**	**602,064**

The majority of the Allianz Group's Life/Health business segment operations are conducted in Western Europe. Insurance laws and regulations in Europe have historically been characterized by legal or contractual minimum participation of contract holders in the profits of the insurance company issuing the contract. In particular, life insurance business in Germany, Switzerland, and Austria, which comprises approximately 51% (2016: 49%) of the Allianz Group's reserves for insurance and investment contracts as of 31 December 2017, includes a substantial level of policyholder participation in all sources of profit, including mortality/morbidity, investment, and expense. As a result of this policyholder participation, the Allianz Group's exposure to insurance, investment and expense risk is mitigated.

Furthermore, all of the Allianz Group's annuity policies issued in the United States meet the criteria for classification as insurance contracts under IFRS 4 because they include options for contract holders to elect a life-contingent annuity. These contracts currently do not expose the Allianz Group to significant longevity risk on a portfolio level, nor are they expected to do so in the future, as the projected and observed annuitization rates are very low. Additionally, many of the Allianz Group's traditional contracts issued in France and Italy do not incorporate significant insurance risk, although they are accounted for as insurance contracts because of their discretionary participation features. Similarly, a significant portion of the Allianz Group's unit-linked contracts in France and Italy do not incorporate significant insurance risk.

As a result of the considerable diversity in types of contracts issued, including the offsetting effects of mortality risk and longevity risk inherent in a combined portfolio of life insurance and annuity products, the geographic diversity of the Allianz Group's Life/Health business segment and the substantial level of policyholder participation in mortality/morbidity risk in certain countries in Western Europe, the Allianz Group does not believe its Life/Health segment has any significant concentrations of insurance risk, nor does it believe its net income or shareholders' equity is highly sensitive to insurance risk.

The Allianz Group's Life/Health business segment is exposed to significant investment risk as a result of guaranteed minimum interest rates being included in most of its non-unit-linked contracts. The weighted average guaranteed minimum interest rates of the Allianz Group's largest operating entities in the business segment Life/Health, comprising 86% (2016: 86%) of the aggregate policy reserves in this business segment in 2017, can be summarized by country as follows:

Weighted average guaranteed minimum interest rates of life insurance entities

As of 31 December	2017		2016	
	Guaranteed rate	Aggregate policy reserves	Guaranteed rate	Aggregate policy reserves
	%	€ bn	%	€ bn
Germany	2.4	178.7	2.5	168.0
United States	0.6	85.9	0.6	90.0
France	0.4	54.8	0.4	54.9
Italy	1.6	29.3	1.7	29.9
Switzerland	1.6	11.1	1.7	12.0
Belgium	2.5	8.8	2.6	8.8

In most of these markets, the effective interest rates earned on the investment portfolio exceed these guaranteed minimum interest rates. In addition, the operations in these markets may also have significant mortality and expense margins. However, the Allianz Group's Life/Health operations in Switzerland, Belgium, 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.

FUTURE POLICY BENEFITS

As of 31 December 2017, benefits for insurance and investment contracts which are expected to be due in 2018 amounted to € 51 bn, while those expected to be due between 2019 and 2022 amounted to € 185 bn and those expected to be due after 2022 amounted to € 1,146 bn.

The resulting total benefits for insurance and investment contracts in the amount of € 1,382 bn 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 beneficiary, depending on mortality and morbidity experience and the incidence of surrenders, lapses, or maturities. Furthermore, the amounts are undiscounted and do not include any expected future premiums; therefore they exceed the reserves for insurance and investment contracts presented in the consolidated balance sheet.

For contracts without fixed and determinable payments, the Allianz Group has made assumptions in estimating the undiscounted cash flows of contractual policy benefits including mortality, morbidity, interest crediting rates, policyholder participation in profits, and future lapse rates. These assumptions represent current best estimates and may differ from the estimates used to establish the reserves for insurance and investment contracts in accordance with the Allianz Group's established accounting policy. Due to the uncertainty of the assumptions used, the amount presented could be materially different from the actual incurred payments in future periods.

16 _ Financial liabilities for unit-linked contracts

Financial liabilities for unit-linked contracts
€ mn

	2017	2016
As of 1 January	**111,325**	**105,873**
Foreign currency translation adjustments	(4,660)	620
Changes in the consolidated subsidiaries of the Allianz Group	-	(1,079)
Premiums collected	20,640	16,189
Interest credited	7,973	3,994
Releases upon death, surrender and withdrawal	(12,776)	(10,547)
Policyholder charges	(1,972)	(1,857)
Portfolio acquisitions and disposals	(12)	(25)
Reclassifications[1]	(1,377)	(1,841)
As of 31 December[2]	**119,141**	**111,325**

1_These reclassifications mainly relate to insurance contracts when policyholders change their contracts from an unit-linked to an universal life-type contract.
2_Consists of € 74,878 mn (2016: € 71,706 mn) unit-linked insurance contracts and € 44,263 mn (2016: € 39,620 mn) unit-linked investment contracts.

17 _ Other liabilities

Other liabilities

€ mn

As of 31 December	2017	2016
Payables		
Policyholders	4,626	4,908
Reinsurance	1,589	1,745
Agents	1,562	1,616
Subtotal	7,777	8,269
Payables for social security	429	478
Tax payables		
Income taxes	2,006	1,836
Other taxes	1,453	1,452
Subtotal	3,458	3,287
Accrued interest and rent	461	564
Unearned income	469	440
Provisions		
Pensions and similar obligations	9,410	9,401
Employee related	2,540	2,551
Share-based compensation plans	497	431
Restructuring plans	313	95
Other provisions	2,055	2,121
Subtotal	14,815	14,599
Deposits retained for reinsurance ceded	2,025	2,254
Derivative financial instruments used for hedging that meet the criteria for hedge accounting, and firm commitments	147	159
Financial liabilities for puttable equity instruments	2,640	2,894
Other liabilities	7,418	6,922
Total[1]	**39,639**	**39,867**

1_Includes other liabilities due within one year of € 25,987 mn (2016: € 26,981 mn).

18 _ Certificated and subordinated liabilities

Certificated and subordinated liabilities

€ mn[1]

	Contractual maturity date				
	Up to 1 year	1 - 5 years	Over 5 years	As of 31 December 2017	As of 31 December 2016
Senior bonds					
Fixed rate[2]	500	3,732	3,801	8,033	6,574
Contractual interest rate	1.38 %	3.30 %	2.06 %	-	-
Floating rate	-	506	-	506	-
Current interest rate	-	0.17 %	-	-	-
Money market securities					
Fixed rate	1,058	-	-	1,058	1,041
Contractual interest rate	1.20 %	-	-	-	-
Total certificated liabilities	**1,558**	**4,237**	**3,801**	**9,596**	**7,615**
Subordinated bonds					
Fixed rate	-	-	4,370	4,370	3,157
Contractual interest rate	-	-	4.42 %	-	-
Floating rate	-	-	8,880	8,880	10,328
Current interest rate	-	-	4.48 %	-	-
Hybrid equity[3]					
Floating rate	-	-	45	45	45
Current interest rate	-	-	1.22 %	-	-
Total subordinated liabilities	**-**	**-**	**13,295**	**13,295**	**13,530**

1_Except for interest rates. Interest rates represent the weighted average.
2_Change due to the issuance of a € 2.0 bn certificated bond in the fourth quarter of 2017.
3_Relates to hybrid equity issued by subsidiaries.

Bonds outstanding as of 31 December 2017

€ mn

	ISIN	Year of issue	Currency	Notional amount	Coupon in %	Maturity date
Certificated liabilities						
Allianz Finance II B.V., Amsterdam	DE000A1HG1J8	2013	EUR	500	1.375	13 March 2018
	DE000A1AKHB8	2009	EUR	1,500	4.750	22 July 2019
	DE000A180B72	2016	EUR	750	0.000	21 April 2020
	DE000A19S4T0	2017	EUR	500	3-months Euribor + 50 bps	7 December 2020
	DE000A1G0RU9	2012	EUR	1,500	3.500	14 February 2022
	DE000A19S4U8	2017	EUR	750	0.250	6 June 2023
	DE000A19S4V6	2017	EUR	750	0.875	6 December 2027
	DE000A1HG1K6	2013	EUR	750	3.000	13 March 2028
	DE000A180B80	2016	EUR	750	1.375	21 April 2031
	DE000A1HG1L4	2013	GBP	750	4.500	13 March 2043
Subordinated liabilities						
Allianz SE, Munich	DE000A1RE1Q3	2012	EUR	1,500	5.625	17 October 2042
	DE000A14J9N8	2015	EUR	1,500	2.241	7 July 2045
	DE000A2DAHN6	2017	EUR	1,000	3.099	6 July 2047
	XS1556937891	2017	USD	600	5.100	30 January 2049
	XS0857872500	2012	USD	1,000	5.500	Perpetual bond
	DE000A1YCQ29	2013	EUR	1,500	4.750	Perpetual bond
	CH0234833371	2014	CHF	500	3.250	Perpetual bond
	DE000A13R7Z7	2014	EUR	1,500	3.375	Perpetual bond
	XS1485742438	2016	USD	1,500	3.875	Perpetual bond
Allianz Finance II B.V., Amsterdam	DE000A1GNAH1	2011	EUR	2,000	5.750	8 July 2041
	DE000A0GNPZ3	2006	EUR	800	5.375	Perpetual bond

19 _ Equity

Equity
€ mn

As of 31 December	2017	2016
Shareholders' equity		
Issued capital	1,170	1,170
Additional paid-in capital	27,758	27,758
Retained earnings[1]	27,199	27,087
Foreign currency translation adjustments	(2,749)	(762)
Unrealized gains and losses (net)[2]	12,175	11,830
Subtotal	65,553	67,083
Non-controlling interests	3,049	3,052
Total	**68,602**	**70,135**

1_As of 31 December 2017, include € (115) mn (2016: € (157) mn) related to treasury shares.
2_As of 31 December 2017, include € 274 mn (2016: € 297 mn) related to cash flow hedges.

ISSUED CAPITAL

Issued capital as of 31 December 2017 amounted to € 1,170 mn divided into 440,249,646 registered shares. The shares have no-par value but a mathematical per-share value as a proportion of the issued capital.

AUTHORIZED CAPITAL

As of 31 December 2017, Allianz SE had authorized capital with a notional amount of € 550 mn for the issuance of new shares until 6 May 2019 (Authorized Capital 2014/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 Act (Aktiengesetz) do not exceed 10 % of the share capital, and (iii) to the extent necessary to grant a subscription right for new shares to the holders of bonds that carry conversion or option rights or provide for mandatory conversion. The subscription rights for new shares from the Authorized Capital 2014/I and the Conditional Capital 2010/2014 may only be excluded for the proportionate amount of the share capital of up to € 234 mn (corresponding to 20 % of the share capital at year-end 2013).

In addition, Allianz SE has authorized capital (Authorized Capital 2014/II) for the issuance of shares against cash until 6 May 2019. 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 2017, the Authorized Capital 2014/II amounted to € 14 mn.

CONDITIONAL CAPITAL

As of 31 December 2017, Allianz SE had conditional capital totaling € 250 mn (Conditional Capital 2010/2014). 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 resolutions of the Annual General Meeting (AGM) on 5 May 2010 or 7 May 2014, are exercised or the conversion obligations under such bonds are fulfilled, and only to the extent that the conversion or option rights or conversion obligations are not serviced through treasury shares or through shares from authorized capital.

Convertible subordinated notes totaling € 500 mn, which may be converted into Allianz shares, were issued against cash in July 2011. Within 10 years after the issuance a mandatory conversion of the notes into Allianz shares at the then prevailing share price may apply if certain events occur, subject to a floor price of at least € 74.90 per share. Within the same period, the investors have the right to convert the notes into Allianz shares at a price of € 187.26 per share. Both conversion prices are as of inception and subject to anti-dilution provisions. The subscription rights of shareholders for these convertible notes have been excluded with the consent of the Supervisory Board and pursuant to the authorization of the AGM on 5 May 2010. The granting of new shares to persons entitled under such convertible notes is secured by the Conditional Capital 2010/2014. On or before 31 December 2017, there was no conversion of any such notes into new shares.

CHANGES IN THE NUMBER OF ISSUED SHARES OUTSTANDING

Number of issued shares outstanding

	2017	2016
Number of issued shares outstanding as of 1 January	455,067,737	454,823,638
Changes in number of treasury shares	562,546	244,099
Cancellation of issued shares	(16,750,354)	-
Number of issued shares outstanding as of 31 December	438,879,929	455,067,737
Treasury shares[1]	1,369,717	1,932,263
Total number of issued shares	**440,249,646**	**457,000,000**

1_Thereof 1,369,131 (2016: 1.931.677) own shares held by Allianz SE.

PROPOSAL FOR APPROPRIATION OF NET EARNINGS

The Board of Management and the Supervisory Board propose that the net earnings ("Bilanzgewinn") of Allianz SE of € 4,117,338,522.10 for the 2017 fiscal year shall be appropriated as follows:

- Distribution of a dividend of € 8.00 per no-par share entitled to a dividend: € 3,511,039,432.00
- Unappropriated earnings carried forward: € 606,299,090.10

The proposal for appropriation of net earnings reflects the 1,369,717 treasury shares held directly and indirectly by the company as of 31 December 2017. Such treasury shares are not entitled to the dividend pursuant to § 71b of the German Stock Corporation Act (AktG). Should there be any change in the number of shares entitled to the dividend by the date of the Annual General Meeting, the above proposal will be amended accordingly and presented for resolution on the appropriation of net earnings at the Annual General Meeting, with an unchanged dividend of € 8.00 per each share entitled to dividend.

TREASURY SHARES

As of 31 December 2017, Allianz SE held 1,369,131 (2016: 1,931,677) treasury shares. Of these, 343,102 (2016: 905,648) were held for covering future subscriptions by employees in Germany and abroad in the context of Employee Stock Purchase Plans, whereas 1,026,029 (2016: 1,026,029) were held as a hedge for obligations from the Allianz Equity Incentive Program (former Group Equity Incentive Program).

In the year ending 31 December 2017, 562,546 (2016: 617,084) shares were sold to employees of Allianz SE as well as its subsidiaries in Germany and abroad in the context of the Employee Stock Purchase Plan. These shares were taken from the stock of treasury shares dedicated to this purpose. In 2017, as in the previous year, no capital increase for the purpose of Employee Stock Purchase Plans was undertaken. Employees of the Allianz Group purchased shares at prices ranging from € 108.04 (2016: € 94.54) to € 158.72 (2016: € 121.84) per share. As of 31 December 2017, the remaining treasury shares of Allianz SE held for covering subscriptions by employees in the context of the Employee Stock Purchase Plan of Allianz SE and its subsidiaries in Germany and abroad amounted to 343,102 shares.

In the year ending 31 December 2017, the total number of treasury shares of Allianz SE decreased by 562,546 (2016: decrease of 244,099), which corresponds to € 1,494,910.50 (2016: € 624,893.00) or 0.13 % (2016: 0.05 %) of issued capital as of 31 December 2017.

The treasury shares of Allianz SE and its subsidiaries represent € 3.6 mn (2016: € 5 mn) or 0.31 % (2016: 0.42 %) of the issued capital as of 31 December 2017.

SHARE BUY-BACK PROGRAM 2017

In its meeting on 16 February 2017, the Board of Management of Allianz SE has resolved to conduct a share buy-back program in an amount of up to € 3 bn within a period of twelve months. The share buy-back program is based on the authorization granted by the Annual General Meeting on 7 May 2014. In the period between 17 February 2017 and 15 December 2017, total of 16,750,354 treasury shares with a market value of € 2,999,969,793.55 have been acquired for an average price of € 179.10. All of the treasury shares acquired within the share buy-back program 2017 have been redeemed according to the simplified procedure without reduction of the share capital.

NON-CONTROLLING INTERESTS

Non-controlling interests
€ mn

As of 31 December	2017	2016
Unrealized gains and losses (net)	180	174
Share of earnings	404	367
Other equity components	2,465	2,510
Total	**3,049**	**3,052**

CAPITAL REQUIREMENTS

The Allianz Group's capital requirements primarily depend on the type of business that it underwrites, the industry and geographic locations in which it operates, and the allocation of the Allianz Group's investments. During the Allianz Group's annual planning dialogues with its related undertakings, internal capital requirements are determined through business plans regarding the levels and timing of capital expenditures and investments. These plans also form the basis for the Allianz Group's capital management. Internal capital requirements are determined by explicitly taking stress resilience into account. Regulators impose minimum capital requirements at the level of the Allianz Group's operating entities and the Allianz Group as a whole. For further details on how Allianz Group manages its capital, please refer to the section "Target and strategy of risk management" of the Risk and Opportunity Report.

With Solvency II being the regulatory regime relevant for the Group since 1 January 2016, our risk profile is measured and steered based on our approved Solvency II internal model[1]. We have introduced a target Solvency II ratio based on pre-defined shock scenarios on the level of both the Group and related undertakings, supplemented by economic scenarios and sensitivity analysis.

1_From a formalistic perspective, the German Supervisory Authority deems the model of the Allianz Group to be "partial" because not all entities are using the internal model. Some of the smaller entities report under the standard model and others under the deduction and aggregation approach. Without loss of generality, the term internal model might be used within the following chapters e.g. in case descriptions are also referring to entities that use the internal model or descriptions focusing on processes with respect to the internal model components.

The Allianz Group's Own Funds as well as capital requirements are based on the market value balance sheet approach.[1] The eligible Group Own Funds essentially consist of the MVBS excess of assets over liabilities plus qualifying subordinated liabilities, less foreseeable dividends and further deductions relating to tier limits or transferability restrictions.

Compared to year-end 2016, our Solvency II capitalization increased by 11 percentage points to 229% (2016: 218%). This was driven by an increase in Own Funds and an overall decrease in the Solvency II capital requirement. The increase in Solvency II capitalization ratio was mainly due to strong Solvency II earnings and favorable markets that were characterized by higher interest rates, lower credit spreads and rising equities. Model changes also contributed to the increase of the capitalization ratio. These positive impacts were partly offset by capital management activities like the share buybacks as well as the dividend accrual throughout the year. Management actions such as the acquisition of Liverpool Victoria (LV=) and part of the non-controlling interests of Euler Hermes, the decrease in exposures to some government bonds and the improvement of our interest rate risk profile had further compensating effects. Other effects such as taxes, changes in transferability restrictions as well as diversification effects contributed to a further reduction of the Solvency II capitalization ratio. For further information on the Solvency II capitalization, please refer to the section "Solvency II regulatory capitalization" of the Risk and Opportunity Report.

The Allianz Group is a financial conglomerate within the scope of the Financial Conglomerates Directive (FCD). The FCD does not impose a materially different capital requirement on Allianz Group compared to Solvency II.

Insurance subsidiaries of the Allianz Group (including Allianz SE) prepare individual financial statements based on local laws and regulations. Local regulations establish additional restrictions on the minimum level of capital and the amount of dividends that may be paid to shareholders. The respective local minimum capital requirements are based on various criteria including, but not limited to, the volume of premiums written or claims paid, amount of insurance reserves, investment risks, mortality risks, credit risks, and underwriting risks.

As of 31 December 2017, the Allianz Group believes that there are no outstanding regulatory capital or compliance matters that would have a material adverse effect on the financial position or the results of operations of the Allianz Group.

Some insurance subsidiaries of the Allianz Group are subject 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 require that a company may only pay dividends up to an amount in excess of certain regulatory capital levels, or based on the levels of undistributed earned surplus or current year income or a percentage thereof. The Allianz Group believes that these restrictions will not affect the ability of Allianz SE to pay dividends to its shareholders in the future.

1_Own Funds and capital requirement are calculated under consideration of volatility adjustment and yield curve extension, as described in section Risk-free rate and volatility adjustment on page 69.

NOTES TO THE CONSOLIDATED INCOME STATEMENTS

20 _ Premiums earned (net)

Premiums earned (net)
€ mn

	Property-Casualty	Life/Health	Consoli-dation	Group
2017				
Premiums written				
Gross	52,262	25,212	(130)	77,345
Ceded	(4,442)	(599)	130	(4,912)
Net	47,820	24,613	-	72,433
Change in unearned premiums (net)	(579)	(428)	-	(1,007)
Premiums earned (net)	**47,242**	**24,185**	**-**	**71,427**
2016				
Premiums written				
Gross	51,535	24,929	(134)	76,331
Ceded	(4,397)	(638)	134	(4,901)
Net	47,139	24,291	-	71,430
Change in unearned premiums (net)	(550)	(522)	-	(1,073)
Premiums earned (net)	**46,588**	**23,769**	**-**	**70,357**

21 _ Interest and similar income

Interest and similar income
€ mn

	2017	2016
Dividends from available-for-sale investments	2,202	1,816
Interest from available-for-sale investments	13,321	14,020
Interest from loans to banks and customers	4,231	4,550
Rent from real estate held for investment	900	890
Other	1,194	872
Total	**21,848**	**22,149**

22 _ Income from financial assets and liabilities carried at fair value through income (net)

Income from financial assets and liabilities carried at fair value through income (net)
€ mn

	2017	2016
Income from financial assets and liabilities held for trading (net)	2,436	(2,266)
Income from financial assets and liabilities designated at fair value through income (net)	300	139
Income from financial liabilities for puttable equity instruments (net)	(117)	6
Foreign currency gains and losses (net)[1]	(3,822)	1,272
Total	**(1,204)**	**(850)**

1 _ These foreign currency gains and losses arise subsequent to initial recognition on all assets and liabilities denominated in a foreign currency that are monetary items and not measured at fair value through income.

23 _ Realized gains/losses (net)

Realized gains/losses (net)
€ mn

	2017	2016
REALIZED GAINS		
Available-for-sale investments		
Equity securities	2,803	2,445
Debt securities	4,373	5,765
Subtotal	7,176	8,211
Other	715	1,477
Subtotal	7,891	9,687
REALIZED LOSSES		
Available-for-sale investments		
Equity securities	(463)	(397)
Debt securities	(786)	(781)
Subtotal	(1,248)	(1,178)
Other	(97)	(107)
Subtotal	(1,346)	(1,284)
Total	**6,546**	**8,403**

24 _ Fee and commission income

Fee and commission income
€ mn

	2017	2016
PROPERTY-CASUALTY		
Fees from credit and assistance business	1,204	1,051
Service agreements	412	476
Subtotal	1,616	1,527
LIFE/HEALTH		
Service agreements	115	120
Investment advisory	1,338	1,226
Subtotal	1,454	1,346
ASSET MANAGEMENT		
Management and advisory fees	6,896	6,403
Loading and exit fees	543	485
Performance fees	437	474
Other	28	39
Subtotal	7,904	7,401
CORPORATE AND OTHER		
Service agreements	1,434	330
Investment advisory and banking activities	916	735
Subtotal	2,349	1,066
CONSOLIDATION	(2,387)	(850)
Total	**10,937**	**10,491**

25 _ Claims and insurance benefits incurred (net)

Claims and insurance benefits incurred (net)
€ mn

	Property-Casualty	Life/Health	Consoli-dation	Group
2017				
Gross	(36,262)	(20,486)	104	(56,644)
Ceded	4,838	689	(100)	5,427
Net	**(31,425)**	**(19,798)**	**5**	**(51,218)**
2016				
Gross	(32,872)	(23,122)	81	(55,914)
Ceded	2,296	538	(76)	2,758
Net	**(30,576)**	**(22,584)**	**5**	**(53,156)**

26 _ Change in reserves for insurance and investment contracts (net)

Change in reserves for insurance and investment contracts (net)
€ mn

	Property-Casualty	Life/Health	Consoli-dation	Group
2017				
Gross	(487)	(14,059)	56	(14,489)
Ceded	2	61	-	63
Net	**(485)**	**(13,998)**	**56**	**(14,427)**
2016				
Gross	(575)	(12,820)	(135)	(13,530)
Ceded	14	315	-	329
Net	**(561)**	**(12,505)**	**(135)**	**(13,201)**

27 _ Interest expenses

Interest expenses
€ mn

	2017	2016
Liabilities to banks and customers	(150)	(170)
Deposits retained for reinsurance ceded	(45)	(45)
Certificated liabilities	(239)	(286)
Subordinated liabilities	(622)	(595)
Other	(93)	(111)
Total	**(1,149)**	**(1,207)**

28 _ Impairments of investments (net)

Impairments of investments (net)
€ mn

	2017	2016
Impairments		
Available-for-sale investments		
Equity securities	(881)	(1,560)
Debt securities	(56)	(122)
Subtotal	(937)	(1,683)
Other	(72)	(46)
Non-current assets and assets of disposal groups classified as held for sale	(233)	(315)
Subtotal	(1,242)	(2,043)
Reversals of impairments	83	103
Total	**(1,160)**	**(1,940)**

29 _ Investment expenses

Investment expenses
€ mn

	2017	2016
Investment management expenses	(724)	(735)
Expenses from real estate held for investment	(375)	(418)
Expenses from fixed assets of renewable energy investments	(170)	(153)
Total	**(1,269)**	**(1,306)**

30 _ Acquisition and administrative expenses (net)

Acquisition and administrative expenses (net)
€ mn

	2017	2016
PROPERTY-CASUALTY		
Acquisition costs	(10,278)	(10,307)
Administrative expenses	(3,259)	(3,044)
Subtotal	(13,537)	(13,352)
LIFE/HEALTH		
Acquisition costs	(4,707)	(4,782)
Administrative expenses	(1,858)	(1,829)
Subtotal	(6,565)	(6,612)
ASSET MANAGEMENT		
Personnel expenses	(2,378)	(2,292)
Non-personnel expenses	(1,583)	(1,522)
Subtotal	(3,961)	(3,815)
CORPORATE AND OTHER		
Administrative expenses	(1,578)	(1,466)
Subtotal	(1,578)	(1,466)
CONSOLIDATION	(61)	(58)
Total	**(25,702)**	**(25,301)**

31 _ Fee and commission expenses

Fee and commission expenses
€ mn

	2017	2016
PROPERTY-CASUALTY		
Fees from credit and assistance business	(1,202)	(1,045)
Service agreements	(306)	(362)
Subtotal	(1,509)	(1,407)
LIFE/HEALTH		
Service agreements	(59)	(53)
Investment advisory	(641)	(602)
Subtotal	(700)	(655)
ASSET MANAGEMENT		
Commissions	(1,400)	(1,307)
Other	(130)	(75)
Subtotal	(1,530)	(1,382)
CORPORATE AND OTHER		
Service agreements	(1,670)	(526)
Investment advisory and banking activities	(322)	(299)
Subtotal	(1,992)	(825)
CONSOLIDATION	1,873	535
Total	**(3,857)**	**(3,734)**

32 _ Income taxes

Income taxes
€ mn

	2017	2016
Current income taxes	(2,129)	(2,666)
Deferred income taxes	(812)	(419)
Total	**(2,941)**	**(3,085)**

During the year ended 31 December 2017, current income taxes included income of € 160 mn (2016: expenses of € 178 mn) related to prior years.

Of the deferred income taxes for the year ended 31 December 2017, expenses of € 581 mn (2016: € 365 mn) are attributable to the recognition of deferred taxes on temporary differences, and expenses of € 183 mn (2016: € 41 mn) are attributable to tax losses carried forward. Changes of applicable tax rates due to changes in tax law produced deferred tax expenses of € 48 mn (2016: € 13 mn).

For the years ended 31 December 2017 and 2016, the income taxes relating to components of other comprehensive income consist of the following:

Income taxes relating to components of other comprehensive income
€ mn

	2017	2016
Items that may be reclassified to profit or loss in future periods		
Foreign currency translation adjustments	(89)	(28)
Available-for-sale investments	531	(807)
Cash flow hedges	8	(33)
Share of other comprehensive income of associates and joint ventures	(4)	10
Miscellaneous	181	(14)
Items that may never be reclassified to profit or loss		
Changes in actuarial gains and losses on defined benefit plans	(46)	148
Total	**581**	**(724)**

The recognized income taxes for the year ended 31 December 2017 are € 63 mn (2016: € 31 mn) below the calculated income taxes, which are determined by multiplying the respective income before income taxes with the applicable country-specific tax rates. The following table shows the reconciliation from the calculated income taxes to the effectively recognized income taxes of the Allianz Group. The Allianz Group's reconciliation is a summary of the individual company-related reconciliations, which are based on the respective country-specific tax rates taking into consideration consolidation effects with an impact on the Group result. The applicable tax rate used in the reconciliation for domestic Allianz Group companies includes corporate tax, trade tax and the solidarity surcharge, and amounted to 31.0% (2016: 31.0%).

The effective tax rate is determined on the basis of the effective income tax expenses on income before income taxes.

Effective tax rate
€ mn

	2017	2016
Income before income taxes	10,148	10,413
Applied weighted income tax rate	29.6 %	29.9 %
Calculated income taxes	**3,004**	**3,116**
Trade tax and similar taxes	211	193
Net tax exempt income	(221)	(309)
Effects of tax losses	(10)	61
Other effects	(43)	23
Effective income taxes	**2,941**	**3,085**
Effective tax rate	**29.0 %**	**29.6 %**

For the year ended 31 December 2017, the write-down of deferred taxes on tax losses increased the tax expenses by € 52 mn (2016: € 103 mn). The reversal of write-down of deferred tax assets on tax losses carried forward resulted in deferred tax income of € 49 mn (2016: € 9 mn). Due to the use of tax losses carried forward, for which deferred tax assets had previously been written off, the current income tax expenses decreased by € 3 mn (2016: € 1 mn). Deferred tax income increased by € 10 mn (2016: € 32 mn) due to the use of tax losses carried forward, for which deferred tax assets had previously been written off. The above-mentioned effects are shown in the reconciliation statement as "effects of tax losses".

The tax rates used in the calculation of the Allianz Group's deferred taxes are the applicable national rates, which in 2017 ranged from 10.0% to 45.0%, with changes to tax rates that had already been adopted in Argentina, Belgium, France, Portugal, Turkey, and the United States by 31 December 2017 taken into account. The tax rate change from the US tax reform led to extraordinary tax expenses of € 74 mn.

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 € 351 mn (2016: € 334 mn), as there was convincing other evidence that sufficient taxable profit will be available.

DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities
€ mn

As of 31 December	2017	2016
DEFERRED TAX ASSETS		
Financial assets carried at fair value through income	381	313
Investments	14,807	10,976
Deferred acquisition costs	1,256	1,442
Other assets	1,394	1,875
Intangible assets	99	254
Tax losses carried forward	1,941	2,252
Insurance reserves	31,073	28,368
Pensions and similar obligations	4,662	4,601
Other liabilities	990	1,136
Total deferred tax assets	56,604	51,216
Non-recognition or valuation allowance for deferred tax assets on tax losses carried forward	(737)	(807)
Effect of netting	(54,936)	(49,406)
Net deferred tax assets	**931**	**1,003**
DEFERRED TAX LIABILITIES		
Financial assets carried at fair value through income	553	487
Investments	30,764	28,545
Deferred acquisition costs	6,309	7,423
Other assets	1,622	1,826
Intangible assets	637	808
Insurance reserves	16,865	11,697
Pensions and similar obligations	2,516	2,675
Other liabilities	576	630
Total deferred tax liabilities	59,843	54,090
Effect of netting	(54,936)	(49,406)
Net deferred tax liabilities	**4,906**	**4,683**
Net deferred tax assets (liabilities)	**(3,976)**	**(3,680)**

In 2017, the posting of deferred taxes for latent reserves for premium refunds and the underlying revaluations of balance sheet items was changed from a net to a gross approach which led to an increase in deferred tax assets and liabilities before netting, particularly for investments and insurance reserves. The comparative amounts for 2016 were adjusted accordingly by € 30.2 bn. In addition, the US tax reform led to an increase in deferred tax assets and deferred tax liabilities in 2017 of € 669 mn before netting.

Taxable temporary differences associated with investments in Allianz Group companies for which no deferred tax liabilities are recognized, as the Allianz Group is able to control the timing of their reversal, and which will not reverse in the foreseeable future, amounted to € 1,673 mn (2016: € 1,150 mn). Deductible temporary differences arising from investments in Allianz Group companies for which no deferred tax assets are recognized, as it is not probable that they will reverse in the foreseeable future, amounted to € 65 mn (2016: € 97 mn).

TAX LOSSES CARRIED FORWARD

Tax losses carried forward at 31 December 2017 of € 8,395 mn (2016: € 9,697 mn) resulted in the recognition of deferred tax assets to the extent that there is sufficient certainty that the unused tax losses will be utilized. At the reporting date, this prerequisite was not fulfilled for a partial amount of € 2,684 mn (2016: € 3,010 mn). According to tax legislation as of 31 December 2017, an amount of € 2,353 mn (2016: € 2,801 mn) of these tax losses may be carried forward indefinitely and in unlimited amounts, whereas an amount of € 331 mn (2016: € 209 mn) of these tax losses carried forward will expire over the next 20 years if not utilized.

Tax losses carried forward are scheduled according to their expiry periods as follows:

Tax losses carried forward
€ mn

	2017
2018	34
2019 - 2020	115
2021 - 2022	92
2023 - 2027	182
>10 years	294
Unlimited	7,679
Total	**8,395**

OTHER INFORMATION

33 _ Derivative financial instruments

Derivative financial instruments
€ mn

As of 31 December	2017						2016		
	Maturity by notional amount			Notional principal amounts	Positive fair values	Negative fair values	Notional principal amounts	Positive fair values	Negative fair values
	Up to 1 year	1 - 5 years	Over 5 years						
Interest rate contracts									
OTC	8,238	16,060	62,258	86,556	691	(123)	118,640	1,201	(275)
Exchange-traded	11,952	-	-	11,952	-	-	12,933	-	-
Subtotal	20,190	16,060	62,258	98,508	691	(123)	131,573	1,201	(275)
Equity/Index contracts									
OTC	209,402	1,841	11,046	222,289	1,175	(11,018)	198,670	931	(10,565)
Exchange-traded	75,736	959	-	76,695	270	(26)	60,329	428	(32)
Subtotal	285,138	2,800	11,046	298,984	1,445	(11,044)	258,999	1,359	(10,597)
Foreign exchange contracts									
OTC	57,947	943	1,076	59,966	835	(262)	52,628	545	(534)
Exchange-traded	25	-	-	25	-	-	8	-	-
Subtotal	57,972	943	1,076	59,991	835	(262)	52,636	545	(534)
Credit contracts									
OTC	1,397	1,936	828	4,161	6	(8)	3,843	5	(20)
Subtotal	1,397	1,936	828	4,161	6	(8)	3,843	5	(20)
Real estate and other contracts									
OTC	5	31	-	36	21	-	5	-	-
Exchange-traded	1	-	-	1	-	-	-	-	-
Subtotal	6	31	-	37	21	-	5	-	-
Total	**364,703**	**21,770**	**75,208**	**461,681**	**2,998**	**(11,437)**	**447,056**	**3,110**	**(11,426)**

The table shows the fair value and notional amounts of all freestanding derivatives, as well as derivatives for which hedge accounting is applied by the Allianz Group, as of 31 December 2017 and 2016, respectively. The notional principal amounts indicated in the table are cumulative, as they include the absolute value of the notional principal amounts of derivatives with positive and negative fair values. Although these notional principal amounts reflect the degree of the Allianz Group's involvement in derivative transactions, they do not represent amounts exposed to risk. Further information on the use of derivatives to hedge risk can be found in the sections on market and credit risk of the Risk and Opportunity Report, which forms part of the Group Management Report.

FREESTANDING DERIVATIVE FINANCIAL INSTRUMENTS

As of 31 December 2017, freestanding derivatives, included in the line item financial assets and liabilities held for trading, had a notional principal amount of € 439.6 bn (2016: € 429.7 bn) as well as a positive fair value of € 2.5 bn (2016: € 2.4 bn) and a negative fair value of € 11.3 bn (2016: € 11.3 bn). Out of the total allocated to the freestanding derivatives, € 103.0 bn (2016: € 110.3 bn) of the notional principal relate to annuity products. Annuity products are equity-indexed or contain certain embedded options or guarantees which are considered embedded derivatives under IAS 39. For these embedded derivatives, the notional principal amounts included in the table refer to the account value of the related insurance contracts. The total negative fair value of these embedded derivatives amounts to € 10.2 bn (2016: € 9.9 bn). Further information on the fair value measurement of these derivatives can be found in note 34.

DERIVATIVE FINANCIAL INSTRUMENTS USED IN ACCOUNTING HEDGES

As of 31 December 2017, derivatives which form part of hedge accounting relationships, which are included in the line items other assets and other liabilities, had a notional amount of € 22.1 bn (2016: € 17.3 bn) as well as a positive fair value of € 538 mn (2016: € 677 mn) and a negative fair value of € 147 mn (2016: € 159 mn). These hedging instruments mainly include interest rate forwards with a total positive fair value of € 216 mn (2016: € 422 mn).

FAIR VALUE HEDGES

The Allianz Group uses fair value hedges to hedge the exposure to changes in the fair value of financial assets due to movements in interest or exchange rates and to hedge its equity portfolio against equity market risk. As of 31 December 2017, the derivative financial instruments used for the related fair value hedges of the Allianz Group had a total positive fair value of € 12 mn (2016: total negative € 28 mn).

CASH FLOW HEDGES

During the year ended 31 December 2017, cash flow hedges were used to hedge the exposure to the variability of cash flows arising from interest rate or exchange rate fluctuations as well as inflation. As of 31 December 2017, the derivative instruments utilized had a total positive fair value of € 229 mn (2016: € 540 mn).

HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS

As of 31 December 2017, the Allianz Group hedges part of its foreign currency net investments through the issuance of several foreign currency denominated liabilities and the use of forward sales. The total positive fair value in 2017 was € 149 mn (2016: € 6 mn).

OFFSETTING

The Allianz Group mainly enters into enforceable master netting arrangements and similar arrangements for derivatives transactions. None of these enforceable master netting arrangements or similar arrangements meet the requirements for offsetting in line with IAS 32.

Credit risk associated with netting arrangements is further mitigated by collateral. For further information on collateral, please refer to note 34.

34 _ Fair values and carrying amounts of financial instruments

Certain risk disclosure requirements of IFRS 7 are reflected in the following sections of the Risk and Opportunity Report within the Group Management Report:

- Internal risk capital framework including all subsections,
- Risk based steering and risk management,
- Allianz risk profile and management assessment,
- Market risk, credit risk, and liquidity risk in the section Quantifiable risks and opportunities by risk category.

FAIR VALUES AND CARRYING AMOUNTS

The following table compares the carrying amount and fair value of the Allianz Group's financial assets and financial liabilities:

Fair values and carrying amounts of financial instruments
€ mn

As of 31 December	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS				
Cash and cash equivalents	17,119	17,119	14,463	14,463
Financial assets held for trading	3,076	3,076	2,907	2,907
Financial assets designated at fair value through income	5,101	5,101	5,426	5,426
Available-for-sale investments	520,397	520,397	512,268	512,268
Held-to-maturity investments	2,678	2,992	2,399	2,805
Investments in associates and joint ventures	9,010	11,059	7,161	9,031
Real estate held for investment	11,419	18,913	11,732	18,380
Loans and advances to banks and customers	104,224	119,934	105,369	124,422
Financial assets for unit-linked contracts	119,141	119,141	111,325	111,325
Derivative financial instruments and firm commitments included in other assets	538	538	677	677
FINANCIAL LIABILITIES				
Financial liabilities held for trading	11,291	11,291	11,271	11,271
Liabilities to banks and customers	12,746	12,759	13,038	13,062
Financial liabilities for unit-linked contracts	119,141	119,141	111,325	111,325
Derivative financial instruments and firm commitments included in other liabilities	147	147	159	159
Financial liabilities for puttable equity instruments	2,640	2,640	2,894	2,894
Certificated liabilities	9,596	10,459	7,615	8,530
Subordinated liabilities	13,295	14,757	13,530	14,256

As of 31 December 2017, fair values could not be reliably measured for equity investments with carrying amounts totaling € 73 mn (31 December 2016: € 100 mn). These investments are primarily investments in privately held corporations and partnerships. During the year ended 31 December 2017, such investments with carrying amounts of € 39 mn (2016: € 58 mn) were sold. The gains and losses from these disposals were immaterial.

FAIR VALUE MEASUREMENT ON A RECURRING BASIS

The following financial assets and liabilities are carried at fair value on a recurring basis:

- Financial assets and liabilities held for trading,
- Financial assets and liabilities designated at fair value through income,
- Available-for-sale investments,
- Financial assets and liabilities for unit-linked contracts,
- Derivative financial instruments and firm commitments included in other assets and other liabilities, and
- Financial liabilities for puttable equity instruments.

The following table presents the fair value hierarchy for financial instruments carried at fair value in the consolidated balance sheets as of 31 December 2017 and 2016:

Fair value hierarchy (items carried at fair value)
€ mn

As of 31 December	2017				2016			
	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total
FINANCIAL ASSETS								
Financial assets carried at fair value through income								
Financial assets held for trading	347	2,716	13	3,076	447	2,451	9	2,907
Financial assets designated at fair value through income	3,876	1,076	150	5,101	4,205	1,043	178	5,426
Subtotal	4,223	3,792	162	8,177	4,652	3,494	187	8,333
Available-for-sale investments								
Corporate bonds	15,816	211,507	16,203	243,526	29,233	201,489	14,152	244,874
Government and government agency bonds	30,884	167,449	578	198,911	33,476	165,099	339	198,914
MBS/ABS	45	21,406	182	21,633	175	20,702	519	21,396
Other	694	899	3,577	5,169	783	1,018	2,504	4,305
Equity securities	40,247	788	10,122	51,158	34,169	781	7,829	42,779
Subtotal	87,687	402,048	30,661	520,397	97,836	389,089	25,342	512,268
Financial assets for unit-linked contracts	95,224	23,324	592	119,141	91,071	19,877	377	111,325
Derivative financial instruments and firm commitments included in other assets	1	537	-	538	-	677	-	677
Total	**187,135**	**429,701**	**31,416**	**648,252**	**193,560**	**413,137**	**25,906**	**632,603**
FINANCIAL LIABILITIES								
Financial liabilities held for trading	34	1,139	10,118	11,291	36	1,538	9,697	11,271
Financial liabilities for unit-linked contracts	95,224	23,324	592	119,141	91,071	19,877	377	111,325
Derivative financial instruments and firm commitments included in other liabilities	1	146	-	147	3	156	-	159
Financial liabilities for puttable equity instruments	2,377	87	175	2,640	2,657	92	145	2,894
Total	**97,637**	**24,697**	**10,886**	**133,220**	**93,767**	**21,664**	**10,220**	**125,650**

1_Quoted prices in active markets.
2_Market observable inputs.
3_Non-market observable inputs.

FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH INCOME

Financial assets held for trading

This position mainly includes derivative financial instruments. The fair value of these derivatives is mostly determined based on the income approach, using present value techniques and the Black-Scholes-Merton model. Primary inputs for the valuation include volatilities, interest rates, yield curves, and foreign exchange rates observable at commonly quoted intervals. In some cases, it is determined based on the market approach.

Financial assets designated at fair value through income

The fair value is mainly determined based on net asset values for funds and the market approach.

AVAILABLE-FOR-SALE INVESTMENTS

Debt securities

Debt securities include corporate and government bonds, MBS/ABS, and other debt securities.

The valuation techniques for these debt securities are similar. The fair value is determined using the market and the income approach. Primary inputs for the market approach are quoted prices for identical or comparable assets in active markets where the comparability between security and benchmark defines the fair value level. The income approach in most cases means that a present value technique is applied where either the cash flow or the discount curve is adjusted to reflect credit risk and liquidity risk. Depending on the observability of these risk parameters in the market, the security is classified as level 2 or level 3.

Level 3 investments are mainly priced based on the income approach. The primary non-market observable input used in the discounted cash flow method is an option-adjusted spread taken from a set of benchmark securities with similar characteristics. A significant yield increased of the benchmark securities in isolation could result in a decreased fair value, while a significant yield decrease could result in an increased fair value. However, a 10% stress of the main non-market observable inputs has only immaterial impact on fair value.

Equity securities

For level 2, the fair value is mainly determined using the market approach or net asset value techniques for funds. For certain private equity investments, the funds are priced based on transaction prices using the cost approach. As there are only few holders of these funds, the market is not liquid and transactions are only known to participants.

Level 3 mainly comprise private equity fund investments as well as alternative investments of the Allianz Group, and in most cases are delivered as net asset values by the fund managers. The net asset values are calculated using material, non-public information about the respective private equity companies. The Allianz Group has only limited insight into the specific inputs used by the fund managers and hence a narrative sensitivity analysis is not applicable. The fund's asset manager generally prices the underlying single portfolio companies in line with the International Private Equity and Venture Capital Valuation (IPEV) guidelines using discounted cash flow (income approach) or multiple methods (market approach). For certain investments, the capital invested is considered to be a reasonable proxy for the fair value. In the cases, sensitivity analyses are also not applicable.

FINANCIAL ASSETS FOR UNIT-LINKED CONTRACTS

For level 2, the fair value is determined using the market or the income approach. Valuation techniques applied for the income approach mainly include discounted cash flow models as well as the Black-Scholes-Merton model. Financial liabilities for unit-linked contracts are valued based on their corresponding assets.

DERIVATIVE FINANCIAL INSTRUMENTS AND FIRM COMMITMENTS INCLUDED IN OTHER ASSETS

The fair value of the derivatives is determined using the income or the market approach. Valuation techniques applied for the income approach mainly include present value techniques. Primary inputs include yield curves observable at commonly quoted intervals. The derivatives are mainly used for hedging purposes. Certain derivatives are priced by Bloomberg functions, such as Black-Scholes Option Pricing or the swap manager tool.

FINANCIAL LIABILITIES HELD FOR TRADING

This position mainly includes derivative financial instruments.

For level 2, the fair value is determined using the income or the market approach. Valuation techniques applied for the income approach mainly include discounted cash flow models as well as the Black-Scholes-Merton model. Main observable input parameters include volatilities, yield curves observable at commonly quoted intervals, and credit spreads observable in the market.

For level 3, the fair value is determined using the income or the market approach. Valuation techniques applied for the income approach mainly include discounted cash flow models. A significant proportion of derivative liabilities represent derivatives embedded in certain life insurance and annuity contracts. Significant non-market observable input parameters include mortality rates and surrender rates. A significant decrease (increase) in surrender rates, in mortality rates or in the utilization of annuitization benefits could result in a higher (lower) fair value. For products with a high death benefit, surrender rates may show an opposite effect. However, a 10% stress of the main non-market observable inputs has only immaterial impact on fair value.

Quantitative description of non-market observable input(s) used for the level 3 portfolios

Description	Non-market observable input(s)	Range
Fixed-indexed annuities	Annuitizations	0%–25%
	Surrenders	0%–25%
	Mortality	n/a[1]
	Withdrawal benefit election	0%–50%
Variable annuities	Surrenders	0%–35%
	Mortality	n/a[1]

1_Mortality assumptions are mainly derived from the Annuity 2000 Mortality Table.

FINANCIAL LIABILITIES FOR PUTTABLE EQUITY INSTRUMENTS

Financial liabilities for puttable equity instruments are generally required to be recorded at the redemption amount with changes recognized in income. The fair value is based on the net asset value or the use of present value techniques.

SIGNIFICANT TRANSFERS OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

In general, financial assets and liabilities are transferred from level 1 to level 2 when their liquidity, trade frequency, and activity are no longer indicative of an active market. In 2017, this mainly affects a corporate bond portfolio with a transfer volume of € 12 bn. Conversely, the same policy applies for transfers from level 2 to level 1.

Reconciliation of level 3 financial instruments

The following tables show reconciliations of the financial instruments carried at fair value and classified as level 3:

Reconciliation of level 3 financial assets

€ mn

	Financial assets carried at fair value through income	Available-for-sale investments – Debt securities[1]	Available-for-sale investments – Equity securities	Financial assets for unit-linked contracts	Total
Carrying value (fair value) as of 1 January 2017	**187**	**17,513**	**7,829**	**377**	**25,906**
Additions through purchases and issues	11	5,576	3,950	261	9,798
Net transfers into (out of) level 3	1	(262)	51	(24)	(234)
Disposals through sales and settlements	118	(1,470)	(1,155)	(14)	(2,522)
Net gains (losses) recognized in consolidated income statement	(158)	21	30	5	(102)
Net gains (losses) recognized in other comprehensive income	-	408	(46)	-	362
Impairments	-	(32)	(417)	-	(448)
Foreign currency translation adjustments	4	(1,231)	(116)	(13)	(1,356)
Changes in the consolidated subsidiaries of the Allianz Group	-	17	(5)	-	13
Carrying value (fair value) as of 31 December 2017	**162**	**20,539**	**10,122**	**592**	**31,416**
Net gains (losses) in profit or loss attributable to a change in unrealized gains or losses for financial assets held at the reporting date	6	(129)	-	5	(118)

1_Primarily include corporate bonds.

Reconciliation of level 3 financial liabilities

€ mn

	Financial liabilities held for trading	Financial liabilities for unit-linked contracts	Financial liabilities for puttable equity instruments	Total
Carrying value (fair value) as of 1 January 2017	**9,697**	**377**	**145**	**10,220**
Additions through purchases and issues	930	261	23	1,215
Net transfers into (out of) level 3	(1)	(24)	-	(25)
Disposals through sales and settlements	(804)	(14)	(1)	(819)
Net losses (gains) recognized in consolidated income statement	1,555	5	-	1,560
Net losses (gains) recognized in other comprehensive income	-	-	-	-
Impairments	-	-	-	-
Foreign currency translation adjustments	(1,259)	(13)	-	(1,273)
Changes in the consolidated subsidiaries of the Allianz Group	-	-	8	8
Carrying value (fair value) as of 31 December 2017	**10,118**	**592**	**175**	**10,886**
Net losses (gains) in profit or loss attributable to a change in unrealized gains or losses for financial liabilities held at the reporting date	1,464	5	-	1,469

FAIR VALUE MEASUREMENT ON A NON-RECURRING BASIS

Certain financial assets are measured at fair value on a non-recurring basis when events or changes in circumstances indicate that the carrying amount may not be recoverable.

If financial assets are measured at fair value on a non-recurring basis at the time of impairment, or if fair value less cost to sell is used as the measurement basis under IFRS 5, corresponding disclosures can be found in note 28.

FAIR VALUE INFORMATION ABOUT FINANCIAL ASSETS AND LIABILITIES NOT CARRIED AT FAIR VALUE

Fair value hierarchy (items not carried at fair value)
€ mn

As of 31 December	2017				2016			
	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total
FINANCIAL ASSETS								
Held-to-maturity investments	1,303	1,688	1	2,992	1,434	1,368	3	2,805
Investments in associates and joint ventures	85	76	10,898	11,059	99	148	8,784	9,031
Real estate held for investment	-	-	18,913	18,913	-	-	18,380	18,380
Loans and advances to banks and customers	5,668	72,371	41,895	119,934	5,913	80,130	38,378	124,422
Total	**7,056**	**74,136**	**71,707**	**152,898**	**7,446**	**81,647**	**65,544**	**154,637**
FINANCIAL LIABILITIES								
Liabilities to banks and customers	5,330	4,850	2,579	12,759	7,113	4,053	1,896	13,062
Certificated liabilities	-	10,293	166	10,459	-	8,479	51	8,530
Subordinated liabilities	-	14,757	-	14,757	-	14,256	-	14,256
Total	**5,330**	**29,901**	**2,745**	**37,975**	**7,113**	**26,788**	**1,946**	**35,847**

1_Quoted prices in active markets.
2_Market observable inputs.
3_Non-market observable inputs.

HELD-TO-MATURITY INVESTMENTS

For level 2 and level 3, the fair value is mainly determined based on the market approach, using quoted market prices, and the income approach using deterministic discounted cash flow models.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

For level 2 and level 3, fair values are mainly based on an income approach using a discounted cash flow method or net asset values as provided by third-party vendors.

REAL ESTATE

Fair values are mostly determined using the market or the income approach. The valuation techniques applied for the market approach include market prices of identical or comparable assets in markets that are not active. The fair values are either calculated internally and validated by external experts, or derived from expert appraisals with internal controls in place to monitor these valuations.

LOANS AND ADVANCES TO BANKS AND CUSTOMERS

For loans and advances to banks and customers, quoted market prices are rarely available. Level 1 mainly consists of highly liquid advances, e.g. short-term investments. The fair value for these assets in level 2 and level 3 is mainly derived based on the income approach using deterministic discounted cash flow models.

LIABILITIES TO BANKS AND CUSTOMERS

Level 1 mainly consists of highly liquid liabilities, e.g. payables on demand. The fair value for liabilities in level 2 and level 3 is mainly derived based on the income approach, using future cash flows discounted with risk-specific interest rates. Main non-market observable inputs include credit spreads. In some cases, the carrying amount (amortized cost) is considered to be a reasonable estimate of the fair value.

CERTIFICATED LIABILITIES AND SUBORDINATED LIABILITIES

For level 2, the fair value is mainly determined based on the market approach, using quoted market prices, and based on the income approach, using present value techniques. For level 3, fair values are mainly derived based on the income approach, using deterministic cash flows with credit spreads as primary non-market observable inputs. In some cases, the carrying amount (amortized cost) is considered to be a reasonable estimate for the fair value.

TRANSFERS OF FINANCIAL ASSETS

As of 31 December 2017, the Allianz Group substantially retained all the risks and rewards out of the ownership of transferred assets. There have not been any transfers of financial assets that were derecognized in full or partly, in which Allianz continues to control the transferred assets. Transfers of financial assets mainly relate to securities lending and repurchase agreement transactions. Financial assets transferred in the context of repurchase agreement and securities lending transactions are mainly available-for-sale debt and equity securities for which substantially all of the risks and rewards are retained. As of 31 December 2017, the carrying amount of the assets transferred for securities lending transactions amounted to € 6,424 mn (2016: € 6,526 mn). For repurchase agreements, the carrying amount of the assets transferred amounted to € 566 mn (2016: € - mn) and the carrying amount of the associated liabilities amounted to € 568 mn (2016: € - mn).

ASSETS PLEDGED AND COLLATERAL

The carrying amounts of the assets pledged as collateral are displayed in the following table:

Assets pledged as collateral
€ mn

As of 31 December	2017	2016
Collaterals without right to resell or repledge		
Investments	10,029	6,240
Loans and advances to banks and customers	2,827	2,618
Other	8	9
Subtotal	12,864	8,867
Collaterals with right to resell or repledge		
Financial assets carried at fair value through income	7	-
Investments	1,768	3,810
Subtotal	1,775	3,810
Total	**14,639**	**12,677**

Financial assets are pledged as collateral as part of sales and repurchases, securities borrowing, and transactions with derivatives, under terms that are usual and customary for such activities.

In addition, as part of these transactions, the Allianz Group has received collateral that it is permitted to sell or repledge in the absence of default. As of 31 December 2017, the Allianz Group has received collateral, consisting of fixed income and equity securities, with a fair value of € 1,904 mn (2016: € 3,799 mn), which the Allianz Group has the right to sell or repledge. For the years ended 31 December 2017 and 2016, no previously received collateral was sold or repledged by the Allianz Group.

As of 31 December 2017, the Allianz Group received cash collateral with a carrying amount of € 243 mn (2016: € 163 mn).

35 _ Interests in unconsolidated structured entities

NATURE, PURPOSE AND ROLE OF THE ALLIANZ GROUP IN STRUCTURED ENTITIES

Under IFRS 12, a structured entity is defined as an entity that has been designed so that voting rights or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The Allianz Group engages in some business activities that involve the use of entities that meet the above-mentioned definition of structured entities. Primarily, the Allianz Group is involved with such entities due to its investment activities in the insurance business and due to its asset management activities. Furthermore, structured entities are used by the Allianz Group to source out certain risks to investors as part of its reinsurance business. Generally, the classification of an entity as a structured entity may require significant judgment.

In the following, the business activities involving unconsolidated structured entities are described.

INVESTMENTS IN ASSET-BACKED SECURITIES (ABS) AND MORTGAGE-BACKED SECURITIES (MBS) ISSUED BY SECURITIZATION VEHICLES

The Allianz Group acts as investor in ABS- or MBS-issuing securitization vehicles which purchase pools of assets including commercial mortgage loans (CMBS), auto loans, credit card receivables and others. These securitization vehicles refinance the purchase of assets by issuing tranches of ABS or MBS, whose repayment is linked to the performance of the assets held by the vehicles.

Securitization vehicles invested in by the Allianz Group have generally been set up by third parties. Furthermore, the Allianz Group has neither transferred any assets to these vehicles nor has it provided any further credit enhancements to them.

Income derived from investments in securitization vehicles mainly includes interest income generated from ABS and MBS, as well as realized gains and losses from disposals of these securities.

Within the asset management business, the Allianz Group acts as asset manager for some securitization vehicles. The assets under management of these vehicles amounted to € 1,462 mn as of 31 December 2017 (2016: € 1,597 mn). Some of the affected vehicles have been set up by the Allianz Group whereas others have been set up by third parties. In this respect, the role of the Allianz Group is limited to asset management. The Allianz Group has not invested in these vehicles being managed.

Income derived from the management of securitization vehicles comprises asset management fees.

INVESTMENTS IN INVESTMENT FUNDS

Considering the broad variety of investment funds across different jurisdictions, the classification of investment funds as structured entities based on the definition in IFRS 12 and current industry practice is judgmental. As a general rule, the relevant activities of an investment fund are dedicated to the fund manager via asset management agreements. In contrast, influence from investors on the relevant activities of unconsolidated funds is usually either precluded by legal or regulatory provisions or is not deemed to be substantial.

Investment funds are generally subject to stringent regulatory requirements from financial authorities in all jurisdictions across the world. Comprehensive regulation of funds protects fund investors and also helps to limit investment risk. These mechanisms result in a legal set-up of funds, agreed and accepted by investors and investment managers, that may lead to a classification as structured entities under IFRS 12.

With regard to investment activities, income mainly includes distributions from the funds as well as realized gains and losses from disposals.

FUND MANAGEMENT ACTIVITIES

Within the asset management business, investment funds are established and managed to accommodate retail and institutional clients' requirements to hold investments in specific assets, market segments or regions. Within the insurance business, policyholder money is partly invested in investment funds, which include funds managed by Allianz Group internal asset managers as well as funds set up and managed by third parties. Investment funds managed or invested in by Allianz Group may include mutual funds, special funds and other funds.

Income derived from the management of investment funds includes mainly asset management fees and performance based fees.

Investment funds launched by group-internal asset managers can be considered to be sponsored by the Allianz Group. As a sponsor, the Allianz Group through its asset management subsidiaries is involved in the legal set-up and marketing of internally managed investment funds. This may include providing seed capital to the funds and providing administrative services to ensure the investment funds' operation. Investment funds managed by group-internal asset managers can be reasonably associated with the Allianz Group. The use of the Allianz name for investment funds is another indicator that the Allianz Group has acted as a sponsor for the respective funds. Information on the management fees generated in the asset management business are disclosed in note 24 of this Annual Report.

NATURE OF RISKS ASSOCIATED WITH UNCONSOLIDATED STRUCTURED ENTITIES

INTERESTS IN ASSET-BACKED SECURITIES (ABS) AND MORTGAGE-BACKED SECURITIES (MBS) ISSUED BY SECURITIZATION VEHICLES

Carrying amounts of ABS and MBS investments by type of category
€ mn

As of 31 December	2017	2016
U.S. Agency	5,032	4,587
CMBS	8,337	8,030
CMO/CDO	3,819	3,019
Auto	879	606
Credit Card	37	206
Other	3,611	5,115
Total[1, 2]	**21,715**	**21,563**

1_Comprises mainly investments.
2_Thereof rated AAA or AA € 19,849 mn (2016: € 19,779 mn).

The carrying amounts in the tables listed above correspond to an aggregated amortized cost amount of € 21,487 mn (2016: € 21,425 mn). This amortized cost amount represents the maximum exposure to loss for the Allianz Group from these investments. In the reporting period, the Allianz Group has not provided any financial or other support to these entities, nor does it have the intention to provide such support in the future.

INVESTMENTS IN INVESTMENT FUNDS

Investments in investment funds by asset class
€ mn

As of 31 December	2017	2016
Debt funds	7,438	6,625
Stock funds	4,446	3,886
Private equity funds	8,333	7,333
Property funds	4,561	3,330
Other funds	574	672
Total[1]	**25,352**	**21,846**

1_Comprises mainly investments.

Out of the total investment fund exposure, investments of € 11.2 bn (2016: € 10.2 bn) relate to listed investment funds, whereas investments of € 14.2 bn (2016: € 11.6 bn) relate to unlisted investment funds.

As of the reporting date, the Allianz Group has receivables from unconsolidated investment funds, which are mainly due in return for asset management services, amounting to € 837 mn (2016: € 803 mn). Furthermore, the Allianz Group has commitments to invest in private equity funds and similar financial instruments totaling € 15,718 mn as of 31 December 2017 (2016: € 9,640 mn).

The carrying amounts in the tables listed above correspond to an aggregated amortized cost amount of € 21,731 mn (2016: € 18,279 mn). This amortized cost amount represents the maximum exposure to loss for the Allianz Group from these investments. In the reporting period, the Allianz Group has not provided any financial or other support to these entities, nor does it have the intention to provide such support in the future.

Besides the above-mentioned investments in investment funds, the Allianz Group also holds investment funds to fund unit-linked insurance contracts. However, these holdings are held on behalf and for the benefit of unit-linked policyholders only. For that reason, these holdings are not included in the above-mentioned table. As of 31 December 2017, the volume of unit-linked assets amounted to € 119,141 mn (2016: € 111,325 mn). The maximum exposure to loss on these investments is covered by liabilities recorded for unit-linked contracts.

36 _ Related party transactions

Information on the remuneration of Board members and transactions with these persons can be found in the Remuneration Report, starting on **page 23**.

Transactions between Allianz SE and its subsidiaries that are to be deemed related parties have been eliminated in the consolidation and are not disclosed in the notes.

Business relations with joint ventures and associates are set on an arm's length basis.

37 _ Litigation, guarantees, and other contingencies and commitments

LITIGATION

Allianz Group companies are involved in legal, regulatory, and arbitration proceedings in Germany and a number of foreign jurisdictions, including the United States. Such proceedings arise in the ordinary course of businesses, including, amongst others, their activities as insurance, banking and asset management companies, employers, investors and taxpayers. It is not feasible to predict or determine the ultimate outcome of the pending or threatened proceedings. Management does not believe that the outcome of these proceedings, including those discussed below, will have a material adverse effect on the financial position and the results of operations of the Allianz Group, after consideration of any applicable provision.

On 24 May 2002, pursuant to a statutory squeeze-out procedure, the general meeting of Dresdner Bank AG resolved to transfer shares from its minority shareholders to Allianz as principal shareholder in return for payment of a cash settlement amounting to € 51.50 per share. Allianz established the amount of the cash settlement on the basis of an expert opinion, and its adequacy was confirmed by a court appointed auditor. Some of the former minority shareholders applied for a court review of the appropriate amount of the cash settlement in a mediation procedure ("Spruchverfahren"). In September 2013, the district court ("Landgericht") of Frankfurt dismissed the minority shareholders' claims in their entirety. This decision has been appealed to the higher regional court ("Oberlandesgericht") of Frankfurt. In the event that a final decision were to determine a higher amount as an appropriate cash settlement, this would affect all of the approximately 16 mn shares that were transferred to Allianz.

In September 2015 and in January 2017, two separate putative class action complaints were filed against Allianz Life Insurance Company of North America (Allianz Life) making allegations similar to those made in prior class actions regarding the sale of Allianz Life's annuity products, including allegations of breach of contract and violation of California unfair competition law. The ultimate outcome of the cases cannot yet be determined.

GUARANTEES

The guarantees issued by the Allianz Group consist of financial guarantees, indemnification contracts and performance contracts.

FINANCIAL GUARANTEES

The majority of the Allianz Group's 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, basically subject to the credit risk of the customer or the collateral pledged, respectively.

As of 31 December 2017, the financial guarantees amount to € 368 mn (2016: € 437 mn), € 326 mn of which are due within one year. The collateral held amounts to € 12 mn (2016: € 44 mn). Nearly all customers of the letters of credit have no external credit rating.

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.

As of 31 December 2017, the indemnification contracts amount to € 33 mn (2016: € 29 mn), € 23 mn of which are due after five years. The collateral held amounts to € 7 mn (2016: € 5 mn). Nearly all customers of the indemnification contracts have an external credit rating of BBB.

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.

As of 31 December 2017, the performance guarantees amount to € 50 mn (2016: € 74 mn), € 19 mn of which are due within one year. The collateral held amounts to € 24 mn (2016: € 25 mn).

COMMITMENTS

LOAN COMMITMENTS

The Allianz Group engages in various lending commitments to meet the financing needs of its customers. They consist of advances, standby facilities, guarantee credits, mortgage loans and public-sector loans. As of 31 December 2017, the total of loan commitments amounts to € 1,100 mn (2016: € 1,229 mn) and represents the amounts at risk in the event that 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, these loan commitments are not representative of actual liquidity requirements for such commitments.

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 2017, the future minimum lease payments under non-cancelable operating and finance leases were as follows:

Operating leases

Future minimum lease payments – operating leases
€ mn

	2017
Due in 1 year or less	433
Due after 1 year and up to 5 years	1,302
Due after 5 years	1,242
Subtotal	2,977
Subleases	(276)
Total	**2,701**

For the year ended 31 December 2017, rental expenses totaled € 333 mn (2016: € 352 mn), net of sublease rental income received of € 1 mn.

Finance lease

For the year ended 31 December 2017, the Allianz Group did not record any material finance leases. The finance lease disclosed in 2016 belonged to subsidiaries that were deconsolidated during 2017. From 2017 onwards, they are shown as joint ventures.

PURCHASE OBLIGATIONS

Purchase obligations
€ mn

As of 31 December	2017	2016
Mortgage loans and multi-tranche loans	4,158	4,855
Investment in private equity funds and similar instruments	15,718	9,640
Investment in real estate and infrastructure	3,240	3,979
Other significant obligations including sponsoring, maintenance and IT services	2,470	2,413
Total	**25,586**	**20,887**

OTHER COMMITMENTS AND CONTINGENCIES

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). In connection with the sale of OLB in February 2018, Allianz SE terminated the indemnification undertaking; however, it remains applicable with respect to supporting measures that are based on facts that were already existing at the time of 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. The contingent payment obligation of Allianz relates to the coupon payments of the Tier 1 Capital Securities issued by HT1 Funding GmbH. The original nominal amount of the Tier 1 Capital Securities of € 1,000 mn was reduced in 2012 to approximately € 416 mn. This reduces the amount of coupon payments of the Tier 1 Capital Securities and the contingent payment obligation of Allianz accordingly. Since June 2017, the annual coupon is the 12-month EURIBOR plus a margin of 2.0% p.a., the coupon payable on 30 June 2018 is 1.842% p.a. The securities have no scheduled maturity and the security holders have no right to call for their redemption. Since June 2017, the securities may be redeemed annually on 30 June at the option of the issuer. Allianz expects not to be obliged to make a payment in the foreseeable future. However, it is not possible for Allianz to predict the ultimate payment obligations at this point in time.

Other commitments

Pursuant to §§ 221 ff. of the German Insurance Supervision Act ("Versicherungsaufsichtsgesetz" – VAG), mandatory insurance guarantee schemes ("Sicherungsfonds") for life insurers as well as for health insurers are implemented in Germany, which are financed through their member undertakings.

The insurance guarantee scheme for life insurers levies annual contributions and, under certain circumstances, special contributions. As of 31 December 2017, the future liabilities of Allianz Lebensversicherungs-AG and its subsidiaries to the insurance guarantee scheme pursuant to the SichLVFinV amount to annual contributions of 12.9 mn (2016: € 11.2 mn) and potential special contributions of, in principle, € 170 mn (2016: € 194 mn) per year. In addition, Allianz Lebensversicherungs-AG and some of its subsidiaries have assumed a contractual obligation to provide, if required, further funds to Protektor Lebensversicherungs-AG ("Protektor"), a life insurance company that has assumed the task of the mandatory insurance guarantee scheme for life insurers. Such obligation is, in principle, based on a maximum of 1% of the sum of the net underwriting reserves with deduction of payments already provided to the insurance guarantee scheme. As of 31 December 2017, and under inclusion of the contributions to the mandatory insurance scheme mentioned above for a limited period of time, and assuming that no other life insurer is exempted from payments, the aggregate outstanding commitment of Allianz Lebensversicherungs-AG and its subsidiaries to the insurance guarantee scheme and to Protektor is € 1,545 mn (2016: € 1, 755 mn).

The mandatory insurance guarantee scheme (Sicherungsfonds) for health insurers levies only special contributions following the takeover of insurance contracts. Up until the reporting date, no contributions have been requested. As of 31 December 2017, the potential liabilities of Allianz Private Krankenversicherungs-AG for special contributions to the insurance guarantee scheme amount to € 57 mn (2016: € 54 mn).

38 _ Pensions and similar obligations

OVERVIEW

Retirement benefits in the Allianz Group, which are granted to employees and in Germany also to agents, are either in the form of defined benefit or defined contribution plans. For defined benefit plans, the beneficiary is granted a defined benefit by the employer or via an external entity. In contrast to defined contribution arrangements, the future cost to the employer of a defined benefit plan is not known with certainty in advance.

The Allianz Group provides competitive and cost-effective retirement and disability benefits using risk appropriate vehicles. The plans may vary from country to country due to the different legal, fiscal and economic environment.

Risks typically associated with defined benefit plans are biometric risks like longevity, disability, and death as well as economic risks such as interest rates, inflation and compensation increases. New plans are primarily based on contributions and may include, in some cases, guarantees such as the preservation of contributions or minimum interest rates.

In the Pension Task Force, the heads of Group HR, Group Accounting and Reporting, Group Treasury and Corporate Finance, Group Planning and Controlling, Group Risk and AIM met four times to provide global governance and pre-align pension-related topics such as risk management and Solvency II prior to relevant Group Committee meetings.

Pension plans in Germany, the U.K. and Switzerland are described in more detail regarding key risks and regulatory environment, as each of them contributes more than 5% to the Allianz Group's defined benefit obligation or its plan assets.

GERMANY

Most active German employees participate in contribution-based plans using different vehicles to cover the base salary both below and above the German social security ceiling (GSSC). Since 1 January 2015, the Allianz Group contributes for new entrants and for the majority of contribution-based pension plan beneficiaries above the GSSC to the low-risk pension plan "My Allianz Pension", where only contributions are preserved. For salaries above the GSSC, the Allianz Group decides each year whether and to which extent a budget for the contribution-based pension plans is provided. Independently of this decision, an additional risk premium is paid to cover death and disability. Generally the accruals of the contribution-based pension plans are wholly funded, whereas the grandfathered plans are funded to a minor extent. On retirement, the accumulated capital is paid as a lump sum or converted to a lifetime annuity.

Employees who joined Allianz before 1 January 2015 participate in the Allianz Versorgungskasse VVaG (AVK), financed through employee contributions, and the Allianz Pensionsverein e.V. (APV), which is financed by the employer. Both pension funds provide pension benefits for the base salary up to the GSSC and are wholly funded along local regulatory requirements and were closed to new entrants, effective 31 December 2014. AVK and APV are legally separate administered pension funds with trustee boards being responsible for the investment of the assets and the risk management. AVK is subject to German insurance regulation. The assets of the contribution-based pension plans are allocated to a trust (Methusalem Trust e.V.) and managed by a board of trustees. For the AVK the annual minimum interest rate guaranteed is 1.75% – 3.50%, depending on the date of joining the Allianz Group, and for the closed part of the contribution-based pension plan it is 2.75%.

There is also a partly funded defined benefit pension plan for agents (VertreterVersorgungsWerk, VVW), which has been closed for new entrants as of 31 December 2011. A part of the pension plan serves as a replacement for the compensatory claim of agents according to German Commercial Code (§ 89b). VVW is close to a final salary benefit plan and pension increases are broadly linked to inflation.

Pension increases apart from AVK and APV are guaranteed at least with 1% p.a. Depending on legal requirements, some pension increases are linked to inflation. In AVK the complete surplus share of the retirees is used to increase their pension.

The period in which a retirement benefit can be drawn is usually between the ages of 60 and 67. Disability benefits are granted until retirement pension is paid. In the case of death under the previous plans, surviving dependents normally receive 60% (widow/widower) and 20% (per child) of the original employee's pension, in total not to exceed 100%. Under the "My Allianz Pension" plan, the surviving dependents gain the accrued capital.

Additionally, the Allianz Group offers a deferred compensation program, "Pensionszusage durch Entgeltumwandlung (PZE)", for active employees. Within some boundaries they convert at their discretion parts of their gross income and receive in exchange a pension commitment of equal value. PZE is qualified as a defined benefit plan with small risk exposure.

UNITED KINGDOM

The U.K. operates a funded pension scheme, the Allianz Retirement and Death Benefits Fund ("the Fund"). The trustee board is required by law to act in the best interests of members and is responsible for setting certain policies (e.g. investment and contribution policies) of the Fund.

The Fund is a defined benefit pension scheme. From 1 July 2015, the Fund closed to future accrual and no more defined benefit benefits are accrued beyond that date. A new Group Personal Pension Plan (GPPP) outside of the Fund was established in 2015 and all future accrual of benefits has been via the GPPP from 1 July 2015.

The Fund provides pension increases broadly linked to U.K. inflation. Since 1 July 2015, contributions to the Fund are made only by the employer in respect of the deficit of the Fund.

SWITZERLAND

In Switzerland there are obligatory corporate pension plans, eligible for all employees. The plans are wholly funded through legally separate trustee-administered pension funds, with the trustee board being responsible for the investment of the assets and risk management. The plans are contribution-based and cover the risks of longevity, disability, and death. Employees contribute only a small amount whereas the employer contributes for the complete risk coverage and a large part of the savings components. The interest rate is decided annually by the board of the pension funds. For the mandatory part, the minimum interest rate is regulated by law and reviewed annually (1.0% in 2017 and in 2018). At retirement, beneficiaries can choose between a lump sum payment, an annuity, or a combination of both, where the part which is not granted as a lump sum is converted to a fixed annuity according to the rules of the pension fund, taking into account legal requirements.

If employees contract out of the Allianz Suisse pension plan, they have to take their vested pension capital ("Freizügigkeitsleistung") to the next employer, which implies a minor liquidity risk.

DEFINED BENEFIT PLANS

The following table sets out the changes in the defined benefit obligation, in the fair value of plan assets, in the effect of the asset ceiling as well as in the net defined benefit balance for the various Allianz Group defined benefit plans:

Reconciliation of defined benefit obligation, fair value of plan assets, effect of asset ceiling, and net defined benefit balance
€ mn

	Defined benefit obligation		Fair value of plan assets		Effect of asset ceiling[1]		Net defined benefit balance	
	I		II		III		(I-II+III)	
	2017	2016	2017	2016	2017	2016	2017	2016
Balance as of 1 January	**23,316**	**22,327**	**14,048**	**13,333**	**32**	**67**	**9,300**	**9,062**
Current service costs	448	447	-	-	-	-	448	447
Interest expenses	426	511	-	-	-	1	426	512
Interest income	-	-	262	313	-	-	(262)	(313)
Other[2]	3	(101)	-	-	-	-	3	(101)
Expenses recognized in the consolidated income statements	**877**	**857**	**262**	**313**	**-**	**1**	**616**	**545**
Actuarial (gains)/losses due to								
Changes in demographic assumptions	(130)	(9)	-	-	-	-	(130)	(9)
Changes in financial assumptions	187	1,382	-	-	-	-	187	1,382
Experience adjustments	145	(105)	-	-	-	-	145	(105)
Return on plan assets greater/(less) than interest income on plan assets	-	-	358	657	-	-	(358)	(657)
Change in effect of asset ceiling in excess of interest	-	-	-	-	14	(37)	14	(37)
Remeasurements recognized in the consolidated statements of comprehensive income (before deferred taxes)	**202**	**1,268**	**358**	**657**	**14**	**(37)**	**(142)**	**574**
Employer contributions	-	-	276	334	-	-	(276)	(334)
Plan participants' contributions	122	112	122	112	-	-	-	-
Benefits paid	(747)	(700)	(456)	(413)	-	-	(291)	(287)
Acquisitions and divestitures[3]	37	(286)	19	(46)	-	-	19	(240)
Settlement payments/assets distributed on settlement[4]	(2)	(50)	(2)	(50)	-	-	-	-
Foreign currency translation adjustments	(241)	(213)	(240)	(192)	(3)	-	(4)	(20)
Changes in the consolidated subsidiaries of the Allianz Group	34	1	42	-	-	-	(8)	1
Balance as of 31 December[5]	**23,597**	**23,316**	**14,428**	**14,048**	**43**	**32**	**9,212**	**9,300**
thereof assets							(198)	(102)
thereof liabilities							9,410	9,401
Thereof allotted to:								
Germany	18,126	17,609	9,366	8,926	-	-	8,761	8,683
U.K.	1,730	1,793	1,614	1,641	-	-	116	152
Switzerland	1,271	1,353	1,407	1,382	43	32	(93)	3

1_The asset ceiling is determined by taking the reduction of future contributions into account.
2_Includes for 2016 € 31 mn for the conversion rate decrease in Switzerland and for Ireland € 72 mn from the Enhanced Value Transfer program, excluding the additional contribution of € 35 mn for the new contribution based plan which was shown under defined contribution plans.
3_2016 related to the reclassification of the assets and liabilities of Oldenburgische Landesbank AG as held for sale.
4_Includes for 2016 € 50 mn for the Enhanced Value Transfer program in Ireland.
5_As of 31 December 2017, € 5,527 mn (2016: € 8,071 mn) of the defined benefit obligation are wholly unfunded, while € 18,071 mn (2016: € 15,245 mn) are wholly or partly funded.

As of 31 December 2017, post-retirement health benefits included in the defined benefit obligation and in the net amount recognized amounted to € 10 mn (2016: € 10 mn) and € 10 mn (2016: € 10 mn), respectively.

During the year ended 31 December 2017, the defined benefit costs related to post-retirement health benefits amounted to € 1 mn (2016: € 1 mn).

ASSUMPTIONS

The assumptions for the actuarial computation of the defined benefit obligation and the recognized expense depend on the circumstances in the particular country where the plan has been established.

The calculations are based on current actuarially calculated mortality tables, projected turnover depending on age and length of service, and internal Allianz Group retirement projections. Although this represents the best estimate as of today, considering a further increase in life expectancy could be reasonable. The weighted average life expectancy of a currently 65-year-old plan participant is about 89.2 years for women and 86.8 years for men. An increase in life expectancy by one year would lead to an increase of the defined benefit obligation by € 705 mn.

The weighted average values of the assumptions for the Allianz Group's defined benefit plans used to determine the defined benefit obligation and the recognized expense are as follows:

Assumptions for defined benefit plans
%

As of 31 December	2017	2016
Discount rate	**1.8**	**1.9**
This includes the following country rates:		
Germany		
long duration	1.8	1.8
short duration	1.4	1.4
U.K.	2.4	2.9
Switzerland	0.8	0.8
Rate of compensation increase	**1.4**	**1.8**
Rate of pension increase	**1.3**	**1.5**
Rate of medical cost trend	**1.0**	**1.3**

The recognized expense is recorded based on the assumptions of the corresponding previous year.

The discount rate assumption is the most significant risk for the defined benefit obligation. It reflects market yields at the balance sheet date of high-quality fixed income investments corresponding to the currency and duration of the liabilities. In the Eurozone, the decision for the discount rate is based on AA-rated financial and corporate bonds, provided by Allianz Investment Data Services (IDS), and a standardized cash flow profile for a mixed population. The Internal Controls Over Financial Reporting (ICOFR) certified Allianz Global Risk Parameters (GRIPS) methodology is an internal development of the Nelson-Siegel model and consistently used by Group Risk, Group Audit, AIM and PIMCO.

The range for the sensitivity calculations was derived by analyzing the average volatility over a five-year period.

An increase (or decrease) in the discount rate by 50 basis points would lead to a decrease of € 1.6 bn (or increase of € 1.8 bn) in the defined benefit obligation.

An increase of pre-retirement benefit assumptions (e.g. salary increase) of 25 basis points would have an effect of € 68 mn on the defined benefit obligation. However, the increase of post-retirement assumptions (e.g. inflation-linked increases of pension payments) of 25 basis points would increase the defined benefit obligation by € 525 mn.

A change in the medical cost trend rate by 100 basis points would have an effect of € 1 mn on the defined benefit obligation and no material effect on the defined benefit costs.

PLAN ASSETS/ASSET LIABILITY MANAGEMENT (ALM)

Based on the estimated future cash flows of € 740 mn for 2018, € 772 mn for 2019, € 780 mn for 2020, € 842 mn for 2021, € 876 mn for 2022, and € 4,526 mn for 2023 – 2027, the weighted duration of the defined benefit obligation is 15.7 years. Based on the liability profiles of the defined benefit obligation and on the regulatory funding requirements, the Allianz Group uses stochastic asset liability models to optimize the asset allocation from a risk-return perspective.

Due to a well-diversified portfolio of approximately 138,000 plan participants, there is no reasonable uncertainty of future cash flows to be expected that could have an impact on the liquidity of the Allianz Group. The chart below shows the asset allocation:

Asset allocation of plan assets
€ mn

As of 31 December	2017	2016
Equity securities		
Quoted	1,769	1,683
Non-quoted	5	4
Debt securities		
Quoted	5,551	5,470
Non-quoted	1,875	2,071
Real estate	740	657
Annuity contracts	3,369	3,121
Life insurance investment products	914	868
Other	205	175
Total	**14,428**	**14,048**

The bulk of the plan assets are held by Allianz Versorgungskasse VVaG, Munich, which is not part of the Allianz Group. Plan assets do not include any real estate used by the Allianz Group and include only € 40.4 mn of own transferable financial instruments.

In addition to the plan assets of € 14.4 bn, the Allianz Group has dedicated assets at Group level amounting to € 8.4 bn as of 31 December 2017, which are likewise managed according to Allianz ALM standards.

CONTRIBUTIONS

For the year ending 31 December 2018, the Allianz Group expects to contribute € 281 mn to its defined benefit plans and to pay € 313 mn directly to participants in 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 2017, the Allianz Group recognized expenses for defined contribution plans of € 267 mn (2016: € 316 mn). Additionally, the Allianz Group paid contributions for state pension schemes of € 331 mn (2016: € 335 mn).

39 _ Share-based compensation plans

GROUP EQUITY INCENTIVE PLANS[1]

During the year ended 31 December 2017, the Allianz Group exercised the last GEI Plan consisting of SARs (Stock Appreciation Rights). The SARs were accounted for as cash-settled plans by the Allianz Group. During the year ended 31 December 2017 until the exercise date, the Allianz Group recognized compensation expenses of € 2 mn (2016: € (3) mn).

ALLIANZ EQUITY INCENTIVE PLAN

Since the 2011 grant year, the Allianz Equity Incentive plan (AEI plan) has replaced the GEI plans. The AEI plan is granted in the form of restricted stock units (RSUs) and is part of a new variable compensation component for the plan beneficiaries.

The RSU granted to a plan participant obligate the Allianz Group to pay in cash the average closing price of an Allianz SE share on the last day of the vesting period and the prior nine trading days, or to convert one RSU into one Allianz SE share. The payout is capped at a 200% share price growth above the grant price.

The RSUs are subject to a vesting period of four years and will be settled on the last day of the vesting period. The Allianz Group can choose the settlement method for each unit.

In addition, upon the death of a plan participant, a change of control or notice for operational reasons, the RSUs vest immediately and will be exercised by the company.

The RSUs are virtual stocks without dividend payments and a capped payout. The fair value is calculated by subtracting the net present value of expected future dividend payments until maturity as well as the fair value of the cap from the prevailing share price as of the valuation date. The cap is valued as a European short call option, using prevailing market data as of the valuation date.

The following table provides the assumptions used in calculating the fair value of the RSUs at grant date:

1_For further information regarding the description and the conditions of the Group Equity Incentive Plans (SARs), please refer to the Annual Report 2016, note 41.

Assumption of AEI plans

		2018[1]	2017	2016
Share price	€	203.50	167.45	141.15
Average dividend yield	%	4.3	4.8	5.4
Average interest rate	%	(0.1)	(0.1)	(0.2)
Expected volatility	%	21.1	22.9	21.7

1_The RSUs 2018 are deemed to have been granted to participants as part of their 2017 remuneration. Consequently, the assumptions for RSU grants delivered in March 2018 are based on best estimate.

The RSUs are accounted for as cash-settled plans, as the Allianz Group intends to settle in cash. Therefore, the Allianz Group accrues the fair value of the RSUs as compensation expenses over the service period of one year and afterwards over the vesting period. During the year ended 31 December 2017, the Allianz Group recognized compensation expenses related to the AEI plans of € 261 mn (2016: € 113 mn).

As of 31 December 2017, the Allianz Group recorded provisions of € 472 mn (2016: € 405 mn) for these RSUs in Other liabilities.

PIMCO LLC CLASS M-UNIT PLAN

In 2008, AllianzGI L.P. launched a new management share-based payment incentive plan for certain senior-level executives and affiliates of PIMCO LLC. Participants in the plan are granted options to acquire an own class of equity instruments (M-units), which vest in one-third increments on approximately the third, fourth and fifth anniversary of the option grant date. Upon vesting, options will automatically be exercised in a cashless transaction, but only if they are in the money. Participants may elect to defer the receipt of M-units through the M-unit Deferral Plan until termination of their service at the latest. With the M-unit Plan, participants can directly participate in PIMCO's performance. Class M-units are non-voting common equity with limited information rights. They bear quarterly distributions equal to a pro-rata share of PIMCO's net distributable income. Deferred M-units have a right to receive a quarterly cash compensation equal to and in lieu of quarterly dividend payments.

A maximum of 250,000 M-units are authorized for issuance under the M-unit Plan.

The fair value of the underlying M-unit options was measured using the Black-Scholes option pricing model. Volatility was derived in part by considering the average historical and implied volatility of a selected group of peers. The expected life of one granted option was calculated based on treating the three vesting tranches (one third in years 3, 4, and 5) as three separate awards.

The following table provides the assumptions used in calculating the fair value of the M-unit options at grant date:

Assumptions of Class M-Unit plan

		2017	2016
Weighted-average fair value of options granted	€	387.10	259.64
Assumptions:			
Expected return (in years)		3.84	3.84
Expected volatility	%	25.2	24.8
Expected dividend yield	%	13.7	14.9
Risk free rate of return	%	1.9	1.3

The number and weighted-average exercise price of the M-unit options outstanding and exercisable are as follows:

Reconciliation of outstanding M-unit options

	2017		2016	
	Number of options	Weighted-average exercise price €	Number of options	Weighted-average exercise price €
Outstanding as of 1 January	**114,192**	**17,000.84**	**114,898**	**20,043.67**
Granted	49,195	9,830.11	49,161	10,731.45
Exercised	(33,344)	18,163.02	(39,769)	18,952.51
Forfeited	(7,071)	14,097.57	(10,098)	20,236.85
Outstanding as of 31 December	**122,972**	**12,063.87**	**114,192**	**17,000.84**
Exercisable as of 31 December	-	-	-	-

As of 31 December 2017, the aggregate intrinsic value of share options outstanding was € 200 mn (2016: € - mn).

As of 31 December 2017, the M-unit options outstanding have an exercise price of between € 9,426.22 and € 19,996.67 and a weighted-average remaining contractual life of 3.10 years.

The share options settled by delivery of PIMCO LLC shares are accounted for as equity-settled plans by PIMCO LLC. Therefore, PIMCO LLC measures the total compensation expense to be recognized for the equity-settled shares based on their fair value as of the grant date. The total compensation expense is recognized over the vesting period.

During the year ended 31 December 2017, the Allianz Group recorded compensation expenses of € 16 mn (2016: € 21 mn) related to these share options.

EMPLOYEE STOCK PURCHASE PLANS

The Allianz Group offers Allianz SE shares in 20 countries to entitled employees at favorable conditions. The shares have a minimum holding period of one to five years. During the year ended 31 December 2017, the number of shares sold to employees under these plans was 562,546 (2016: 617,084). During the year ended 31 December 2017, 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, amounting to € 25 mn (2016: € 20 mn) as compensation expenses.

OTHER SHARE OPTION AND SHAREHOLDING PLANS

The Allianz Group has other local share-based compensation plans, including share option and employee share purchase plans, none of which, individually or in the aggregate, are material to the consolidated financial statements.

40 _ Earnings per share

Earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of common shares outstanding. For the calculation of diluted earnings per share, nominator and denominator are adjusted for the effects of potentially dilutive common shares. These effects arise from various share-based compensation plans of the Allianz Group.

Earnings per share
€ mn

	2017	2016
Net income attributable to shareholders - basic	6,803	6,962
Effect of potentially dilutive common shares	(3)	(22)
Net income attributable to shareholders - diluted	**6,801**	**6,940**
Weighted-average number of common shares outstanding - basic	446,440,727	454,699,370
Potentially dilutive common shares	97,445	2,486,025
Weighted-average number of common shares outstanding - diluted	**446,538,172**	**457,185,395**
Basic earnings per share (€)	**15.24**	**15.31**
Diluted earnings per share (€)	**15.23**	**15.18**

41 _ Other information

NUMBER OF EMPLOYEES

As of 31 December 2017, the Allianz Group employed 140,553 (2016: 140,253) people, thereof 40,149 (2016: 40,167) in Germany. The average total number of employees for the year ended 31 December 2017 was 140,403.

PERSONNEL EXPENSES

Personnel expenses
€ mn

	2017	2016
Salaries and wages	9,524	9,197
Social security contributions and employee assistance	1,397	1,351
Expenses for pensions and other post-retirement benefits	1,217	1,187
Total	**12,138**	**11,735**

ISSUANCE OF THE DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE ACCORDING TO § 161 AKTG

On 14 December 2017, the Board of Management and the Supervisory Board of Allianz SE issued the Declaration of Compliance according to § 161 AktG, which has been made permanently available to shareholders on the company's website.

The Declaration of Compliance of the publicly traded group company Oldenburgische Landesbank AG was issued in December 2017 and has been made available to shareholders on a permanent basis.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG AG) is the external auditing firm for the Allianz Group.

For services rendered by KPMG AG and the worldwide member firms of KPMG International (KPMG), the following fees were recognized as an expense in the fiscal year:

KPMG fees
€ mn

	KPMG worldwide		thereof: KPMG AG	
	2017	2016	2017	2016
Audit services	41.0	48.0	12.9	14.7
Other attestation services	4.8	6.4	2.6	4.8
Tax services	1.4	1.5	0.9	0.6
Other services	10.6	8.7	7.5	4.8
Total	**57.9**	**64.6**	**23.9**	**24.9**

Audit services by KPMG AG primarily relate to services rendered for the audit of the Allianz Group's consolidated financial statements as well as the audit of the statutory financial statements of Allianz SE and its subsidiaries, including the statutory audit scope extensions required by law (e.g. Solvency II). In addition, reviews of interim financial statements, project-related IT audits as well as contractual reviews on the effectiveness of controls of service companies were performed.

Other attestation services refer to statutory filing services for regulatory purposes, the issuing of comfort letters and statutory or contractually agreed assessments, as well as required audits of funds, including contractually agreed assurance services.

Tax services primarily include support in the preparation of tax returns and advice on individual matters. In respect to tax services, significant tax advice services in relation to the German Investment Tax Reform were provided.

Other services primarily refer to quality assurance support services and consulting services in connection with current developments in financial reporting and regulatory requirements based on concepts/solutions presented by the Allianz Group. In addition, IT quality assurance and advisory on non-financial information systems and forensic advisory services were provided. In respect to the other services, significant quality assurance services in relation to the initial application of new/prospective accounting standards such as IFRS 17 and IFRS 9 application were provided.

REMUNERATION FOR THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

As of 31 December 2017, the Board of Management is comprised of nine members. The following values reflect the full Board of Management active in the respective year.

The sum of the total remuneration of the Allianz SE Board of Management for 2017, excluding the notional accruals of the MTB 2016 – 2018 and excluding the pension service cost, amounts to € 24 mn (2016: € 26 mn).

The equity-related remuneration is comprised in 2017 of 49,385[1] (2016: 56,572[2]) Restricted Stock Units (RSU).

RSU with a total fair value of € 8.4 mn (2016: € 8.9 mn) were granted to the Board of Management for the year ended 31 December 2017.

In 2017, remuneration and other benefits totaling € 8 mn (2016: € 7 mn) were paid to former members of the Board of Management and dependents, while reserves for current pension obligations and accrued pension rights totaled € 137 mn (2016: € 126 mn).

The total remuneration for all Supervisory Board members, including attendance fees, amounted to € 2.2 mn (2016: € 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.

42 _ Subsequent events

On 15 January 2018, Allianz launched a simplified cash tender offer to acquire all outstanding Euler Hermes shares which expired on 13 February 2018. As of 23 February 2018, the remaining float on the market represented less than 5% of Euler Hermes share capital. In continuation with its initial tender offer, Allianz intends to launch a further simplified cash tender offer for all remaining Euler Hermes shares held by minority shareholders, which will be immediately followed by a squeeze-out procedure and delisting of Euler Hermes shares from the Euronext Paris stock exchange. The consideration for one Euler Hermes share will remain unchanged from the prior tender offer and will be € 122 in cash.

In addition, the sale of the Allianz shares in Oldenburgische Landesbank AG was completed on 7 February 2018.

For further information on both events please refer to note 3.

Furthermore, beginning 2018 Allianz SE has started a new share buy-back program with a volume of up to € 2.0 bn. For further information, please refer to the section "Expected dividend development" of the chapter Outlook 2018 within the Group Management Report.

Moreover, the Allianz Group reached an agreement to sell a part of its traditional life insurance portfolio, held by Allianz Taiwan Life Insurance Co. Ltd., Taipei, to China Life Insurance Co. on 19 October 2017. This transaction has received regulatory approval on 27 February 2018. The closing is expected for the second quarter of 2018. The transaction includes a portfolio with insurance liabilities of around € 1.2 bn. Allianz Group expects a negative net income effect of around € 0.2 bn in 2018.

1_The relevant share price used to determine the final number of RSUs granted is only available after the sign-off of the Annual Report by the external auditors, thus numbers are based on a best estimate.
2_The disclosure in the Annual Report 2016 was based on a best estimate of the RSU grants. The figures shown here for 2016 now includes the actual fair value as of the grant date (3 March 2017). The value therefore differs from the amount disclosed last year.

43 _ List of participations of the Allianz Group as of 31 December 2017 according to § 313 (2) HGB

	% owned[1]
GERMANY	
Consolidated affiliates	
abracar GmbH, Munich	100.0
ACP GmbH & Co. Beteiligungen KG II, Munich	0.0 [2]
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4, Munich	100.0
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4a, Munich	100.0
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4c, Munich	100.0
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4d, Munich	100.0
ADEUS Aktienregister-Service-GmbH, Munich	79.6
AGCS Infrastrukturfonds GmbH, Munich	100.0
AGCS-Argos 76 Vermögensverwaltungs-gesellschaft mbH, Munich	100.0
AGCS-Argos 86 Vermögensverwaltungs-gesellschaft mbH, Munich	100.0
Alida Grundstücksgesellschaft mbH & Co. KG, Hamburg	94.8
Allianz AADB Fonds, Frankfurt am Main	100.0 [3]
Allianz AKR Fonds, Frankfurt am Main	100.0 [3]
Allianz ALD Fonds, Frankfurt am Main	100.0 [3]
Allianz ALIK Fonds, Frankfurt am Main	100.0 [3]
Allianz APAV Fonds, Frankfurt am Main	100.0 [3]
Allianz Argos 14 GmbH, Munich	100.0
Allianz Asset Management GmbH, Munich	100.0
Allianz AZL Vermögensverwaltung GmbH & Co. KG, Munich	100.0
Allianz Beratungs- und Vertriebs-AG, Munich	100.0
Allianz Capital Partners GmbH, Munich	100.0 [4]
Allianz Capital Partners Verwaltungs GmbH, Munich	100.0
Allianz Climate Solutions GmbH, Munich	100.0
Allianz Deutschland AG, Munich	100.0
Allianz DLVR Fonds, Frankfurt am Main	100.0 [3]
Allianz EEE Fonds, Frankfurt am Main	100.0 [3]
Allianz Esa cargo & logistics GmbH, Bad Friedrichshall	100.0
Allianz Esa EuroShip GmbH, Bad Friedrichshall	51.0
Allianz FAD Fonds, Frankfurt am Main	100.0 [3]
Allianz Finanzbeteiligungs GmbH, Munich	100.0
Allianz Global Corporate & Specialty SE, Munich	100.0
Allianz Global Health GmbH, Munich	100.0
Allianz Global Investors GmbH, Frankfurt am Main	100.0
Allianz GLR Fonds, Frankfurt am Main	100.0 [3]
Allianz GLRS Fonds, Frankfurt am Main	100.0 [3]
Allianz GLU Fonds, Frankfurt am Main	100.0 [3]
Allianz GRGB Fonds, Frankfurt am Main	100.0 [3]
Allianz Handwerker Services GmbH, Aschheim	100.0
Allianz Hirschgarten GmbH & Co. KG, Stuttgart	100.0
Allianz Investment Management SE, Munich	100.0 [4]
Allianz LAD Fonds, Frankfurt am Main	100.0 [3]
Allianz Leben Direkt Infrastruktur GmbH, Munich	100.0
Allianz Leben Infrastrukturfonds GmbH, Munich	100.0
Allianz Leben Private Equity Fonds 1998 GmbH, Munich	100.0
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 Lebensversicherungs-Aktiengesellschaft, Stuttgart	100.0
Allianz LFE Fonds, Frankfurt am Main	100.0 [3]
Allianz L-PD Fonds, Frankfurt am Main	100.0 [3]
Allianz of Asia-Pacific and Africa GmbH, Munich	100.0
Allianz Pension Direkt Infrastruktur GmbH, Munich	100.0
Allianz Pension Partners GmbH, Munich	100.0
Allianz Pension Service GmbH, Munich	100.0
Allianz Pensionsfonds Aktiengesellschaft, Stuttgart	100.0
Allianz Pensionskasse Aktiengesellschaft, Stuttgart	100.0
Allianz PK-PD Fonds, Frankfurt am Main	100.0 [3]
Allianz PKV-PD Fonds, Frankfurt am Main	100.0 [3]
Allianz Private Equity GmbH, Munich	100.0
Allianz Private Equity Partners Verwaltungs GmbH, Munich	100.0
Allianz Private Krankenversicherungs-Aktiengesellschaft, Munich	100.0
Allianz ProzessFinanz GmbH, Munich	100.0
Allianz PV 1 Fonds, Frankfurt am Main	100.0 [3]
Allianz PV WS Fonds, Frankfurt am Main	100.0 [3]
Allianz PV-RD Fonds, Frankfurt am Main	100.0 [3]
Allianz Re Asia, Frankfurt am Main	100.0 [3]
Allianz Real Estate Germany GmbH, Stuttgart	100.0
Allianz Real Estate GmbH, Munich	100.0
Allianz Rechtsschutz-Service GmbH, Munich	100.0
Allianz Renewable Energy Management GmbH, Sehestedt	100.0
Allianz Renewable Energy Subholding GmbH & Co. KG, Sehestedt	100.0
Allianz RFG Fonds, Frankfurt am Main	100.0 [3]
Allianz Risk Consulting GmbH, Munich	100.0
Allianz SDR Fonds, Frankfurt am Main	100.0 [3]
Allianz SE-PD Fonds, Frankfurt am Main	100.0 [3]
Allianz Service Center GmbH, Munich	100.0
Allianz SOA Fonds, Frankfurt am Main	100.0 [3]
Allianz Stromversorgungs-GmbH, Munich	100.0
Allianz Taunusanlage GbR, Stuttgart	99.5
Allianz Technology SE, Munich	100.0
Allianz Treuhand GmbH, Stuttgart	100.0
Allianz UGD 1 Fonds, Frankfurt am Main	100.0 [3]
Allianz VAE Fonds, Frankfurt am Main	100.0 [3]
Allianz Versicherungs-Aktiengesellschaft, Munich	100.0
Allianz VGI 1 Fonds, Frankfurt am Main	100.0 [3]
Allianz VGL Fonds, Frankfurt am Main	100.0 [3]
Allianz VKA Fonds, Frankfurt am Main	100.0 [3]
Allianz VKRD Fonds, Frankfurt am Main	100.0 [3]
Allianz V-PD Fonds, Frankfurt am Main	100.0 [3]
Allianz VSR Fonds, Frankfurt am Main	100.0 [3]
Allianz VW AV Fonds, Frankfurt am Main	100.0 [3]
Allianz Warranty GmbH, Unterföhring	100.0
Allianz X GmbH, Munich	100.0
AllianzGI-Fonds Rogge, Frankfurt am Main	100.0 [3]
AllSecur Deutschland AG, Munich	100.0

	% owned[1]
APK Infrastrukturfonds GmbH, Munich	100.0
APK-Argos 75 Vermögensverwaltungs-gesellschaft mbH, Munich	100.0
APK-Argos 85 Vermögensverwaltungs-gesellschaft mbH, Munich	100.0
APKV Direkt Infrastruktur GmbH, Munich	100.0
APKV Infrastrukturfonds GmbH, Munich	100.0
APKV Private Equity Fonds GmbH, Munich	100.0
APKV-Argos 74 Vermögensverwaltungs-gesellschaft mbH, Munich	100.0
APKV-Argos 84 Vermögensverwaltungs-gesellschaft mbH, Munich	100.0
ARE Funds APKV GmbH, Munich	100.0
ARE Funds AZL GmbH, Munich	100.0
ARE Funds AZV GmbH, Munich	100.0
atpacvc GmbH, Munich	100.0
Atropos Vermögensverwaltungsgesellschaft mbH, Munich	100.0
Auros GmbH, Munich	100.0
Auros II GmbH, Munich	100.0
AWP Service Deutschland GmbH, Aschheim	100.0
AZ-Arges Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-Argos 41 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-Argos 56 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-Argos 58 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
AZ-Argos 71 Vermögensverwaltungsgesellschaft mbH & Co. KG, 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
AZL-Argos 73 Vermögensverwaltungs-gesellschaft mbH, Munich	100.0
AZL-Argos 83 Vermögensverwaltungs-gesellschaft mbH, Munich	100.0
AZRE AZD P&C Master Fund, Munich	100.0 [3]
AZS-Arges Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-SGD Classic Infrastrukturfonds GmbH, Munich	100.0
AZ-SGD Direkt Infrastruktur GmbH, Munich	100.0
AZ-SGD Infrastrukturfonds GmbH, Munich	100.0
AZ-SGD Private Equity Fonds 2 GmbH, Munich	100.0
AZ-SGD Private Equity Fonds GmbH, Munich	100.0
AZT Automotive GmbH, Ismaning	100.0
AZV-Argos 72 Vermögensverwaltungs-gesellschaft mbH, Munich	100.0
AZV-Argos 82 Vermögensverwaltungs-gesellschaft mbH, Munich	100.0
AZV-Argos 87 Vermögensverwaltungs-gesellschaft mbH, Munich	100.0
BrahmsQ Objekt GmbH & Co. KG, Stuttgart	94.8
dbi-Fonds Ammerland, Frankfurt am Main	100.0 [3]
dbi-Fonds WE, Frankfurt am Main	100.0 [3]
Deutsche Lebensversicherungs-Aktiengesellschaft, Berlin	100.0
Donator Beratungs GmbH, Munich	100.0
Donator Beteiligungsverwaltung GmbH, Munich	100.0
Euler Hermes Aktiengesellschaft, Hamburg	100.0

	% owned[1]
Euler Hermes Collections GmbH, Potsdam	100.0
Euler Hermes Rating Deutschland GmbH, Hamburg	95.0
GA Global Automotive Versicherungsservice GmbH, Halle (Saale)	100.0
IDS GmbH - Analysis and Reporting Services, Munich	100.0
inSphere GmbH, Munich	100.0
Kaiser X Labs GmbH, Munich	100.0
KomfortDynamik Sondervermögen, Frankfurt am Main	84.8 [3]
KVM ServicePlus - Kunden- und Vertriebsmanagement GmbH, Halle (Saale)	100.0
Lola Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
META Finanz-Informationssysteme GmbH, Munich	100.0
MileBox UG (haftungsbeschränkt), Munich	100.0
Mondial Kundenservice GmbH, Nuremberg	100.0
Münchener und Magdeburger Agrarversicherung Aktiengesellschaft, Munich	100.0
My Finance Coach Stiftung GmbH, Munich	100.0
Oldenburgische Landesbank Aktiengesellschaft, Oldenburg	90.2
PIMCO Deutschland GmbH, Munich	100.0 [4]
REC Frankfurt Objekt GmbH & Co. KG, Hamburg	80.0
REC Frankfurt zweite Objektverwaltungsgesellschaft mbH, Hamburg	60.0
RehaCare GmbH, Munich	100.0
risklab GmbH, Munich	100.0
Roland Holding GmbH, Munich	75.6
Seine GmbH, Munich	100.0
Signa 12 Verwaltungs GmbH, Düsseldorf	94.9
Spherion Beteiligungs GmbH & Co. KG, Stuttgart	94.9
Spherion Objekt GmbH & Co. KG, Stuttgart	100.0
UfS Beteiligungs-GmbH, Munich	100.0
Uvita GmbH, Munich	100.0
VLS Versicherungslogistik GmbH, Berlin	100.0
Volkswagen Autoversicherung AG, Braunschweig	100.0
Volkswagen Autoversicherung Holding GmbH, Braunschweig	49.0 [2]
Windpark Aller-Leine-Tal GmbH & Co. KG, Sehestedt	100.0
Windpark Berge-Kleeste GmbH & Co. KG, Sehestedt	100.0
Windpark Büttel GmbH & Co. KG, Sehestedt	100.0
Windpark Calau GmbH & Co. KG, Sehestedt	100.0
Windpark Cottbuser See GmbH & Co. KG, Sehestedt	100.0
Windpark Dahme GmbH & Co. KG, Sehestedt	100.0
Windpark Eckolstädt GmbH & Co. KG, Sehestedt	100.0
Windpark Emmendorf GmbH & Co. KG, Sehestedt	100.0
Windpark Freyenstein-Halenbeck GmbH & Co. KG, Sehestedt	100.0
Windpark Kesfeld-Heckhuscheid GmbH & Co. KG, Sehestedt	100.0
Windpark Kirf GmbH & Co. KG, Sehestedt	100.0
Windpark Kittlitz GmbH & Co. KG, Sehestedt	100.0
Windpark Pröttlin GmbH & Co. KG, Sehestedt	100.0
Windpark Quitzow GmbH & Co. KG, Sehestedt	100.0
Windpark Redekin-Genthin GmbH & Co. KG, Sehestedt	100.0
Windpark Schönwalde GmbH & Co. KG, Sehestedt	100.0
Windpark Waltersdorf GmbH & Co. KG Renditefonds, Sehestedt	100.0

	% owned[1]
Windpark Werder Zinndorf GmbH & Co. KG, Sehestedt	100.0
Non-consolidated affiliates	
AERS Consortio Aktiengesellschaft, Stuttgart	55.3
Allianz Global Benefits GmbH, Stuttgart	100.0
Allianz Objektbeteiligungs-GmbH, Stuttgart	100.0
Allianz Pension Consult GmbH, Stuttgart	100.0
Allianz zweite Objektbeteiligungs-GmbH, Stuttgart	100.0
AZ Beteiligungs-Management GmbH, Munich	100.0
Grundstücksgesellschaft der Vereinten Versicherungen mbH, Munich	100.0
Infrastruktur Putlitz Ost GmbH & Co. KG, Husum	70.8
manroland AG, Offenbach am Main	100.0 [5,6]
manroland Vertrieb und Service GmbH, Mühlheim am Main	100.0 [6]
OLB-Immobiliendienst-GmbH, Oldenburg	100.0
OLB-Service GmbH, Oldenburg	100.0
Joint ventures	
Dealis Fund Operations GmbH, Frankfurt am Main	50.0
PNE WIND Infrastruktur Calau II GmbH, Cuxhaven	50.0
PNE WIND Park III GmbH & Co. KG, Cuxhaven	50.0
SPN Service Partner Netzwerk GmbH, Munich	30.0 [7]
Associates	
Autobahn Tank & Rast Gruppe GmbH & Co. KG, Bonn	25.0
AV Packaging GmbH, Munich	51.0 [8]
DCSO Deutsche Cyber-Sicherheitsorganisation GmbH, Berlin	25.0
esa EuroShip GmbH & Co. KG Underwriting for Shipping, Bad Friedrichshall	40.0
InnoSolutas GmbH, Bad Friedrichshall	25.0
Instamotion Retail GmbH, Grünwald	29.8
Mühl Product & Service und Thüringer Baustoffhandel Beteiligungs- und Verwaltungs GmbH, Kranichfeld	25.0
Norsea Gas GmbH, Friedeburg-Etzel	28.0
Reisegarant GmbH, Hamburg	24.0
T&R GP Management GmbH, Bonn	25.0
T&R MLP GmbH, Bonn	25.0
T&R Real Estate GmbH, Bonn	25.0
Umspannwerk Putlitz GmbH & Co. KG, Oldenburg	25.4
Verimi GmbH, Frankfurt am Main	11.1 [8]
Windkraft Kirf Infrastruktur GmbH, Neumagen-Dhron	50.0 [8]
FOREIGN ENTITIES	
Consolidated affiliates	
35° East SAS, Paris la Défense	100.0
490 Fulton JV LP, Wilmington, DE	96.5
490 Fulton REIT LP, Wilmington, DE	100.0
490 Lower Unit GP LLC, Wilmington, DE	100.0
490 Lower Unit LP, Wilmington, DE	100.0
Advanz Fundo de Investimento Renda Fixa Crédito Privado, São Paulo	100.0 [3]
Aero-Fonte S.r.l., Catania	100.0
AGA Assistance Beijing Services Co. Ltd., Beijing	100.0
AGA Insurance Broker (Thailand) Co. Ltd., Bangkok	100.0

	% owned[1]
AGA Service Company Corp., Richmond, VA	100.0
AGA Services (Thailand) Co. Ltd., Bangkok	97.6
AGA Servis Hizmetleri A.S., Istanbul	97.0
AGA Sigorta Aracilik Hizmetleri LS, Istanbul	100.0
AGCS International Holding B.V., Amsterdam	100.0
AGCS Marine Insurance Company, Chicago, IL	100.0
AGCS Resseguros Brasil S.A., São Paulo	100.0
AGF Benelux S.A., Luxembourg	100.0
AGF FCR, Paris	100.0 [3]
AGF Holdings (UK) Limited, Guildford	100.0
AGF Inversiones S.A., Buenos Aires	100.0
AIM Equity Europe Cantons, Paris	100.0 [3]
AIM Equity Europe PG Vie, Paris	100.0 [3]
AIM Equity US, Paris	100.0 [3]
AIM Singapore Pte Ltd., Singapore	100.0
AIM Underwriting Limited, Toronto, ON	100.0
Allianz (UK) Limited, Guildford	100.0
Allianz Actio France, Paris	77.9 [3]
Allianz Actions Aéquitas, Paris	79.2 [3]
Allianz Actions Emergentes, Paris	95.3 [3]
Allianz Actions Euro, Paris	80.3 [3]
Allianz Actions Euro Convictions, Paris	89.9 [3]
Allianz Actions France, Paris	72.8 [3]
Allianz Africa S.A., Paris la Défense	100.0
Allianz Africa Services SA, Abidjan	100.0
Allianz Air France IFC, Paris	100.0 [3]
Allianz Alapkezelő Zrt., Budapest	100.0
Allianz All China Equity, Senningerberg	46.0 [2,3]
Allianz Amerika Aandelen Fonds, Rotterdam	95.2 [3]
Allianz Annuity Company of Missouri, Clayton, MO	100.0
Allianz Argentina Compañía de Seguros Generales S.A., Buenos Aires	100.0
Allianz Argentina RE S.A., Buenos Aires	100.0
Allianz Asac Actions, Paris	100.0 [3]
Allianz Asset Management of America Holdings Inc., Dover, DE	100.0
Allianz Asset Management of America L.P., Dover, DE	100.0
Allianz Asset Management of America LLC, Dover, DE	100.0
Allianz Asset Management U.S. Holding II LLC, Dover, DE	100.0
Allianz Australia Claim Services Pty Limited, Sydney	100.0
Allianz Australia Employee Share Plan Pty Ltd., Sydney	100.0
Allianz Australia Insurance Limited, Sydney	100.0
Allianz Australia Life Insurance Holdings Limited, Sydney	100.0
Allianz Australia Life Insurance Limited, Sydney	100.0
Allianz Australia Limited, Sydney	100.0
Allianz Australia Partnership Services Pty Limited, Sydney	100.0
Allianz Australia Services Pty Limited, Sydney	100.0
Allianz Australia Workers Compensation (NSW) Limited, Sydney	100.0
Allianz Australia Workers Compensation (Victoria) Limited, Melbourne	100.0
Allianz Australian Real Estate Trust, Sydney	100.0 [3]
Allianz Aviation Managers LLC, Burbank, CA	100.0
Allianz Ayudhya Assurance Public Company Limited, Bangkok	62.6
Allianz Bank Bulgaria AD, Sofia	99.9
Allianz Bank Financial Advisors S.p.A., Milan	100.0

	% owned[1]
Allianz Banque S.A., Puteaux	100.0
Allianz Benelux S.A., Brussels	100.0
Allianz Bénin Assurances SA, Cotonou	83.5
Allianz Bonds Diversified Euro, Paris	100.0 [3]
Allianz Bonds Euro High Yield, Paris	100.0 [3]
Allianz Bulgaria Holding AD, Sofia	66.2
Allianz Burkina Assurances SA, Ouagadougou	60.3
Allianz Burkina Assurances Vie SA, Ouagadougou	71.8
Allianz Business Services Limited, Lancaster	100.0
Allianz business services s.r.o., Bratislava	100.0
Allianz C.P. General Insurance Co. Ltd., Bangkok	100.0
Allianz Cameroun Assurances SA, Douala	75.4
Allianz Cameroun Assurances Vie SA, Douala	75.8
Allianz Capital Partners of America Inc., New York, NY	100.0
Allianz Carbon Investments B.V., Amsterdam	100.0
Allianz Cash SAS, Paris la Défense	100.0
Allianz Centrafrique Assurances SA, Bangui	88.3
Allianz Chicago Private Reit LP, Wilmington, DE	100.0
Allianz China General Insurance Company Ltd., Guangzhou	100.0
Allianz China Life Insurance Co. Ltd., Shanghai	51.0
Allianz Colombia S.A., Bogotá D.C.	100.0
Allianz Combinatie Fonds, Rotterdam	94.0 [3]
Allianz Compañía 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 Assurances SA, Abidjan	74.1
Allianz Côte d'Ivoire Assurances Vie SA, Abidjan	71.0
Allianz Creactions 1, Paris	100.0 [3]
Allianz Creactions 2, Paris	100.0 [3]
Allianz Crowdfunding Fund I FPCI, Paris	100.0 [3]
Allianz Crowdlending FSPI, Paris	100.0 [3]
Allianz Defensief Mix Fonds, Rotterdam	100.0 [3]
Allianz Digital Corporate Ventures S.à r.l., Luxembourg	100.0
Allianz do Brasil Participações Ltda., São Paulo	100.0
Allianz Duurzaam Wereld Aandelen Fonds, Rotterdam	58.7 [3]
Allianz Edukacja S.A., Warsaw	100.0
Allianz Egypt for Financial Investments Company S.A.E., New Cairo	100.0
Allianz Elementar Lebensversicherungs-Aktiengesellschaft, Vienna	100.0
Allianz Elementar Versicherungs-Aktiengesellschaft, Vienna	100.0
Allianz EM Loans S.C.S., Luxembourg	100.0
Allianz Engineering Inspection Services Limited, Guildford	100.0
Allianz Equity Emerging Markets 1, Paris	100.0 [3]
Allianz Equity Investments Ltd., Guildford	100.0
Allianz Equity Large Cap EMU, Paris	100.0 [3]
Allianz EURECO Equity, Paris	79.3 [3]
Allianz Euro Bond Strategy, Senningerberg	50.2 [3]
Allianz Euro Core Infrastructure Debt GP S.à r.l., Senningerberg	100.0
Allianz Euro Inflation-linked Bond, Senningerberg	50.2 [3]
Allianz Euro Tactique, Paris	35.0 [2,3]
Allianz Euroland Equity SRI, Senningerberg	50.1 [3]
Allianz Europa Aandelen Fonds, Rotterdam	95.3 [3]
Allianz Europa Obligatie Fonds, Rotterdam	90.8 [3]

	% owned[1]
Allianz Europe B.V., Amsterdam	100.0
Allianz Europe Conviction Equity, Senningerberg	99.3 [3]
Allianz Europe Ltd., Amsterdam	100.0
Allianz European Equity Dividend, Senningerberg	40.5 [2,3]
Allianz Finance Corporation, Wilmington, DE	100.0
Allianz Finance II B.V., Amsterdam	100.0
Allianz Finance II Luxembourg S.à r.l., Luxembourg	100.0
Allianz Finance III B.V., Amsterdam	100.0
Allianz Finance IV Luxembourg S.à r.l., Luxembourg	100.0
Allianz Finance Pty Ltd., Sydney	100.0
Allianz Finance VII Luxembourg S.A., Luxembourg	100.0
Allianz Finance VIII Luxembourg S.A., Luxembourg	100.0
Allianz FinanzPlan 2055, Senningerberg	57.4 [3]
Allianz Fire and Marine Insurance Japan Ltd., Tokyo	100.0
Allianz Foglalkoztatói Nyugdíjszolgáltató Zrt., Budapest	100.0
Allianz Foncier, Paris	67.6 [3]
Allianz France Favart I, Paris	100.0 [3]
Allianz France Investissement OPCI, Paris la Défense	100.0
Allianz France Real Estate Invest SPPICAV, Paris la Défense	100.0
Allianz France Richelieu 1 S.A.S., Paris la Défense	100.0
Allianz France S.A., Paris la Défense	100.0
Allianz France US REIT GP LLC, Wilmington, DE	100.0
Allianz France US REIT LP, Wilmington, DE	100.0
Allianz Fund Administration and Management B.V., Rotterdam	100.0
Allianz Fund Investments 2 S.A. (Compartment), Luxembourg	100.0
Allianz Fund Investments Inc., Wilmington, DE	100.0
Allianz Fund Investments S.A., Luxembourg	100.0
Allianz Garantie Fonds 3 %, Rotterdam	100.0 [3]
Allianz Garantie Fonds 4,75 %, Rotterdam	99.6 [3]
Allianz Garantiefonds 3,35 %, Rotterdam	100.0 [3]
Allianz Garantiefonds 5 %, Rotterdam	100.0 [3]
Allianz Geldmarkt Fonds, Rotterdam	91.8 [3]
Allianz General Insurance Company (Malaysia) Berhad p.l.c., Kuala Lumpur	100.0
Allianz General Laos Ltd., Vientiane	51.0
Allianz Global AC Equity Insights Fund, London	89.0 [3]
Allianz Global Aggregate Bond, Senningerberg	99.6 [3]
Allianz Global Corporate & Specialty do Brasil Participações Ltda., Rio de Janeiro	100.0
Allianz Global Corporate & Specialty of Africa (Proprietary) Ltd., Johannesburg	100.0
Allianz Global Corporate & Specialty of Bermuda Ltd., Hamilton	100.0
Allianz Global Corporate & Specialty South Africa Ltd., Johannesburg	100.0
Allianz Global Emerging Markets Equity Dividend, Senningerberg	48.0 [2,3]
Allianz Global Government Bond, Senningerberg	99.8 [3]
Allianz Global Investors (Shanghai) Limited, Shanghai	100.0
Allianz Global Investors Asia Pacific Ltd., Hong Kong	100.0
Allianz Global Investors Distributors LLC, Dover, DE	100.0
Allianz Global Investors Holdings Ltd, London	100.0
Allianz Global Investors Ireland Ltd., Dublin	100.0
Allianz Global Investors Japan Co. Ltd., Tokyo	100.0

	% owned[1]
Allianz Global Investors Nominee Services Ltd., George Town	100.0
Allianz Global Investors Schweiz AG, Zurich	100.0
Allianz Global Investors Singapore Ltd., Singapore	100.0
Allianz Global Investors Taiwan Ltd., Taipei	100.0
Allianz Global Investors U.S. Holdings LLC, Dover, DE	100.0
Allianz Global Investors U.S. LLC, Dover, DE	100.0
Allianz Global Life dac, Dublin	100.0
Allianz Global Risks US Insurance Company Corp., Chicago, IL	100.0
Allianz Green Bond, Senningerberg	88.6 [3]
Allianz Groen Rente Fonds, Rotterdam	100.0 [3]
Allianz Hayat ve Emeklilik A.S., Istanbul	89.0
Allianz Hellas Insurance Company S.A., Athens	100.0
Allianz Hold Co Real Estate S.à r.l., Luxembourg	100.0
Allianz Holding eins GmbH, Vienna	100.0
Allianz Holding France SAS, Paris la Défense	100.0
Allianz Holdings p.l.c., Dublin	100.0
Allianz Holdings plc, Guildford	100.0
Allianz Hospitaliers Euro, Paris	100.0 [3]
Allianz Hospitaliers Valeurs Durables, Paris	100.0 [3]
Allianz Hungária Biztosító Zrt., Budapest	100.0
Allianz HY Investor GP LLC, Wilmington, DE	100.0
Allianz HY Investor LP, Wilmington, DE	100.0
Allianz IARD S.A., Paris la Défense	100.0
Allianz IARD Vintage, Paris	100.0 [3]
Allianz Immo, Paris	41.1 [2,3]
Allianz IndexManagement Balance, Senningerberg	100.0 [3]
Allianz IndexManagement Chance, Senningerberg	100.0 [3]
Allianz IndexManagement Substanz, Senningerberg	100.0 [3]
Allianz IndexManagement Wachstum, Senningerberg	100.0 [3]
Allianz Individual Insurance Group LLC, Minneapolis, MN	100.0
Allianz Informatique G.I.E., Paris la Défense	100.0
Allianz Infrastructure Czech HoldCo I S.à r.l., Luxembourg	100.0
Allianz Infrastructure Czech HoldCo II S.à r.l., Luxembourg	100.0
Allianz Infrastructure Luxembourg Holdco I S.A., Luxembourg	100.0
Allianz Infrastructure Luxembourg Holdco II S.A., Luxembourg	100.0
Allianz Infrastructure Luxembourg Holdco III S.A., Luxembourg	100.0
Allianz Infrastructure Luxembourg Holdco IV S.A., Luxembourg	100.0
Allianz Infrastructure Luxembourg I S.à r.l., Luxembourg	100.0
Allianz Infrastructure Luxembourg II S.A., Luxembourg	100.0
Allianz Infrastructure Norway Holdco I S.à r.l., Luxembourg	100.0
Allianz Infrastructure Spain Holdco I S.à r.l., Luxembourg	100.0
Allianz Infrastructure Spain Holdco II S.à r.l., Luxembourg	100.0
Allianz Insurance Company of Ghana Limited, Accra	100.0
Allianz Insurance Company of Kenya Limited, Nairobi	100.0
Allianz Insurance Company-Egypt S.A.E., New Cairo	95.0

	% owned[1]
Allianz Insurance Lanka Limited, Colombo	100.0
Allianz Insurance plc, Guildford	100.0
Allianz International Ltd., Guildford	100.0
Allianz Inversiones S.A., Bogotá D.C.	100.0
Allianz Invest 10 Division S/U, Vienna	100.0 [3]
Allianz Invest 11 Division Leben/Kranken, Vienna	100.0 [3]
Allianz Invest 12 Division Leben/Kranken, Vienna	100.0 [3]
Allianz Invest 50, Vienna	100.0 [3]
Allianz Invest Cash, Vienna	86.3 [3]
Allianz Invest d.o.o., Zagreb	100.0
Allianz Invest Kapitalanlagegesellschaft mbH, Vienna	100.0
Allianz Invest Ostrent, Vienna	85.0 [3]
Allianz Invest Spezial 3, Vienna	100.0 [3]
Allianz Investment Management LLC, Minneapolis, MN	100.0
Allianz Investmentbank Aktiengesellschaft, Vienna	100.0
Allianz Investments I Luxembourg S.à r.l., Luxembourg	100.0
Allianz Investments II Luxembourg S.à r.l., Luxembourg	100.0
Allianz Investments III Luxembourg S.A., Luxembourg	100.0
Allianz Italia 50 Special, Milan	70.1 [3]
Allianz Jewel Fund ICAV, Dublin	100.0 [3]
Allianz kontakt s.r.o., Prague	100.0
Allianz Langlopend Obligatie Fonds, Rotterdam	100.0 [3]
Allianz Leasing Bulgaria AD, Sofia	51.0
Allianz Leben Real Estate Holding I S.à r.l., Luxembourg	100.0
Allianz Leben Real Estate Holding II S.à r.l., Luxembourg	100.0
Allianz Life (Bermuda) Ltd., Hamilton	100.0
Allianz Life Assurance Company-Egypt S.A.E., New Cairo	100.0
Allianz Life Financial Services LLC, Minneapolis, MN	100.0
Allianz Life Insurance Company Ltd., Moscow	100.0
Allianz Life Insurance Company of Ghana Limited, Accra	100.0
Allianz Life Insurance Company of Missouri, Clayton, MO	100.0
Allianz Life Insurance Company of New York, New York, NY	100.0
Allianz Life Insurance Company of North America, Minneapolis, MN	100.0
Allianz Life Insurance Japan Ltd., Tokyo	100.0
Allianz Life Insurance Lanka Ltd., Colombo	100.0
Allianz Life Insurance Malaysia Berhad p.l.c., Kuala Lumpur	100.0
Allianz Life Luxembourg S.A., Luxembourg	100.0
Allianz Madagascar Assurances SA, Antananarivo	100.0
Allianz Malaysia Berhad p.l.c., Kuala Lumpur	75.0
Allianz Mali Assurances SA, Bamako	77.0
Allianz Management Services Limited, Guildford	100.0
Allianz Marine & Transit Underwriting Agency Pty Ltd., Sydney	75.0
Allianz Marine (UK) Ltd., Ipswich	100.0
Allianz Maroc S.A., Casablanca	98.9
Allianz Mena Holding Bermuda Ltd., Beirut	99.9
Allianz México S.A. Compañía de Seguros, Mexico City	100.0
Allianz Mid Cap Loans FCT, Paris	100.0 [3]
Allianz Multi Croissance, Paris	100.0 [3]
Allianz Multi Dynamisme, Paris	94.8 [3]

	% owned[1]
Allianz Multi Equilibre, Paris	98.1 [3]
Allianz Multi Horizon 2021-2023, Paris	52.3 [3]
Allianz Multi Horizon 2024-2026, Paris	59.2 [3]
Allianz Multi Horizon 2027-2029, Paris	65.3 [3]
Allianz Multi Horizon 2030-2032, Paris	100.0 [3]
Allianz Multi Horizon 2033-2035, Paris	99.9 [3]
Allianz Multi Horizon 2036-2038, Paris	100.0 [3]
Allianz Multi Horizon 2039-2041, Paris	100.0 [3]
Allianz Multi Horizon Court Terme, Paris	75.0 [3]
Allianz Multi Horizon Long Terme, Paris	75.2 [3]
Allianz Multi Opportunités, Paris	99.0 [3]
Allianz Multi Rendement Premium (R), Paris	90.4 [3]
Allianz Multi Rendement Réel, Paris	88.8 [3]
Allianz Multi Sérénité, Paris	99.8 [3]
Allianz Mutual Funds Management Company S.A., Athens	100.0
Allianz Nederland Groep N.V., Rotterdam	100.0
Allianz Nederland Levensverzekering N.V., Rotterdam	100.0
Allianz New Europe Holding GmbH, Vienna	100.0
Allianz New Zealand Limited, Auckland	100.0
Allianz Obligations Internationales, Paris	81.0 [3]
Allianz of America Inc., Wilmington, DE	100.0
Allianz Offensief Mix Fonds, Rotterdam	100.0 [3]
Allianz One Beacon GP LLC, Wilmington, DE	100.0
Allianz One Beacon LP, Wilmington, DE	100.0
Allianz Opéra, Paris	100.0 [3]
Allianz p.l.c., Dublin	100.0
Allianz Pacific Aandelen Fonds, Rotterdam	95.0 [3]
Allianz Partners S.A.S., Saint-Ouen	100.0
Allianz Pension Fund Trustees Ltd., Guildford	100.0
Allianz Pensionskasse Aktiengesellschaft, Vienna	100.0
Allianz penzijní spolecnost a.s., Prague	100.0
Allianz Pimco Corporate, Vienna	90.9 [3]
Allianz Pimco Mortgage, Vienna	97.2 [3]
Allianz PNB Life Insurance Inc., Makati City	51.0
Allianz pojistovna a.s., Prague	100.0
Allianz Polska Services Sp. z o.o., Warsaw	100.0
Allianz Popular Asset Management SGIIC S.A., Madrid	100.0
Allianz Popular Pensiones EGFP S.A., Madrid	100.0
Allianz Popular S.L., Madrid	60.0
Allianz Popular Vida Compañía de Seguros y Reaseguros S.A., Madrid	100.0
Allianz Presse Infra GP S.à r.l., Luxembourg	100.0
Allianz Presse Infra S.C.S., Luxembourg	100.0
Allianz Presse US REIT GP LLC, Wilmington, DE	100.0
Allianz Presse US REIT LP, Wilmington, DE	100.0
Allianz Private Equity Partners Europa II, Milan	92.0 [3]
Allianz Private Equity Partners Europa III, Milan	99.6 [3]
Allianz Private Equity Partners IV, Milan	100.0 [3]
Allianz Private Equity Partners V, Milan	100.0 [3]
Allianz Private Equity UK Holdings Limited, London	100.0
Allianz Properties Limited, Guildford	100.0
Allianz Re Bermuda Life Ltd., Hamilton	100.0
Allianz Re Dublin dac, Dublin	100.0
Allianz Real Estate France SAS, Paris	100.0
Allianz Real Estate of America LLC, New York, NY	100.0
Allianz Renewable Energy Fund III GP SCSp, Senningerberg	100.0
Allianz Renewable Energy Fund III Lux GP S.à r.l., Senningerberg	100.0

	% owned[1]
Allianz Renewable Energy Fund Management 1 Ltd., London	100.0
Allianz Renewable Energy Management AT GmbH, Pottenbrunn	100.0
Allianz Renewable Energy Management AT II GmbH, Pottenbrunn	100.0
Allianz Renewable Energy Partners I LP, London	100.0
Allianz Renewable Energy Partners II Limited, London	100.0
Allianz Renewable Energy Partners III LP, London	98.8
Allianz Renewable Energy Partners IV Limited, London	98.8
Allianz Renewable Energy Partners of America 2 LLC, Wilmington, DE	100.0
Allianz Renewable Energy Partners of America LLC, Wilmington, DE	100.0
Allianz Renewable Energy Partners V plc., London	100.0
Allianz Renewable Energy Partners VI Limited, London	100.0
Allianz Renewable Energy Partners VII LP, London	100.0
Allianz Renewable Energy Partners VIII Limited, London	100.0
Allianz Risk Consultants Inc., Los Angeles, CA	100.0
Allianz Risk Transfer (Bermuda) Ltd., Hamilton	100.0
Allianz Risk Transfer (UK) Limited, London	100.0
Allianz Risk Transfer AG, Schaan	100.0
Allianz Risk Transfer Inc., New York, NY	100.0
Allianz S.A. de C.V., Mexico City	100.0
Allianz S.p.A., Trieste	100.0
Allianz Saint Marc CL, Paris	100.0 [3]
Allianz SAS S.A.S., Bogotá D.C.	100.0
Allianz Saúde S.A., São Paulo	100.0
Allianz Secteur Euro Immobilier, Paris	95.6 [3]
Allianz Secteur Europe Immobilier, Paris	88.2 [3]
Allianz Sécurité, Paris	94.6 [3]
Allianz Seguros de Vida S.A., Bogotá D.C.	100.0
Allianz Seguros S.A., São Paulo	100.0
Allianz Seguros S.A., Bogotá D.C.	100.0
Allianz Selectie Fonds, Rotterdam	100.0 [3]
Allianz Selection Alternative, Senningerberg	100.0 [3]
Allianz Selection Fixed Income, Senningerberg	100.0 [3]
Allianz Sénégal Assurances SA, Dakar	83.2
Allianz Sénégal Assurances Vie SA, Dakar	96.8
Allianz Services (UK) Limited, London	100.0
Allianz SGD Income Fund, Singapore	92.4 [3]
Allianz Short Duration Global Bond, Senningerberg	99.8 [3]
Allianz Sigorta A.S., Istanbul	96.2
Allianz SNA s.a.l., Beirut	100.0
Allianz Sociedad Anónima A.S. Agencia de Seguros, Barcelona	100.0
Allianz Sociedade Gestora de Fundos de Pensões S.A., Lisbon	88.6
Allianz Société Financière S.à r.l., Luxembourg	100.0
Allianz South America Holding B.V., Amsterdam	100.0
Allianz Special Opportunities Alternative Fund, Milan	100.0 [3]
Allianz Specialised Investments Limited, London	100.0
Allianz Strategy Select 50, Senningerberg	50.0 [2,3]
Allianz Structured Alpha US Equity 250, Senningerberg	67.7 [3]
Allianz Subalpina Holding S.p.A., Turin	98.1
Allianz Suisse Immobilien AG, Wallisellen	100.0
Allianz Suisse Lebensversicherungs-Gesellschaft AG, Wallisellen	100.0

	% owned[1]
Allianz Suisse Versicherungs-Gesellschaft AG, Wallisellen	100.0
Allianz Taiwan Life Insurance Co. Ltd., Taipei	99.7
Allianz Technology B.V., Rotterdam	100.0
Allianz Technology (Thailand) Co.,Ltd, Bangkok	100.0
Allianz Technology AG, Wallisellen	100.0
Allianz Technology GmbH, Vienna	100.0
Allianz Technology International B.V., Amsterdam	100.0
Allianz Technology of America Inc., Wilmington, DE	100.0
Allianz Technology S.C.p.A., Milan	100.0
Allianz Technology S.L., Barcelona	100.0
Allianz Technology S.p.A., Rome	100.0
Allianz Technology SAS, Paris	100.0
Allianz Tiriac Asigurari SA, Bucharest	52.2
Allianz Tiriac Pensii Private Societate de administrare a fondurilor de pensii private S.A., Bucharest	100.0
Allianz Togo Assurances SA, Lome	97.9
Allianz UK Credit Fund, Paris	100.0 [3]
Allianz UK Infrastructure Debt GP 2 Limited, London	100.0
Allianz UK Infrastructure Debt GP Limited, London	100.0
Allianz Ukraine LLC, Kiev	100.0
Allianz Underwriters Insurance Company Corp., Burbank, CA	100.0
Allianz US Investment GP LLC, Wilmington, DE	100.0
Allianz US Investment LP, Wilmington, DE	100.0
Allianz US Private Credit Solutions GP II LLC, Wilmington, DE	100.0
Allianz US Private Credit Solutions GP LLC, Wilmington, DE	100.0
Allianz US Private REIT GP LLC, Wilmington, DE	100.0
Allianz US Private REIT LP, Wilmington, DE	100.0
Allianz Valeurs Durables, Paris	60.7 [3]
Allianz Vermogen B.V., Rotterdam	100.0
Allianz Vie S.A., Paris la Défense	100.0
Allianz Vie Sub Sovereign Debt FCP, Paris	100.0 [3]
Allianz Volatility Strategy Fund, Senningerberg	41.5 [2,3]
Allianz Vorsorgekasse AG, Vienna	100.0
Allianz Worldwide Partners (Hong Kong) Ltd., Hong Kong	100.0
Allianz Yasam ve Emeklilik A.S., Istanbul	80.0
Allianz Zagreb d.d., Zagreb	83.2
Allianz ZB d.o.o. Company for the Management of Obligatory Pension Funds, Zagreb	51.0
Allianz ZB d.o.o. Company for the Management of Voluntary Pension Funds, Zagreb	51.0
AllianzGI Best Styles Emerging Markets Equity Fund, Boston, MA	84.8 [3]
AllianzGI Emerging Markets Debt Fund, Boston, MA	42.9 [2,3]
AllianzGI Global Fundamental Strategy Fund, Boston, MA	95.5 [3]
AllianzGI Global High Yield Fund, Boston, MA	95.0 [3]
AllianzGI Global Small-Cap Opportunity Portfolio, Boston, MA	100.0 [3]
AllianzGI International Small Cap Opportunities LLC, Wilmington, DE	99.3 [3]
AllianzGI Managed Futures LLC, Wilmington, DE	99.2 [3]
AllianzGI Multi Asset Opportunities LLC, Wilmington, DE	99.2 [3]
AllianzGI Real Estate Debt Fund, Boston, MA	100.0 [3]
AllianzGI Renewable Energy Fund III (US) GP LLC, Wilmington, DE	100.0
AllianzGo S.r.l., Trieste	100.0
Allianz-Slovenská DSS a.s., Bratislava	100.0

	% owned[1]
Allianz-Slovenská poist'ovna a.s., Bratislava	99.6
American Automobile Insurance Company Corp., Earth City, MO	100.0
American Financial Marketing Inc., Minneapolis, MN	100.0
Ann Arbor Annuity Exchange Inc., Ann Arbor, MI	100.0
APEH Europe VI, Paris	99.6 [3]
APK US Investment GP LLC, Wilmington, DE	100.0
APK US Investment LP, Wilmington, DE	100.0
APKV US Private REIT GP LLC, Wilmington, DE	100.0
APKV US Private REIT LP, Wilmington, DE	100.0
APP Broker S.r.l., Trieste	100.0
Appia Investments S.r.l., Milan	57.6
Arcalis Retraite S.A., Paris la Défense	100.0
Arcalis UN, Paris	100.0 [3]
Arges Investments I N.V., Amsterdam	100.0
Arges Investments II N.V., Amsterdam	100.0
Asit Services S.R.L., Bucharest	100.0
Assistance Courtage d'Assurance et de Réassurance S.A., Courbevoie	100.0
Associated Indemnity Corporation, Los Angeles, CA	100.0
Assurances Médicales SA, Metz	100.0
Avip Actions 100, Paris	100.0 [3]
Avip Actions 60, Paris	100.0 [3]
Avip Top Croissance, Paris	99.4 [3]
Avip Top Defensif, Paris	99.4 [3]
Avip Top Harmonie, Paris	97.2 [3]
AWP Argentina S.A., Buenos Aires	100.0
AWP Assistance (India) Private Limited, Gurgaon	100.0
AWP Assistance Ireland Limited, Dublin	100.0
AWP Assistance Service España S.A., Madrid	100.0
AWP Assistance UK Ltd., London	100.0
AWP Australia Holdings Pty Ltd., Toowong	100.0
AWP Australia Pty Ltd., Toowong	100.0
AWP Austria GmbH, Vienna	100.0
AWP Brokers & Services Hellas S.A., Athens	51.0
AWP Chile Limitada, Santiago	100.0
AWP Colombia SAS, Bogotá D.C.	100.0
AWP Contact Center Italia S.r.l., Milan	100.0
AWP France SAS, Saint-Ouen	95.0
AWP Health & Life S.A., Saint-Ouen	100.0
AWP Health & Life Services Limited, Dublin	100.0
AWP Indian Ocean LLC, Ebene	100.0
AWP Japan Co. Ltd., Tokyo	100.0
AWP MEA Holdings Co. W.L.L., Manama	75.0
AWP Mexico S.A. de C.V., Mexico City	100.0
AWP P&C S.A., Saint-Ouen	100.0
AWP Polska Sp. z o.o., Warsaw	100.0
AWP Réunion SAS, Saint-Denis	100.0
AWP RUS LLC, Moscow	100.0
AWP Service Brasil Ltda., São Bernardo do Campo	100.0
AWP Service Italia S.c.a.r.l., Milan	100.0
AWP Services (India) Private Limited, Gurgaon	100.0
AWP Services Belgium S.A., Brussels	100.0
AWP Services New Zealand Limited, Auckland	100.0
AWP Services NL B.V., Amsterdam	100.0
AWP Services Sdn. Bhd., Kuala Lumpur	100.0
AWP Services Singapore Pte. Ltd., Singapore	100.0
AWP Servicios Mexico S.A. de C.V., Mexico City	100.0
AWP Solutions CR a SR s.r.o., Prague	100.0

	% owned[1]
AWP Ticket Guard Small Amount & Short Term Insurance Co. Ltd., Tokyo	100.0
AWP USA Inc., Richmond, VA	100.0
AZ Euro Investments II S.à r.l., Luxembourg	100.0
AZ Euro Investments S.à r.l., Luxembourg	100.0
AZ Jupiter 10 B.V., Amsterdam	100.0
AZ Jupiter 11 B.V., Amsterdam	97.6
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 Real Estate GP LLC, New York, NY	100.0
AZ Servisni centar d.o.o., Zagreb	100.0
AZ Vers US Private REIT GP LLC, Wilmington, DE	100.0
AZ Vers US Private REIT LP, Wilmington, DE	100.0
AZGA Insurance Agency Canada Ltd., Kitchener, ON	100.0
AZGA Service Canada Inc., Kitchener, ON	55.0
AZL PF Investments Inc., Minneapolis, MN	100.0
AZOA C.V., Amsterdam	100.0
AZOA Services Corporation, New York, NY	100.0
AZWP Services Portugal Lda., Lisbon	100.0
Beleggingsmaatschappij Willemsbruggen B.V., Rotterdam	100.0
Beykoz Gayrimenkul Yatirim Insaat Turizm Sanayi ve Ticaret A.S., Ankara	100.0
Bilan Services S.N.C., Nanterre	66.0
Biuro Informacji Gospodarczej Euler Hermes S.A., Warsaw	100.0
Borgo San Felice S.r.l., Castelnuovo Berardenga (Siena)	100.0
Botanic Building SPRL, Brussels	100.0
BPS Brindisi 211 S.r.l., Lecce	100.0
BPS Brindisi 213 S.r.l., Lecce	100.0
BPS Brindisi 222 S.r.l., Lecce	100.0
BPS Mesagne 214 S.r.l., Lecce	100.0
BPS Mesagne 215 S.r.l., Lecce	100.0
BPS Mesagne 216 S.r.l., Lecce	100.0
BPS Mesagne 223 S.r.l., Lecce	100.0
BPS Mesagne 224 S.r.l., Lecce	100.0
Brasil de Imóveis e Participações Ltda., São Paulo	100.0
Bravo II CIV LLC, Wilmington, DE	100.0
BRAVO III CIV LLC, Wilmington, DE	100.0
British Reserve Insurance Co. Ltd., Guildford	100.0
Brobacken Nät AB, Stockholm	100.0
BSMC (Thailand) Limited, Bangkok	100.0
Bureau d'Expertises Despretz S.A., Brussels	100.0
Calobra Investments Sp. z o.o., Warsaw	100.0
Calypso S.A., Paris la Défense	100.0
CAP Rechtsschutz-Versicherungsgesellschaft AG, Wallisellen	100.0
Caroline Berlin S.C.S., Luxembourg	93.2
Central Shopping Center a.s., Bratislava	100.0
Centrale Photovoltaique de Saint Marcel sur aude SAS, Paris	100.0
Centrale Photovoltaique de Valensole SAS, Paris	100.0
CEPE de Bajouve S.à r.l., Versailles	100.0
CEPE de Haut Chemin S.à r.l., Versailles	100.0
CEPE de la Baume S.à r.l., Versailles	100.0
CEPE de la Forterre S.à r.l., Versailles	100.0
CEPE de Langres Sud S.à r.l., Versailles	100.0
CEPE de Mont Gimont S.à r.l., Versailles	100.0
CEPE de Sambres S.à r.l., Versailles	100.0
CEPE de Vieille Carrière S.à r.l., Versailles	100.0

	% owned[1]
CEPE des Portes de la Côte d'Or S.à r.l., Versailles	100.0
CEPE du Blaiseron S.à r.l., Versailles	100.0
CEPE du Bois de la Serre S.à r.l., Versailles	100.0
Chicago Insurance Company Corp., Chicago, IL	100.0
CIC Allianz Insurance Ltd., Sydney	100.0
Climmolux Holding SA, Luxembourg	100.0
Club Marine Limited, Sydney	100.0
COF II CIV LLC, Wilmington, DE	100.0
Companhia de Seguros Allianz Portugal S.A., Lisbon	64.8
Compañía Colombiana de Servicio Automotriz S.A., Bogotá D.C.	100.0
Consultatio Renta Mixta F.C.I., Buenos Aires	100.0[3]
Corn Investment Ltd., London	100.0
Corsetec Assessoria e Corretagem de Seguros Ltda., São Paulo	100.0
CPRN Thailand Ltd., Bangkok	100.0
Creactif Allocation, Paris	100.0[3]
CreditRas Assicurazioni S.p.A., Milan	50.0[2]
CreditRas Vita S.p.A., Milan	50.0[2]
Darta Saving Life Assurance Ltd., Dublin	100.0
Deeside Investments Inc., Wilmington, DE	50.1
Delta Technical Services Ltd., London	100.0
Diamond Point a.s., Prague	100.0
Dresdner Kleinwort Pfandbriefe Investments II Inc., Minneapolis, MN	100.0
EF Solutions LLC, Wilmington, DE	100.0
ELVIA eInvest AG, Wallisellen	100.0
Energie Eolienne Lusanger S.à r.l., Versailles	100.0
Eolica Erchie S.r.l., Lecce	100.0
EP Tactical GP LLC, Wilmington, DE	100.0
Etablissements J. Moneger SA, Dakar	100.0
Euler Hermes 39 Ouest, Paris la Défense	100.0[3]
Euler Hermes Acmar SA, Casablanca	55.0
Euler Hermes Acmar Services SARL, Casablanca	100.0
Euler Hermes Asset Management France S.A., Paris la Défense	100.0
Euler Hermes Australia Pty Limited, Sydney	100.0
Euler Hermes Canada Services Inc., Montreal, QC	100.0
Euler Hermes Collections North America Company, Owings Mills, MD	100.0
Euler Hermes Collections Sp. z o.o., Warsaw	100.0
Euler Hermes Consulting (Shanghai) Co. Ltd., Shanghai	100.0
Euler Hermes Crédit France S.A.S., Paris la Défense	100.0
Euler Hermes Digital Ventures OPCVM, Paris la Défense	100.0[3]
Euler Hermes Emporiki Services Ltd., Athens	100.0
Euler Hermes Excess North America LLC, Owings Mills, MD	100.0
Euler Hermes Group SA, Paris la Défense	79.1
Euler Hermes Hong Kong Service Limited, Hong Kong	100.0
Euler Hermes Japan Services Ltd., Tokyo	100.0
Euler Hermes Korea Non-life Broker Company Limited, Seoul	100.0
Euler Hermes Luxembourg Holding S.à r.l., Luxembourg	100.0
Euler Hermes Magyar Követeleskezelö Kft., Budapest	100.0
Euler Hermes New Zealand Limited, Auckland	100.0
Euler Hermes North America Holding Inc., Owings Mills, MD	100.0

	% owned[1]
Euler Hermes North America Insurance Company Inc., Owings Mills, MD	100.0
Euler Hermes Patrimonia SA, Brussels	100.0
Euler Hermes Ré SA, Luxembourg	100.0
Euler Hermes Real Estate SPPICAV, Paris la Défense	60.0
Euler Hermes Recouvrement France S.A.S., Paris la Défense	100.0
Euler Hermes Reinsurance AG, Wallisellen	100.0
Euler Hermes Risk Yönetimi A.S., Istanbul	100.0
Euler Hermes S.A., Brussels	100.0
Euler Hermes Seguros de Crédito S.A., São Paulo	100.0
Euler Hermes Service AB, Stockholm	100.0
Euler Hermes Services B.V., 's-Hertogenbosch	100.0
Euler Hermes Services Belgium S.A., Brussels	100.0
Euler Hermes Services Bulgaria EOOD, Sofia	100.0
Euler Hermes Services Ceská republika s.r.o., Prague	100.0
Euler Hermes Services G.C.C. Limited, Dubai	100.0
Euler Hermes Services India Private Limited, Mumbai	100.0
Euler Hermes Services Ireland Limited, Dublin	100.0
Euler Hermes Services Italia S.r.l., Rome	100.0
Euler Hermes Services North America LLC, Owings Mills, MD	100.0
Euler Hermes Services Romania S.R.L., Bucharest	100.0
Euler Hermes Services S.A.S., Paris la Défense	100.0
Euler Hermes Services Schweiz AG, Wallisellen	100.0
Euler Hermes Services Slovensko s.r.o., Bratislava	100.0
Euler Hermes Services South Africa Ltd., Johannesburg	100.0
Euler Hermes Services Tunisia S.à r.l., Tunis	100.0
Euler Hermes Services UK Limited, London	100.0
Euler Hermes Serviços de Gestão de Riscos Ltda., São Paulo	100.0
Euler Hermes Sigorta A.S., Istanbul	100.0
Euler Hermes Singapore Services Pte. Ltd., Singapore	100.0
Euler Hermes South Express S.A., Brussels	100.0
Euler Hermes Taiwan Services Limited, Taipei	100.0
Euler Hermes World Agency SASU, Paris la Défense	100.0
Euler Hermes, Mierzejewska-Kancelaria Prawna Sp.k, Warsaw	100.0
Eurl 20/22 Le Peletier, Paris la Défense	100.0
Eurosol Invest S.r.l., Udine	100.0
FCP LBPAM IDR, Paris	100.0[3]
FCT CIMU 92, Pantin	100.0[3]
FCT Rocade L2 Marseille, Paris	100.0[3]
Fénix Directo Compañía de Seguros y Reaseguros S.A., Madrid	100.0
Ferme Eolienne de Villemur-sur-Tarn S.à r.l., Versailles	100.0
Ferme Eolienne des Jaladeaux S.à r.l., Versailles	100.0
Financière Callisto SAS, Paris la Défense	100.0
Fireman's Fund Financial Services LLC, Dallas, TX	100.0
Fireman's Fund Indemnity Corporation, Liberty Corner, NJ	100.0
Fireman's Fund Insurance Company Corp., Los Angeles, CA	100.0
Fireman's Fund Insurance Company of Hawaii Inc., Honolulu, HI	100.0
Fondo Chiuso Allianz Infrastructure Partners I, Milan	100.0[3]
Fragonard Assurance S.A., Paris	100.0
Friederike MLP S.à r.l., Luxembourg	100.0

	% owned[1]
Fu An Management Consulting Co. Ltd., Beijing	1.0[2]
Fusion Company Inc., Richmond, VA	100.0
Gaipare Action, Paris	99.5[3]
GamePlan Financial Marketing LLC, Woodstock, GA	100.0
Generation Vie S.A., Courbevoie	52.5
Genialloyd S.p.A., Milan	100.0
Gestion de Téléassistance et de Services S.A., Chatillon	100.0
GIE Euler Hermes SFAC Services, Paris la Défense	100.0
Global Transport & Automotive Insurance Solutions Pty Limited, Sydney	81.0
Hauteville Insurance Company Limited, St Peter Port	100.0
Havelaar & van Stolk B.V., Rotterdam	100.0
Helviass Verzekeringen B.V., Rotterdam	100.0
Home & Legacy Insurance Services Limited, Guildford	100.0
Hunter Premium Funding Ltd., Sydney	100.0
IEELV GP S.à r.l., Luxembourg	100.0
Immovalor Gestion S.A., Paris la Défense	100.0
ImWind AO GmbH & Co. KG, Pottenbrunn	100.0
ImWind GHW GmbH & Co. KG, Pottenbrunn	100.0
ImWind PL GmbH & Co. KG, Pottenbrunn	100.0
Inforce Solutions LLC, Woodstock, GA	100.0
InnovAllianz, Paris	99.6[3]
Insurance CJSC "Medexpress", Saint Petersburg	100.0
Intermediass S.r.l., Milan	100.0
Interstate Fire & Casualty Company, Chicago, IL	100.0
Investitori Italian Office Fund, Milan	100.0[3]
Investitori Real Estate Fund, Milan	100.0[3]
Investitori SGR S.p.A., Milan	100.0
Järvsö Sörby Vindkraft AB, Danderyd	100.0
JCR Intertrade Ltd., Bangkok	40.0[2]
Jefferson Insurance Company Corp., New York, NY	100.0
Joukhaisselän Tuulipuisto Oy, Oulu	100.0
Jouttikallio Wind Oy, Kotka	100.0
JSC Insurance Company Allianz, Moscow	100.0
Ken Tame & Associates Pty Ltd., Sydney	100.0
Kensington Fund, Milan	100.0
Kiinteistöosakeyhtiö Eteläesplanadi 2 Oy, Helsinki	100.0
Kohlenberg & Ruppert Premium Properties S.à r.l., Luxembourg	100.0
Königinstrasse I S.à r.l., Luxembourg	100.0
Kuolavaara-Keulakkopään Tuulipuisto Oy, Oulu	100.0
La Rurale SA, Courbevoie	99.9
LAD Energy GmbH & Co. KG, Pottenbrunn	100.0
Lincoln Infrastructure USA Inc., Wilmington, DE	100.0
LLC "IC Euler Hermes Ru", Moscow	100.0
LLC "Medexpress-service", Saint Petersburg	100.0
LLC "Progress-Med", Moscow	100.0
LLC "Risk Audit", Moscow	100.0
Lloyd Adriatico Holding S.p.A., Trieste	99.9
Maevaara Vind 2 AB, Stockholm	100.0
Maevaara Vind AB, Stockholm	100.0
MAF SALP SAS, Saint-Ouen	100.0
Magdeburger Sigorta A.S., Istanbul	100.0
Marofinac S.à r.l., Casablanca	100.0
Medi24 AG, Bern	100.0
Mombyasen Wind Farm AB, Halmstad	100.0

	% owned[1]
Mondial Protection Corretora de Seguros Ltda., São Bernardo do Campo	100.0
National Surety Corporation, Chicago, IL	100.0
Neoasistencia Manoteras S.L., Madrid	100.0
Nextcare Bahrain Ancillary Services Company B.S.C., Manama	100.0
NEXtCARE Claims Management LLC, Dubai	100.0
NEXtCARE Egypt LLC, New Cairo	100.0
NEXtCARE Lebanon SAL, Beirut	100.0
NEXtCARE Tunisie LLC, Tunis	100.0
Northstar Mezzanine Partners VI U.S. Feeder II L.P., Dover, DE	100.0 [3]
Ontario Limited, Toronto, ON	100.0
OOO Euler Hermes Credit Management, Moscow	100.0
OPCI Allianz France Angel, Paris la Défense	100.0
Orione PV S.r.l., Milan	100.0
Orsa Maggiore PV S.r.l., Milan	100.0
Orsa Minore PV S.r.l., Milan	100.0
Pacific Investment Management Company LLC, Dover, DE	95.7
Parc Eolien de Bonneuil S.à r.l., Versailles	100.0
Parc Eolien de Bruyère Grande SAS, Versailles	100.0
Parc Eolien de Chaourse SAS, Versailles	100.0
Parc Eolien de Chateau Garnier SAS, Versailles	100.0
Parc Eolien de Croquettes SAS, Versailles	100.0
Parc Eolien de Dyé SAS, Versailles	100.0
Parc Eolien de Fontfroide SAS, Versailles	100.0
Parc Eolien de Forge SAS, Paris	100.0
Parc Eolien de la Sole du Bois SAS, Paris	100.0
Parc Eolien de Longchamps SAS, Versailles	100.0
Parc Eolien de Ly-Fontaine SAS, Versailles	100.0
Parc Eolien de Pliboux SAS, Versailles	100.0
Parc Eolien de Remigny SAS, Versailles	100.0
Parc Eolien des Barbes d´Or SAS, Versailles	100.0
Parc Eolien des Joyeuses SAS, Versailles	100.0
Parc Eolien des Mistandines SAS, Paris	100.0
Parc Eolien des Quatre Buissons SAS, Paris	100.0
Parc Eolien du Bois Guillaume SAS, Paris	100.0
Parc Eolien Les Treize SAS, Paris	100.0
Pet Plan Ltd., Guildford	100.0
PFP Holdings Inc., Dover, DE	100.0
PGA Global Services LLC, Dover, DE	100.0
PGREF V 1301 Sixth Investors I LLC, Wilmington, DE	100.0
PGREF V 1301 Sixth Investors I LP, Wilmington, DE	100.0
PIMCO (Schweiz) GmbH, Zurich	100.0
PIMCO Asia Ltd., Hong Kong	100.0
PIMCO Asia Pte Ltd., Singapore	100.0
PIMCO Australia Management Limited, Sydney	100.0
PIMCO Australia Pty Ltd., Sydney	100.0
PIMCO Canada Corp., Toronto, ON	100.0
PIMCO COF II LLC, Wilmington, DE	100.0
PIMCO Covered Bond Source UCITS ETF, Dublin	41.0 [2,3]
PIMCO Emerging Markets Bond Fund III, George Town	53.6 [3]
PIMCO Europe Ltd., London	100.0
PIMCO Global Advisors (Ireland) Ltd., Dublin	100.0
PIMCO Global Advisors (Luxembourg) S.A., Luxembourg	100.0
PIMCO Global Advisors (Resources) LLC, Dover, DE	100.0
PIMCO Global Advisors LLC, Dover, DE	100.0
PIMCO Global Holdings LLC, Dover, DE	100.0
PIMCO GP I Canada Corporation, Toronto, ON	100.0

	% owned[1]
PIMCO GP I LLC, Wilmington, DE	100.0
PIMCO GP II S.à r.l., Luxembourg	100.0
PIMCO GP III LLC, Wilmington, DE	100.0
PIMCO GP IX LLC, Wilmington, DE	100.0
PIMCO GP S.à r.l., Luxembourg	100.0
PIMCO GP V LLC, Wilmington, DE	100.0
PIMCO GP VII LLC, Wilmington, DE	100.0
PIMCO GP X LLC, Wilmington, DE	100.0
PIMCO GP XI LLC, Wilmington, DE	100.0
PIMCO GP XII LLC, Wilmington, DE	100.0
PIMCO GP XIII LLC, Wilmington, DE	100.0
PIMCO GP XIV LLC, Wilmington, DE	100.0
PIMCO GP XIX LLC, Wilmington, DE	100.0
PIMCO GP XV LLC, Wilmington, DE	100.0
PIMCO GP XVI LLC, Wilmington, DE	100.0
PIMCO GP XVII LLC, Wilmington, DE	100.0
PIMCO GP XVIII LLC, Wilmington, DE	100.0
PIMCO GP XX LLC, Wilmington, DE	100.0
PIMCO GP XXI LLC, Wilmington, DE	100.0
PIMCO GP XXI-C LLC, Wilmington, DE	100.0
PIMCO GP XXII LLC, Wilmington, DE	100.0
PIMCO GP XXIII Ltd., George Town	100.0
PIMCO GP XXIV LLC, Wilmington, DE	100.0
PIMCO Investments LLC, Dover, DE	100.0
PIMCO Japan Ltd., Road Town	100.0
PIMCO Latin America Administradora de Carteiras Ltda., Rio de Janeiro	100.0
PIMCO RAE Fundamental Europe Fund, Dublin	52.9 [3]
PIMCO RAE Fundamental Global Equities Plus Fundo de Investimento Multimercado Investimento no Exterior, Rio de Janeiro	99.9 [3]
PIMCO RAE Fundamental US Fund, Dublin	90.8 [3]
PIMCO Real Return Limited Duration Fund, Boston, MA	30.9 [2,3]
PIMCO RealPath 2055 Fund, Boston, MA	71.5 [3]
PIMCO RealPath Blend 2055 Fund, Wilmington, DE	37.5 [2,3]
PIMCO REIT Management LLC, Wilmington, DE	100.0
PIMCO Select U.S. High Yield BB-B Bond Fund, Dublin	32.1 [2,3]
PIMCO-World Bank Gemloc Fund, Luxembourg	100.0 [3]
POD Allianz Bulgaria AD, Sofia	65.9
Primacy Underwriting Management Limited, Wellington	100.0
Primacy Underwriting Management Pty Ltd., Melbourne	100.0
Prosperaz Fundo de Investimento Renda Fixa Crédito Privado, São Paulo	100.0 [3]
Protexia France S.A., Paris la Défense	100.0
PT Asuransi Allianz Life Indonesia p.l.c., Jakarta	99.8
PT Asuransi Allianz Utama Indonesia Ltd., Jakarta	97.6
PT Blue Dot Services, Jakarta	100.0
PTE Allianz Polska S.A., Warsaw	100.0
Q 207 GP S.à r.l., Luxembourg	100.0
Q207 S.C.S., Luxembourg	94.0
Quality 1 AG, Bubikon	100.0
Questar Agency Inc., Minneapolis, MN	100.0
Questar Asset Management Inc., Ann Arbor, MI	100.0
Questar Capital Corporation, Minneapolis, MN	100.0
Quintet Properties Ltd., Dublin	100.0
RAS Antares, Milan	100.0 [3]
RB Fiduciaria S.p.A., Milan	100.0
Real Faubourg Haussmann SAS, Paris la Défense	100.0
Real FR Haussmann SAS, Paris la Défense	100.0

	% owned[1]
Redoma 2 S.A., Luxembourg	100.0
Redoma S.à r.l., Luxembourg	100.0
Rhea SA, Luxembourg	100.0
Risikomanagement und Softwareentwicklung GmbH, Vienna	100.0
Rivage Richelieu 1 FCP, Paris	100.0 [3]
Rogge Alternative Investment Company Ltd., London	100.0
Rogge Global Partners Asia Pte. Ltd., Singapore	100.0
SA Carène Assurance, Paris	100.0
SA Vignobles de Larose, Saint-Laurent-Médoc	100.0
Saarenkylä Tuulipuisto Oy, Oulu	100.0
Saint-Barth Assurances S.à r.l., St. Barts	100.0
San Francisco Reinsurance Company, Los Angeles, CA	100.0
SAS 20 pompidou, Paris la Défense	100.0
SAS Allianz Etoile, Paris la Défense	100.0
SAS Allianz Forum Seine, Paris la Défense	100.0
SAS Allianz Logistique, Paris la Défense	100.0
SAS Allianz Platine, Paris la Défense	100.0
SAS Allianz Rivoli, Paris la Défense	100.0
SAS Allianz Serbie, Paris la Défense	100.0
SAS Angel Shopping Centre, Paris la Défense	90.0
SAS Boutique Vignoble de Larose, Saint-Laurent-Médoc	100.0
SAS Madeleine Opéra, Paris la Défense	100.0
SAS Passage des princes, Paris la Défense	100.0
SAS Société d'Exploitation du Parc Eolien de Nélausa, Paris	100.0
Sättravallen Wind Power AB, Strömstad	100.0
Saudi NEXtCARE LLC, Al Khobar	52.0
SC Tour Michelet, Paris la Défense	100.0
SCI 46 Desmoulins, Paris la Défense	100.0
SCI Allianz ARC de Seine, Paris la Défense	100.0
SCI Allianz Chateaudun, Paris la Défense	100.0
SCI Allianz Invest Pierre, Paris la Défense	100.0
SCI Allianz Messine, Paris la Défense	100.0
SCI Allianz Value Pierre, Paris la Défense	49.3 [2]
SCI AVIP SCPI Selection, Courbevoie	100.0
SCI ESQ, Paris la Défense	75.0
SCI Stratus, Courbevoie	100.0
SCI Via Pierre 1, Paris la Défense	100.0
SCI Volnay, Paris la Défense	100.0
SDIII Energy GmbH & Co. KG, Pottenbrunn	100.0
Silex Gas Management AS, Oslo	100.0
Silex Gas Norway AS, Oslo	100.0
Sirius S.A., Luxembourg	94.8
Skyred Holding 6 S.à r.l., Luxembourg	100.0
SLC "Allianz Life Ukraine", Kiev	100.0
Società Agricola San Felice S.p.A., Milan	100.0
Société de Production D'électricité D'harcourt Moulaine SAS, Versailles	100.0
Société d'Energie Eolien Cambon SAS, Versailles	100.0
Société d'Exploitation du Parc Eolien d'Aussac Vadalle SAS, Paris	100.0
Société Européenne de Protection et de Services d'Assistance à Domicile S.A., Paris	56.0
Société Foncière Européenne B.V., Amsterdam	100.0
Société Nationale Foncière S.A.L., Beirut	66.0
SOFE One Ltd., Bangkok	100.0
SOFE Two Ltd., Bangkok	100.0
Sofiholding S.A., Brussels	100.0
South City Office Broodthaers SA, Brussels	100.0

	% owned[1]
SpaceCo S.A., Paris	100.0
StocksPLUS Management Inc., Dover, DE	100.0
Téléservices et Sécurité "TEL2S" SARL, Chatillon	99.9
TFI Allianz Polska S.A., Warsaw	100.0
The American Insurance Company Corp., Cincinnati, OH	100.0
The Annuity Store Financial & Insurance Services LLC, Sacramento, CA	100.0
The MI Group Limited, Guildford	99.4
Three Pillars Business Solutions Limited, Guildford	100.0
Tihama Investments B.V., Amsterdam	100.0
Top Immo A GmbH & Co. KG, Vienna	100.0
Top Immo Besitzgesellschaft B GmbH & Co. KG, Vienna	100.0
Top Logistikwerkstatt Assistance GmbH, Vienna	100.0
Top Versicherungsservice GmbH, Vienna	100.0
Top Vorsorge-Management GmbH, Vienna	75.0
Towarzystwo Ubezpieczen Euler Hermes S.A., Warsaw	100.0
Trafalgar Insurance Public Limited Company, Guildford	100.0
TU Allianz Polska S.A., Warsaw	100.0
TU Allianz Zycie Polska S.A., Warsaw	100.0
UP 36 SA, Brussels	100.0
Vanilla Capital Markets S.A., Luxembourg	100.0
VertBois S.à r.l., Luxembourg	100.0
Vet Envoy Limited, Colwyn Bay	100.0
Vigny Depierre Conseils SAS, Archamps	100.0
Viveole SAS, Versailles	100.0
Volta, Paris	100.0 [3]
Vordere Zollamtsstraße 13 GmbH, Vienna	100.0
WFC Investments Sp. z o.o., Warsaw	87.5
Windpark AO GmbH, Pottenbrunn	100.0
Windpark GHW GmbH, Pottenbrunn	100.0
Windpark Ladendorf GmbH, Vienna	100.0
Windpark Les Cent Jalois SAS, Versailles	100.0
Windpark LOI GmbH, Pottenbrunn	100.0
Windpark PDV GmbH, Pottenbrunn	100.0
Windpark PL GmbH, Pottenbrunn	100.0
Windpark Scharndorf GmbH, Pottenbrunn	100.0
Windpark Zistersdorf GmbH, Pottenbrunn	100.0
Wm. H McGee & Co. (Bermuda) Ltd., Hamilton	100.0
Wm. H McGee & Co. Inc., New York, NY	100.0
YAO NEWREP Investments S.A., Luxembourg	93.2
Yorktown Financial Companies Inc., Minneapolis, MN	100.0
ZAD Allianz Bulgaria, Sofia	87.4
ZAD Allianz Bulgaria Zhivot, Sofia	99.0
ZAD Energia, Sofia	51.0
ZiOst Energy GmbH & Co. KG, Pottenbrunn	100.0

Non-consolidated affiliates

	% owned[1]
AGF Pension Trustees Ltd., Guildford	100.0
Allianz Financial Services S.A., Athens	100.0
Allianz Global Corporate & Specialty SE Escritório de Representação no Brasil Ltda., Rio de Janeiro	100.0
Allianz Insurance Services Ltd., Athens	100.0
Allianz Northern Ireland Limited, Belfast	100.0
Assurance France Aviation S.A., Paris	100.0
business lounge GmbH, Vienna	100.0
COGAR S.à r.l., Paris	100.0
Gesellschaft für Vorsorgeberatung AG, Bern	100.0
ICC Evaluation SARL, Paris	100.0
Knightsbridge Allianz LP, Bartlesville, OK	99.5 [3]
Office Sénégalais de Conseils en Assurance SARL, Dakar	99.6
RE-AA SA, Abidjan	98.5
SCI AVIP de Camp Laurent, Courbevoie	100.0
SCI Vilaje, Courbevoie	100.0
SIFCOM Assur S.A., Abidjan	60.0
Top Versicherungs-Vermittler Service GmbH, Vienna	100.0

Joint ventures

	% owned[1]
114 Venture LP, Wilmington, DE	49.5 [7]
1515 Broadway Realty LP, Dover, DE	34.6 [7]
1800 M Street Venture LP, Wilmington, DE	42.8 [7]
A&A Centri Commerciali S.r.l., Milan	50.0
Allee-Center Kft., Budapest	50.0
AMLI-Allianz Investment LP, Wilmington, DE	75.0 [7]
AS Gasinfrastruktur Beteiligung GmbH, Vienna	60.0 [7]
Atenction Integral a la Dependencia S.L., Cordoba	50.0
AZ/JH Co-Investment Venture (DC) LP, Wilmington, DE	80.0 [7]
AZ/JH Co-Investment Venture (IL) LP, Wilmington, DE	80.0 [7]
Bajaj Allianz Financial Distributors Limited, Pune	50.0
Columbia REIT - 333 Market Street LP, Wilmington, DE	22.4 [7]
Columbia REIT-University Circle LP, Wilmington, DE	22.4 [7]
Companhia de Seguro de Créditos S.A., Lisbon	50.0
CPPIC Euler Hermes Insurance Sales Co. Ltd., Shanghai	49.0 [7]
Dorcasia Ltd., Sydney	50.0
Dundrum Car Park GP Limited, Dublin	50.0
Dundrum Car Park Limited Partnership, Dublin	50.0
Dundrum Retail GP Designated Activity Company, Dublin	50.0
Dundrum Retail Limited Partnership, Dublin	50.0
Elton Investments S.à r.l., Luxembourg	50.0
Euromarkt Center d.o.o., Ljubljana	50.0
Fiumaranuova S.r.l., Genoa	50.1 [7]
Guotai Jun'an Allianz Fund Management Co. Ltd., Shanghai	49.0 [7]
Israel Credit Insurance Company Ltd., Tel Aviv	50.0
Italian Shopping Centre Investment S.r.l., Milan	50.0
LBA IV-PPI Venture LLC, Dover, DE	45.0 [7]
LBA IV-PPII-Office Venture LLC, Dover, DE	45.0 [7]
LBA IV-PPII-Retail Venture LLC, Dover, DE	45.0 [7]
Market Street Trust, Sydney	50.0 [3]
NET4GAS Holdings s.r.o., Prague	50.0
NRF (Finland) AB, Västeras	50.0
Podium Fund HY REIT Owner LP, Wilmington, DE	44.3 [7]
Porterbrook Holdings I Limited, London	30.0 [7]
Previndustria - Fiduciaria Previdenza Imprenditori S.p.A., Milan	50.0
PT. IndoAlliz Perkasa Sukses, Jakarta	49.0 [7]
Queenspoint S.L., Madrid	50.0
RMPA Holdings Limited, Colchester	56.0 [7]
SC Holding SAS, Paris	50.0
SES Shopping Center AT1 GmbH, Salzburg	50.0
SES Shopping Center FP 1 GmbH, Salzburg	50.0
Shanghai BaiAn Information Technology Co. Ltd., Shanghai	20.0 [7]
Solunion Compañía Internacional de Seguros y Reaseguros SA, Madrid	50.0
The FIZZ Student Housing Fund S.C.S., Luxembourg	49.5 [7]
The State-Whitehall Company LP, Dover, DE	49.9 [7]
Tokio Marine Rogge Asset Management Ltd., London	50.0
TopTorony Ingatlanhasznosító Zrt., Budapest	50.0
Triskelion Property Holding Designated Activity Company, Dublin	50.0
VGP European Logistics S.à r.l., Senningerberg	50.0
VISION (III) Pte Ltd., Singapore	30.0 [7]
Waterford Blue Lagoon LP, Wilmington, DE	49.0 [7]

Associates

	% owned[1]
Adriatic Motorways d.d., Zagreb	33.3
Allianz EFU Health Insurance Ltd., Karachi	49.0
Allianz Europe Small Cap Equity, Senningerberg	24.4 [3]
Allianz Fóndika S.A. de C.V., Mexico City	26.8
Allianz France Investissement IV, Paris	73.3 [3,8]
Allianz Invest Vorsorgefonds, Vienna	28.4 [3]
Allianz Saudi Fransi Cooperative Insurance Company, Riyadh	32.5
Allianz Securicash SRI, Paris	5.1 [3,8]
Allianz Sécurité PEA, Paris	19.3 [3,8]
Archstone Multifamily Partners AC JV LP, Wilmington, DE	40.0
Archstone Multifamily Partners AC LP, Wilmington, DE	28.6
Areim Fastigheter 2 AB, Stockholm	23.3
Areim Fastigheter 3 AB, Stockholm	26.2
Assurcard N.V., Haasrode	20.0
Autoelektro tehnicki pregledi d.o.o., Vojnić	49.0
AWP Insurance Brokerage (Beijing) Co. Ltd., Beijing	100.0 [8]
Bajaj Allianz General Insurance Company Ltd., Pune	26.0
Bajaj Allianz Life Insurance Company Ltd., Pune	26.0
Bazalgette Equity Ltd., London	34.3
Berkshire Hathaway Services India Private Limited, New Delhi	20.0
Berkshire India Private Limited, New Delhi	20.0
Blue Vista Student Housing Select Strategies Fund L.P., Dover, DE	24.9
Broker on-line de Productores de Seguros S.A., Buenos Aires	30.0
Brunei National Insurance Company Berhad Ltd., Bandar Seri Begawan	25.0
Carlyle China Realty L.P., George Town	15.0 [3,8]
Carlyle China Rome Logistics L.P., George Town	63.3 [3,8]
Chicago Parking Meters LLC, Wilmington, DE	49.9
CPIC Allianz Health Insurance Co. Ltd., Shanghai	22.9
Daiwater Investment Limited, London	36.6
Data Quest SAL, Beirut	36.0
Delgaz Grid S.A., Târgu Mures	30.0
Douglas Emmett Partnership X LP, Wilmington, DE	28.6
Dr. Ignaz Fiala GmbH, Vienna	33.3
ERES APAC II (GP) S.à r.l., Luxembourg	30.0 [3]
European Outlet Mall Fund FCP-FIS, Luxembourg	25.7 [3]
Four Oaks Place LP, Wilmington, DE	49.0
Helios Silesia Holding B.V., Amsterdam	45.0
IPE Tank and Rail Investment 1 S.C.A., Luxembourg	48.8
Lennar Multifamily Venture LP, Wilmington, DE	11.3 [8]

	% owned[1]
Liverpool Victoria General Insurance Group Limited, Bournemouth	49.0
Medgulf Allianz Takaful B.S.C., Seef	25.0
Milvik AB, Stockholm	33.3
New Path S.A., Buenos Aires	40.0
NGI Group Holdings LLC, Wilmington, DE	30.0
OeKB EH Beteiligungs- und Management AG, Vienna	49.0
OVS Opel VersicherungsService GmbH, Vienna	40.0
Professional Agencies Reinsurance Limited, Hamilton	14.3 [8]
Quadgas Holdings Topco Limited, Saint Helier	16.7 [8]
Redwood Japan Logistics Fund II LP, Singapore	23.6 [3]
Residenze CYL S.p.A., Milan	33.3
SAS Alta Gramont, Paris	49.0
SCI Bercy Village, Paris	49.0
SK Versicherung AG, Vienna	25.8
SNC Alta CRP Gennevilliers, Paris	49.0
SNC Alta CRP La Valette, Paris	49.0
SNC Société d'aménagement de la Gare de l'Est, Paris	49.0
Solveig Gas Holdco AS, Oslo	30.0
UK Outlet Mall Partnership LP, Edinburgh	19.5 [8]
Wildlife Works Carbon LLC, San Francisco, CA	10.0 [8]

1_Percentage includes equity participations held by dependent entities in full, even if the Allianz Group's share in the dependent entity is below 100 %.
2_Controlled by the Allianz Group.
3_Investment fund.
4_Releasing impact according to § 264 (3) HGB through the Allianz Group's consolidated financial statements.
5_Group share through indirect holder Roland Holding GmbH, Munich: 75.6 %.
6_Insolvent.
7_Classified as joint venture according to IFRS 11.
8_Classified as associate according to IAS 28.

The Allianz Group refrains from disclosure of participations which are not included in one of the above categories as they are of minor importance for giving a true and fair view of the assets, liabilities, financial position and profit or loss of the Allianz Group.

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FURTHER INFORMATION

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RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the material opportunities and risks associated with the expected development of the group.

Munich, 13 February 2018

Allianz SE
The Board of Management

Oliver Bäte	Sergio Balbinot	Jacqueline Hunt
Dr. Helga Jung	Dr. Christof Mascher	Niran Peiris
Giulio Terzariol	Dr. Günther Thallinger	Dr. Axel Theis

INDEPENDENT AUDITOR'S REPORT

To Allianz SE, Munich

Report on the audit of the consolidated financial statements and of the group management report

OPINIONS

We have audited the consolidated financial statements of Allianz SE, Munich and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January 2017 to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Allianz SE, Munich, for the financial year from 1 January 2017 to 31 December 2017. In accordance with the German legal requirements, we have not audited the content of the Statement on corporate Management pursuant to § 315d and § 289f HGB which is included in section B (part of the group management report) of the annual report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January 2017 to 31 December 2017, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover of the Statement on corporate Management pursuant to § 315d and § 289f HGB mentioned above.

Pursuant to § 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2017 to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

IMPAIRMENT TEST FOR GOODWILL

For the accounting policies, significant estimates and assumptions used please refer to the explanations in the notes to the consolidated financial statements in note 2, sub-section 'Intangible assets and goodwill'. In addition, further disclosures on financial statement items are made, including disclosures on impairment testing, under note 11.

THE FINANCIAL STATEMENT RISK

Goodwill as at 31 December 2017 amounts to EUR 11,848 million. The proportionate goodwill attributable to the segments is as follows:

Goodwill attributable to business segments
EUR mn

As of 31 December	2017
Property-Casualty	2,494
Life/Health	2,100
Asset Management	7,254
Total	**11,848**

The determination of the recoverable amount of a cash generating unit[1] (CGU), necessary for impairment test for goodwill, is complex and involves a significant degree of considerable judgement. The individual CGUs are allocated accordingly to the segments of Allianz.

An increased risk of material misstatement results from the exercising of judgements for the purposes of annual impairment test for goodwill, in particular from the determination of the recoverable amount and the underlying significant assumptions about future income and growth rates for the terminal value. For the Property-Casualty and Asset Management segments, the recoverable amount is determined using the discounted earnings method. The business plans of the CGUs, which are influenced by significant estimates related to potential sustainable income as well as long-term growth rates, providing the basis for measurement of the recoverable amount. For the CGUs in the Life/Health segment, the recoverable amount is determined using the value in use based on the appraisal value, which generally results from the value of the insurance portfolio in existence using the market consistent embedded value (MCEV) and the new business value multiplied by a factor.

The assumptions and forecasts underlying the measurement of the future development and of any impairment required are based on judgements and numerous forward-looking estimates. In case the carrying amount (including goodwill) is getting close to the recoverable amount of a CGU, the exercising of judgement as regards the input factors could lead to a risk that the carrying amounts are not within an appropriate range and thus that required impairment is not recognized. There is also a risk that the related disclosures in the notes are not appropriate, particularly the required sensitivity analyses.

OUR AUDIT APPROACH

To audit the Impairment Test for Goodwill, we engaged our own valuation specialists and actuaries. In particular, we performed the following substantial audit procedures:

- We assessed the appropriateness of the key internal controls established for the valuation process and verified their operating effectiveness by testing these controls. In doing so, we included controls in respect of planning assumptions, the determination and changes of CGUs and the use of assumptions, among other things.
- We assessed the appropriateness of the determination and changes of the CGUs and the allocation of the carrying amount to the CGUs determined.
- We evaluated the appropriateness of the valuation method used for each segment and its implementation in the valuation models. For selected CGUs, including CGUs with a low headroom amount between the carrying value (including goodwill) and the recoverable amount, we then verified the computational accuracy of the valuation models.
- We verified the appropriateness of the central planning assumptions for the selected CGUs. We critically assessed the assumptions based on our understanding of the business, the sector and overall economic developments. In order to assess the quality of the internal planning process, we reconciled the forecasts for selected CGUs with internal business plans from the approved planning dialogues for these CGUs and compared the plans from prior years with the results obtained.
- We assessed the assumptions used for discounting (particularly interest rates and beta factors) for appropriateness through a comparison with market and sector-specific benchmarks determined by us. In addition, we verified the calculation procedure used for measurement. On the basis of our own sensitivity analyses for selected CGUs, we determined whether the tested carrying amounts were still sufficiently covered by their respective recoverable amounts in the event of potential changes to assumptions within a realistic range.
- We assessed whether the explanations on the Impairment Test for Goodwill in the notes were sufficiently detailed and appropriate.

OUR OBSERVATIONS

The assumptions of the legal representatives underlying the valuation have been determined appropriately as a whole. The valuation models used for the segments are appropriate. The assumptions and judgements of the legal representatives underlying the valuation are sufficiently detailed and appropriate.

DETERMINATION OF THE FAIR VALUE FOR REGULARLY WITH THE FAIR VALUE ASSESSED FINANCIAL ASSETS OF THE VALUATION CATEGORY LEVEL 3

For the accounting policies, significant estimates and assumptions used please refer to the explanations in the notes to the consolidated financial statements under note 34 and note 2, sub-section 'Financial Instruments - Measurement at fair value' for explanatory notes on the fair value hierarchy. Risk disclosures on market and credit risk are included in the risks and opportunities report of the group management report.

THE FINANCIAL STATEMENT RISK

The carrying amount of total financial assets as at 31 December 2017 corresponds to EUR 792,703 million. This includes financial assets that are measured at fair value on a recurring basis in the amount of EUR 648,252 million. As at 31 December 2017, the Allianz Group held assets categorised as Level 3 under the fair value hierarchy of IFRS 13 with a fair value of EUR 31,416 million. This corresponds to 4.0 % of the total financial assets held by the Group.

Financial assets that are measured at fair value are classified in accordance with the fair value hierarchy in IFRS 13. An increased risk of material misstatement can be assumed for those financial assets in level 3 categorisation that have input parameters that are not observable on the market and have a significant impact on the fair value. This primarily relates to available-for-sale investments amounting to EUR 30,661 million, which consist of fixed-interest securities (e.g. corporate bonds) or private equity fund investments and alternative investments. The fair values of fixed-interest securities are measured using either a market approach or an income approach. For the use of the market approach, the quoted prices of identical or comparable assets on active markets are used as the most important inputs. The income approach is mostly a present value technique for which the credit and liquidity risks are considered using adjusted cash flows or discount curves. The fair values for private equity fund in-

1_Represent the lowest level at which goodwill is monitored for internal management purposes.

vestments and alternative investments in level 3 categorisation are measured mainly using a net asset value.

OUR AUDIT APPROACH

As part of our approach to audit the level 3 financial assets, we engaged our own valuation specialists. In particular, we performed the following substantial audit procedures:

- We verified the appropriateness of the key internal controls established for the valuation process and evaluated their operating effectiveness by testing functions.
- For risk based selected subsidiaries of the Allianz Group, which essentially hold the financial assets, we, together with the local auditors of the subsidiaries, have considered the appropriateness of controls for the independent validation of input factors and the fair value determination of level 3 financial assets.
- At Allianz Group level, we evaluated the appropriateness of the reporting which was presented to the legal representatives. We evaluated the reconciliations from the financial reporting-related systems for appropriateness and reconciled the input factors determined by us with the reporting.
- Evaluation of the appropriateness of selected assumptions as well as subsequent measurement of selected level 3 financial assets and review of model development and validation.

OUR OBSERVATIONS

The determination of the fair value for regularly with the fair value assessed financial assets of the valuation category level 3 is appropriate as a whole.

VALUATION OF RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES

For the accounting policies, explanations on the use of estimates and assumptions used please refer to the explanations in the notes to the consolidated financial statements under note 2, sub-section 'Reserves for losses and loss adjustment expenses'. Further disclosures are also made on the financial statement items under note 14. Risk disclosures are included in the risks and opportunities report of the group management report.

THE FINANCIAL STATEMENT RISK

The total reserves for loss and loss adjustment expenses as at 31 December 2017 amounted to EUR 73,292 million. The reserves for loss and loss adjustment expenses amounted to EUR 62,093 million in the Property-Casualty segment, EUR 11,256 million in the Life/Health segment, while negative consolidation effects amounted to EUR 57 million.

The reserves for loss and loss adjustment expenses are divided into case reserves for reported claims as at the reporting date and reserves for incurred but not reported losses (IBNR) as at the reporting date. The case reserves for reported claims are based on the estimates for future claims expenditures, including loss adjustment expenses relating to such claims and are recognised on the basis of an expected value. These are based on actuarial and statistical methods, using judgment of claims personnel.

The reserves for incurred but not reported claims (IBNR) are based on actuarial and statistical models for estimated costs necessary to bring claims to final settlement and management of losses. The estimate of total loss expenditure is subject to considerable uncertainties and thus requires significant judgement. Uncertainties in the estimate arise particularly in respect of the forecasts of future events, estimates of future inflation developments as well as other social and economic factors. This includes the claims frequency, the claim amount, delays in reporting and the run-off period for claims. In this context, the notes, in particular the run-off triangles[1], need to be considered.

OUR AUDIT APPROACH

For the audit of the reserves for loss and loss adjustment expenses, we performed the following substantial audit procedures with the support of our own actuaries:

- We recorded the process for the determination of reserves both at the level of risk based selected subsidiaries as well as on group level, identified the key controls and tested them for their design and effectiveness. This included controls for claims measurement and controls of the completeness and accuracy of the data used.
- Furthermore, we evaluated the controls on group level performed by the Group Actuarial department for the assessment of the results of the subsidiaries.
- We assessed the plausibility of the significant assumptions used, including the loss ratios as well as the frequency and amount of claims (run-off behaviour of claims) both at subsidiary and group level.
- Using the schedule of adjusting entries at group level, we analysed whether adjusting entries were appropriately documented and justified.
- For risk based selected subsidiaries, we carried out our own actuarial calculations according to best estimates and determined a range for reserves.
- We assessed the level of reserving as at the reporting date with that of the prior year at the level of selected subsidiaries and at group level. We assessed whether the reserve adjustments of the expected value calculated using actuarial methods were justified and plausible. This involved surveying the actuaries and company management as well as assessing the supporting documents of the Group Reserve Committee.
- We assessed whether the disclosures in the notes, particularly the run-off triangles, were appropriately derived from the bookkeeping systems and evaluated them for their completeness.

OUR OBSERVATIONS

The valuation of the reserves for loss and loss adjustment expenses are appropriate as a whole. The assumptions underlying the measurement are balanced as a whole. The explanatory notes and disclosures in the notes to the consolidated financial statements are sufficiently detailed and appropriate.

VALUATION OF AGGREGATE POLICY RESERVES AS WELL AS THE DEFERRED ACQUISITION COSTS IN THE LIFE/HEALTH SEGMENT

For the accounting policies, explanations on the use of estimates and assumptions used please refer to the explanations in the notes to the consolidated financial statements under note 2, sub-section 'Reserves

1_Run-off triangles are a tabular illustration of claims-related data (such as payments, claims reserves or estimated claims results) on two time-related levels (calendar year as well as the year of loss occurence).

for insurance and investment contracts' and 'Deferred acquisition costs'. Further disclosures are also made on the financial statement items under note 15 and under note 9. Risk disclosures are included in the risks and opportunities report of the group management report.

THE FINANCIAL STATEMENT RISK

The total reserves for insurance and investment contracts in the Life/Health segment as at 31 December 2017 amounted to EUR 499,060 million or 55.4 % of the balance sheet total of the Allianz Group. Of this, EUR 428,497 million is attributable to aggregate policy reserves and thus corresponds to 47.5 % of the balance sheet total of the Allianz Group. The aggregate policy reserves also include reserves for investment contracts with discretionary profit participation. Deferred acquisition costs attributable to the Life/Health segment amounted to EUR 18,469 million.

The measurement of the aggregate policy reserve is dependent on numerous assumptions and thus very complex. Furthermore, the determination of the assumptions is made partially on the basis of best estimates. This results in increased risks of material misstatements due to the complexity of calculations and the judgement required for assumptions, in particular interest rate development and discount factors, mortality and invalidity assumptions as well as settlement and administration costs and lapse rates for insurance contracts. These assumptions are generally defined at the inception of the contract and subsequently maintained, unless an impending loss (premium deficit) occurs. Using an test (Liability Adequacy Test) at local level, they check whether the balance from the aggregate policy reserves and the deferred acquisition costs, taking the future premiums still expected from the portfolio as a base, is appropriate as a whole to satisfy the liabilities incurred. There is dependence on numerous assumptions which are subject to judgement. The group-wide standards for the application of consistent and plausible assumptions are relevant in this regard.

In this context, the disclosures in the notes, in particular the disclosures on estimation uncertainties and sensitivities, are also required to be made.

The asset 'deferred acquisition costs' is judged at contract inception in respect of recoverability over the contract duration. The deferred acquisition costs are amortised proportionally over the scheduled duration of the contracts. Depending on the type of contract, this is carried out in proportion to premium income or in proportion to expected gross margins or expected gross profits. The deferred acquisition costs are included in the aforementioned Liability Adequacy Test. In case of a premium deficit, the deferred acquisition costs are initially written down.

OUR AUDIT APPROACH

To support the audit of reserves for insurance and investment contracts in the Life/Health segment and deferred acquisition costs, we engaged our own actuaries. We performed the following substantial audit procedures:

- We recorded the process for determining the reserve and the valuation of the deferred acquisition costs, identified the key performed controls and tested these in respect of their design and effectiveness. This included controls for the valuation of reserves and the valuation of the deferred acquisition costs as well as controls of the completeness and accuracy of the data used.
- We assessed the appropriateness of the significant assumptions, in particular interest rate development and discount factors, mortality and invalidity assumptions as well as costs and lapse rates for insurance contracts.
- We analysed the development of the aggregate policy reserves and deferred acquisition costs relative to the prior year, in particular taking into consideration that the development of changes in assumptions is consistent with business development and our expectations resulting from market observations.
- At group level we evaluated the reporting of Group Actuarial for the purposes of the Group Reserve Committee.
- We verified that the Liability Adequacy Test was conducted properly, in particular concerning the suitability of the basis of calculation used and the appropriateness of the methods.
- We assessed whether the disclosures in the notes were sufficiently detailed and appropriate and particularly focused on whether the estimation uncertainties and sensitivities were presented appropriately.

OUR OBSERVATIONS

The measurement of the reserves of insurance and investment contracts and deferred acquisition costs in the Life/Health segment is appropriate as a whole. The measurement assumptions used are appropriate as a whole. The explanatory notes and disclosures in the notes to the consolidated financial statements are sufficiently detailed and appropriate.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises:

- Statement on corporate Management pursuant to § 315d and § 289f HGB, and
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and group management report and our auditor's report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

RESPONSIBILITIES OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the Supervisory Board on 9 March 2017. We were engaged by the Chairman of the Audit Committee of the supervisory board on 13 June 2017 for the audit of the consolidated financial statements as of 31 December 2017 and of the group management report for the financial year 2017. We have been the group auditor of the Allianz SE without interruption for more than 25 years.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Andreas Dielehner.

Munich, 28 February 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft
(Original German version signed by:)

Becker	Dielehner
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Orientation

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Allianz Investor Relations App

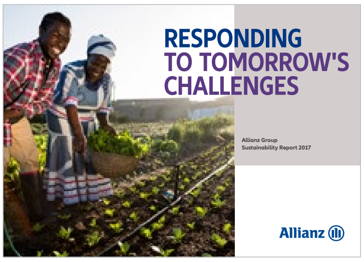
Apple App Store and Google Play Store

ORIENTATION GUIDE

This sign indicates where to find additional information in this Annual Report or on the internet.

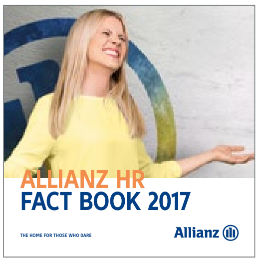
Further Allianz publications

ALLIANZ SUSTAINABILITY REPORT 2017



The Allianz Group Sustainability Report "Responding to tomorrow's challenges" covers our contribution to the environment, society and economy. It provides full details of our sustainability strategy, approach and progress as well as an outlook for 2018.
Date of publication: April 2018. www.allianz.com/sustainability

ALLIANZ HUMAN RESOURCES FACT BOOK 2017



The HR Fact Book is the official and most comprehensive report on key human resources facts and figures, highlighting major HR achievements over the past year and revealing the outlook for 2018.
Date of publication: 19 March 2018. www.allianz.com/hrfactbook

GUIDELINE ON ALTERNATIVE PERFORMANCE MEASURES

Further information on the definition of our Alternative Performance Measures and their components, as well as the basis of calculation adopted: www.allianz.com/results

Financial calendar

Important dates for shareholders and analysts[1]

Annual General Meeting	9 May 2018
Financial Results 1Q	15 May 2018
Financial Results 2Q/Interim Report 6M	3 August 2018
Financial Results 3Q	9 November 2018
Financial Results 2018	15 February 2019
Annual Report 2018	8 March 2019
Annual General Meeting	8 May 2019

1 — The German Securities Trading Act ("Wertpapierhandelsgesetz") obliges issuers to announce immediately any information which may have a substantial price impact. Therefore we cannot exclude that we have to announce key figures related to quarterly and fiscal year results ahead of the dates mentioned above. As we can never rule out changes of dates, we recommend checking them on the internet at www.allianz.com/financialcalendar.

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This is a translation of the German Annual Report of Allianz Group. In case of any divergences, the German original is legally binding.

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