

OUTPERFORM TRANSFORM REBALANCE

ANNUAL REPORT 2018

ALLIANZ SE

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Disclaimer regarding roundings

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



SUPERVISORY BOARD REPORT

Ladies and Gentlemen,

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


OVERVIEW

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

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

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

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

Details on each member's participation in meetings of the Supervisory Board and its committees can be found in the [Corporate Governance Report](#), starting on  **page 30**. Members of the Supervisory Board who were unable to attend meetings of the Supervisory Board or its committees were excused and, as a rule, cast their votes in writing.

ISSUES DISCUSSED IN THE SUPERVISORY BOARD PLENARY SESSIONS

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

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

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

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

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

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

At the meeting of 12 October 2018, the presentation on the future strategy of the Allianz Group and Allianz SE (solo) was continued. After outlining on future key value drivers and Allianz's intended position in the digital arena, the presentation addressed possible approaches to implementing these strategic goals in the context of the Renewal Agenda 2.0. As part of its report on business developments, the Board of Management also addressed the consequences of the collapse of a bridge in Genoa, Italy, the conclusion of an exclusive long-term partnership agreement with the International Olympic Committee (IOC) as well as the current investigation into the financial sector carried out by the Royal Commission in Australia. Next, the Supervisory Board adopted the finalized proposal for a new remuneration system for the Board of Management. For more details, please refer to the [Remuneration Report](#) starting on  **page 38**. The Supervisory Board resolved a 5-year extension of Mr. Oliver Bäte's term as CEO of Allianz SE. Following the meeting, the Supervisory Board approved in a written procedure the conclusion of a new Board of Management contract with Mr. Bäte in November 2018.

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

DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

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

Further explanations on corporate governance in the Allianz Group can be found in the [Corporate Governance Report](#) starting on [page 30](#), as well as in the [Statement on Corporate Management pursuant to §289f of the HGB](#), which starts on [page 35](#). More details on corporate governance are provided on the Allianz website, specifically: www.allianz.com/corporate-governance.

COMMITTEE ACTIVITIES

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

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

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

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

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

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

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

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

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

Chairman: Michael Diekmann

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

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

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

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

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

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

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

AUDIT OF ANNUAL ACCOUNTS AND CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

ASSURANCE ENGAGEMENT OF THE COMBINED SEPARATE NON-FINANCIAL REPORT

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

MEMBERS OF THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

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

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

Munich, 7 March 2019

For the Supervisory Board:



Michael Diekmann
Chairman

MANDATES OF THE MEMBERS OF THE SUPERVISORY BOARD

MICHAEL DIEKMANN

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

JIM HAGEMANN SNABE

Vice Chairman
Member of various Supervisory Boards
Membership in other statutory supervisory boards and SE administrative boards in Germany
Siemens AG (Chairman since 31 January 2018)
Membership in comparable¹ supervisory bodies
A.P. Møller-Mærsk A/S (Chairman)

ROLF ZIMMERMANN

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

GABRIELE BURKHARDT-BERG

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

SOPHIE BOISSARD

Chairwoman of the Board of Management of Korian S.A.
Membership in other statutory supervisory boards and SE administrative boards in Germany
Curanum AG (Korian Group company, Chairwoman)
Membership in comparable² supervisory bodies
Segesta SpA (Korian Group company, Chairwoman)
Senior Living Group NV (Korian Group company)

CHRISTINE BOSSE

Member of various Supervisory Boards
Membership in comparable² supervisory bodies
P/F BankNordik (Chairwoman)
TDC A/S
until 14 May 2018

JEAN-JACQUES CETTE

until 31 July 2018
Chairman of the Group Works Council of Allianz France S.A.
Membership in comparable¹ 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 comparable¹ supervisory bodies
Festo Management AG

JEAN-CLAUDE LE GOAËR

since 1 August 2018
Employee of Allianz Informatique G.I.E.
Membership in comparable¹ supervisory bodies
Membership in Group bodies
Allianz France S.A.

MARTINA GRUNDLER

National Representative Insurances, ver.di Berlin

HERBERT HAINER

Member of various Supervisory Boards
Membership in other statutory supervisory boards and SE administrative boards in Germany
Deutsche Lufthansa AG
FC Bayern München AG
Membership in comparable¹ supervisory bodies
Accenture Plc
Sportradar AG (Chairman)
until 3 October 2018

GODFREY ROBERT HAYWARD

Employee of Allianz Insurance plc

FRANK KIRSCH

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

JÜRGEN LAWRENZ

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

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

MANDATES OF THE MEMBERS OF THE BOARD OF MANAGEMENT

OLIVER BÄTE

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

SERGIO BALBINOT

Insurance Western & Southern Europe, Asia Pacific
Membership in comparable¹ supervisory bodies
UniCredit S.p.A.
Bajaj Allianz General Insurance Co. Ltd.
Bajaj Allianz Life Insurance Co. Ltd.
Membership in Group bodies
Allianz France S.A.
Allianz Sigorta A.S.
Allianz Yasam ve Emeklilik A.S.

JACQUELINE HUNT

Asset Management, US Life Insurance
Membership in comparable¹ supervisory bodies
Membership in Group bodies
Allianz Life Insurance Company of North America (Chairwoman)

DR. HELGA JUNG

Legal, Compliance, Mergers & Acquisitions
Human Resources
since 1 April 2018
Insurance Iberia & Latin America
until 31 March 2018
Membership in other statutory supervisory boards and SE administrative boards in Germany
Deutsche Telekom AG
Membership in Group bodies
Allianz Beratungs- und Vertriebs-AG
since 13 March 2018
Allianz Deutschland AG
Allianz Global Corporate & Specialty SE
Allianz Private Krankenversicherungs-AG
since 12 March 2018
Membership in comparable¹ supervisory bodies
Membership in Group bodies
Allianz Compañía de Seguros y Reaseguros S.A.
Companhia de Seguros Allianz Portugal S.A.

DR. CHRISTOF MASCHER

Operations,
Allianz Partners
until 31 March 2018
Membership in other statutory supervisory boards and SE administrative boards in Germany
Volkswagen Autoversicherung AG
Membership in Group bodies
Allianz Technology SE (Chairman)
Membership in comparable¹ supervisory bodies
Membership in Group bodies
Allianz Partners S.A.S.

NIRAN PEIRIS

Global Insurance Lines & Anglo Markets, Reinsurance, Middle East, Africa
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in Group bodies
Allianz Global Corporate & Specialty SE (Chairman)
since 9 April 2018
Membership in comparable¹ supervisory bodies
Membership in Group bodies
Allianz Australia Ltd.
Allianz p.l.c.

IVÁN DE LA SOTA

since 1 April 2018
Business Transformation, Insurance Iberia & Latin America, Allianz Partners
Membership in comparable¹ supervisory bodies
Membership in Group bodies
Allianz Compañía de Seguros y Reaseguros S.A., Spain
Allianz Partners S.A.S.
since 16 May 2018
(Chairman since 19 October 2018)
Allianz Seguros S.A., Brazil
Allianz Seguros S.A., Colombia
until 1 November 2018
Companhia de Seguros Allianz Portugal S.A.

GIULIO TERZARIOL

Finance, Controlling, Risk

DR. GÜNTHER THALLINGER

Investment Management
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in Group bodies
Allianz Investment Management SE (Chairman)
Allianz Lebensversicherungs-AG
Allianz Private Krankenversicherungs-AG
since 12 March 2018
Allianz Versicherungs-AG
since 12 March 2018
Membership in comparable¹ supervisory bodies
Membership in Group bodies
Allianz S.p.A.
until 21 November 2018

DR. AXEL THEIS

Insurance German Speaking Countries and Central & Eastern Europe
Membership in other statutory supervisory boards and SE administrative boards in Germany
Gemeinnützige ProCurand GmbH (Chairman)
Membership in Group bodies
Allianz Deutschland AG (Chairman)
Allianz Investment Management SE
Allianz Global Corporate & Specialty SE (Chairman)
until 8 April 2018
Membership in comparable¹ supervisory bodies
Membership in Group bodies
Allianz Elementar Lebensversicherungs-AG (Chairman)
Allianz Elementar Versicherungs-AG (Chairman)
Allianz Investmentbank AG
Allianz Suisse Lebensversicherungs-Gesellschaft AG
Allianz Suisse Versicherungs-Gesellschaft AG
Euler Hermes Group S.A. (Chairman)
until 4 May 2018

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

MANAGEMENT REPORT OF ALLIANZ SE

B

EXECUTIVE SUMMARY AND OUTLOOK

Earnings summary

CONDENSED INCOME STATEMENT

€ mn

	2018	2017	Change
Gross premiums written	10,912	10,265	647
Premiums earned (net)	10,047	9,433	613
Claims (net)	(6,946)	(6,262)	(684)
Underwriting expenses (net)	(3,018)	(2,884)	(134)
Other technical reserves (net)	45	52	(6)
Net underwriting result	128	339	(211)
Change in claims equalization and similar reserves	160	(226)	386
Net technical result	289	113	175
Investment result	5,933	3,713	2,220
Allocated interest return	(20)	(22)	2
Other non-technical result	(1,358)	(267)	(1,090)
Non-technical result	4,555	3,423	1,131
Net operating income	4,843	3,537	1,307
Taxes	512	135	377
Net income	5,355	3,671	1,684

NET UNDERWRITING RESULT

Gross premiums written increased by 6.3% to € 10,912 mn (2017: € 10,265 mn), mainly driven by higher premium volume from Allianz Benelux S.A. and Allianz Versicherungs-AG. In total, € 10,514 mn (2017: € 9,858 mn) of gross premiums came from Property-Casualty reinsurance and € 398 mn (2017: € 407 mn) from Life/Health reinsurance.

The net retention ratio decreased slightly to 92.3% (2017: 92.4%).

Premiums earned (net) increased by € 613 mn to € 10,047 mn (2017: € 9,433 mn), mainly driven by the development of gross premiums written.

The accident year loss ratio (net) in Property-Casualty reinsurance rose to 71.5% (2017: 69.6%), driven by the increase in natural catastrophe losses to € 343 mn (2017: € 153 mn)¹, mainly as Allianz SE did not receive retro compensation for natural catastrophe events in 2018 (2017: € 172 mn).

Natural catastrophes before retrocessions

€ mn

	Losses for Allianz SE
Major Events in 2018	
Storm Friederike, Germany	114
Hailstorm in Australia	56
Typhoon Jebi, Japan	52
Storm Yvonne, Germany	20
Storm Eleanor (Burglind), Western Europe	16
Rain and Storm, Italy	14
Storm Fabienne, Western Europe	13
Storm Wilma, Germany	12
Earthquake and Tsunami, Indonesia	11
Storm, France	9
Other	25
Total	343

	Losses for Allianz SE
Major Events in 2017	
Hurricane Maria, Caribbean	46
Storm Xavier, Germany	36
Storm Paul, Germany	33
Hurricane Irma, USA and Caribbean	32
Storm Herwart, Germany and Poland	26
Storm Kolle, Germany	20
Hailstorm in Australia	20
Wildfires in Portugal	18
Cyclone Debbie, Australia	17
Storm Rasmund, Germany	15
Hurricane Harvey, USA	14
Hailstorm in Germany	12
Storm Thomas, Germany	11
Other	25
Total	325

The positive run-off result decreased to € 276 mn (2017: € 343 mn) and was mainly influenced by the development of fire reinsurance (€ 194 mn), credit and bond insurance (€ 115 mn) and marine and aviation reinsurance (€ 51 mn), partly offset by liability reinsurance (€ (90) mn). In total, there was an increase of the loss ratio (net) in Property-Casualty reinsurance to 68.7% (2017: 65.8%).

The expense ratio (net) in Property-Casualty reinsurance decreased to 30.0% (2017: 30.7%), driven by a lower commission ratio of 29.0% (2017: 29.8%). The administrative expense ratio slightly increased to 1.0% (2017: 0.9%).

Driven by the negative development of the calendar year loss ratio in Property-Casualty reinsurance in 2018, the **net underwriting result** declined to € 128 mn (2017: € 339 mn).

¹ Based on Group definition for large losses.

NET TECHNICAL RESULT

In 2018, a **change in claims equalization and similar reserves** of € 160 mn (2017: € 226) mn) mainly resulted from other reinsurance lines (€ 203 mn), driven by the claims development in extended household business as well as the premium development for motor warranty business.

The **net technical result** increased to € 289 mn (2017: € 113 mn), driven by the decrease of equalization and similar reserves.

NON-TECHNICAL RESULT

INVESTMENT RESULT

€ mn

	2018	2017	Change
Investment income			
Income from profit transfer agreements	2,111	3,026	(914)
Income from affiliated enterprises and participations	4,587	1,099	3,488
Income from other investments	615	860	(245)
Realized gains	119	653	(534)
Income from reversal of impairments	147	10	137
Subtotal	7,579	5,648	1,932
Investment expenses			
Expenses for the management of investments, interest and other investment-related expenses	(1,072)	(1,093)	21
Depreciation and impairments of investments	(178)	(267)	89
Realized losses	(120)	(131)	11
Expenses for losses taken over	(277)	(445)	168
Subtotal	(1,647)	(1,935)	288
Investment result	5,933	3,713	2,220

The **investment result** increased by € 2,220 mn to € 5,933 mn.

Income from profit transfer agreements declined by € 914 mn to € 2,111 mn, primarily due to a lower profit transfer from Allianz Deutschland AG, which went down by € 503 mn to € 920 mn, as well as lower profit transfers from Allianz Argos 14 GmbH and from Allianz Global Corporate & Specialty SE, which decreased by € 296 mn to € 604 mn and by € 241 mn to € 90 mn. This was partly offset by a higher profit transfer from Allianz Asset Management GmbH, which rose by € 119 mn to € 475 mn.

Income from affiliated enterprises and participations grew significantly by € 3,488 mn to € 4,587 mn, mainly because the dividend payments received from our subsidiary Allianz Europe B.V. increased by € 3,500 mn to € 4,100 mn in 2018.

Income from other investments decreased by € 245 mn to € 615 mn, predominantly driven by lower income from intra-group loans, which declined by € 235 mn to € 151 mn. Further, interest income from bonds went down by € 20 mn to € 295 mn.

Realized gains declined by € 534 mn to € 119 mn after significant one-off gains in 2017, resulting from the termination of intra-group loans (€ 389 mn). Realized gains in 2018 mainly resulted from the sale of bonds, which decreased by € 98 mn to € 112 mn, contributing to the overall decrease.

Income from reversal of impairments rose by € 137 mn to € 147 mn, stemming from write-ups related to shares in affiliated enterprises (€ 115 mn) and to our bond portfolio (€ 32 mn).

Expenses for the management of investments, interest and other investment-related expenses were reduced by € 21 mn to € 1,072 mn. This reduction is fully attributable to investment management expenses while interest expense remained stable at € 1,001 mn.

Depreciation and impairments of investments decreased by € 89 mn to € 178 mn. Much of the impairments in 2018 was related to our bond portfolio (€ 160 mn).

Realized losses slightly declined by € 11 mn to € 120 mn, mainly resulting from the sale of bonds (€ 113 mn).

Expenses for losses taken over went down by € 168 mn to € 277 mn. This was primarily due to lower losses taken over from our service provider Allianz Technology SE, which decreased by € 166 mn to € 276 mn.

OTHER NON-TECHNICAL RESULT

The **other non-technical result** deteriorated significantly by € 1,090 mn to € (1,358) mn. This development was primarily driven by the foreign currency translation result, which deteriorated by € 866 mn. For further information regarding other income and expenses, please refer to [note 25](#).

TAXES AND NET INCOME

As far as legally permissible, Allianz SE acts as the controlling company ("Organträger") of the German tax group most German subsidiaries belong to. As the controlling company, Allianz SE is liable for the income taxes of this German tax group.

After being offset against tax losses, the current tax charge of Allianz SE amounted to € (130) mn (2017: € (393) mn). Moreover, Allianz SE received a tax allocation of € 635 mn (2017: € 515 mn) by Allianz SE tax group companies that recorded taxable income. Taking into account other taxes, the income from taxes amounted to € 512 mn (2017: € 135 mn).

The **net income** rose substantially by € 1,684 mn to € 5,355 mn (2017: € 3,671 mn).

Economic outlook¹

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

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

Insurance industry outlook

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

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

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

Business outlook

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

- global economic growth to continue, albeit at a slower pace,
- modest rise in interest rates,
- no major disruptions in the capital markets,
- no disruptive fiscal or regulatory interference,
- level of claims from natural catastrophes at expected average levels,
- average U.S. Dollar to Euro exchange rate: 1.17.

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

Allianz SE and its subsidiaries (the Allianz Group) use Allianz SE, in particular, as a vehicle for actively managing their overall exposure to natural catastrophes. Within a group-wide risk management framework, each operating entity is responsible for controlling its exposure to individual catastrophes and defining its local reinsurance requirements, based on its local risk appetite and capital position. The respective cover is then provided by Allianz SE or one of its subsidiaries. At the Group level, the Allianz SE Board reviews and approves the risk appetite. The reinsurance division is then responsible for designing and implementing Group catastrophe protections within given exposure limits. These covers take various forms and aim to protect the Group against excessive losses from major natural catastrophes. However, there is still the potential for an unexpected frequency and/or severity of catastrophic events in any year that may materially impact the results of Allianz SE. The top five residual risk exposures at the Group level are summarized on [page 29](#).

After several years of falling rates, the softening reinsurance cycle has stopped for categories which have suffered substantial losses or where performance was worsening, mainly catastrophe covers impacted by natural catastrophes in the last years. Despite natural catastrophe losses in 2018, reinsurance capacity remains abundant. For that reason, we expect prices to stay flat or slightly lower for claim free programs.

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

Allianz SE's technical result largely depends on group-internal cessions resulting from quota share agreements with European Allianz entities. We expect an increase of net premiums as well as an improvement of the net underwriting result before equalization reserve in 2019. Based on our estimates, we expect an improved combined ratio for the property and casualty reinsurance in 2019. It should be noted that the actual result may vary significantly as the reinsurance business is, by nature, volatile in terms of frequency and severity of losses.

For 2019, we predict an almost stable net income and, together with the unappropriated earnings carried forward, an increase in net earnings. Based on our current planning, this may involve a year-on-year shift in earning contributions between the investment result and the other non-technical result. We currently expect a slightly lower investment result. However, as things stand, this decrease is set to be more than offset by an increase of the other non-technical result. We are not currently planning a specific currency rate result, nor are we able to anticipate any net gains/losses from derivatives. This could considerably impact the net income of Allianz SE. Given the susceptibility of our non-technical result to adverse capital market developments, we do not provide a precise outlook for net income. Nevertheless, we are ultimately planning and managing the Allianz SE net earnings in line with the Allianz Group's dividend policy. To this end, we take advantage of the opportunity to make use of the dividends of our subsidiaries, in particular those of Allianz Europe B.V., in order to generate net earnings for Allianz SE that match the dividend policy of Allianz Group. For more detailed information on our dividend policy, see the Allianz Group's Annual Report 2018 and www.allianz.com/dividend.

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

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

Cautionary note regarding forward-looking statements

This document includes forward-looking statements, such as prospects or expectations, that are based on management's current views and assumptions and subject to known and unknown risks and uncertainties. Actual results, performance figures, or events may differ significantly from those expressed or implied in such forward-looking statements.

Deviations may arise due to changes in factors including, but not limited to, the following: (i) the general economic and competitive situation in the Allianz Group's core business and core markets, (ii) the performance of financial markets (in particular market volatility, liquidity, and credit events), (iii) the frequency and severity of insured loss events, including those resulting from natural catastrophes, and the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) particularly in the banking business, the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates, most notably the EUR/USD exchange rate, (ix) changes in laws and regulations, including tax regulations, (x) the impact of acquisitions including and related integration issues and reorganization measures, and (xi) the general competitive conditions that, in each individual case, apply at a local, regional, national, and/or global level. Many of these changes can be exacerbated by terrorist activities.

No duty to update

The Allianz Group assumes no obligation to update any information or forward-looking statement contained herein, save for any information we are required to disclose by law.

OPERATIONS BY REINSURANCE LINES OF BUSINESS

Gross premiums written increased by 6.3% to € 10,912 mn (2017: € 10,265 mn). All in all, 91.5% (2017: 91.9%) of premiums written originated from the Allianz Group's internal business. In addition,

Allianz SE continued to write business from selected external partners in order to diversify the internal portfolio.

Gross premiums written and net technical result by reinsurance lines of business

	Gross premiums written			Combined ratio Property-Casualty		Change in claims equalization and similar reserves		Net technical result	
	2018	2017	Change	2018	2017	2018	2017	2018	2017
	€ mn	€ mn	% ¹	%	%	€ mn	€ mn	€ mn	€ mn
Motor	4,200	3,780	11.1	102.0	104.4	(72)	26	(176)	(151)
Fire and property reinsurance	2,885	2,687	7.4	97.6	89.7	(23)	(11)	37	243
thereof:									
Household and homeowner	947	865	9.4	93.4	96.1	-	-	62	33
Fire	695	680	2.2	86.4	94.2	(23)	(11)	51	22
Engineering	402	412	(2.5)	86.3	63.7	-	-	53	145
Business interruption	180	160	12.8	85.3	99.0	-	-	25	1
Other property reinsurance	662	569	16.2	128.5	92.7	-	-	(154)	42
Liability	1,269	1,206	5.2	102.8	93.5	22	(48)	(12)	33
Credit and bond	408	445	(8.4)	61.9	96.7	36	(53)	150	(43)
Personal accident	382	365	4.7	79.6	77.7	-	(1)	79	77
Marine and aviation	312	297	5.1	93.6	94.1	(4)	(8)	15	7
Life	287	302	(5.0)	n/a	n/a	-	-	26	31
Legal expenses	258	245	5.3	97.9	91.4	(2)	(20)	3	1
Health	111	105	4.8	n/a	n/a	-	-	(2)	(1)
Other lines	799	832	(3.9)	104.1	96.4	203	(111)	171	(84)
Total	10,912	10,265	6.3	98.7	96.6	160	(226)	289	113

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

Premiums written in **motor reinsurance** increased by 11.1% to € 4,200 mn (2017: € 3,780 mn), mainly driven by higher premium volume from Allianz Benelux S.A. The combined ratio decreased to 102.0% (2017: 104.4%), mainly due to an improved accident year claims ratio of 74.7% (2017: 77.8%), partly offset by an increase in the expense ratio to 26.7% (2017: 26.3%). A strengthening of the equalization reserve by € 72 mn (2017: release of € 26 mn) led to a net technical result of € (176) mn (2017: € (151) mn).

The **household and homeowner reinsurance** portfolio increased by 9.4%, with gross premiums written of € 947 mn (2017: € 865 mn) mainly coming from the business with Allianz Versicherungs-AG. The combined ratio improved to 93.4% (2017: 96.1%), driven by a decline in the accident year claims ratio to 63.9% (2017: 65.2%) as well as in the expense ratio to 29.5% (2017: 30.4%). The net technical result increased to € 62 mn (2017: € 33 mn).

The **fire reinsurance** portfolio increased by 2.2% to € 695 mn (2017: € 680 mn) in gross premiums written, driven by internal business. The combined ratio improved to 86.4% (2017: 94.2%), driven by a decrease of the calendar year claims ratio to 63.3% (2017: 67.1%) due to a higher run-off result of € 194 mn (2017: € 122 mn) as well as a lower expense ratio of 23.1% (2017: 27.1%). After a further strengthening of the equalization reserve of € 23 mn (2017: € 11 mn), a positive net technical result of € 51 mn (2017: € 22 mn) was achieved.

Engineering reinsurance premiums written slightly decreased to € 402 mn (2017: € 412 mn). The combined ratio deteriorated to 86.3% (2017: 63.7%), mainly driven by a decrease in the run-off result to € 25 mn (2017: € 103 mn). The net technical result declined to € 53 mn (2017: € 145 mn).

Other property reinsurance includes extended coverage for fire and business interruption as well as hail, storm, water damage, livestock, burglary, and glass reinsurance. Premiums written rose by 16.2% to € 662 mn (2017: € 569 mn) due to higher internal business volume. Driven by an increase of the accident year claims ratio to 102.2% (2017: 65.3%), the combined ratio deteriorated to 128.5% (2017: 92.7%). The net technical result amounted to € (154) mn (2017: € 42 mn).

Premiums written for **liability reinsurance** rose by 5.2% to € 1,269 mn (2017: € 1,206 mn), all driven by internal business. The combined ratio worsened to 102.8% (2017: 93.5%), mainly driven by an increase in calendar year claims ratio due to a higher accident year claims ratio of 61.6% (2017: 57.0%) as well as a negative run-off result of € (90) mn (2017: € (44) mn). Despite a release of the equalization reserve of € 22 mn (2017: strengthening of € 48 mn), the net technical result amounted to € (12) mn (2017: € 33 mn).

Gross premiums written in **credit and bond reinsurance** decreased by 8.4% to € 408 mn (2017: € 445 mn). Driven by a higher run-off result of € 115 mn (2017: € 48 mn) and a lower expense ratio of 39.2% (2017: 47.0%), the combined ratio improved to 61.9% (2017: 96.7%). A release of the equalization reserve of € 36 mn (2017: strengthening of € 53 mn) led to a positive net technical result of € 150 mn (2017: € (43) mn).

The gross premium written in **marine and aviation reinsurance** increased by 5.1% to € 312 mn (2017: € 297 mn), mainly driven by an increase of premium revenue with Allianz Versicherungs-AG. The combined ratio improved slightly to 93.6% (2017: 94.1%), mainly due to a lower expense ratio of 28.9% (2017: 32.1%) partly offset by an

increase in the calendar year claims ratio to 64.6% (2017: 62.1%). Despite a further strengthening of the equalization reserve, the net technical result was positive with € 15 mn (2017: € 7 mn).

The premium revenue of **personal accident insurance** rose by 4.7% to € 382 mn (2017: € 365 mn), driven by business with Allianz Versicherungs-AG. The combined ratio increased to 79.6% (2017: 77.7%), mainly due to a higher expense ratio of 35.4% (2017: 33.9%). The net technical result rose slightly to € 79 mn (2017: € 77 mn).

In **life reinsurance**, the premium revenue declined to € 287 mn (2017: € 302 mn), mainly driven by Allianz Lebensversicherungs-AG. The expense ratio increased to 31.7% (2017: 28.6%). The net technical result declined to € 26 mn (2017: € 31 mn).

The premium revenue of **legal expenses reinsurance** rose by 5.3% to € 258 mn (2017: € 245 mn), driven by business with Allianz Versicherungs-AG. The combined ratio increased to 97.9% (2017: 91.4%) due to an increase in calendar year claims ratio to 61.9% (2017: 54.4%), resulting from a lower run-off result of € 8 mn (2017: € 24 mn). After a further strengthening of equalization reserve with an amount of € 2 mn (2017: strengthening of € 20 mn), a net technical result of € 3 mn was achieved (2017: € 1 mn).

Other reinsurance lines include:

- emergency assistance,
- fidelity & political risk,
- motor extended warranty,
- other property and casualty business.

BALANCE SHEET REVIEW

Condensed balance sheet

€ mn		
as of 31 December	2018	2017
ASSETS		
Intangible assets	32	30
Investments	114,351	116,061
Receivables	4,401	5,398
Other assets	511	272
Deferred charges and prepaid expenses	334	307
Excess of plan assets over pension and similar obligations	13	11
Total assets	119,642	122,080
EQUITY AND LIABILITIES		
Shareholders' equity	41,016	42,014
Subordinated liabilities	13,750	13,689
Insurance reserves net	15,927	14,980
Other provisions	8,137	7,950
Funds held with reinsurance business ceded	1,701	983
Payables on reinsurance business	343	363
Other financial liabilities	38,761	42,090
Deferred income	8	11
Total equity and liabilities	119,642	122,080

Investments

€ mn		
as of 31 December	2018	2017
Real estate	252	245
Investments in affiliated enterprises and participations	76,322	74,176
Other investments	27,886	33,329
Funds held by others under reinsurance business assumed	9,891	8,310
Total investments	114,351	116,061

The book value of **investments in affiliated enterprises and participations** increased by € 2.1 bn to € 76.3 bn, driven by a higher book value of shares in affiliated enterprises (€ 2.0 bn). More details regarding this position are explained in [note 5](#) to our financial statements.

Other investments significantly decreased from € 33.3 bn to € 27.9 bn, reflecting declines in debt securities (€ 4.4 bn), deposits with banks (€ 0.6 bn), and loans (€ 0.4 bn).

At the end of 2018, € 24.0 bn of other investments were invested in debt securities, of which € 8.3 bn were government bonds. We reduced our overall government bond exposure by € 1.3 bn compared to year-end 2017, thereby decreasing our investments in Italian government bonds from € 0.8 bn to € 0.3 bn while increasing our sovereign debt exposure in Spain from € 0.6 bn to € 0.8 bn.

Funds held by others under reinsurance business assumed increased to € 9.9 bn (2017: € 8.3 bn). This increase reflects the development of reserves for loss and loss adjustment expenses.

As of 31 December 2018, the fair value of investments amounted to € 125.8 bn (2017: € 127.1 bn), compared to a carrying amount of € 114.4 bn (2017: € 116.1 bn).

Receivables

Receivables decreased from € 5.4 bn to € 4.4 bn, driven by a decline of € 1.1 bn in other receivables, while the accounts receivable on reinsurance business grew slightly by € 0.1 bn. The decrease in other receivables mainly result from lower intra-group receivables of € 1.1 bn.

Shareholders' equity

As of 31 December 2018, our shareholders' equity amounted to € 41.0 bn (2017: € 42.0 bn), a decrease of € 1.0 bn over the course of the financial year. The reduction is caused by a buy-back of own shares at acquisition costs of € 3.0 bn. The shares were cancelled without reduction of the issued capital. This decrease was partly offset by a rise of € 2.0 bn, due to net income being higher than the dividend paid and due to the sale of own shares for the Employee Stock Purchase Plan. Compared to 2017, net income rose by € 1.7 bn to € 5.4 bn, mainly due to higher dividend payments of Allianz SE's subsidiaries. Thereof € 1.5 bn were transferred to revenue reserves.

The Board of Management proposes to use the net earnings of € 4,544 mn for dividend payments in the amount of € 3,811 mn.¹ The unappropriated earnings of € 733 mn will be carried forward.

The disclosures concerning the treasury shares as required in our financial statements in accordance with § 160 (1) No. 2 AktG can be found in [note 12](#).

¹The proposal reflects the number of shares entitled to the dividend as of 31 December 2018.

Development of shareholders' equity and of issued shares

	Issued shares	Issued capital	Mathematical value of own shares	Additional paid-in capital	Revenue reserves	Net earnings	31 December
	Number	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou
as of 31 December 2017	440,249,646	1,169,920	(3,638)	27,905,257	8,825,017	4,117,339	42,013,894
Own shares: cancellation	(15,789,985)	-	-	-	(2,999,999)	-	(2,999,999)
Own shares	-	-	988	-	30,116	-	31,104
Own shares: realized gains	-	-	-	44,284	-	-	44,284
Dividend payment for 2017	-	-	-	-	-	(3,428,196)	(3,428,196)
Net income	-	-	-	-	1,500,000	3,855,011	5,355,011
as of 31 December 2018	424,459,661	1,169,920	(2,651)	27,949,540	7,355,135	4,544,153	41,016,097

Insurance reserves and other provisions

For information on **insurance reserves** and **other provisions**, please refer to [notes 14 and 15](#) to our financial statements.

Financial liabilities

As of 31 December 2018, Allianz SE had the following outstanding **financial liabilities**:

Financial liabilities

€ mn

as of 31 December	2018	2017
Intra-group subordinated liabilities	3,412	3,412
Third-party subordinated liabilities	10,337	10,277
Subordinated liabilities	13,750	13,689
Bonds issued to Group companies	1,848	2,354
Liabilities to banks	2	-
Other intra-group financial liabilities	35,516	38,397
Other third-party financial liabilities	1,394	1,338
Other financial liabilities	38,761	42,090
Total financial liabilities	52,511	55,779

Of these financial liabilities, € 40.8 bn (2017: € 44.2 bn) were intra-group liabilities.

Subordinated liabilities remained almost unchanged at € 13.7 bn (2017: € 13.7 bn). Details regarding this position are explained in [note 13](#) to our financial statements.

Liabilities from bonds issued to Group companies declined to € 1.8 bn (2017: € 2.4 bn). The redemption of bonds totaling € 1.7 bn was partly compensated for by the issuance of new bonds amounting to € 1.2 bn.

Other intra-group financial liabilities decreased to € 35.5 bn (2017: € 38.4 bn) and were composed of the following positions:

Other intra-group financial liabilities

€ mn

as of 31 December	2018	2017
Intra-group loans	25,931	23,292
Cash pool liabilities	8,446	13,981
Miscellaneous	1,140	1,124
Other intra-group financial liabilities	35,516	38,397

A significant decline of liabilities from intra-group cash pooling from € 14.0 bn to € 8.4 bn was partly offset by higher liabilities from intra-group loans which increased from € 23.3 bn to € 25.9 bn.

In 2018, **other third-party financial liabilities** amounted to € 1.4 bn (2017: € 1.3 bn). This increase was driven by higher short-term funding through European commercial papers which grew by € 0.1 bn to € 1.0 bn.

LIQUIDITY AND FUNDING RESOURCES

The responsibility for managing the funding needs of the Group, as well as for maximizing access to liquidity sources and minimizing borrowing costs, lies with Allianz SE.

Liquidity Resources and Uses

Allianz SE ensures adequate access to liquidity and capital for our operating subsidiaries. Main sources of liquidity available to Allianz SE are dividends and funds received from subsidiaries, reinsurance premiums received, and funding provided by capital markets. Liquidity resources are defined as readily available assets – specifically cash, money market investments, and highly liquid government bonds. Funds are primarily used for paying interest expenses on our debt funding, claims arising from the reinsurance business, 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 are both equity and debt funding. Equity can be raised by issuing ordinary no-par value shares. The issuance of debt in various maturities as well as group-wide liquidity management are the main sources of our debt funding.

SHARE CAPITAL

As of 31 December 2018, the issued share capital registered at the Commercial Register was € 1,169,920,000. This was divided into 424,459,661 registered shares with restricted transferability. As of 31 December 2018, Allianz SE held 961,636 (2017: 1,369,131) own shares.

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

Capital authorizations of Allianz SE

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

1. For issuance of shares against contribution in cash and/or kind, with the authorization to exclude shareholders' subscription rights.

2. For issuance of shares to employees with exclusion of shareholders' subscription rights.

3. To cover convertible bonds, bonds with warrants, convertible participation rights, participation rights, and subordinated financial instruments, each with the authorization to exclude shareholders' subscription rights.

For further details on Allianz SE's authorized and conditional capital, please refer to [note 12](#) to our financial statements.

DEBT FUNDING

The cost and availability of debt funding may be negatively affected by general market conditions, or by matters specific to the financial services industry or to Allianz SE. Our main sources of debt funding are senior and subordinated bonds. Among others, money market securities, letter-of-credit facilities and bank credit lines allow Allianz SE to fine-tune its capital structure.

In 2018, we did not issue any new subordinated bonds. Subordinated liabilities remained stable at € 13.7 bn (2017: € 13.7 bn) at year-end.

Other financial liabilities decreased to € 38.8 bn (2017: € 42.1 bn), mainly as a result of lower intra-group liabilities. For further details on Allianz SE's financial liabilities, please refer to [notes 13 and 16](#) to our financial statements.

RISK AND OPPORTUNITY REPORT

Target and strategy of risk management

Allianz SE aims to ensure that the entity is adequately capitalized at all times for the benefit of both shareholders and policyholders. This includes meeting the Solvency II regulatory capital requirements resulting from the internal model.

We closely monitor the capital position and risk concentrations of Allianz SE (solo) and apply regular stress tests (including standardized and historical stress test scenarios). This allows us to take appropriate measures to ensure our continued capital and solvency strength. Furthermore, the risk capital reflecting the risk profile and the cost of capital is an important aspect to be taken into account in business decisions.

Risk governance system

RISK MANAGEMENT FRAMEWORK

As the holding company of Allianz Group and a global reinsurer, we consider risk management to be a core competency and an integral part of our business. Our risk management framework covers all operations and business units of Allianz SE (solo), proportional to the inherent risks of the activities, ensuring that risks across the legal entity are consistently identified, analyzed, assessed and managed. The primary goals of our risk management framework are:

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

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

Risk identification and underwriting: A robust system of risk identification and underwriting forms the foundation for adequate risk and management decisions. Supporting activities include standards for underwriting, valuation methods, individual transaction approvals, emerging-/operational-/top-risk assessments, and scenario analyses, among others.

Risk strategy and risk appetite: Our risk strategy defines our risk appetite consistently with our business strategy. It ensures that rewards are appropriate based on the risks taken and capital required, and that the delegated authorities are in line with our overall risk-bearing capacity and strategy.

Risk reporting and monitoring: Our comprehensive qualitative and quantitative risk monitoring framework provides management with the transparency needed to assess whether our risk profile falls within delegated limits and to identify emerging issues and risks quickly. For example, risk dashboards and limit consumption reports as well as scenario analyses 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 and positive impact on valuation and financing. It also strengthens the risk awareness and risk culture throughout Allianz SE.

Our Strategy

Allianz SE's main tasks are the ownership of legal entities, in particular subsidiaries, the provision of central financing functions, as well as the offering of reinsurance services to mostly internal but also external counterparties. To this end, Allianz SE's business strategy is aligned with the strategy of Allianz Group.

ALLIANZ GROUP'S BUSINESS ASPIRATIONS

The Board of Management of Allianz SE has defined the following objectives for Allianz Group's medium-term strategy:

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

ALLIANZ GROUP'S BUSINESS STRATEGY

To implement these strategic objectives, Allianz Group has defined a number of strategic priorities, and is implementing initiatives and programs to address the five dimensions of the Renewal Agenda also for Allianz SE:

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

The Board of Management of Allianz SE has also defined a strategy for the management of risk. This risk strategy places 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.

OPPORTUNITIES

Allianz Group's and Allianz SE's financial strength coupled with ongoing transformation makes us resilient and allows us to profit from new opportunities in a fast-changing business environment.

For example, by combining profound customer-understanding and evolving data-analytics techniques, Allianz SE provides superior reinsurance products and raises productivity.

For further details on opportunities envisaged by Allianz SE, please refer to the section “Business Outlook”.

Risk governance structure

SUPERVISORY BOARD AND BOARD OF MANAGEMENT

Allianz SE's approach to risk governance 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 the Board of Management of Allianz SE have both Allianz SE (solo) 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, which together with the Allianz SE-specific appendix also serves as the master risk policy for Allianz SE (solo). The Supervisory Board advises, challenges, and supervises the Board of Management in the performance of its risk 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 Allianz SE's 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 capital structure, capital allocation and investment strategy, including the sub-portfolio strategic asset allocations.

The GFRC is supported by the Allianz Re Risk Committee on topics relating to the reinsurance business of Allianz SE.

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.

As a general principle, the “first line of defense” rests with business managers in the business units of Allianz SE (solo). They are responsible for both the risks and returns from their decisions. Our

“second line of defense” is made up of independent oversight functions including Risk, Actuarial, Compliance, and Legal, which support the Board in defining the risk framework within which the business can operate. Audit forms the “third line of defense”, independently and regularly reviewing Allianz SE's risk governance implementation, compliance with risk principles, performing quality reviews of risk processes, and testing adherence to business standards, including the internal control framework. For the first and the second line of defense, Allianz SE has established dedicated responsibilities at its departments (including reinsurance).

Risk Management Function

The functions of Chief Risk Officer for the Allianz Group and for Allianz SE are performed by the same person. Independent risk oversight for Allianz SE is performed by risk control units within Group Risk and within the reinsurance department of Allianz SE. The risk management function 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.

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

Other functions and bodies

In addition to the risk management function for Allianz SE, Allianz SE's legal, compliance and actuarial functions constitute additional components of the “second line of defense”.

Allianz SE's legal and compliance functions seek to mitigate legal risks for Allianz SE 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, Compliance – in conjunction with Legal and other experts involved – is responsible for integrity management, which aims to protect Allianz SE and employees from regulatory risks.

The Allianz SE actuarial function 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

Allianz SE is exposed to a variety of risks through its holding company and reinsurance activities, including market, credit, underwriting, business, operational, strategic, liquidity, and reputational risks.

Allianz SE considers diversification across different lines of business 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 binding regulatory regime relevant for Allianz SE since 1 January 2016, our risk profile is measured and steered based on our approved Solvency II internal model. We have introduced a target solvency ratio in accordance with Solvency II, supplemented by ad-hoc scenarios, historical stress tests, and sensitivity analyses.

By that we allow for a consistent view on risk steering and capitalization according to the Solvency II framework.

Allianz SE steers its portfolio using a comprehensive view of risk and return based on the internal risk model and including scenario analysis: Risk and concentrations are actively restricted by limits based on our internal model or other considerations. Furthermore, a comprehensive analysis of the return on risk capital¹ (RoRC) is regularly conducted and translated for the underwriting of property and casualty reinsurance business. The RoRC allows us to identify profitable lines of business on a sustainable basis, and thus is a key criterion for capital allocation decisions.

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

MARKET RISK

As the holding company of Allianz Group and a global reinsurer, Allianz SE (solo) holds and uses a broad range of financial instruments, which are reflected on our balance sheet as both assets and liabilities.

For our holding activities (i.e. to hold participations, provide financing for Group companies, cover internal pension liabilities, invest cash pooled from subsidiaries, and as the lender of last resort within Allianz Group), Allianz SE predominantly invests in participations and fixed-income assets. As an inherent part of our reinsurance operations, we collect premiums from our customers and invest them in a wide variety of assets. The resulting reinsurance investment portfolio backs the future claims and benefits to our cedents. In addition, we also invest shareholders' capital, which is required to support the underwritten risks and the holding activities. Our market risk from liabilities primarily relates to fixed-income instruments held for financing, as well as to internal pensions and reinsurance liabilities. Finally, we use derivatives for various purposes, especially to hedge our planned dividend income from non-Euro subsidiaries against adverse currency market movements. Asset/liability management (ALM) decisions are taken based on the internal model, considering both the risks and the returns on the financial markets.

As the fair values of our assets and liabilities depend on changes on the financial markets, we are exposed to the risk of adverse financial market developments. Allianz SE's most important market risk results from changes in the value of its participations in Group companies. The long-dated internal pension liabilities of German Group companies on Allianz SE's balance sheet contribute to interest rate risk, in particular as they cannot be fully 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 currency values, which might impact the value of our assets and liabilities.

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 risk factors are generated, the asset and liability positions are revalued under each scenario. The worst-case outcome of the portfolio profit and loss distribution at a certain confidence level (99.5%) defines the market Value at Risk (VaR).

Market risk from material M&A transactions of Allianz SE is managed by assessing risk capital implications.

Strategic asset allocation benchmarks are defined for several sub-portfolios of the investment portfolio of Allianz SE. Furthermore, we have risk limits in place, including financial VaR, stand-alone interest rate and equity sensitivity limits, and foreign-exchange exposure limits. Limits are closely monitored and, if a breach occurs, countermeasures are implemented which may include the escalation and/or closing of positions. Finally, guidelines are in place regarding certain investments, new investment products, and the use of derivatives.

EQUITY RISK

Allianz SE's equity risk predominantly results from the performance of our strategic insurance participations. Other material risk exposures reflect listed and unlisted equities, equity derivatives, own shares, and management incentive plans.

Risks from changes in equity prices are normally associated with decreasing share prices and increasing equity price volatilities. As the performance of our participations might exceed expectations and stock values also might increase, opportunities may arise from participations and other equity investments.

In 2018, Allianz SE had in place profit-and-loss transfer agreements with twelve German subsidiaries. These are listed in the appendix on [page 79](#). Risk from these contracts is reflected via the risk capital calculation on participations.

INTEREST RATE RISK

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.

By contrast, opportunities may arise when interest rates increase. Interest rate risk is managed within our asset/liability management process and controlled via an interest rate sensitivity limit.

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 reinsurance business model. As a liability-driven investor, we typically hold fixed-income assets covering reinsurance liabilities until maturity. This implies that short-term changes in market prices affect us to a lesser extent.

INFLATION RISK

As a holding and reinsurance company, we are exposed to changing inflation rates. Since inflation increases reinsurance claims and costs as well as internal pension obligations, higher inflation rates will lead to greater liabilities.

¹The return on risk capital is defined as the discounted present value of future real world profits on the capital requirement (including a buffer to regulatory requirements).

Inflation assumptions are taken into account in our reinsurance underwriting. 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.

CURRENCY RISK

The major part of Allianz SE's foreign-currency risk results from our non-Euro participations. In addition to this risk, Allianz SE's currency risk is driven by its non-Euro reinsurance exposure, as well as by the use of non-Euro bonds as external financing instruments.

If the Euro strengthens the Euro-equivalent net asset value of our foreign subsidiaries and the value of our financing instruments will decline from Allianz SE's perspective; at the same time, however, the capital requirements in Euro will decrease, partially mitigating the total impact on the capitalization of Allianz SE.

An additional important source of currency risk is the planned dividend income from non-Euro subsidiaries.

Allianz SE's currency risk is monitored and managed based on our foreign-exchange management limit framework.

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 fulfil contractual obligations ("default risk").

Allianz SE's credit risk profile comes from three sources: our investment portfolio, guarantees and retrocession.

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.

Guarantees: Credit risk is caused by the potential default of Group companies on commitments from contracts with external stakeholders, which are backed with guarantees from Allianz SE.

Retrocession: Credit risk to external reinsurers arises when parts of Allianz SE's reinsurance business are retroceded to external reinsurance companies to mitigate risks. 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 a strong credit profile, 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 drivers 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 the portfolio is obtained through Monte Carlo simulation, taking into account interdependencies and exposure concentrations per obligor segment.

To ensure effective credit risk management, a credit VaR limit is 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 (CrisP¹) allows us to manage counterparty concentration risk, covering both credit and equity exposures at the Group and Allianz SE levels. This limit framework forms the basis for discussions on credit actions. Clearly defined processes ensure that exposure concentrations and limit utilizations are appropriately monitored and managed.

UNDERWRITING RISK

Allianz SE's underwriting risk consists of premium risk and reserve risk in the Property-Casualty reinsurance business, as well as of biometric risk from internal pensions and the Life/Health reinsurance business.

PROPERTY-CASUALTY

Our Property-Casualty reinsurance business is exposed to premium risk related to adverse developments in the current year's new and renewed business, as well as to reserve risk related to the business in force.

As part of our Property-Casualty reinsurance operations, we receive premiums from our customers and provide insurance protection in return. Premium risk is the risk that actual claims for the business in the current year develop adversely relative to expected claims ratios.

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

Allianz SE actively manages premium risk. The assessment of risks as part of the underwriting process is a key element of our risk management framework. There are clear underwriting guidelines, limits, and restrictions in place. Excessive risks are mitigated by external retrocession agreements. All these measures contribute to a limitation of risk accumulation. We also monitor concentrations and accumulation of non-market risks on a stand-alone basis (i.e. before diversification effects) within an Allianz Group global limit framework in order to avoid substantial losses from single events such as natural catastrophes and from man-made catastrophes such as terror or large industrial risk accumulations.

Premium risk is estimated based on actuarial models that are used to derive claims distributions and consider the features of our reinsurance contracts (e.g. shares, limits, reinstatements, and commissions). Non-catastrophe risks are modelled 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 modelling techniques which combine portfolio data (geographic location, characteristics of insured objects, and their values) with simulated natural disaster scenarios to

¹Credit Risk Platform.

estimate the magnitude and frequency of potential losses. For significant exposures where such stochastic models do not exist, we use deterministic, scenario-based approaches to estimate potential losses. Similar approaches are used to evaluate risk concentrations for terror and man-made catastrophes including losses from cyber incidents and industrial concentrations.

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

Reserve risk 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. Allianz SE estimates and holds 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.

Reserve risk can be mitigated by retrocession. We constantly monitor the development of reserves for reinsurance claims on a line-of-business level. In addition, Allianz SE conducts annual reserve uncertainty analyses based on similar methods used for reserve risk calculations. Where appropriate, the expertise and analysis of other Group entities is leveraged. The Allianz Group performs regular independent reviews of these analyses.

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%.

LIFE/HEALTH

Underwriting risks in Allianz SE's Life/Health reinsurance operations and from our internal pension obligations (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 pension contracts might not be sufficient due to longer life expectancies of the insured persons.

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

We measure risks within our internal risk capital model, distinguishing, where appropriate, between risks affecting the absolute level and trend development of actuarial parameter assumptions as well as pandemic risk scenarios.

OPERATIONAL RISK

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

- “Execution, delivery and process management” losses arising from transaction or process management failures. Examples include interest and penalties from non-payment or underpayment

of taxes. These losses tend to occur with a low financial impact (although single large loss events can occur).

- “Clients, products & business practices” losses due to a failure to meet the professional obligations, or from the design of transactions. Examples include anti-trust behavior, data protection, sanctions and embargoes. These losses can have a high financial impact.
- “Other operational risks”, including for example internal and external fraud, financial misstatement risk, a cyber security incident causing business disruption or fines, a potential failure at our outsourcing partners causing a disruption to our working environment, etc.

Reflecting Allianz SE's tasks as holding company for Allianz Group and reinsurer, the operational risk capital of Allianz SE is dominated by the risk of potential losses within the areas of “Execution, delivery and process management” and “Clients, products & business practices”. Operational risk capital is calculated using a scenario approach based on expert judgment as well as internal and external operational loss data. The estimates for frequency and severity of potential loss events for each material operational risk category are assessed and used as the basis for our internal model calibration.

Allianz SE has implemented the group-wide operational risk management framework that 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. An important component of this framework is the Integrated Risk and Control System (IRCS), which ensures that effective controls or other risk mitigation activities are in place for all significant operational risks. Risk managers in the Allianz SE risk management function, 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”, and in close interaction with both the other “second line of defense” functions at Allianz SE and with the audit function.

In the IRCS approach, risk identification, assessment and controls vary between the different operational risk sources reporting, compliance and operations. For example, compliance risks are addressed via written policies. The risk of financial misstatement is mitigated by a system of internal controls covering financial reporting. Outsourcing risks are covered by an Outsourcing Policy, by Service Level Agreements, and by 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.

Operational risk events are reported in a central database.

BUSINESS RISK

Allianz SE's business risk consists of cost risk from Property-Casualty reinsurance business and of policyholder behavior risk from both Life/Health and Property-Casualty reinsurance.

Cost risks are associated with the risk that expenses incurred in administering policies are higher than expected, or that the new business volume decreases to a level that does not allow Allianz SE to absorb its fixed costs.

Assumptions on policyholder behavior are set in line with accepted actuarial methods and are based on our own historical data, if and as available. If there is no historical data, assumptions are based on industry data or expert judgement.

Reflecting the business model of Allianz SE as primarily a group-internal reinsurer, business risk is minor.

OTHER RISKS (NOT MODELLED IN THE INTERNAL MODEL)

Certain risks are not adequately addressed or mitigated by additional capital and are therefore not considered in the internal risk capital 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 Allianz Group's and Allianz SE's Top Risk Assessment processes and discussed in various Board of Management-level committees (e.g. the 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 meeting the Renewal Agenda objectives are monitored and evaluated in the Strategic and Planning Dialogue between Allianz Group and the operative functions of Allianz SE.

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.

The investment strategy of Allianz SE particularly focuses on the quality of investments and ensures a significant portion of liquid assets in the portfolio (e.g. high-rated government or corporate bonds). We employ actuarial methods for estimating our liabilities arising from reinsurance and internal pension contracts. In our liquidity planning process, we reconcile liquidity sources (e.g. cash from investments and premiums) and liquidity needs (e.g. payments due to reinsurance claims and expenses) under a best-estimate plan, as well as under idiosyncratic and systemic adverse liquidity scenarios.

The main goal of planning and managing Allianz SE's liquidity position is to ensure that we are always in a position to meet payment obligations. To comply with this objective, the liquidity position of Allianz SE is monitored and forecast on a daily basis.

Allianz SE's short-term liquidity is managed within Allianz SE's cash pool, which serves as a centralized tool also for investing the excess liquidity of other Group companies.

The accumulated short-term liquidity forecast is updated daily and is subject to an absolute minimum strategic cushion amount and an absolute minimum liquidity target. Both are defined for the Allianz SE cash pool in order to be protected against short-term liquidity crises. As part of our strategic planning, contingent liquidity requirements and sources of liquidity are taken into account to ensure that Allianz SE

is able to meet any future payment obligations even under adverse conditions. Major contingent liquidity requirements include non-availability of external capital markets, combined market and catastrophe risk scenarios for subsidiaries, as well as lower-than-expected profit transfers and dividends from subsidiaries.

In order to protect the Allianz Group against the liquidity impact of adverse risk events beyond those covered by the capital and liquidity buffers at our subsidiaries, Allianz SE holds a strategic liquidity reserve. Strategic liquidity planning for Allianz SE covering time horizons of twelve months and three years is regularly reported to the Board of Management and aims to achieve a target level for the strategic liquidity reserve portfolio.

REPUTATIONAL RISK

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

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

All affected Allianz SE functions cooperate in the identification of reputational risk. Group Communications and Corporate Responsibility assesses reputational risk for Allianz SE based on a group-wide methodology. Since 2015, Allianz SE has embedded conduct risk triggers for fair contracts and services into the reputational risk management process.

The identification and assessment of reputational risks is part of the annual Top Risk Assessment process. During this process, senior management decides on a risk management strategy for the most significant risks facing the company, including those with a potentially severe reputational impact. This annual process is supplemented by quarterly updates.

In addition, reputational risk is managed on a case-by-case basis.

Internal risk capital framework

We define internal risk capital as the capital required to protect us against unexpected, extreme economic losses. It forms the basis for determining our Solvency II regulatory capitalization. On a quarterly basis, we calculate internal risk capital for Allianz SE in total, as well as for all contributing business units. We also project risk capital requirements on a bi-weekly basis during periods of financial market turbulence.

GENERAL APPROACH

For the management of our risk profile and solvency position, we utilize an approach that reflects the Solvency II rules.

INTERNAL MODEL

Our internal risk capital model is based on a Value at Risk 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 simu-

late risk events from all risk categories modelled (“sources of risk”) and calculate the portfolio value based on the net fair value of assets minus liabilities, including risk mitigating measures like retrocession or derivatives, under each scenario.

The required risk capital is defined as the difference between the current portfolio value and the portfolio value under adverse conditions at the 99.5% confidence level. As we simultaneously consider the impact of a negative or positive event on all covered businesses, 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 and adverse scenarios relevant for our portfolio. Furthermore, we conduct ad-hoc stress tests to reflect current political and financial developments and to analyze specific non-financial risks more closely.

COVERAGE OF THE RISK CAPITAL CALCULATIONS

Allianz SE’s internal risk capital model to calculate the Solvency Capital Requirement (SCR) covers the activities of Allianz SE as the holding company for Allianz Group, as well as its activities as a reinsurer.

Whereas the model treats most subsidiaries as participations, the very closely linked activities of several subsidiaries are covered on a granular level.

The risk capital model covers all relevant assets (including fixed-income instruments, equities, real estate, and derivatives) and liabilities (including the run-off of all technical provisions, as well as deposits, issued debt and other liabilities such as guarantees).

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

ASSUMPTIONS AND LIMITATIONS

RISK FREE RATE AND VOLATILITY ADJUSTMENT ASSUMPTIONS

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 (VA) for most markets where a volatility adjustment is defined by EIOPA and approved by BaFin. This is done to better reflect the underlying economics of our business. The advantage of being a long-term investor is the opportunity to invest in bonds yielding spreads over the risk-free return and earning this additional yield component over the duration of the bonds. Being a long-term investor mitigates much of the risk of forced selling of debt instruments at a loss prior to maturity.

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

Allianz SE also models the volatility adjustment dynamically within our approved internal model, which differs from the static EIOPA concept for volatility adjustments applied in the standard model. For risk capital calculations, we assume a dynamic movement of the volatility adjustment broadly consistent with the way the VA would react in practice; however, we base the movement on our own portfolio rather than the EIOPA portfolio. To account for this deviation, Allianz SE applies a more conservative, reduced application ratio for the dynamic volatility adjustment.

DIVERSIFICATION AND CORRELATION ASSUMPTIONS

Our internal model considers concentration, accumulation, and correlation effects when aggregating results for Allianz SE. The resulting diversification reflects the fact that not all potential worst-case losses are likely to materialize at the same time.

Diversification typically occurs when looking at combined risks that are not, or only partly, interdependent. Important diversification factors include regions (for example windstorm in Australia versus windstorm in Germany), risk categories (for example market risk versus underwriting risk), and subcategories within the same risk category (for example equity risk versus interest rate risk). Ultimately, diversification is driven by the specific features of the investments or reinsurance transactions in question and their respective risk exposures. For example, an operational risk event at the Allianz SE branch in Singapore can be considered to be highly independent of a change in the credit spread for a French government bond held in Allianz SE’s reinsurance investment portfolio in Munich.

Where possible, Allianz Group derives correlation parameters for each pair of market risks through statistical analysis of historical market data, considering quarterly observations over more than a decade. In case historical data or other portfolio-specific observations are insufficient or unavailable, correlations are set by the Allianz Group Correlation Setting Committee, which combines the expertise of risk and business experts in a well-defined and controlled process. In general, when using expert judgement we set the correlation parameters to represent the joint movement of risks under adverse conditions. Based on these correlations, the Allianz Group uses 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, morbidity, longevity, policyholder behavior, expenses, etc. We use our own internal historical data for actuarial assumptions wherever possible, leverage expertise of other Allianz Group companies in the scope of the internal model, 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.

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

MODEL LIMITATIONS

As the internal model is based on a 99.5% confidence level, there is a low statistical probability of 0.5% that actual losses could exceed this threshold at the Allianz SE 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. Overall, we believe that our validation efforts are effective and that the model adequately assesses the risks to which we are exposed.

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 to 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 additionally depends on the quality of the actuarial cash flow estimates. Despite these limitations, we believe the estimated fair values are appropriately assessed.

While the aggregate risk capital is exactly modelled, the whole account stop loss construction leads to the use of approximations when reporting contributory risk capital figures for the sub-categories of underwriting risk as the individual contributions have to be approximated based on the underlying distributions.

MODEL CHANGES IN 2018

In 2018, our internal model has been adjusted based on regulatory developments, validation results for our model, and feedback received by Allianz Group during the ongoing consultations with the regulator. For the sake of clarity, model changes¹ and resulting impacts are presented within this section, based on data as of 31 December 2017.

Overall, the model changes implemented in 2018 did not have a significant net impact on the Solvency II risk capital of Allianz SE (less than € 0.5 mn).

In the subsequent sections, the risk figures for 2017 after model changes will form the basis for the analysis of the changes in our risk profile in 2018.

Allianz SE: Impact of model changes; Allocated risk according to the risk profile

as of 31 December	2017 ¹	2017 ²
Market risk	22,898	22,898
Credit risk	568	568
Underwriting risk	3,217	3,216
Business risk	37	37
Operational risk	847	847
Diversification	(3,871)	(3,870)
Total Allianz SE	23,696	23,696

¹ 2017 risk profile figures recalculated based on model changes in 2018.

² 2017 risk profile figures as reported previously.

The changes to our internal model affected the risk categories as follows:

MARKET RISK

The effect of model changes on market risk was immaterial (less than € 0.5 mn).

CREDIT RISK

In 2018, the total impact of model changes on credit risk was a marginal increase (roughly € +0.1 mn).

UNDERWRITING AND BUSINESS RISK

Underwriting risk slightly increased (approximately € 1 mn) as a result of the implementation of several immaterial model changes

OPERATIONAL RISK

No model change has been applied for operational risk in 2018.

IMPACT OF MODEL CHANGES ON ELIGIBLE OWN FUNDS

The change in cash flow modelling for the AVK internal pension scheme marginally increased Allianz SE's eligible own funds by € 2 mn.

Risk profile and management assessment

RISK PROFILE AND MARKET ENVIRONMENT

The quantitative risk profile of Allianz SE is primarily dominated by market risk that results from its non-traded insurance participations when measured in a manner consistent with the treatment of participations under Solvency II (e.g. without looking through to the underlying risks behind the participations). In order to provide greater transparency, the Group risk figures as reflected in the Allianz Group Annual Report can be interpreted as a “look-through” into the consolidated risk profile represented by all of the Group's participations as well as those risks unique to Allianz SE. The second largest risk for Allianz SE from an internal model perspective is underwriting risk arising from its reinsurance business and from internal pension obligations.

The risk profile and relative contributions have changed in 2018, predominantly due to changes in the market environment and management actions.

¹ As per the Allianz Standard for Model Changes (ASMC).

POTENTIAL RISKS IN THE FINANCIAL MARKETS AND IN OPERATING ENVIRONMENT

Financial markets are characterized by historically low interest rates and risk premiums, prompting some investors to look for higher-yielding – and potentially higher-risk – investments. In addition to sustained low interest rates, the challenges of implementing long-term structural reforms in key Eurozone countries, the uncertainty about future monetary and fiscal policies, rising populism, and increased trade tensions may lead to higher market volatility. This could be accompanied by a flight to quality, combined with falling equity and bond prices due to rising spread levels, even in the face of potentially lower interest rates. We therefore continue to closely monitor political and financial developments – such as the Brexit in the United Kingdom, the potential rise of Euroscepticism, and the global trade situation – in order to manage our overall risk profile to specific event risks.

Political risk is the risk that returns could suffer as a result of political changes or instability in a country, a region, or globally, for example Brexit (i.e. the withdrawal of the United Kingdom from the European Union). Allianz SE is exposed to Brexit through reinsurance renewals with UK reinsurers, derivative contract continuity risk, and the impact on earnings and solvency.

Based on our assessments, Allianz SE is well prepared for the Brexit and comfortable that it will have only minimal direct impact. This is because our reinsurance and investment management departments have taken actions to ensure that they are in the position to handle various Brexit scenarios, for example:

- Allianz SE has a very limited exposure of outward cessions to UK-based reinsurers including replacement options.
- For inwards reinsurance, the Allianz SE reinsurance department will be able to use legal possibilities such as Temporary Permission or Run off Regimes and to make use of Allianz Group Branch solutions, depending on the respective business case.
- No issues are expected regarding derivatives, since all outstanding derivatives will be valid for at least one year post-Brexit and new and rolled derivatives will be placed to minimize the implications.

Even under conservative assumptions (i.e., in case of adverse financial market developments), Allianz SE will remain well capitalized.

REGULATORY DEVELOPMENTS

With Solvency II becoming effective, our approved internal model has been applied since the beginning of 2016.

In addition, future Solvency II capital requirements might change depending on the outcome of the 2020 review of the Solvency II framework by EIOPA.

MANAGEMENT ASSESSMENT

Allianz SE's management feels comfortable with Allianz SE'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 as well as of day-to-day business needs. This confidence is based on several factors:

- Due to its effective capital management, Allianz SE is well capitalized. We have met our internal and regulatory solvency targets as of 31 December 2018.
- Allianz SE is well positioned to withstand potentially adverse future events – in part, due to our strong internal limit framework, stress testing, internal model, and risk management practices.
- Allianz SE has a conservative investment profile and disciplined business practices in the reinsurance business, leading to sustainable operating earnings with a well-balanced risk-return profile.

SOLVENCY II REGULATORY CAPITALIZATION

Allianz SE's own funds and capital requirements are based on the market value balance sheet approach consistent with the economic principles of Solvency II.¹ Our regulatory capitalization is shown in the following table:

Allianz SE: Solvency II regulatory capitalization

as of 31 December		2018	2017 ¹
Own funds	€ bn	83.9	84.2
Capital requirement	€ bn	24.3	23.7
Capitalization ratio	%	345	355

1_2017 risk profile figures as reported previously.

As of 31 December 2018, the Solvency II capitalization of the legal entity Allianz SE is at 345%. The decrease by 10 percentage points in 2018 was caused by a € 0.6 bn increase risk capital, combined with € 0.3 bn decrease in eligible own funds.

Quantifiable risks and opportunities by risk category

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

We measure and steer risk based on an approved internal model, which measures the potential adverse developments of Own Funds. The results provide an overview of how our risk profile is distributed over different risk categories, and determines the regulatory capital requirements in accordance with Solvency II.

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

1_Own funds and capital requirement are calculated taking into account volatility adjustment and yield curve extension, as described in "Risk free rate and volatility adjustment assumptions" on page 25.

The Allianz SE diversified risk is broken down as follows:

Allianz SE: Allocated risk according to the risk profile

€ mn

as of 31 December	2018	2017
Market risk	23,264	22,898
Credit risk	567	568
Underwriting risk	3,282	3,217
Business risk	39	37
Operational risk	744	847
Diversification	(3,608)	(3,871)
Total Allianz SE	24,288	23,696

As of 31 December 2018, Allianz SE's diversified risk capital amounted to € 24.3 bn (2017: € 23.7 bn). This represents a slight reduction in the diversification benefit of 1.1% to 12.9%. The increase in the Solvency II capital requirement was mainly due to higher market risk, driven by M&A transactions and business evolution. This increase was partially offset by a decrease in operational risk capital.

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

MARKET RISK RESULTS

The following table presents the market risk of Allianz SE related to the source of risk:

Allianz SE: Risk profile – Market risk by source of risk

pre-diversified, € mn

as of 31 December	2018	2017
Interest rate	70	123
Inflation	(385)	(186)
Credit spread	447	359
Equity	23,152	22,450
Real estate	95	79
Currency	(115)	74
Total Allianz SE	23,264	22,898

For the legal entity Allianz SE, the pre-diversified market risk as of end 2018 shows an increase of € 366 mn driven by equity risk.

INTEREST RATE RISK

In 2018, our interest rate risk decreased by € 53 mn, mainly reflecting stronger diversification effects.

As of 31 December 2018, Allianz SE's interest-rate-sensitive investment assets amounting to a market value of € 40.7 bn would have gained € 2.1 bn or lost € 1.9 bn in value, in the event of interest rates changing by -100 and +100 basis points, respectively.

INFLATION RISK

The € 199 mn increase in the relief that inflation risk provides to market risk in 2018 mainly results from improved diversification.

EQUITY RISK

In 2018, Allianz SE's equity risk increased by € 702 mn, reflecting, among others, a change in the value of participations in Allianz Group companies due to M&A transactions and the business evolution.

As of 31 December 2018, our investment assets that are sensitive to changing equity markets would have lost € 336 mn in value, assuming equity markets declined by 30%.

CREDIT SPREAD RISK

Allianz SE's credit spread risk is € 88 mn higher than in 2017.

REAL ESTATE RISK

As of 31 December 2018, real estate risk for Allianz SE is minor (€ 95 mn). The € 16 mn increase in 2018 among others reflects higher real estate values.

CURRENCY RISK

Allianz SE's € -115 mn currency risk at year-end 2018 results from net open positions in several currencies, dominated by the U.S. Dollar. The € 189 mn reduction is mainly caused by diversification effects.

CREDIT RISK

Credit risk of the legal entity Allianz SE marginally decreased by € 1 mn in 2018.

UNDERWRITING RISK

The following table presents the pre-diversified risk calculated for underwriting risks stemming from our reinsurance business and internal pensions:¹

Allianz SE: Risk Profile – Underwriting risk by source of risk

pre-diversified, € mn

as of 31 December	2018	2017
Premium natural catastrophe	368	289
Premium non-catastrophe and terror	1,576	1,759
Reserve	1,283	1,074
Biometric	55	95
Total Allianz SE	3,282	3,217

For the legal entity Allianz SE, the pre-diversified underwriting risk showed an increase of € 65 mn, driven by an increase in reserve risk, which was partially counterbalanced by a reduction in both non-catastrophe and terror premium risk as well as biometric risks.

¹ Impact of whole account stop loss reinsurance contract between Allianz SE and Allianz Re Dublin doc on pre-diversified insurance risks: For premium natural catastrophe risk rose of € 30 mn (2017: € 57 mn), for premium non-catastrophe and terror risk rose of € 179 mn (2017: € 245 mn).

PROPERTY-CASUALTY

Premium risk

In 2018, Allianz SE's natural catastrophe risk increased by € 79 mn, especially influenced by an increase in risks from European group-internal quota shares.

The top five scenarios contributing to the natural catastrophe risk of Allianz SE as of 31 December 2018 were a windstorm in Europe, a tropical cyclone in Australia, a tropical cyclone in Japan, a flood in Germany, and an earthquake in Australia.

The non-catastrophe and terror premium risk of Allianz SE was reduced by € 183 mn in 2018, among others reflecting lower risk from group-internal European quota shares.

Reserve risk

Among others, the € 209 mn increase in Allianz SE's reserve risk in 2018 reflects the building up of reserves in group-internal quota shares.

LIFE/HEALTH

In 2018, Allianz SE's biometric risk is € 40 mn lower than in 2017. One of the main factors is a reduction in longevity risk from internal pension obligations.

BUSINESS RISK

The € 2 mn increase in business risk is immaterial.

OPERATIONAL RISK

The decrease of € 103 mn shown in the operational risk is driven by the annual update of local parameters, mainly reflecting a reassessment of IT project failure risks and a better consideration of available insurance cover for cyber risk.

LIQUIDITY RISK

Detailed information regarding Allianz SE's liquidity risk exposure, liquidity, and funding – including changes in cash and cash equivalents – are provided in the chapter [Liquidity and Funding Resources](#) from [page 18](#). As inferred from the section on the management of liquidity risks, they are quantified and monitored through regular stress test reporting and properly managed but are not quantified for risk capital purposes.

CORPORATE GOVERNANCE REPORT

Good corporate governance is essential for sustainable business performance. The Board of Management and the Supervisory Board of Allianz SE thus attach great importance to complying with the recommendations of the German Corporate Governance Code (hereinafter referred to as the "Code"). The Declaration of Conformity with the recommendations of the Code, issued by the Board of Management and the Supervisory Board on 12 December 2018, and the company's position regarding the Code's suggestions can be found in the [Statement on Corporate Management pursuant to §289f of the HGB](#) starting on [page 35](#).

Corporate Constitution of the European Company (SE)

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

Function of the Board of Management

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

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

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

BOARD OF MANAGEMENT AND GROUP COMMITTEES

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

Board Committees

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

As of 31 December 2018

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

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

Group committees

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

As of 31 December 2018

The Allianz Group runs its operating entities and business segments via an integrated management and control process. First, the Holding and the operating entities define the business strategies and goals. On this basis, joint plans are then prepared for the Supervisory Board's consideration when setting targets for the performance-based remuneration of the members of the Board of Management. For details, see the [Remuneration Report](#) starting on [page 38](#).

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

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

Principles and function of the Supervisory Board

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

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

The Supervisory Board oversees and advises the Board of Management on managing the business. It is also responsible for appointing the members of the Board of Management, determining their overall remuneration, succession planning for the Board of Management, and reviewing Allianz SE's and the Allianz Group's annual financial statements. The Supervisory Board's activities in the 2018 financial year are described in the [Supervisory Board Report](#) starting on [page 2](#).

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

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

SUPERVISORY BOARD COMMITTEES

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

Supervisory Board committees

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

As of 31 December 2018

PUBLICATION OF DETAILS OF MEMBERS' PARTICIPATION IN MEETINGS

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

Publication of details of members' participation in meetings

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

	Presence	%
RISK COMMITTEE		
Michael Diekmann (Chairman)	2/2	100
Christine Bosse	2/2	100
Dr. Friedrich Eichiner	2/2	100
Godfrey Hayward	2/2	100
Frank Kirsch (Member as of 1 September 2018)	1/1	100
Jürgen Lawrenz (Member until 31 August 2018)	1/1	100
TECHNOLOGY COMMITTEE		
Jim Hagemann Snabe (Chairman)	2/2	100
Gabriele Burkhardt-Berg	2/2	100
Michael Diekmann	2/2	100
Dr. Friedrich Eichiner	2/2	100
Jürgen Lawrenz (Member as of 1 September 2018)	1/1	100
Rolf Zimmermann (Member until 31 August 2018)	1/1	100

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

OBJECTIVES OF THE SUPERVISORY BOARD REGARDING ITS COMPOSITION

The objectives for the composition of the Supervisory Board in the version of August 2017, as specified to implement a recommendation by the Code, are set out below. In addition to the skills profile for the

overall Supervisory Board, also to be established due to a new recommendation of the Code, the diversity concept in accordance with the legislation regarding the implementation of the E.U. guideline as regards the disclosure of non-financial and diversity information (CSR Directive) is also included:

Objectives of Allianz SE's Supervisory Board regarding its composition

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

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

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

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

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

1. Propriety

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

2. Fitness

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

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

3. Independence

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

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

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

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

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

4. Time of availability

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

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

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

- they can attend at least four, usually six ordinary Supervisory Board meetings per year, each of which requires adequate preparation;
- they have sufficient time for the audit of the annual and consolidated financial statements;
- they can attend the General Meeting;

- depending on possible membership in one or more of the current six Supervisory Board special committees, this involves extra time planning to participate in these Committee meetings and do the necessary preparation for these meetings; this applies in particular for the Audit and risk Committees;
- they can attend extraordinary meetings of the Supervisory Board or of a special committee to deal with special matters as and when required.

5. Retirement age

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

6. Term of membership

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

7. Former Allianz SE Management Board members

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

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

II. Requirements for the entire Supervisory Board

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

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

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

2. Diversity concept

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

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

The composition of the Supervisory Board of Allianz SE reflects these objectives. According to the assessment by the Supervisory Board, all shareholder representatives, i.e. Ms. Boissard, Ms. Bosse as well as Mr. Diekmann, Dr. Eichiner, Mr. Hainer and Mr. Snabe, are independent within the meaning of the objectives (see No. I.3). With four female and eight male Supervisory Board members, the current legislation for equal participation of women and men in leadership positions (statutory gender quota of 30%) is being met. In addition, the Supervisory Board has five members with international backgrounds. The skills profile is also met by all current members of the Supervisory Board. The current composition of the Supervisory Board and its committees is described on [page 5](#).

Directors' dealings

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

Annual General Meeting

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

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

Accounting and auditing

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

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

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

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

Regulatory requirements

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

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

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

Declaration of Conformity with the German Corporate Governance Code

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

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

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

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

Munich, December 12, 2018
Allianz SE

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

For the Supervisory Board:
Signed Michael Diekmann"

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

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

Corporate governance practices

INTERNAL CONTROL SYSTEMS

Allianz SE, as a member of 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 19](#). Information on the internal "Controls over Financial Reporting" you will find on [page 57](#).

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

COMPLIANCE MANAGEMENT SYSTEM

Integrity is at the core of our compliance program and the basis to safeguard Allianz' reputation as a trusted financial services provider.

The compliance function promotes, in partnership with management and business, a culture of integrity and compliance by:

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

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

Moreover, Allianz SE's central Group Compliance function is responsible – in close cooperation with local compliance functions – for ensuring the effective implementation and monitoring of the compliance program within the Allianz Group, as well as for investigating potential compliance infringements. As a key governance

function, the compliance function further conducts the advisory, risk identification and assessment, monitoring and early warning tasks required under the Solvency II regime.

CODE OF CONDUCT

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

COMPLIANCE PROGRAMS

Allianz SE's central Group Compliance function has set up internal guidelines for the following identified compliance risk areas: anti-bribery and anti-corruption, anti-money laundering and anti-terrorism financing, economic sanctions compliance, capital markets compliance, sales compliance/customer protection, antitrust compliance, internal fraud, data privacy, and US Foreign Account Tax Compliance Act (FATCA). For further information on these compliance risk areas, please refer to the [Combined Separate Non-Financial Report](#) for Allianz Group and Allianz SE on [page 48](#) of the Allianz Group's Annual Report 2018 and the Sustainability Report on our website at www.allianz.com/sustainability.

WHISTLEBLOWING

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

COMPLIANCE TRAINING

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

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

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

A description of the composition of the Supervisory Board and its committees can be found on [page 5 and 7](#) of the Annual Report. A description of the composition of the Board of Management can be found on [page 8](#), while the composition of the Committees of the Board of Management is described in the [Corporate Governance Report](#) starting on [page 30](#). 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 30](#), and on our website at www.allianz.com/corporate-governance.

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

This section outlines the targets set by Allianz SE for the Board of Management and the two management levels below the Board of Management. Article 17 (2) of the German SE Implementation Act stipulates that as of 1 January 2016, the share of women and men among the members of the Supervisory Board of Allianz SE must each total up to 30% at least. The Supervisory Board currently in office fulfils this requirement because it includes four women (33%) and eight men (67%).

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

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

Diversity concepts for the Board of Management and Supervisory Board

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

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

“For the composition of the Management Board, the Supervisory Board aims for an adequate “Diversity of Minds”. This comprises broad diversity with regard to gender, internationality, as well as educational and professional background.

The Supervisory Board assesses the achievement of such target, inter alia, on the basis of the following specific indicators:

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

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

The diversity concept for the Supervisory Board was approved by the Supervisory Board in August 2017 and included in the objectives for the composition of the Supervisory Board (see No. II.2 of the objectives for the composition of the Supervisory Board on [page 33](#)). 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 30](#).

REMUNERATION REPORT

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

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 2](#).

REMUNERATION PRINCIPLES

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

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

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

REMUNERATION STRUCTURE, COMPONENTS AND TARGET SETTING PROCESS

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

BASE SALARY

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

VARIABLE REMUNERATION

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

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

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

Annual bonus

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

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

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

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

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

Mid-term bonus (MTB)

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

“Performance”

- Sustainable improvement/stabilization of return on equity¹,
- Compliance with economic capitalization guidance (capitalization level and volatility limit).

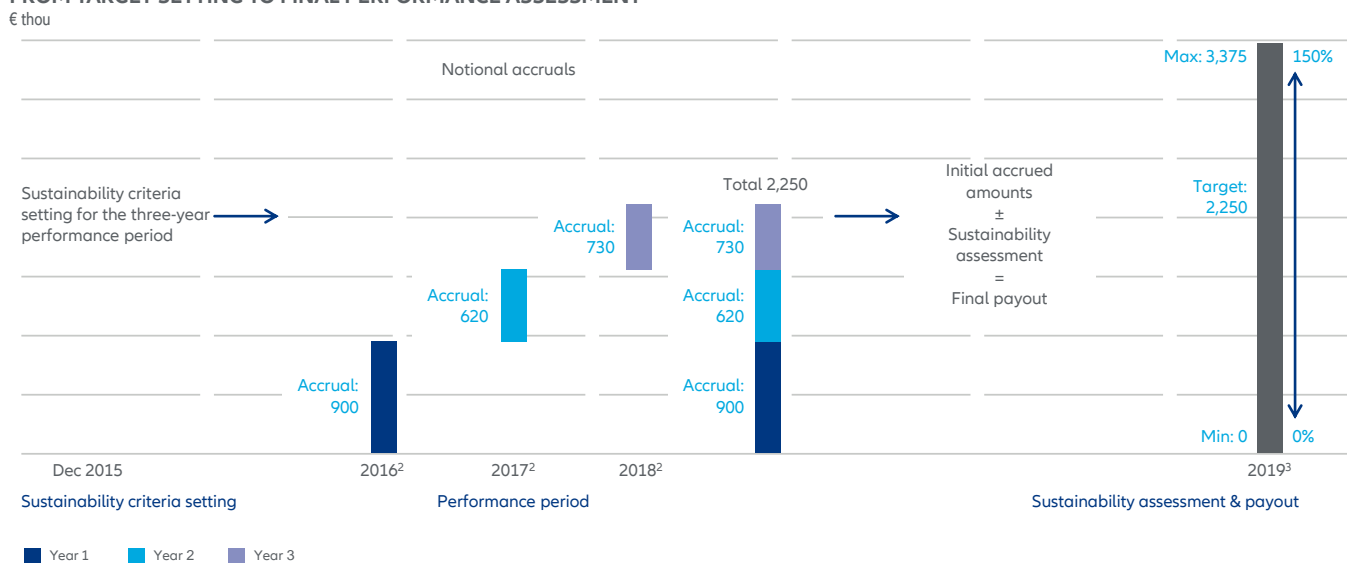
“Health” (in line with the Renewal Agenda)

- True Customer Centricity,
- Digital by Default,
- Technical Excellence,
- Growth Engines,
- Inclusive Meritocracy (including gender diversity and women in leadership).

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

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

ILLUSTRATION OF THE PROCESS AND THE UNDERLYING TIMELINE OF THE MTB CYCLE, FROM TARGET SETTING TO FINAL PERFORMANCE ASSESSMENT¹



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

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

Equity-related remuneration

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

The fair value is calculated based on the ten-trading-day average Xetra closing price of the Allianz stock for the ten days following the annual financial press conference. As RSUs are virtual stock without dividend payments during the vesting period, the average Xetra closing price is reduced¹ by the net present value of the expected future dividend payments during the vesting period. The expected dividend stream is discounted with the swap rates as of the valuation day. Following the end of the four-year vesting period, the company makes a cash payment based on the number of RSUs granted, as well as on the ten-day average Xetra closing price of the Allianz stock following the annual financial press conference in the year of expiry of the respective RSU plan. To avoid extreme payouts, the RSU payout level is capped at 200% of the grant price.² Outstanding RSU holdings are forfeited, should a Board member leave at his/her own request or be terminated for cause.

PENSIONS AND SIMILAR BENEFITS

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

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

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

PERQUISITES

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

REMUNERATION FOR 2018

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

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

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

²The 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.

Individual remuneration: 2018 and 2017

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

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

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

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

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

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

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

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

Individual remuneration: 2018 and 2017

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

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

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

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

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

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

4_The equity-related remuneration that applied before 2010 consisted of two vehicles, virtual stock awards known as RSUs, and virtual stock options known as "Stock Appreciation Rights" (SAR). Only RSUs have been awarded as of 1 January 2010.

The remuneration system valid until December 2009 is disclosed in the Annual Report 2009 (starting on page 17). Whereas the RSU grants are automatically exercised at the vesting date, the GEI/SAR grants are exercised by the Board member within the exercise period following the vesting date. Hence the total payout from SARs depends on the individual decision by the Board member. SARs are released to plan participants upon expiry of the vesting period, assuming all other exercise hurdles are met. For SARs granted from 2009, the vesting period was four years and the exercise period three years. SARs can be exercised on the condition that the price of the Allianz SE stock is at least 20 % above the strike price at the time of grant. During the term of the plan, at least once on five consecutive trading days the Allianz SE stock must relatively appreciate at least 0.01 percentage points ahead of the appreciation of the Dow Jones EURO STOXX Price Index (600).

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

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

Individual remuneration: 2018 and 2017

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

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

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

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

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

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

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

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

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

Individual remuneration: 2018 and 2017

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

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

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

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

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

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

4_The equity-related remuneration that applied before 2010 consisted of two vehicles, virtual stock awards known as RSUs, and virtual stock options known as "Stock Appreciation Rights" (SAR). Only RSUs have been awarded as of 1 January 2010.

The remuneration system valid until December 2009 is disclosed in the Annual Report 2009 (starting on page 17). Whereas the RSU grants are automatically exercised at the vesting date, the GEI/SAR grants are exercised by the Board member within the exercise period following the vesting date. Hence the total payout from SARs depends on the individual decision by the Board member. SARs are released to plan participants upon expiry of the vesting period, assuming all other exercise hurdles are met. For SARs granted from 2009, the vesting period was four years and the exercise period three years. SARs can be exercised on the condition that the price of the Allianz SE stock is at least 20 % above the strike price at the time of grant. During the term of the plan, at least once on five consecutive trading days the Allianz SE stock must relatively appreciate at least 0.01 percentage points ahead of the appreciation of the Dow Jones EURO STOXX Price Index (600).

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

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

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

Individual remuneration: 2018 and 2017

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

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

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

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

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

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

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

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

GERMAN ACCOUNTING STANDARD 17 DISCLOSURE

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

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

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

EQUITY-RELATED REMUNERATION

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

Grants and outstanding holdings under the Allianz Equity Program

Board members	RSU	
	Number of RSU granted on 1/3/2019 ¹	Number of RSU held at 31/12/2018 ¹
Oliver Bäte	11,038	39,845
Sergio Balbinot	6,372	47,464
Jacqueline Hunt	6,179	9,341
Dr. Helga Jung	5,923	25,465
Dr. Christof Mascher	5,603	27,201
Niran Peiris	5,923	14,402
Iván de la Sota	4,366	12,679
Giulio Terzariol	6,051	11,844
Dr. Günther Thallinger	6,179	14,078
Dr. Axel Theis	6,372	27,164
Total	64,006	229,483

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

PENSIONS

Company contributions for the current pension plan are set at 50% of the base salary, reduced by an amount covering the disability and death risk. They are invested in a fund and include a guarantee for the contributions paid, but no further interest guarantee. For members with pension rights in the frozen defined-benefit plan, the above contribution rates are reduced by 19% of the expected annual pension

from that frozen plan. The Allianz Group paid € 4 mn (2017: € 4 mn) to increase reserves for pensions and similar benefits for active members of the Board of Management. As of 31 December 2018, reserves for pensions and similar benefits for active members of the Board of Management amounted to € 31 mn (2017: € 41 mn).

Individual pensions: 2018 and 2017

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

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

1_The service cost of the frozen contribution-based pension plan reflects the continued death and disability cover.

2_Plan participants contribute 3% of their relevant salary to the AVK. For the AVK the minimum guaranteed interest rate is 2.75% - 3.50% depending on the date of joining Allianz. In general, the company funds the balance required via the APV. Before Allianz's founding of the APV in 1998, both Allianz and the plan participants were contributing to the AVK.

3_For details on the transition payment, see section "Termination of service". In any event a death benefit is included.

4_Expected annual pension payment at assumed retirement age for the frozen defined benefits pension plan, excluding current pension plan.

5_SC = service cost. Service costs are calculatory costs for the DBO related to the reported business year.

6_DBO = defined-benefit obligation, end of year. The figures show the obligation for Allianz resulting from defined benefit plans, taking into account realistic assumptions with regard to interest rate, dynamics, and biometric probabilities.

In 2018, former members of the Board of Management and their dependents received remunerations and other benefits totaling € 7 mn (2017: € 7 mn), while reserves for current pension obligations and accrued pension rights totaled € 146 mn (2017: € 131 mn).

TERMINATION OF SERVICE

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

Arrangements for termination of service including retirement are as follows:

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

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

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

TERMINATION OF SERVICE – DETAILS OF THE PAYMENT ARRANGEMENTS

Transition payment (appointment before 1 January 2010)

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

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

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

Severance payment cap

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

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

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

Change of control

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

MISCELLANEOUS

INTERNAL AND EXTERNAL BOARD APPOINTMENTS

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

REMUNERATION OUTLOOK FOR 2019

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

effective on 1 January 2019 and will be put to vote in the Annual Shareholder Meeting of Allianz SE on 8 May 2019.

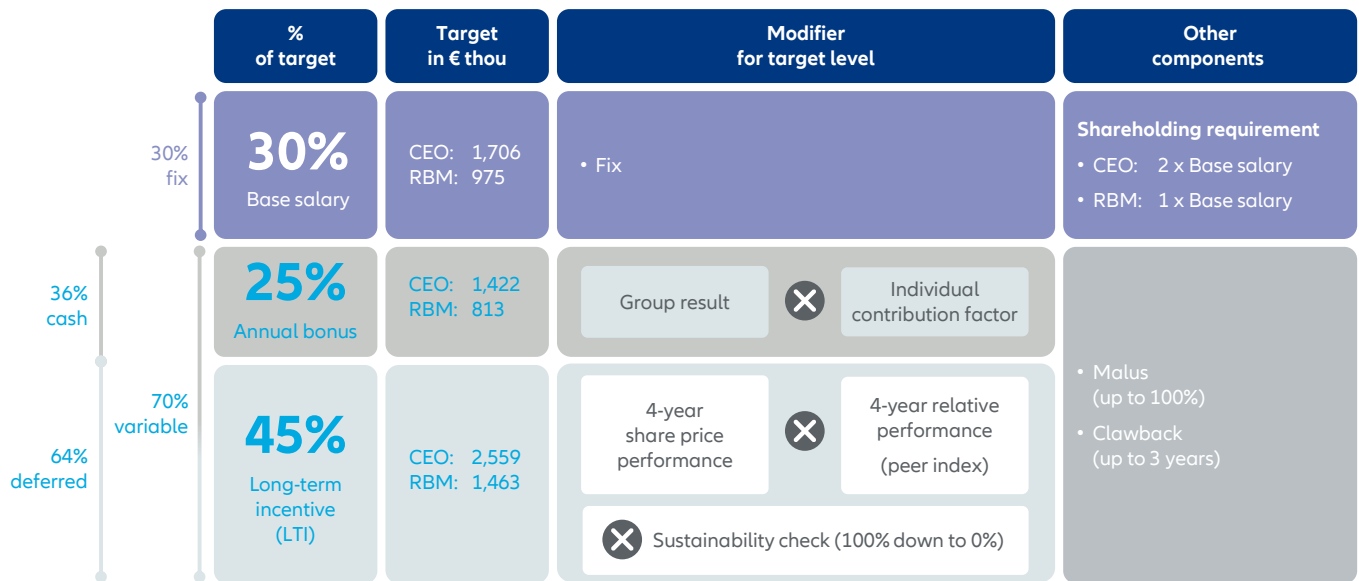
The previous remuneration system supported sustainable performance and was aligned with the business strategy as well as shareholders' interests and applicable laws. The new structure continues to follow these principles and additionally integrates further stakeholder demands which have emerged over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

SIGNIFICANT CHANGES FROM 2018 TO 2019

Topic	2018	2019
Pay mix Components	Base salary + 3 variable components: <ul style="list-style-type: none"> • Short-term: annual bonus • Mid-term: mid-term bonus (MTB) • Long-term: equity-related compensation 	Base salary + 2 variable components: <ul style="list-style-type: none"> • Short-term: annual bonus • Long-term: equity-related compensation
Pay mix Proportion (based on allocation value)	Base salary: 25% <ul style="list-style-type: none"> • Short-term: 25% • Mid-term: 25% • Long-term: 25% 	Base salary: 30% <ul style="list-style-type: none"> • Short-term: 25% • Long-term¹: 45%
Annual bonus	<ul style="list-style-type: none"> • 50% Group financial targets (operating profit and net income, equally weighted) • 50% individual targets 	<ul style="list-style-type: none"> • 100% Group financial targets (operating profit and net income, equally weighted) • Individual contribution considered through a contribution factor with a range from 0.8 – 1.2
Equity-related long-term compensation	Share price	Share price and relative total shareholder return (TSR)
Caps	Caps on all components	Caps on all components and overall compensation cap
Malus and clawback	Malus	Malus and clawback
Shareholding requirements	No	Yes

¹ The allocation value is used to determine the number of restricted stock units (RSU) and is described in detail in the LTI section "Allianz share price performance" on page 51.

NEW TOTAL TARGET DIRECT COMPENSATION AND REMUNERATION STRUCTURE



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

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

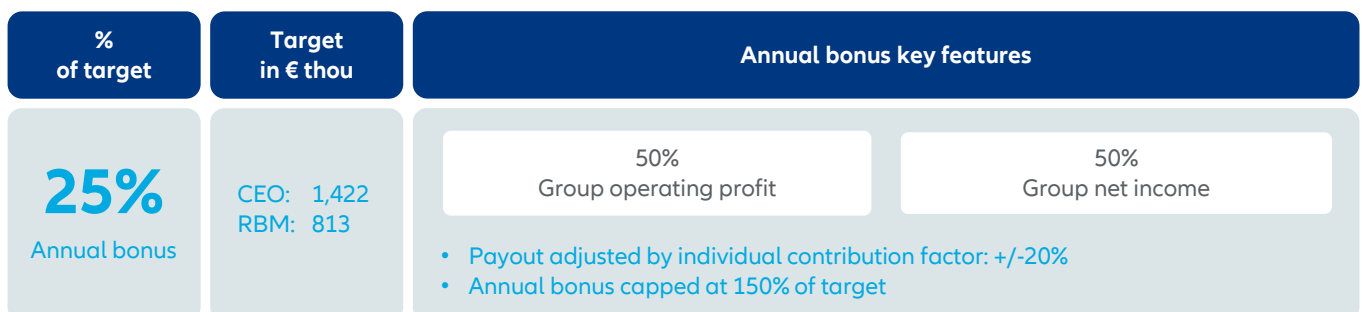
The LTI percentage of the total target compensation for 2019 as well as the target amount of € 2,559 thou for the Chairman of the Allianz SE Board of Management (CEO) and of € 1,463 thou for a regular board member (RBM) are based on the target allocation value (as described in detail in the LTI section “Allianz share price performance” on [page 51](#)). This differs from the percentages based on IFRS fair value. Based on IFRS fair values, the equity-related compensation (which is allocated in the form of Restricted Stock Performance Units, “RSU”) would be higher (assuming that the fair value is higher than the allocation value).

BASE SALARY

Starting in 2019, the non-performance-related base salary amounts to € 1,706 thou for the Chairman of the Allianz SE Board of Management

and € 975 thou for a regular board member and is paid in twelve equal monthly installments.

ANNUAL BONUS



With the new annual bonus structure, the number of parameters driving the annual bonus have been reduced significantly, which supports simplicity and transparency. From 2019 onwards, the annual bonus is based on the achievement of Group financial targets, adjusted by the individual contribution factor, which takes into account business

division and individual performance. The 2019 remuneration report will show the performance corridor for the Group financial target achievement as well as the overall individual target achievement per board member.

Group financial targets

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

Individual contribution factor (ICF) (NEW)

The Group financial target achievement may be adjusted by the individual contribution factor (ICF). The ICF has a limited range of 0.8 to 1.2 and will be multiplied with the Group financial target achievement. It is an overall discretionary assessment by the Allianz SE Supervisory Board and takes into account the results of the business division and the individual contribution. Thereby the ICF assessment

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

Annual bonus cap

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

LONG-TERM INCENTIVE (LTI)

% of target	Target in € thou	LTI key features
<p>45%</p> <p>Long-term incentive (LTI)</p>	<p>CEO: 2,559</p> <p>RBM: 1,463</p>	<p>LTI allocation amount = LTI target amount multiplied with annual bonus target achievement factor, capped at 150%</p> <p>4-year share price performance:</p> <ul style="list-style-type: none"> LTI granted in form of Restricted Stock Units (RSUs) with a pay-out after four years, capped at 200% <p>4-year relative performance:</p> <ul style="list-style-type: none"> LTI payout subject to relative 4-year total shareholder return (TSR), benchmarked to peer group (index), capped at 200% <p>✗ Sustainability check (100% down to 0%)</p>

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

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

Allianz share price performance

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

option pricing model and additional market parameters¹. The proposed simplified allocation value concept aims to increase transparency and traceability of the number of RSU allocated to the beneficiaries.

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

Relative TSR performance measurement (NEW)

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

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

Sustainability check (downward adjustment) (NEW)

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

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

Overall LTI cap

The LTI payout is subject to a limit and capped at 600% of the target amount based on the allocation value as described in the LTI section "Allianz share price performance" on [page 51](#).

PENSIONS AND SIMILAR BENEFITS

Pension contribution remains unchanged at 50% of annual base salary. For further information regarding "Pensions and similar benefits", please refer to [page 40](#).

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

PERQUISITES

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

TERMINATION OF SERVICE – DETAILS OF PAYMENT ARRANGEMENTS

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

SHAREHOLDING REQUIREMENTS (NEW)

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

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

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

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

The holding obligation ceases with the end of the mandate.

MALUS/CLAWBACK (NEW)

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

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

TOTAL TARGET COMPENSATION AND OVERALL CAP (NEW)

The review of the current remuneration system also revealed the need to adapt the compensation levels for the Board of Management of Allianz SE. The horizontal benchmark, with the relevant peer group consisting of DAX companies and international competitors, demonstrated that the compensation levels for both regular board members and the Chairman of the Board no longer reflect Allianz's overall position, given relative size, complexity, and sustained performance. Moreover, the remuneration levels for regular board members have remained unchanged since their last adjustment in 2014. Therefore, the Supervisory Board deemed an increase of the total target compensation (without pension) necessary to maintain its attractiveness to talents. Specifically, the amount² for regular board members

²Based on the allocation value as described in detail in the LTI section "Allianz share price performance" on [page 51](#).

increased from € 3,000 thou to € 3,251 thou; the amount¹ for the Chairman of the Board increased from € 5,250 thou to € 5,687 thou. The ratio of the Chairman of the Board's compensation against regular board members' compensation remained at 1.75.

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

Remuneration of the Supervisory Board

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

REMUNERATION PRINCIPLES

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

REMUNERATION STRUCTURE AND COMPONENTS

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

FIXED ANNUAL REMUNERATION

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

COMMITTEE-RELATED REMUNERATION

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

Committee-related remuneration

€ thou

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

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

ATTENDANCE FEES AND EXPENSES

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

REMUNERATION FOR 2018

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

¹Based on the allocation value as described in detail in the LTI section "Allianz share price performance" on page 51.

Individual remuneration: 2018 and 2017

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

Members of the Supervisory Board	Committees ¹							Fixed remuneration	Committee remuneration	Attendance fees	Total remuneration
	A	N	P	R	S	T					
Michael Diekmann ² (Chairman)	M	C	C	C	C	M	2018	250.0	225.0	9.0	484.0
	M	C	C	C	C	M	2017	133.3	120.0	3.7	257.0
Jim Hagemann Snabe (Vice Chairman)		M				C	2018	187.5	75.0	6.0	268.5
	M ³	M				M ⁴	2017	133.3	56.7	4.5	194.5
Gabriele Burkhardt-Berg (Vice Chairwoman) ⁷			M ⁵			M ⁶	2018	145.8	50.0	7.0	202.8
						M	2017	100.0	33.3	3.8	137.1
Sophie Boissard ⁸	M						2018	125.0	50.0	8.0	183.0
	M						2017	66.7	26.7	3.7	97.1
Christine Bosse		M			M		2018	125.0	25.0	6.0	156.0
		M ⁹			M		2017	100.0	28.3	4.5	132.8
Jean-Jacques Cette ¹⁰	M ¹⁰						2018	72.9	29.2	3.0	105.1
	M						2017	100.0	40.0	5.3	145.3
Dr. Friedrich Eichiner	C				M		2018	125.0	150.0	8.0	283.0
	C ¹¹				M		2017	100.0	86.7	6.0	192.7
Jean-Claude Le Goëer ¹²	M ¹²					M ¹³	2018	52.1	29.2	4.0	85.3
							2017	-	-	-	-
Martina Grundler	M						2018	125.0	50.0	8.0	183.0
	M						2017	100.0	40.0	5.3	145.3
Herbert Hainer ¹⁴					M		2018	125.0	50.0	7.0	182.0
					M		2017	66.7	26.7	3.0	96.4
Godfrey Robert Hayward ¹⁵					M		2018	125.0	25.0	6.0	156.0
					M		2017	66.7	13.3	3.0	83.0
Frank Kirsch ¹⁶					M ¹⁶		2018	41.7	8.3	2.0	52.0
							2017	-	-	-	-
Jürgen Lawrenz					M ¹⁷		2018	125.0	50.0	6.0	181.0
					M		2017	100.0	33.3	4.5	137.8
Rolf Zimmermann ²⁰					M ¹⁹		2018	125.0	33.3	4.0	162.3
					M ²⁰		2017	150.0	41.7	4.5	196.2
Total²²							2018	1,750.0	850.0	84.0	2,684.0
							2017	1,445.9	671.7	61.5	2,179.1

Legend: C = Chairperson of the respective committee, M = Member of the respective committee

1_Abbreviations: A - Audit, N - Nomination, P - Personnel, R - Risk, S - Standing, T - Technology

2_Since 7 May 2017.

3_Until 3 May 2017.

4_Since 3 May 2017.

5_Since 1 September 2018.

6_Until 31 August 2018.

7_Since 1 September 2018.

8_Since 3 May 2017.

9_Since 3 May 2017.

10_Until 31 July 2018.

11_Since 3 May 2017.

12_Since 1 August 2018.

13_Since 1 September 2018.

14_Since 3 May 2017.

15_Since 3 May 2017.

16_Since 1 September 2018.

17_Until 31 August 2018.

18_Since 1 September 2018.

19_Since 3 May 2017.

20_Until 31 August 2018.

21_Until 3 May 2017.

22_The total reflects the remuneration of the full Supervisory Board in the respective year.

REMUNERATION FOR MANDATES IN OTHER ALLIANZ COMPANIES AND FOR OTHER FUNCTIONS

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

OTHER INFORMATION

Our steering

BOARD OF MANAGEMENT AND ORGANIZATIONAL STRUCTURE

Allianz SE has a divisional Board structure based on functional and business responsibilities. Business-related divisions reflect our business segments Property-Casualty, Life/Health, Asset Management, and Corporate and Other. In 2018 they were overseen by five board members. The following divisions focus on Group functions, along with business-related responsibilities: Chairman of the Board of Management; Finance, Controlling and Risk; Investment Management; Operations; Human Resources, Legal, Compliance and M&A; and Business Transformation¹.

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 8](#).

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 38](#).

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 equity² 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)³. We also use new business margins for Life/Health.

Besides performance steering, we also have a risk steering process in place, which is described in the [Risk and Opportunity Report](#) starting on [page 19](#).

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 (NPS⁴) results and diversity development. For further information on non-financial KPIs, please refer to the [Combined Separate Non-Financial Report](#) for the Allianz Group and Allianz SE (according to §289b (3) in conjunction with §298 (2) of the HGB) on [page 41](#) of the Allianz Group's Annual Report 2018.

Branches

In 2018, Allianz SE operated its business from Munich and from branch offices in Casablanca (Morocco), Singapore, Labuan (Malaysia), Wallisellen (Switzerland) and Dublin (Ireland).

Takeover-related Statements and Explanations

The following information is provided pursuant to §289a(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 2018, the share capital of Allianz SE was € 1,169,920,000. It was divided into 424,459,661 registered and fully paid-up shares with no-par value. All shares carry the same rights and obligations. Each no-par value share carries one vote.

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

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

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

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

2_Excluding unrealized gains/losses on bonds net of shadow accounting.

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

4_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.

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

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

SHARES WITH SPECIAL RIGHTS CONFERRING POWERS OF CONTROL

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

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

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

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

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

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

the relocation of the registered office to another E.U. member state (§51 SEAG). The Supervisory Board may alter the wording of the Statutes (§179 (1) AktG and §10 of the Statutes).

AUTHORIZATION OF THE BOARD OF MANAGEMENT TO ISSUE AND REPURCHASE SHARES

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

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

- Up to a total of € 334,960,000 (Authorized Capital 2018/I): In case of a capital increase against cash contribution, the Board of Management may exclude the shareholders' subscription rights for these shares with the consent of the Supervisory Board (i) for fractional amounts, (ii) in order to safeguard the rights pertaining to holders of convertible bonds or bonds with warrants, including mandatory convertible bonds, and (iii) in the event of a capital increase of up to 10%, if the issue price of the new shares is not significantly below the stock market price. The Board of Management may furthermore exclude the shareholders' subscription rights with the consent of the Supervisory Board in the event of a capital increase against contributions in kind.
- Up to a total of € 15,000,000 (Authorized Capital 2018/II): The shareholders' subscription rights are excluded. New shares may only be issued to employees of Allianz SE and its Group companies.

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

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

Domestic or foreign banks that are majority-owned by Allianz SE may buy and sell Allianz shares for trading purposes (§71 (1) No. 7 and (2) AktG) under an authorization of the General Meeting valid until 8 May 2023. The total number of shares acquired

thereunder, together with treasury shares held by Allianz SE or attributable to it under §§ 71a et seq. AktG, shall at no time exceed 10% of the share capital of Allianz SE.


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

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

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

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

A change-of-control clause in the service contracts of the members of Allianz SE's Board of Management provides that, if within twelve months after the acquisition of more than 50% of the company's share capital by one shareholder or several shareholders acting in concert (change of control) the appointment as a member of the Board of Management is revoked unilaterally by the Supervisory Board, or if the mandate is ended by mutual agreement, or if the Management board member resigns because his or her responsibilities as a board member are significantly reduced through no fault of the board member, he or she shall receive his or her contractual remuneration for the remaining term of the service contract, but for the purpose hereof limited to two years, in the form of a one-off payment. The one-off payment is based on the fixed

remuneration plus the variable remuneration, with this basis being limited, however, to the amount paid for the last fiscal year. This applies accordingly if, within twelve months of a change of control, a mandate in the Board of Management comes to an end and is not extended: The one-off payment will then be granted for the period between the end of the mandate and the end of the two-year period following the change of control. For further details, please refer to the [Remuneration Report](#) starting on  **page 38**.

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

Controls over Financial Reporting

The following information is provided pursuant to § 289 (4) of the 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 financial statements (this also includes market value balance sheet and risk capital controls). Our internal control system over financial reporting is part of the Integrated Risk and Control System (IRCS) of Allianz SE and is regularly reviewed and updated. Our internal control system is split into controls on the system of governance (Entity-Level Control Assessment Process – ELCA) and controls at process levels (IRCS). IT controls, which are part of the IRCS framework, cover areas such as access rights management and IT project and change management, among others.

ACCOUNTING PROCESSES

The accounting processes we use to produce financial statements are based on a group-wide IT solution and local general ledger. Access rights to accounting systems are managed according to strict authorization procedures.

Internal controls are embedded in the accounting 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 that have to be in the **scope of our internal control system over financial reporting**. The methodology is described in 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.
- Next, we **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 ensure that controls are appropriately designed and effectively executed to mitigate risk. We conduct an annual **assessment** of our control system to maintain and continuously enhance its effectiveness. Internal audit ensures that the overall quality of our control system is subjected to regular control-testing, to assure reasonable design and operating effectiveness.

FINANCIAL STATEMENTS OF ALLIANZ SE



FINANCIAL STATEMENTS

BALANCE SHEET

€ thou				
as of 31 December	Note	2018	2018	2017
ASSETS				
A. Intangible assets	1, 2			
I. Self-created industrial property rights and similar rights and assets		30,722		29,187
II. Licenses acquired against payment, industrial property rights, and similar rights and assets as well as licenses for such rights and assets		1,458		1,146
III. Advance payments made		61		-
			32,240	30,333
B. Investments	1, 3 – 6			
I. Real estate, real estate rights, and buildings, including buildings on land not owned by Allianz SE		251,549		245,401
II. Investments in affiliated enterprises and participations		76,321,527		74,176,435
III. Other investments		27,886,256		33,329,072
IV. Funds held by others under reinsurance business assumed		9,891,301		8,310,276
			114,350,633	116,061,184
C. Receivables				
I. Accounts receivable on reinsurance business		670,538		528,244
thereof from affiliated enterprises: € 376,373 thou (2017: € 280,343 thou)				
thereof from participations ¹ : € 4,657 thou (2017: € 1,197 thou)				
II. Other receivables	7	3,730,741		4,869,995
thereof from affiliated enterprises: € 3,317,797 thou (2017: € 4,430,597 thou)				
thereof from participations ¹ : € 1,181 thou (2017: € 541 thou)				
			4,401,278	5,398,239
D. Other assets				
I. Tangible fixed assets and inventories		14,269		15,150
II. Cash with banks, checks, and cash on hand		283,557		234,138
III. Miscellaneous assets	8	212,813		22,835
			510,638	272,123
E. Deferred charges and prepaid expenses	9			
I. Accrued interest and rent		276,273		237,273
II. Other deferred charges and prepaid expenses		57,303		70,072
			333,577	307,345
F. Excess of plan assets over pension and similar obligations	10			
			13,163	10,811
Total Assets			119,641,530	122,080,035

¹ Companies in which we hold a participating interest.

€ thou					
as of 31 December	Note	2018	2018	2018	2017
EQUITY AND LIABILITIES					
A. Shareholders' equity	12				
I. Issued capital		1,169,920			1,169,920
Less: mathematical value of own shares		2,651			3,638
			1,167,269		1,166,282
II. Additional paid-in capital			27,949,540		27,905,256
III. Revenue reserves					
1. Statutory reserve		1,229			1,229
2. Other revenue reserves		7,353,906			8,823,789
			7,355,135		8,825,017
IV. Net earnings			4,544,153		4,117,339
				41,016,097	42,013,894
B. Subordinated liabilities	13, 16			13,749,596	13,689,227
C. Insurance reserves	14				
I. Unearned premiums					
1. Gross		1,661,911			1,641,405
2. Less: amounts ceded		62,207			65,197
			1,599,704		1,576,208
II. Aggregate policy reserves					
1. Gross		640,625			709,801
2. Less: amounts ceded		27,971			27,661
			612,654		682,140
III. Reserves for loss and loss adjustment expenses					
1. Gross		13,969,041			12,092,668
2. Less: amounts ceded		2,685,623			1,964,574
			11,283,419		10,128,094
IV. Reserves for premium refunds					
1. Gross		29,361			22,551
2. Less: amounts ceded		2,755			31
			26,606		22,520
V. Claims equalization and similar reserves			2,380,716		2,541,167
VI. Other insurance reserves					
1. Gross		23,600			30,154
			23,600		30,154
				15,926,698	14,980,283
D. Other provisions	15			8,136,545	7,949,981
E. Funds held with reinsurance business ceded				1,701,367	983,272
F. Other liabilities					
I. Accounts payable on reinsurance business			342,595		362,729
thereof to affiliated enterprises: € 147,546 thou (2017: € 214,528 thou)					
thereof to participations ¹ : € 253 thou (2017: € 325 thou)					
II. Bonds	16		1,848,356		2,353,545
thereof to affiliated enterprises: € 1,848,356 thou (2017: € 2,353,545 thou)					
III. Liabilities to banks	16		2,374		490
IV. Miscellaneous liabilities	16		36,910,351		39,735,524
including taxes of: € 17,760 thou (2017: € 21,445 thou)					
thereof to affiliated enterprises: € 35,516,467 thou (2017: € 38,397,220 thou)					
thereof to participations ¹ : € 101 thou (2017: € 266 thou)					
				39,103,676	42,452,289
G. Deferred income				7,550	11,091
Total equity and liabilities				119,641,530	122,080,035

¹ Companies in which we hold a participating interest.

INCOME STATEMENT

€ thou

	Notes	2018	2018	2018	2017
I. Technical account					
1. Premiums earned (net)					
a) Gross premiums written	18	10,912,145			10,265,435
b) Ceded premiums written		(840,958)			(777,449)
			10,071,186		9,487,986
c) Change in gross unearned premiums		(20,948)			(50,839)
d) Change in ceded unearned premiums		(3,348)			(3,712)
			(24,296)		(54,550)
Premiums earned (net)				10,046,890	9,433,436
2. Allocated interest return (net)	19			19,116	20,849
3. Other underwriting income (net)				17	19,249
4. Loss and loss adjustment expenses (net)	20				
a) Claims paid					
aa) Gross		(5,323,299)			(6,076,163)
ab) Amounts ceded in reinsurance		(473,171)			421,733
			(5,796,470)		(5,654,430)
b) Change in reserve for loss and loss adjustment expenses (net)					
ba) Gross		(1,823,073)			(776,415)
bb) Amounts ceded in reinsurance		673,464			169,179
			(1,149,609)		(607,236)
Loss and loss adjustment expenses (net)				(6,946,079)	(6,261,666)
5. Change in other insurance reserves (net)	21			53,693	20,093
6. Expenses for premium refunds (net)				(4,140)	11,123
7. Underwriting expenses (net)	22			(3,018,242)	(2,884,228)
8. Other underwriting expenses (net)				(23,195)	(19,771)
9. Subtotal (Net underwriting result)				128,060	339,084
10. Change in claims equalization and similar reserves				160,451	(225,797)
11. Net technical result				288,511	113,287
II. Non-technical account					
1. Investment income	23	7,579,253			5,647,514
2. Investment expenses	24	(1,646,728)			(1,934,808)
3. Investment result			5,932,524		3,712,706
4. Allocated interest return			(20,044)		(21,819)
				5,912,480	3,690,886
5. Other income			1,989,069		3,158,500
6. Other expenses			(3,346,618)		(3,425,921)
7. Other non-technical result	25			(1,357,549)	(267,421)
8. Non-technical result				4,554,932	3,423,465
9. Net operating income				4,843,443	3,536,752
10. Income Taxes	26	(129,995)			(392,665)
Amounts charged to other Group companies		634,888			514,930
			504,893		122,265
11. Other taxes			6,675		12,401
12. Taxes				511,568	134,666
13. Net income				5,355,011	3,671,418
14. Unappropriated earnings carried forward				689,142	445,920
15. Transfer to revenue reserves					
To other revenue reserves			(1,500,000)		-
				(1,500,000)	-
16. Net earnings	27			4,544,153	4,117,339

NOTES TO THE FINANCIAL STATEMENTS

NATURE OF OPERATIONS AND BASIS OF PREPARATION

NATURE OF OPERATIONS

Allianz SE, the holding and reinsurance company of the Allianz Group, is located at Königinstraße 28, 80802 Munich, and registered in the Commercial Register of the municipal court in Munich under HRB 164232.

The annual financial statements of Allianz SE and the consolidated financial statements of the Allianz Group are published digitally in the Federal Gazette ("Bundesanzeiger").

BASIS OF PREPARATION

Our financial statements and the management report have been prepared in accordance with the regulations of the German Commercial Code (HGB), the German Stock Corporation Act (AktG), the Law on the Supervision of Insurance Enterprises (VAG), and the Government Order on the External Accounting Requirements of Insurance Enterprises (RechVersV).

All amounts in these financial statements are presented in thousands of Euros (€ thou), unless otherwise stated.

ACCOUNTING, VALUATION, AND CALCULATION METHODS

INTANGIBLE ASSETS

Intangible assets are recorded at acquisition or construction cost less depreciation. Internally generated intangible assets are capitalized and depreciated on a straight-line basis. In case of a permanent impairment, an unscheduled write-down is recognized.

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

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

INVESTMENTS IN AFFILIATED ENTERPRISES AND PARTICIPATIONS

SHARES IN AFFILIATED ENTERPRISES AND PARTICIPATIONS

These are recorded at cost less impairments, in accordance with §341b (1) of the German Commercial Code in conjunction with §253 (3) sentence 5 of the German Commercial Code.

Impairments are measured either as the difference between acquisition cost and the respective value, in accordance with IDW RS HFA 10 in conjunction with IDW S1, or as the difference between acquisition cost and the lower share price as of 31 December 2018, or in some cases as the difference between acquisition cost and the net asset value.

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

LOANS IN AFFILIATED ENTERPRISES AND PARTICIPATIONS

These items are normally recorded at cost less impairments in accordance with §253 (3) sentence 5 of the German Commercial Code. However, when converting foreign currency loans into Euros at the reporting date, the strict lower of cost or market value principle is applied.

OTHER INVESTMENTS

STOCKS, INTERESTS IN FUNDS, DEBT SECURITIES AND OTHER FIXED AND VARIABLE INCOME SECURITIES, MISCELLANEOUS INVESTMENTS

These items are generally valued in accordance with §341b (2) of the German Commercial Code in conjunction with §253 (1), (4), and (5) of the German Commercial Code, using either the acquisition cost or the stock exchange or market value on the balance sheet date, whichever is lower. We calculate the acquisition cost by averaging the different acquisition costs for securities of the same type.

REGISTERED BONDS, DEBENTURES AND LOANS

These items are recorded at cost less impairments in accordance with §253 (3) sentence 5 of the German Commercial Code. In accordance with §341c of the code, amortized cost accounting is applied and the difference between acquisition cost and the redemption amount is amortized over the remaining period, based on the effective interest method.

ASSETS TO MEET LIABILITIES RESULTING FROM RETIREMENT PROVISION COMMITMENTS

These assets are recorded at fair value in accordance with §253 (1) of the German Commercial Code, and offset against the liabilities in accordance with §246 (2) of the code. Group life insurance contracts are recorded at asset value.

If the liabilities exceed the fair value, the exceeding amount will be shown under other provisions. If the fair value of the assets

exceeds the liabilities, the exceeding amount is shown as an excess of plan assets over pension and similar obligations.

The accounting and valuation method of the excess of plan assets over pension and similar obligations is the same as described in the section „Other provisions“.

TANGIBLE FIXED ASSETS, INVENTORIES, AND MISCELLANEOUS ASSETS

These items are recorded at acquisition cost less depreciation. Low-value assets worth up to € 250 are written off immediately. A compound item for tax purposes formed in accordance with §6 (2a) of the German Income Tax Act (EStG) for assets from € 250 to € 1,000 is depreciated by one fifth each year.

DEFERRED TAX ASSETS

When calculating deferred taxes, deferred tax assets and liabilities are offset.

Based on the capitalization option in accordance with §274 (1) sentence 2 of the German Commercial Code, the surplus of deferred tax assets over deferred tax liabilities is not recognized.

REMAINING ASSETS

These consist of the following:

- funds held by others under reinsurance business assumed,
- bank deposits,
- accounts receivables on reinsurance business,
- other receivables,
- cash with banks and cash on hand.

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

INSURANCE RESERVES

These consist of the following:

- unearned premiums,
- aggregate policy reserves,
- reserves for loss and loss adjustment expenses,
- reserves for premium refunds,
- claims equalization and similar reserves,
- other insurance reserves.

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

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

Written premiums for future periods are accrued in unearned premiums.

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

Reserves for loss and loss adjustment expenses are established for the payment of losses and loss adjustment expenses on claims

that 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 yet, or not sufficiently reported, losses.

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

OTHER PROVISIONS

Pension provisions are calculated applying actuarial principles. Other obligations such as provisions for jubilee payments, birthday payments and phased-in early retirement benefits are also calculated in accordance with actuarial principles.

According to §253 (2) sentence 1 of the German Commercial Code (HGB), the discount rate used for calculating the pension obligations has to be derived from a 10-year-average, for calculating other obligations it has to be derived from a 7-year-average.

§253 (6) sentence 2 of the German Commercial Code states that a positive difference resulting from the calculation of the pension obligations with the discount rate of 7-year-average versus 10-year-average is earmarked for profit distribution.

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

For further information regarding the accounting for pensions and similar obligations, please refer to [note 15](#) to our financial statements.

Remaining other provisions are recognized at the settlement amount. Long-term provisions are discounted applying the net approach in accordance with IDW RS HFA 34.

REMAINING LIABILITIES

These consist of the following:

- subordinated liabilities,
- funds held with reinsurance business ceded,
- other liabilities.

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

PREPAID EXPENSES AND DEFERRED INCOME

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

CURRENCY TRANSLATION

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

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

The valuation of foreign currency shares in affiliated enterprises and participations, stocks, interests in funds, and other variable and fixed-income securities is performed by converting their value in the original currency into Euro, using the middle forex spot rate as of the reporting date.

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

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

Issued debt securities and borrowings denominated in foreign currencies are converted into Euro at the middle forex spot rate as of

the reporting date. Unrealized losses are recognized immediately in the income statement, while unrealized gains are not.

All other monetary assets and liabilities recorded in foreign currency are valued at the middle forex spot rate as of the reporting date. Exchange rate differences resulting from this valuation of foreign currency positions are reflected in the other non-technical result.

VALUATION UNITS

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

When accounting for valuation units, we apply the “freezing” method, which means that mutually offsetting changes in value of opposing positions (i.e., within valuation units) are not recorded in the income statement. More details regarding derivative transactions combined into valuation units are explained in [note 17](#) to our financial statements.

SUPPLEMENTARY INFORMATION ON ASSETS

1 _ Change of assets A., B.I. through B.III.

	Values stated as of 1 January 2018	
	€ thou	%
A. Intangible assets		
1. Self-created industrial property rights and similar rights and assets	29,187	
2. Licenses acquired against payment, industrial property rights, and similar rights and assets as well as licenses for such rights and assets	1,146	
3. Advance payments made	-	
Subtotal A.	30,333	
B.I. Real estate, real estate rights, and buildings, including buildings on land not owned by Allianz SE	245,401	0.2
B.II. Investments in affiliated enterprises and participations		
1. Shares in affiliated enterprises	69,999,251	65.0
2. Loans to affiliated enterprises	3,659,363	3.4
3. Participations	513,821	0.5
4. Loans to participations	4,000	-
Subtotal B.II.	74,176,435	68.8
B.III. Other investments		
1. Stocks, interests in funds and other variable-income securities	1,063,961	1.0
2. Debt securities and other fixed-income securities	28,371,956	26.3
3. Other loans		
a) Registered bonds	2,368,255	2.2
b) Loans and promissory notes	314,203	0.3
4. Bank deposits	1,210,697	1.1
Subtotal B.III.	33,329,072	30.9
Subtotal B.I. - B.III.	107,750,908	100.0
Total	107,781,241	

2 _ Intangible assets

The book value of intangible assets totaled € 32 mn (2017: € 30 mn) and mainly consists of internally generated software.

In 2018, the research and development costs of Allianz SE amounted to € 5 mn. The total sum represents development costs for internally generated software.

3 _ Market value of investments

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

Book values and market values of investments

€ bn

as of 31 December	Book value		Market value		Valuation reserve	
	2018	2017	2018	2017	2018	2017
Real estate	0.3	0.2	0.8	0.7	0.5	0.5
Equity securities	73.6	71.6	84.1	81.3	10.5	9.7
Debt securities	24.0	28.4	24.3	28.8	0.3	0.4
Loans	6.0	6.3	6.1	6.8	0.1	0.5
Bank deposits	0.6	1.2	0.6	1.2	-	-
Funds held by others under reinsurance business assumed	9.9	8.3	9.9	8.3	-	-
Total	114.4	116.1	125.8	127.1	11.4	11.1

Additions (+)	Transfers	Disposals (-)	Revaluation (+)	Depreciation (-)	Net additions (+) Net disposals (-)	Values stated as of 31 December 2018	
€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	%
4,519	(189)	-	-	2,795	1,535	30,722	
945	189	-	-	822	312	1,458	
61	-	-	-	-	61	61	
5,525	-	-	-	3,618	1,908	32,240	
12,532	-	-	-	6,384	6,148	251,549	0.2
3,599,241	(26,850)	1,680,938	115,442	408	2,006,487	72,005,738	68.9
112,022	-	15,744	-	-	96,278	3,755,641	3.6
32,460	26,850	6,831	-	11,152	41,327	555,149	0.5
1,000	-	-	-	-	1,000	5,000	-
3,744,723	-	1,703,513	115,442	11,560	2,145,092	76,321,527	73.1
295,706	-	289,858	-	-	5,849	1,069,810	1.0
22,998,854	-	27,273,050	31,965	159,903	(4,402,134)	23,969,823	22.9
1,597,676	-	2,070,439	-	-	(472,763)	1,895,493	1.8
54,328	-	29,714	-	-	24,614	338,817	0.3
-	-	598,382	-	-	(598,382)	612,315	0.6
24,946,564	-	30,261,443	31,965	159,903	(5,442,816)	27,886,256	26.7
28,703,819	-	31,964,956	147,407	177,846	(3,291,576)	104,459,332	100.0
28,709,344	-	31,964,956	147,407	181,464	(3,289,669)	104,491,572	

VALUATION METHODS USED TO DETERMINE THE MARKET VALUE

REAL ESTATE

Land and buildings are valued using the Discounted Cash Flow method or, for new buildings, at cost. The fair value was determined during the fiscal year.

EQUITY SECURITIES

Investments in companies quoted on the stock exchange are generally measured by the stock exchange price quoted on the last trading day of 2018. Non-quoted companies are valued at their net asset value calculated by the German Association for Financial Analysis and Asset Management's (DVFA) method. For recent transactions the transaction prices were used.

DEBT SECURITIES

These items are measured at the stock exchange value quoted on the last trading day of 2018 or, if there is no active market, at the prices obtained from brokers or pricing services.

LOANS

Loans are valued using the Discounted Cash Flow method. The relevant discount rates are derived from observable market parameters and reflect the remaining life and credit risk of the instruments. In exceptional cases, the carrying amount is used as fair value.

BANK DEPOSITS AND FUNDS HELD BY OTHERS UNDER REINSURANCE BUSINESS ASSUMED

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

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

We disregarded market value declines of € 0.6 mn for loans with a book value of € 209 mn. Based on the expected development of market conditions, the decline in market value is not expected to be of an enduring nature. We intend to hold loans until maturity in order to ensure a repayment at par value.

4 _ Real estate, real estate rights and buildings

The book value of own property for own use amounted to € 140 mn (2017: € 136 mn).

5 _ Investments in affiliated enterprises and participations

€ bn

as of 31 December	2018	2017	Change
Shares in affiliated enterprises	72.0	70.0	2.0
Loans to affiliated enterprises	3.8	3.7	0.1
Participations	0.6	0.5	-
Total	76.3	74.2	2.1

The book value of shares in affiliated enterprises went up by € 2.0 bn to € 72.0 bn (2017: € 70.0 bn). This increase resulted from the following:

- the acquisition of all outstanding shares in Euler Hermes Group S.A. for a purchase price of € 1.1 bn, increasing the Allianz Group participation in Euler Hermes to 100%,
- a book value increase of € 0.1 bn due to purchase of Janashakthi General Insurance Limited in Sri Lanka,
- intra-group acquisitions of shares in our Turkish subsidiary Allianz Sigorta A.S. (€ 0.4 bn) and AllSecur Deutschland AG (€ 0.1 bn)
- various capital increases and decreases of Group companies amounting to € 1.6 bn and € 1.4 bn, respectively,
- the reversal of impairment attributable to our subsidiary Allianz China Life Insurance Co. Ltd., Shanghai, raising the book value by € 0.1 bn.

6 _ Interests in investment funds

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

€ thou

	Book value	Fair value	Valuation reserve	Dividend distribution
Equity funds				
Allianz Global AC Equity Insights Fund	3,939	3,971	32	-
Allianz Global Emerging Markets Equity Dividend Fund	3,000	3,331	331	83
Subtotal equity funds	6,939	7,302	363	83
Bond funds				
Allianz RE Asia Fund	1,022,360	1,043,308	20,948	17,892
Allianz Fixed Income Macro Fund	4,035	4,063	28	-
Allianz SE – PD Fund	35,855	38,015	2,160	-
Subtotal bond funds	1,062,250	1,085,386	23,136	17,892
Total	1,069,189	1,092,688	23,499	17,975

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

7 _ Other receivables

As of 31 December 2018, other receivables amounted to € 3,731 mn (2017: € 4,870 mn). They mainly comprise receivables from profit transfer agreements amounting to € 2,633 mn (2017: 3,365 mn), receivables from cash pooling (€ 579 mn (2017: € 803 mn)) and tax receivables of € 348 mn (2017: € 443 mn).

8 _ Miscellaneous assets

At the end of the fiscal year, this position mainly included variation margins paid in connection with financial derivative transactions (€ 201 mn).

9 _ Deferred charges and prepaid expenses

This item includes accrued interests in the amount of € 276 mn (2017: € 237 mn), which mainly result from our investments in debt securities and loans, as well as other deferred charges and prepaid expenses amounting to € 57 mn (2017: € 70 mn). The latter comprise the discount on borrowings from affiliated enterprises, issued bonds, and subordinated liabilities.

10 _ Excess of plan assets over pension and similar obligations

A part of the pension obligations is secured by group life insurance contracts and other plan assets. As a different discount rate is applied for these plan assets, compared to the calculation of the settlement amount of the pension obligations, this results in an excess of plan assets over pension and similar obligations for some pension plans.

Furthermore, netting the remuneration obligations for phased-in early retirement benefits with the plan assets also results in an excess of plan assets over pension and similar obligations.

This results in the disclosure of an excess of plan assets over pension and similar obligations of € 13 mn (2017: € 11 mn).

11 _ Collateral

Assets amounting to € 0.6 bn (2017: € 0.6 bn), of which € 0.6 bn (2017: € 0.6 bn) were in favor of affiliated enterprises, were pledged as collateral for liabilities.

SUPPLEMENTARY INFORMATION ON EQUITY AND LIABILITIES

12 _ Shareholders' equity

ISSUED CAPITAL

Issued capital as of 31 December 2018 amounted to € 1,169,920.0 thou, divided into 424,459,661 fully paid registered shares. The shares have no-par value but a mathematical per-share value as a proportion of the issued capital.

AUTHORIZED CAPITAL

As of 31 December 2018, Allianz SE had authorized capital with a notional amount of € 334,960.0 thou for the issuance of new shares until 8 May 2023 (Authorized Capital 2018/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 2018/I and the Conditional Capital 2010/2018 may only be excluded for the proportionate amount of the share capital of up to € 116,992.0 thou (corresponding to 10% of the share capital at year-end 2018).

In addition, Allianz SE has authorized capital (Authorized Capital 2018/II) for the issuance of new shares against contributions in cash until 8 May 2023. The shareholders' subscription rights are excluded. The new shares may only be offered to employees of Allianz SE and its Group companies. As of 31 December 2018, the Authorized Capital 2018/II amounted to € 15,000.0 thou.

CONDITIONAL CAPITAL

As of 31 December 2018, Allianz SE had conditional capital totaling € 250,000.0 thou (Conditional Capital 2010/2018). This conditional capital increase will only be carried out if conversion or option rights attached to convertible bonds, bonds with warrants, convertible participation rights, participation rights, and subordinated financial instruments which Allianz SE or its Group companies have issued against cash payments according to the resolutions of the Annual General Meeting (AGM) on 5 May 2010 or 9 May 2018, are exercised or the conversion obligations under such bonds are fulfilled, and only to the extent that the conversion or option rights or conversion obligations are not serviced through treasury shares or through shares from authorized capital.

Convertible subordinated notes totaling € 500,000.0 thou, which may be converted into Allianz shares, were issued against cash in July 2011. Within 10 years after the issuance a mandatory conversion of the notes into Allianz shares at the then prevailing share price may apply if certain events occur, subject to a floor price of at least € 74.90 per share. Within the same period, the investors have the right to convert the notes into Allianz shares at a price of € 187.26 per share. Both conversion prices are as of inception and subject to anti-dilution provisions. The subscription rights of shareholders for these

convertible notes have been excluded with the consent of the Supervisory Board and pursuant to the authorization of the AGM on 5 May 2010. The granting of new shares to persons entitled under such convertible notes is secured by the Conditional Capital 2010/2018. On or before 31 December 2018, there was no conversion of any such notes into new shares.

CHANGES IN THE NUMBER OF ISSUED SHARES OUTSTANDING

Number of issued shares outstanding

	2018	2017
Number of issued shares outstanding as of 1 January	438,879,929	455,067,737
Changes in number of treasury shares	408,081	562,546
Cancellation of issued shares	(15,789,985)	(16,750,354)
Number of issued shares outstanding as of 31 December	423,498,025	438,879,929
Treasury shares ¹	961,636	1,369,717
Total number of issued shares	424,459,661	440,249,646

¹ Thereof 961,636 (2017: 1,369,131) own shares held by Allianz SE.

PROPOSAL FOR APPROPRIATION OF NET EARNINGS

The Board of Management and the Supervisory Board propose that the net earnings ("Bilanzgewinn") of Allianz SE of € 4,544,152,898.54 for the 2018 fiscal year shall be appropriated as follows:

- Distribution of a dividend of € 9.00 per no-par share entitled to a dividend: € 3,811,482,225.00
- Unappropriated earnings carried forward: € 732,670,673.54

The proposal for appropriation of net earnings reflects the 961,636 treasury shares held directly and indirectly by the company as of 31 December 2018. Such treasury shares are not entitled to the dividend pursuant to § 71b of the German Stock Corporation Act (AktG). Should there be any change in the number of shares entitled to the dividend by the date of the Annual General Meeting, the above proposal will be amended accordingly and presented for resolution on the appropriation of net earnings at the Annual General Meeting, with an unchanged dividend of € 9.00 per each share entitled to dividend.

TREASURY SHARES

As of 31 December 2018, Allianz SE held 961,636 (2017: 1,369,131) treasury shares. Of these, 761,636 (2017: 343,102) were held for covering future subscriptions by employees in Germany and abroad in the context of Employee Stock Purchase Plans, whereas 200,000 (2017: 1,026,029) were held as a hedge for obligations from the Allianz Equity Incentive Program.

In 2018, 826,029 treasury shares with the original purpose of hedging obligations from the Allianz Equity Incentive Program were rededicated to covering subscriptions by employees in the context of Employee Stock Purchase Plans.

In 2018, 407,495 (2017: 562,546) treasury shares were sold to employees of Allianz SE as well as its subsidiaries in Germany and abroad in the context of the Employee Stock Purchase Plan. These

shares were taken from the stock of treasury shares dedicated to this purpose. In 2018, as in the previous year, no capital increase for the purpose of Employee Stock Purchase Plans was undertaken. Employees of the Allianz Group purchased shares at prices ranging from € 137.57 (2017: € 108.04) to € 153.94 (2017: € 158.72) per share. As of 31 December 2018, the remaining treasury shares of Allianz SE held for covering subscriptions by employees in the context of the Employee Stock Purchase Plan of Allianz SE and its subsidiaries in Germany and abroad amounted to 761,636 shares.

In the year ending 31 December 2018, the total number of treasury shares of Allianz SE decreased by 407,495 (2017: decrease of 562,546), which corresponds to € 1,123,161.03 (2017: € 1,494,910.50) or 0.10% (2017: 0.13%) of issued capital as of 31 December 2018.

The treasury shares of Allianz SE and its subsidiaries represented € 2,651 thou (2017: € 3,638 thou) or 0.23% (2017: 0.31%) of the issued capital as of 31 December 2018.

SHARE BUY-BACK PROGRAMS 2018

In the year ending 31 December 2018, Allianz SE executed two share buy-back programs with a total volume of € 3 bn:

SHARE BUY-BACK PROGRAM 2018/I

In its meeting on 9 November 2017, the Board of Management of Allianz SE resolved to carry out a share buy-back program in an amount of up to € 2 bn within a period of six months (Share Buy-Back Program 2018/I) based on the authorization granted by the Annual General Meeting on 7 May 2014. In the period between

3 January 2018 and 3 May 2018, a total of 10,373,863 treasury shares with a market value of € 1,999,999,143.43 were acquired for an average price of € 192.79.

SHARE BUY-BACK PROGRAM 2018/II

In its meeting on 2 July 2018, the Board of Management of Allianz SE resolved to carry out a share buy-back program in an amount of up to € 1 bn within a period between 4 July 2018 and 30 September 2018 (Share Buy-Back Program 2018/II) based on the authorization granted by the Annual General Meeting on 9 May 2018. In the period between 4 July 2018 and 4 September 2018, a total of 5,416,122 treasury shares with a market value of € 999,999,881.83 were acquired for an average price of € 184.63.

All of the treasury shares acquired within the Share Buy-Back Program 2018/I and within the Share Buy-Back Program 2018/II have been redeemed according to the simplified procedure without reduction of the share capital.

Additional paid-in capital

€ thou

As of 31 December 2017	27,905,256
Own shares: realized gains	44,284
As of 31 December 2018	27,949,540

Revenue reserves

€ thou

as of 31 December	2017	Own shares exceeding mathematical value	Own shares: cancellation ¹	Transfer to revenue reserves	2018
1. Statutory reserve	1,229	-	-	-	1,229
2. Other revenue reserves ²	8,823,789	30,116	(2,999,999)	1,500,000	7,353,906
Total	8,825,017	30,116	(2,999,999)	1,500,000	7,355,135

1_Share buy-back program 2018: Acquisition costs of the repurchased and cancelled shares of Allianz SE.

2_Thereof reserves for own shares € 2,651 thou (2017: € 3,638 thou).

RESTRICTIONS ON DIVIDEND PAYOUT

The unappropriated reserves plus the unappropriated earnings carried forward are not fully available for the distribution of a dividend due to legal restrictions.

The unappropriated reserves of Allianz SE correspond to the other revenue reserves.

Of the unappropriated reserves plus the unappropriated earnings carried forward, a total of € 1,045,224 thou (2017: € 936,623 thou) is exempt from dividend distribution. Of this amount, € 1,010,582 thou (2017: € 896,687 thou) are due to the legal requirement for discounting pension obligations according to §253 (2) sentence 1 in connection with §253 (6) of the German Commercial Code.

Another € 30,722 thou (2017: € 29,187 thou) account for internally generated intangible assets according to §268 (8) sentence 1 of the German Commercial Code and € 1,269 thou (2017: € 7,111 thou) account for the surplus of the fair value of pension plan assets and phased-in early retirement plan assets compared to the acquisition costs according to §268 (8) sentence 3 of the German Commercial Code.

Another, € 2,651 thou (2017: € 3,638 thou) relate to the mathematical value of own shares deducted from issued capital according to §272 (1a) of the German Commercial Code.

13 _ Subordinated liabilities

Subordinated liabilities remained at € 13.7 bn in 2018 (2017: € 13.7 bn). € 10.3 bn (2017: € 10.3 bn) were external subordinated liabilities resulting from bonds directly issued by Allianz SE.

Further, intra-group subordinated liabilities amounting to € 3.4 bn (2017: € 3.4 bn) were attributable to subordinated bonds issued by Allianz Finance II B.V., an affiliated enterprise that usually transfers the proceeds from these issues to Allianz SE via intra-group loans. Allianz SE provides a financial guarantee for the total amount of bonds issued by Allianz Finance II B.V.

14 _ Insurance reserves

€ thou

as of 31 December 2018	Unearned premiums	Aggregate policy reserves	Reserves for loss and loss adjustment expenses	Reserves for premium refunds	Claims equalization and similar reserves	Other insurance reserves	Total
Motor	520,728	-	3,445,206	-	373,232	6,857	4,346,024
Fire and property reinsurance	474,069	-	2,069,950	3,647	634,146	6,257	3,188,068
Liability	227,226	-	3,600,242	1,647	418,330	2,659	4,250,103
Credit and bond	23,984	-	345,596	20,420	457,058	437	847,494
Personal accident	37,539	39,317	525,050	793	3,275	2,046	608,019
Marine and aviation	22,174	-	429,588	-	78,065	429	530,256
Life	39,442	571,560	150,682	-	-	784	762,468
Legal expenses	48,211	-	305,765	-	40,666	1,627	396,269
Health	4,320	1,778	10,696	-	-	29	16,822
Other lines	202,012	-	400,644	99	375,944	2,476	981,175
Total	1,599,704	612,654	11,283,419	26,606	2,380,716	23,600	15,926,698

The development of the insurance reserves was mainly driven by increased reserves for loss and loss adjustment expenses due to the overall portfolio growth.

AGGREGATE POLICY RESERVES

Aggregate policy reserves declined by € 69 mn to € 613 mn, which was entirely attributable to the Life/Health reinsurance.

RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES

Reserves for loss and loss adjustment expenses increased by 11.4% to € 11,283 mn, largely due to the growth of the portfolio.

CLAIMS EQUALIZATION AND SIMILAR RESERVES

In 2018, claims equalization and similar reserves decreased by € 160 mn to € 2,381 mn, mainly resulting from other reinsurance lines (€ 203 mn).

15 _ Other provisions

Development of other provisions

€ thou

	Provision	Use	Release ¹	Additions ¹	Reversal of Discounting	Provision
	1 January 2018	(-)	(-)	(+)	(+)	31 December 2018
Provisions for pensions and similar liabilities	6,418,175	271,980	100,800	148,434	680,364	6,874,193
Tax provisions	858,083 ²	100,964	372,192	53,638	-	438,565
Miscellaneous						
1. Anticipated losses	269,102	140,715	81,442	302,056	1,942	350,943
2. Remaining provisions	404,621 ²	192,829	16,316	274,730	2,638	472,844
Total	7,949,981	706,488	570,749	778,858	684,945	8,136,545

¹ Including currency translation effects.

² Effective from 2018 onwards, interest on taxes are reported under the position "Remaining provisions" instead of "Tax provisions". Therefore, the previous year figures were adjusted respectively.

The total of other provisions rose by € 187 mn. This growth resulted mainly from a net increase of pension liabilities by € 456 mn which was partially offset by a decrease of tax provisions by € 420 mn. Miscellaneous provisions went up by € 150 mn, driven by rises in both, the provisions for anticipated losses (€ 82 mn) and the remaining provisions (€ 68 mn).

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

In 1985, the pension provisions of the German subsidiaries were centralized by transferring the corresponding assets to Allianz SE. As

a result, Allianz SE has a joint liability for a large part of these old pension promises. The German subsidiaries reimburse the costs, with Allianz SE assuming responsibility for settlement. Consequently, these pension provisions are reported by Allianz SE.

As of 1 January 2015, Allianz SE completely assumed the obligations resulting from the agents pension fund ("Vertreterversorgungswerk" – VVW) from Allianz Beratungs- und Vertriebs-AG. Effective from 1 January 2017, the German subsidiaries reimburse only the service costs for their employees. There is no cost reimbursement anymore for the risks arising from changes in interest rate, inflation, and mortality tables.

The following table shows a breakdown of pension provisions:

Settlement amount of the offset liabilities

€ thou

as of 31 December	2018	2017
Old pension promises of the German subsidiaries	1,925,634	1,854,607
Pension promises of Allianz SE		
Vertreterversorgungswerk	4,947,730	4,576,550
old pension promises to employees	216,919	202,381
contribution-based pension plans	218,073	202,858
deferred compensation	117,866	100,848
Total	7,426,221	6,937,244

The settlement amount is calculated on the basis of the projected unit credit method and/or reported as the present value of the entitlements acquired. In the case of security-linked pension plans, the fair value of the offset assets is shown.

Due to the fact that there is no employment relationship between the tied agents and Allianz SE, and since Allianz Beratungs- und Vertriebs-AG no longer reimburses any costs, the pension obligations resulting from the VVW are recorded at their full present value.

Actuarial parameters

%

as of 31 December	2018	2017
Applied discount rate (10-year-average)	3.21	3.68
Applied discount rate (7-year-average)	2.32	2.81
Rate of assumed pension trend	1.70	1.50
Rate of assumed salary increase (inclusiv average career trend)	3.25	3.25

Contrary to the above rates, part of the pension promises are calculated using a guaranteed interest rate of 2.75% p.a. and a guaranteed pension increase rate of 1.00% p.a. of these pension promises.

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

was installed in 2010 and reviewed and revised in 2018. The retirement age applied is the contractual or legal retirement age.

Supplementary information

€ thou

as of 31 December	2018	2017
Historical costs of the offset assets	563,936	522,640
Settlement amount of the offset liabilities	7,426,221	6,937,244
(-) Fair value of the offset assets	565,111	529,751
Net amount of pension provisions and excess of plan assets over pension and similar obligations	6,861,110	6,407,493

For a part of the pension promises, the option under § 67 (1) introduction law of the German Commercial Code (EGHGB) is exercised. The resulting surplus as of 31 December 2018 amounted to € 14 mn.

Allianz SE has obligations resulting from jubilee payments, birthday payments, and phased-in early retirement, which are reported under remaining provisions. The obligations resulting from a long term credit account are shown under provisions for pensions and similar liabilities. These obligations are basically calculated in the same way as the pension obligations, using the same actuarial assumptions (except for the discount rate).

Offsettable plan assets are held at Methusalem Trust e.V. to secure the phased-in early retirement and long-term credit account obligations. The asset value/market value is used as the fair value.

The following table shows a breakdown of the offset assets and liabilities resulting from the phased-in early retirement and long-term credit account obligations.

Information on the offset assets and liabilities

€ thou

as of 31 December	2018	2017
Historical costs of the offset assets	20,915	19,740
Settlement amount of the offset liabilities ¹	20,929	19,783
Fair value of the offset assets	21,009	20,755

¹ Effective from 2018, only provisions with plan assets are reported. The previous year figure was adjusted respectively.

16 _ Maturity of financial liabilities

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

Maturity table as of 31 December 2018

€ thou

	Total	Term < 1 year	Term 1 – 5 years	Term > 5 years
Subordinated liabilities (B.)				
Intra-group transmission of proceeds from third-party financing	3,412,136	112,136	-	3,300,000
Subordinated bonds issued by Allianz SE	10,337,461	124,307	1,500,000	8,713,153
Subtotal Subordinated liabilities (B.)	13,749,596	236,443	1,500,000	12,013,153
Bonds (intra-group – F.II.)	1,848,356	302,356	-	1,546,000
Liabilities to banks (F.III.)	2,374	2,374	-	-
Miscellaneous liabilities (F.IV.)				
Intra-group transmission of proceeds from third-party financing	6,784,610	1,670,207	3,500,000	1,614,404
Other intra-group liabilities ¹	28,731,857	15,993,567	12,638,290	100,000
Subtotal intra-group miscellaneous liabilities	35,516,467	17,663,774	16,138,290	1,714,404
Liabilities to third parties	1,393,884	1,393,884	-	-
Subtotal Miscellaneous liabilities	36,910,351	19,057,657	16,138,290	1,714,404
Total	52,510,678	19,598,831	17,638,290	15,273,557

¹ As of 31 December 2018, "Other intra-group liabilities" due within one year amounted to € 16.0 bn. Thereof, cash pool and intra-group loans accounted for € 8.4 bn and € 6.6 bn, respectively. Upon maturity, intra-group loans are rolled forward by Allianz SE on a regular basis.

Maturity table as of 31 December 2017

€ thou

	Total	Term < 1 year	Term 1 – 5 years	Term > 5 years
Subordinated liabilities (B.)				
Intra-group transmission of proceeds from third-party financing	3,412,136	112,136	-	3,300,000
Subordinated bonds issued by Allianz SE	10,277,091	122,335	1,500,000	8,654,756
Subtotal Subordinated liabilities (B.)	13,689,227	234,471	1,500,000	11,954,756
Bonds (intra-group – F.II.)	2,353,545	1,807,545	150,000	396,000
Liabilities to banks (F.III.)	490	490	-	-
Miscellaneous liabilities (F.IV.)				
Intra-group transmission of proceeds from third-party financing	7,278,317	788,913	4,125,000	2,364,404
Other intra-group liabilities ¹	31,118,903	20,680,613	10,338,290	100,000
Subtotal intra-group miscellaneous liabilities	38,397,220	21,469,526	14,463,290	2,464,404
Liabilities to third parties	1,338,304	1,338,304	-	-
Subtotal Miscellaneous liabilities	39,735,524	22,807,830	14,463,290	2,464,404
Total	55,778,786	24,850,336	16,113,290	14,815,160

¹ As of 31 December 2017, "Other intra-group liabilities" due within one year amounted to € 20.7 bn. Thereof, cash pool and intra-group loans accounted for € 14.0 bn and € 5.7 bn, respectively. Upon maturity, intra-group loans are rolled forward by Allianz SE on a regular basis.

Of the total financial liabilities, other intra-group liabilities with a residual term of less than one year amounting to € 0.8 bn (2017: € 0.8 bn) were secured by assets pledged as collateral as of 31 December 2018.

17 _ Information about derivative financial instruments

Options dealing in shares and share indices as of 31 December 2018

	Nominal	Fair value	Book value	Underlying	Balance sheet position
Class	€ thou	€ thou	€ thou		
Long call	53,036	3,023	5,348	Share index	Assets D.III.
Short call	53,036	(3,023)	5,348	Share index	Liabilities F.IV.
Long put	134,136	1,741	1,115	Share index	Assets D.III.
Short put	134,136	(1,741)	1,115	Share index	Liabilities F.IV.

The options on stock indices are held in the context of hedging activities of Allianz Companies with Allianz SE. Allianz SE hedged these positions by entering into countertrades at the market. Both intra-group and group-external positions were combined to valuation units ("Bewertungseinheiten"). The average remaining term of the call options is nine years, the remaining term of the put options less than one year.

European-type options are valued using the Black Scholes model and American-type options using the binomial model, both based on

the closing price on the valuation date. Yield curves are derived from the swap rates prevailing on the valuation date. The future dividend yield is estimated on the basis of market information on the valuation date. Volatility is estimated based on currently traded implicit volatility, taking into account the residual term and the ratio between the strike price and the prevailing share price.

Forward contracts in shares, share indices and hedge RSU as of 31 December 2018

	Nominal	Fair value	Book value	Underlying	Balance sheet position
Class	€ thou	€ thou	€ thou		
Long forward	552,815	(33,905)	33,905	Allianz SE share	Liabilities D.
Long forward	323,066	(103,706)	-	UniCredit S.p.A. share	-
Long forward	287,946	(26,738)	-	China Pacific Insurance (Group) Co., Ltd. share	-
Short forward	323,066	103,706	-	UniCredit S.p.A. share	-
Short forward	287,946	(26,738)	-	China Pacific Insurance (Group) Co., Ltd. share	-
Hedge RSU	289,322	(363,824)	365,048	Allianz SE share	Liabilities F.IV.

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

For the purpose of hedging the share price risk of UniCredit S.p.A. shares and of the shares in China Pacific Insurance (Group) Co, Ltd., our subsidiary Allianz Finance II Luxembourg S.à.r.l. entered into short forwards on these underlying with Allianz SE. Allianz SE hedged these positions by entering into countertrades at the market. Both intra-group and group-external positions were combined to valuation units ("Bewertungseinheiten"). The remaining term of these forwards is less than one year.

The fair value of a forward contract is determined as the difference between the underlying closing price on the valuation date and the discounted forward price. The net present value of dividend payments due before maturity of the forward contract is also taken into account, unless the dividends are subject to a pass-through agreement. Liabilities from hedge RSU, which the Group companies acquire from Allianz SE in order to hedge their liabilities from the Group Equity Incentive programs, are valued on the basis of the Allianz closing price on the valuation date, minus the net present value of estimated future dividends due before maturity of the respective hedge RSU. Applicable discount rates are derived from interpolated swap rates.

Forward contracts in bonds as of 31 December 2018

	Nominal	Fair value	Book value	Underlying	Balance sheet position
Class	€ thou	€ thou	€ thou		
Long forward	168,041	(277)	-	Bonds	-
Short forward	168,041	277	-	Bonds	-

For the purpose of hedging the interest rate risk of investments, Allianz Benelux N.V. entered into forward transactions on bonds with Allianz SE. Allianz SE hedged these positions by entering into countertrades at the market. Both intra-group and group-external positions were combined to valuation units ("Bewertungseinheiten"). The remaining term of these forwards is less than one year.

The fair value of a forward bond contract is determined as the difference between the market price of the underlying bond (including accrued interest) on the valuation date and the discounted forward price, taking into account the net present value of all interest payments occurring between the valuation date and the expiry date of the forward contract.

Forward currency contracts as of 31 December 2018

Class	Nominal € thou	Fair value € thou	Book value € thou	Underlying	Balance sheet position
Long forward	8,168,233	60,173	25,211	AED, AUD, BRL, CAD, CHF, CNY, COP, CZK, DKK, GBP, HKD, HUF, JPY, KRW, NOK, PLN, QAR, SEK, SGD, TRY, USD	Liabilities D.
Short forward	11,829,454	(189,735)	243,523	AED, AUD, BRL, CAD, CHF, COP, CZK, DKK, GBP, HKD, HUF, ILS, JPY, KRW, MYR, NOK, NZD, PLN, QAR, SAR, SEK, SGD, TRY, TWD, USD	Liabilities D.

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

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

rate as a discount rate and the foreign currency interest rate as a compound interest rate.

Long forwards and short forwards with a nominal value of € 3.5 bn and a fair value of € 21.3 mn, respectively, were aggregated to valuation units ("Bewertungseinheiten"), each comprising intra-group positions offset by countertrades at the market. The average remaining term of the forwards in valuation units is less than one year.

Swap contracts as of 31 December 2018

Class	Nominal € thou	Fair value € thou	Book value € thou	Underlying	Balance sheet position
Receiver swap EUR	1,500,000	18,478	-	Long-term interest rate positions	-

Allianz SE holds a EUR receiver swap in order to hedge interest rate risk arising from interest rate positions of Allianz SE.

The fair value of an interest rate swap is the aggregate net present value of all expected incoming and outgoing cash flows of the respective swap transaction.

Within the financial participations there are put and call options on company shares, which are linked to certain conditions. Due to the lack of quoted prices on active markets for these financial participations and the uncertainty regarding the occurrence of the option conditions it is not possible to reliably determine the fair value of such options. Wherever feasible, contractual arrangements including the option agreements were taken into account when determining the fair value of the financial participation. However, no stand-alone valuation of the options as derivative financial instruments was performed.

SUPPLEMENTARY INFORMATION ON THE INCOME STATEMENT

18 _ Gross premiums written

€ thou

	2018	2017
Property-Casualty reinsurance	10,514,438	9,857,787
Life/Health reinsurance	397,706	407,648
Total	10,912,145	10,265,435

Gross premiums written increased by 6.3% to € 10,912 mn. This increase was driven by the lines of business motor reinsurance (€ 420 mn), other property reinsurance (€ 92 mn), household and homeowner reinsurance (€ 81 mn) and liability reinsurance (€ 63 mn).

19 _ Allocated interest return (net)

The amount of interest income transferred from the non-technical section to the technical section was calculated in accordance with §38 RechVersV and reduced to € 19 mn (2017: € 21 mn).

20 _ Run-off result

In 2018, the positive run-off result in Property-Casualty amounted to € 276 mn (2017: € 343 mn) and was primarily owed to the positive development of the lines of business fire reinsurance (€ 194 mn), credit and bond reinsurance (€ 115 mn), and marine and aviation reinsurance (€ 51 mn), partly offset by liability reinsurance (€ (90) mn).

21 _ Change in other insurance reserves (net)

€ thou

	2018	2017
Change in aggregate policy reserves (net)	47,158	17,954
Other insurance reserves (net)	6,535	2,139
Total	53,693	20,093

The change in aggregate policy reserves (net) was mainly driven by increased business volume from Allianz Benelux S.A.

The other insurance reserves (net) mostly include reserves for credit and bond reinsurance and motor reinsurance.

22 _ Underwriting expenses (net)

€ thou

	2018	2017
Gross	(3,191,149)	(2,930,442)
Ceded	172,907	46,213
Net	(3,018,242)	(2,884,228)

The increase of underwriting expenses (net) was mainly influenced by the premium development. The expense ratio (net) decreased to 30.0% (2017: 30.6%), driven by a lower commission ratio of 29.0% (2017: 29.6%).

23 _ Investment income

€ thou

	2018	2017
a) Income from affiliated enterprises and participations thereof from affiliated enterprises: € 4,564,423 thou (2017: € 1,052,491 thou)	4,586,715	1,098,617
b) Income from other investments thereof from affiliated enterprises: € 258,784 thou (2017: € 464,023 thou)		
ba) Income from real estate, real estate rights, and buildings including buildings on land not owned by Allianz SE	12,196	9,443
bb) Income from other investments (see below)	602,430	850,142
c) Income from reversal of impairments	147,407	10,450
d) Realized gains	119,263	653,231
e) Income from profit transfer agreements	2,111,242	3,025,630
Total	7,579,253	5,647,514

	2018	2017
bb) Income from other investments		
Debt securities	295,386	314,979
Loans to affiliated enterprises	151,434	386,536
Funds held by others under reinsurance business assumed	87,182	79,852
Receivables from intra-group cash pooling	41,863	20,473
Interests in funds	22,076	39,808
Other	4,489	8,494
Total	602,430	850,142

24 _ Investment expenses

€ thou	2018	2017
a) Expenses for the management of investments, interest, and other investment-related expenses		
aa) Interest expenses (see below)	(1,000,771)	(1,000,900)
ab) Other	(71,574)	(92,073)
b) Depreciation and impairments of investments	(177,846)	(266,668)
c) Realized losses	(119,955)	(130,532)
d) Expenses from losses taken over	(276,582)	(444,635)
Total	(1,646,728)	(1,934,808)
	2018	2017
aa) Interest expenses		
Subordinated bonds issued by Allianz SE	(408,160)	(406,622)
Liabilities from intra-group loans	(223,107)	(226,162)
Intra-group subordinated liabilities (intra-group transmission of proceeds from third-party financing)	(200,196)	(208,861)
Liabilities from intra-group bonds	(104,193)	(107,023)
Liabilities from intra-group cash pooling	(35,959)	(24,637)
Liabilities from commercial paper issues	(20,000)	(12,996)
Other	(9,156)	(14,599)
Total	(1,000,771)	(1,000,900)

The depreciation and impairments of investments include unscheduled write-downs of € 0.4 mn (2017: € 8 mn) on holdings in affiliated enterprises.

25 _ Other non-technical result

€ thou	2018	2017
Other Income		
Gains on derivatives	930,700	1,099,634
Currency gains	610,189	1,569,244
Income from the release of other provisions	193,405	53,928
Other service revenues from group companies	185,610	214,088
Intercompany income	36,617	31,788
Service revenues from pensions charged to group companies	15,939	23,394
Interest and similar income ¹	12,102	911
Income due to adjustment of cost allocation contract	-	153,454
Other	4,506	12,058
Total other income	1,989,069	3,158,500
Other expenses		
Currency losses	(811,659)	(904,962)
Interest and similar expenses	(731,425)	(567,124)
Expenses for derivatives	(566,503)	(895,723)
Anticipated losses on derivatives	(298,588)	(147,198)
Other administrative expenses ²	(290,206)	(223,877)
Other HR-related expenses	(283,064)	(352,071)
Other service expenses to group companies	(185,610)	(214,088)
Pension expenses	(157,894)	(78,613)
Service expenses from pensions charged to group companies	(15,939)	(23,394)
Expenses for financial guarantees	-	(15,366)
Other	(5,728)	(3,503)
Total other expenses	(3,346,618)	(3,425,921)
Other non-technical Result	(1,357,549)	(267,421)

1_Effective from 2018, interest and similar income are no longer reported under the position "Other". Therefore, the previous year figures were adjusted respectively.

2_Effective from 2018, other administrative expenses are no longer reported under the position "Other". Therefore, the previous year figures were adjusted respectively.

The result from currency translation amounted to € (201) mn after € 664 mn in the previous year. This considerable deterioration was mainly driven by the currency translation of liabilities denominated in USD. After substantial gains in 2017 due to a significantly weakening USD, we recorded currency translation losses on these liabilities owing to the USD regaining some strength in 2018.

Allianz SE has a joint liability for a large part of the pension provisions of its German subsidiaries (see [note 15](#) for more details). Expenses incurred in this context are recognized as service expenses from pension plans charged to group companies, as they are reimbursed by the German subsidiaries according to the cost allocation contract and result in corresponding service revenues.

Compared to the previous year, the income from the release of other provisions increased mainly due to the revised adjustment of the mortality tables, leading to an income from the release of pension provisions of € 101 mn in 2018.

The growth of pension expenses by € 79 mn was mainly caused by the increase in the pension trend parameter from 1.5% p.a. to 1.7% p.a. which led to higher pension expenses of € 118 mn. This increase was mitigated by compensatory effects.

Furthermore, the other income/expenses include the following offset income and expenses:

€ thou	2018		2017	
	Pensions and similar obligations	Other obligations	Pensions and similar obligations	Other obligations ¹
Actual return of the offset assets	(15,123)	(270)	(17,136)	(145)
Imputed interest cost for the settlement amount of the offset liabilities	248,512	313	256,598	225
Effect resulting from the change in the discount rate for the settlement amount	446,974	11	294,911	9
Net amount of the offset income and expenses	680,363	54	534,373	90

¹ Effective from 2018, only interest for provisions with plan assets are reported. Therefore, the previous year figures were adjusted respectively.

FEES TO THE AUDITOR

On 8 March 2018, the Allianz SE Supervisory Board elected PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC GmbH) as the external auditing firm for the Allianz Group and successor to KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG AG).

On 14 May 2018, the Supervisory Board's Audit Committee engaged PwC GmbH as external auditor, starting from the fiscal year 2018.

Audit services by primarily relate to services rendered for the audit of the Allianz Group's consolidated financial statements, the audit of the statutory financial statements of Allianz SE and its subsidiaries, the audit of the Allianz Group's solvency balance sheet as well as the solvency balance sheets of Allianz SE and its subsidiaries. In addition, reviews of interim financial statements were performed.

Tax services primarily refer to tax compliance and personal tax compliance services.

Other services primarily refer to consulting services.

Details of the fees to the auditor for services to Allianz SE, pursuant to §285 (17) of the German Commercial Code, can be found in the notes to the Allianz Group's consolidated financial statements.

26 _ Income taxes

In 2018, our tax income, most of which relates to our net operating income, increased to € 505 mn (2017: € 122 mn).

As the controlling company ("Organträger") of the tax group, Allianz SE files a consolidated tax return with most of its German affiliated enterprises. As long as the corporate income tax loss carried forward is not fully utilized, the tax compensation payments as of € 635 mn (2017: € 515 mn) received from members of the tax group result in a tax income.

The greatest differences between accounting and tax-based valuation concern the balance sheet items pension accruals, reserves for loss and loss adjustment expenses, and provisions for anticipated losses resulting in deferred tax assets.

In addition, the existing corporate tax loss increases the surplus of deferred tax assets.

The valuation of the domestic deferred taxes is based on the following tax rates:

- 31.0% differences in balance sheet items,
- 15.8% corporate tax losses,
- 15.2% trade tax losses.

27 _ Net earnings

€ thou	2018	2017
Net income	5,355,011	3,671,418
Unappropriated earnings carried forward	689,142	445,920
Transfer to other revenue reserves	(1,500,000)	-
Net earnings	4,544,153	4,117,339

OTHER INFORMATION

Contingent liabilities, other financial commitments, and litigation

CONTINGENT LIABILITIES

GUARANTEES RELATING TO ALLIANZ GROUP COMPANIES

The following guarantees have been provided by Allianz SE to Allianz Group companies as well as to third parties with regard to the liabilities of certain Allianz Group companies:

- bonds issued by Allianz Finance II B.V. and Allianz Finance III B.V. for € 11.8 bn, of which € 3.3 bn were on a subordinated basis,
- commercial papers issued by Allianz Finance Corporation. As of 31 December 2018, USD 0.2 bn in commercial papers were issued as part of the program,
- letters of credit issued to various Allianz Group companies amounting to € 0.9 bn.

The guarantees refer to possible future events that could lead to an obligation. As of today, and to the best of our knowledge, we assess the probability of a loss resulting from outstanding guarantees to be extremely remote.

Guarantee declarations totaling € 1.1 bn have also been made for life policies signed by Allianz Compañía de Seguros y Reaseguros S.A.

Allianz SE provides a € 1.0 bn guarantee for the obligations of Allianz Vie S.A. under a unit-linked pension insurance contract.

Contingent liabilities exist because of indirect pension promises organized via pension funds (Allianz Versorgungskasse VVaG) and support funds (Allianz Pensionsverein e.V.). Because of the sharp decrease of the discount rate as of 31 December 2018, the plan assets of the support funds are less than the liabilities pension obligations. As of 31 December 2018, the resulting deficit amounts to € 8 mn (2017: € 0 mn). Allianz SE has a joint liability of € 466 mn for a part of the pension promises of its German subsidiaries.

In the context of the sale of investments, guarantees were given in individual cases to cover counterparty exposure or the various bases used to determine purchase prices.

In addition, Allianz SE has issued guarantees to various Allianz Group companies totaling € 553 mn.

OTHER GUARANTEES TO THIRD PARTIES

A contingent indemnity agreement has been entered into with respect to securities issued by HT1 Funding GmbH, in case HT1 Funding GmbH cannot serve the agreed coupon of the bond in part or in total. Allianz SE expects not to be obliged to make a payment in the foreseeable future. However it is not possible for Allianz SE to predict the ultimate payment obligations at this point in time.

As of 31 December 2018, other guarantee commitments given by Allianz SE amounted to € 7 mn. As of today and to the best of our knowledge, we assess the probability of a loss resulting from other guarantees to be extremely remote.

LEGAL OBLIGATIONS

Legal obligations to assume any losses arise on account of management control agreements and/or profit transfer agreements with the following companies:

- Allianz Argos 14 GmbH,
- Allianz Asset Management GmbH,
- Allianz Climate Solutions GmbH,
- Allianz Deutschland AG,
- Allianz Finanzbeteiligungs GmbH,
- Allianz Global Corporate & Specialty SE,
- Allianz Global Health GmbH,
- Allianz Investment Management SE,
- Allianz Real Estate GmbH,
- Allianz Technology SE,
- AZ-Arges Vermögensverwaltungsgesellschaft mbH,
- IDS GmbH-Analysis and Reporting Services.

OTHER FINANCIAL COMMITMENTS

Advertising agreements incurred financial obligations of € 588 mn.

Security deposits for rental contracts amounted to € 0.1 mn in financial commitments.

LITIGATION

Allianz SE is involved in legal, regulatory, and arbitration proceedings. Such proceedings arise in the ordinary course of business, including, amongst others, Allianz SE's activities as a reinsurance company, employer, investor and taxpayer. It is not feasible to predict or determine the ultimate outcome of the pending or threatened proceedings. Management does not believe that the outcome of these proceedings, including the one discussed below, will have a material adverse effect on the financial position and the results of Allianz SE, after consideration of any applicable provisions.

On 24 May 2002, pursuant to a statutory squeeze-out procedure, the general meeting of Dresdner Bank AG resolved to transfer shares from its minority shareholders to Allianz as the principal shareholder, in return for payment of a cash settlement amounting to € 51.50 per share. Allianz established the amount of the cash settlement on the basis of an expert opinion and its adequacy was confirmed by a court-appointed auditor. Some of the former minority shareholders applied for a court review of the appropriate amount of the cash settlement in a mediation procedure ("Spruchverfahren"). 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.

Board Members

All supervisory board members, current or having resigned during the year, and all board members, current or having resigned during the year, are denoted on [pages 7 and 8](#). Their memberships in supervisory boards or similar committees of other enterprises are also mentioned on these pages.

Board of Management remuneration¹

As of 31 December 2018, the Board of Management was comprised of ten members. The following expenses reflect the full Board of Management active in the respective year.

The remuneration of the Board of Management includes fixed and variable components.

The variable remuneration consists of the annual bonus (short-term), the mid-term bonus (MTB) and the equity-related remuneration (long-term). In 2018, the equity-related remuneration was comprised of 63,942² (2017: 53,753³) Restricted Stock Units (RSU).

Board of Management remuneration

€ thou

	2018	2017
Base salary	(7,875)	(7,125)
Annual bonus	(9,361)	(8,370)
MTB 2016 – 2018	(23,481)	-
Perquisites	(485)	(205)
Subtotal Base salary, Annual bonus, MTB and Perquisites	(41,202)	(15,700)
Fair value of RSU at grant date	(9,361)	(8,370)
Subtotal equity-related remuneration	(9,361)	(8,370)
Total	(50,563)	(24,070)

The total remuneration of the Board of Management of Allianz SE for 2018 (including the pay-out from the MTB 2016 – 2018) amounted to € 50,563 thou (2017, excluding the relevant MTB 2016 – 2018 tranche: € 24,070 thou).

EQUITY-RELATED REMUNERATION

The remuneration system as of 1 January 2010 only awards RSUs. For 2018, the fair value of the RSUs at the date of grant was € 9,361 thou (2017: € 8,370 thou).

1_For detailed information regarding the Board of Management remuneration, please refer to the [Remuneration Report](#) starting on page 38.

2_The relevant share price to determine the final number of RSUs granted is only available after the sign-off by the external auditors, thus numbers are based on a best estimate.

3_The disclosure in the Annual Report 2017 was based on a best estimate of the RSU grants. The figure shown here for 2017 now includes the actual fair value as of the grant date (2 March 2018), including the Board members who left as of 31 December 2017. The value therefore differs from the value disclosed last year.

BENEFITS TO RETIRED MEMBERS OF THE BOARD OF MANAGEMENT

In 2018, remuneration and other benefits of € 7 mn (2017: € 7 mn) were paid to retired members of the Board of Management and to surviving dependents of deceased former Board members.

The pension obligations for former members of the Board of Management and their surviving dependents are as follows:

€ thou

as of 31 December	2018	2017
Historical costs of the offset assets	124,056	105,768
Fair value of the offset assets	124,056	105,768
Settlement amount of the offset liabilities	128,576	109,498
Pension provisions	4,520	3,730

The asset value of the group life insurance contracts is taken as a basis for the fair value of the offset assets.

Supervisory Board remuneration⁴

	2018		2017	
	€ thou	%	€ thou	%
Fixed remuneration	(1,750)	65.2	(1,446)	66.4
Committee-related remuneration	(850)	31.7	(672)	30.8
Attendance fees	(84)	3.1	(61)	2.8
Total	(2,684)	100.0	(2,179)	100.0

Average number of employees

Excluding members of the Board of Management, trainees, interns, employees in the passive phase of early retirement and on early retirement, and employees on maternity leave or voluntary military/federal voluntary service.

	2018	2017
Full-time staff	1,444	1,409
Part-time staff	223	231
Total	1,667	1,640

4_For detailed information regarding the Supervisory Board remuneration, please refer to the [Remuneration Report](#) starting on page 38.

Staff expenses

Including members of the Board of Management, trainees, interns, employees in the passive phase of early retirement, and employees on maternity leave or voluntary military/federal voluntary service.

€ thou	2018	2017
Wages and salaries	(314,304)	(380,643)
Statutory welfare contributions and expenses for optional support payments	(25,297)	(24,701)
Expenses for pensions and other post-retirement benefits	(22,466)	(26,501)
Total expenses	(362,067)	(431,845)

Events after the balance sheet date

In March 2019, Allianz SE has started a new share buy-back program with a volume of up to € 1.5 bn. For further information, please refer to the section "Expected dividend development" of the chapter Outlook 2019 within the Group Management Report.

Mandates of the Members of the Supervisory Board and Board of Management

The disclosures required in accordance with §285 No. 10 HGB for the Supervisory Board and Board of Management can be found on  **pages 7 and 8.**


Information pursuant to § 160 (1) No. 8 AktG

The following major shareholdings were reported pursuant to §20 (1) or (4) AktG or pursuant to §§33ff. WpHG:

By way of a letter dated 5 November 2018, BlackRock Inc., Wilmington, Delaware, United States of America, notified in the course of a voluntary group notification due to change in group structure with triggered threshold on subsidiary level its voting rights pursuant to §§33, 34 WpHG as of 15 August 2018 amounting to 7.03% (representing 30,208,723 shares), its holdings in instruments pursuant to §38 (1) No. 1 WpHG as of 15 August 2018, amounting to 0.01% (representing 39,596 voting rights absolute), and its holdings in instruments pursuant to §38 (1) No. 2 WpHG as of 15 August 2018, amounting to 0.04% (representing 192,501 voting rights absolute). The total position notified on 5 November 2018 amounted to 7.08%.

By way of a letter dated 10 July 2018, Harris Associates L.P., Wilmington, Delaware, United States of America, notified that its voting rights pursuant to §§33ff. WpHG have fallen as of 5 July 2018 below 3% and amounted to 2.95% (representing 12,685,605 shares).

Declaration of Conformity with the German Corporate Governance Code

On 12 December 2018, the Board of Management and the Supervisory Board of Allianz SE issued the Declaration of Conformity with the German Corporate Governance Code required by § 161 AktG and made it permanently available on the company's website at  www.allianz.com/corporate-governance.

LIST OF PARTICIPATIONS OF ALLIANZ SE, MUNICH

AS OF 31 DECEMBER 2018 ACCORDING TO §285 NO. 11 AND 11B HGB IN CONJUNCTION WITH §286 (3) NO. 1 HGB

	Owned ¹	Equity	Net Earnings		Owned ¹	Equity	Net Earnings
	%	€ thou	€ thou		%	€ thou	€ thou
GERMAN ENTITIES							
Affiliates							
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4a, Munich	100.0	5,682	(29)	APKV Direkt Infrastruktur GmbH, Munich	100.0 ²	44,092	-
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4c, Munich	100.0	32,843	27,883	APKV Infrastrukturfonds GmbH, Munich	100.0 ²	68,986	-
ADEUS Aktienregister-Service-GmbH, Munich	79.6	6,860	919	APKV Private Equity Fonds GmbH, Munich	100.0 ²	517,026	-
AGCS Infrastrukturfonds GmbH, Munich	100.0 ²	20,393	-	APKV-Argos 74 Vermögensverwaltungsgesellschaft mbH, Munich	100.0 ²	51,797	-
AGCS-Argos 76 Vermögensverwaltungsgesellschaft mbH, Munich	100.0 ²	28,638	-	APKV-Argos 84 Vermögensverwaltungsgesellschaft mbH, Munich	100.0 ²	98,486	-
AGCS-Argos 86 Vermögensverwaltungsgesellschaft mbH, Munich	100.0 ²	22,655	-	ARE Funds APKV GmbH, Munich	100.0 ²	123,850	-
Alida Grundstücks-gesellschaft mbH & Co. KG, Hamburg	94.8	398,486	10,657	ARE Funds AZL GmbH, Munich	100.0 ²	1,152,709	-
Allianz Argos 14 GmbH, Munich	100.0 ²	4,480,556	-	ARE Funds AZV GmbH, Munich	100.0 ²	9,657	-
Allianz Asset Management GmbH, Munich	100.0 ²	3,308,358	-	atpavc Fund GmbH & Co. KG, Munich	100.0	7,988	(2,792)
Allianz AZL Vermögensverwaltung GmbH & Co. KG, Munich	100.0	409,394	(62)	Atropos Vermögensverwaltungsgesellschaft mbH, Munich	100.0	447,884	6,415
Allianz Beratungs- und Vertriebs-AG, Munich	100.0 ²	8,605	-	AWP Service Deutschland GmbH, Aschheim	100.0 ³	10,118	1,623
Allianz Capital Partners GmbH, Munich	100.0 ²	27,388	-	AZ-Arges Vermögensverwaltungsgesellschaft mbH, Munich	100.0 ²	172,158	-
Allianz Capital Partners Verwaltungs GmbH, Munich	100.0	28,282	17,332	AZL-Argos 73 Vermögensverwaltungsgesellschaft mbH, Munich	100.0 ²	269,453	-
Allianz Deutschland AG, Munich	100.0 ²	7,524,341	-	AZL-Argos 83 Vermögensverwaltungsgesellschaft mbH, Munich	100.0 ²	716,961	-
Allianz Finanzbeteiligungs GmbH, Munich	100.0 ²	824,678	-	AZ-SGD Classic Infrastrukturfonds GmbH, Munich	100.0 ²	42,935	-
Allianz Global Corporate & Specialty SE, Munich	100.0 ^{2,3}	1,144,237	71,781	AZ-SGD Direkt Infrastruktur GmbH, Munich	100.0 ²	39,786	-
Allianz Global Investors GmbH, Frankfurt am Main	100.0 ²	307,814	-	AZ-SGD Infrastrukturfonds GmbH, Munich	100.0 ²	78,248	-
Allianz Handwerker Services GmbH, Aschheim	100.0 ³	30,477	5,307	AZ-SGD Private Equity Fonds 2 GmbH, Munich	100.0 ²	30,538	-
Allianz Investment Management SE, Munich	100.0 ²	5,882	-	AZ-SGD Private Equity Fonds GmbH, Munich	100.0 ²	664,890	-
Allianz Leben Direkt Infrastruktur GmbH, Munich	100.0 ²	166,095	-	AZV-Argos 72 Vermögensverwaltungsgesellschaft mbH, Munich	100.0 ²	29,024	-
Allianz Leben Infrastrukturfonds GmbH, Munich	100.0 ²	450,147	-	AZV-Argos 82 Vermögensverwaltungsgesellschaft mbH, Munich	100.0 ²	59,025	-
Allianz Leben Private Equity Fonds 1998 GmbH, Munich	100.0 ²	32,893	-	AZV-Argos 87 Vermögensverwaltungsgesellschaft mbH, Munich	100.0 ²	78,650	-
Allianz Leben Private Equity Fonds 2001 GmbH, Munich	100.0 ²	3,087,235	-	BrahmsQ Objekt GmbH & Co. KG, Stuttgart	94.8	82,626	3,366
Allianz Leben Private Equity Fonds 2008 GmbH, Munich	100.0 ²	40,321	-	Deutsche Lebensversicherungs-Aktiengesellschaft, Berlin	100.0 ²	44,991	-
Allianz Lebensversicherungs-Aktiengesellschaft, Stuttgart	100.0	2,456,344	692,000	Euler Hermes Aktiengesellschaft, Hamburg	100.0 ³	113,326	7,574
Allianz of Asia-Pacific and Africa GmbH, Munich	100.0	806,406	30,878	Lola Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0	6,070	(6)
Allianz Pension Direkt Infrastruktur GmbH, Munich	100.0 ²	5,493	-	manroland AG, Offenbach am Main	100.0 ^{4,5}	148,289	(179,129)
Allianz Pensionsfonds Aktiengesellschaft, Stuttgart	100.0	57,049	963	manroland Vertrieb und Service GmbH, Mülheim am Main	100.0 ^{4,5}	5,155	-
Allianz Pensionskasse Aktiengesellschaft, Stuttgart	100.0	271,827	31,615	Münchener & Magdeburger Agrar AG, Munich	100.0 ^{2,3}	7,686	-
Allianz Private Equity GmbH, Munich	100.0 ²	31,323	-	PIMCO Deutschland GmbH, Munich	100.0 ²	35,030	-
Allianz Private Krankenversicherungs-Aktiengesellschaft, Munich	100.0 ²	387,731	-	REC Frankfurt Objekt GmbH & Co. KG, Hamburg	80.0	296,097	10,307
Allianz Real Estate GmbH, Munich	100.0 ^{2,3}	21,237	-	Seine GmbH, Munich	100.0	24,869	(1,055)
Allianz Renewable Energy Subholding GmbH & Co. KG, Sehestedt	100.0 ³	17,228	1,520	Spherion Objekt GmbH & Co. KG, Stuttgart	100.0	70,622	3,416
Allianz Taunusanlage GbR, Stuttgart	99.5	170,235	3,907	Volkswagen Autoversicherung AG, Braunschweig	100.0 ²	108,561	44
Allianz Technology SE, Munich	100.0 ^{2,3}	328,396	-	Volkswagen Autoversicherung Holding GmbH, Braunschweig	49.0	112,720	1,224
Allianz Versicherungs-Aktiengesellschaft, Munich	100.0 ²	1,137,570	-	Windpark Aller-Leine-Tal GmbH & Co. KG, Sehestedt	100.0 ³	21,619	852
Allianz X GmbH, Munich	100.0	34,738	22,315	Windpark Berge-Kleeste GmbH & Co. KG, Sehestedt	100.0 ³	10,125	1,536
AllSecur Deutschland AG, Munich	100.0 ²	44,831	-	Windpark Büttel GmbH & Co. KG, Sehestedt	100.0 ³	23,888	2,003
APK Infrastrukturfonds GmbH, Munich	100.0 ²	7,340	-	Windpark Calau GmbH & Co. KG, Sehestedt	100.0 ³	46,773	2,667
APK-Argos 75 Vermögensverwaltungsgesellschaft mbH, Munich	100.0 ²	17,826	-	Windpark Cottbuser See GmbH & Co. KG, Sehestedt	100.0 ³	12,308	1,868
APK-Argos 85 Vermögensverwaltungsgesellschaft mbH, Munich	100.0 ²	32,648	-	Windpark Dahme GmbH & Co. KG, Sehestedt	100.0 ³	29,526	5,262

	Owned ¹	Equity	Net Earnings ¹		Owned ¹	Equity	Net Earnings ¹
	%	€ thou	€ thou		%	€ thou	€ thou
Windpark Eckolstädt GmbH & Co. KG, Sehestedt	100.0 ³	37,075	2,547	Allianz Bank Financial Advisors S.p.A., Milan	100.0 ³	245,438	4,341
Windpark Freyenstein-Halenbeck GmbH & Co. KG, Sehestedt	100.0 ³	20,628	1,938	Allianz Banque S.A., Puteaux	100.0	117,663	4,212
Windpark Kesfeld-Heckhuscheid GmbH & Co. KG, Sehestedt	100.0 ³	22,368	345	Allianz Benelux S.A., Brussels	100.0	814,704	155,201
Windpark Kirf GmbH & Co. KG, Sehestedt	100.0 ³	5,333	392	Allianz Bulgaria Holding AD, Sofia	66.2	59,706	20,215
Windpark Kittlitz GmbH & Co. KG, Sehestedt	100.0 ³	8,271	536	Allianz C.P. General Insurance Co. Ltd., Bangkok	100.0 ³	17,096	(3,773)
Windpark Pröttlin GmbH & Co. KG, Sehestedt	100.0 ³	15,824	1,632	Allianz Cameroun Assurances SA, Douala	75.4 ³	13,230	4,653
Windpark Quitzow GmbH & Co. KG, Sehestedt	100.0 ³	15,498	1,575	Allianz Carbon Investments B.V., Amsterdam	100.0 ³	12,408	(519)
Windpark Redekin-Genthin GmbH & Co. KG, Sehestedt	100.0 ³	25,935	1,218	Allianz Cash SAS, Paris la Défense	100.0	5,671	165
Windpark Schönwalde GmbH & Co. KG, Sehestedt	100.0 ³	17,578	902	Allianz Chicago Private Reit LP, Wilmington, DE	100.0	179,838	15
Windpark Waltersdorf GmbH & Co. KG Renditefonds, Sehestedt	100.0 ³	10,456	752	Allianz China General Insurance Company Ltd., Guangzhou	50.0 ³	51,841	3,071
Windpark Werder Zinndorf GmbH & Co. KG, Sehestedt	100.0 ³	26,413	3,075	Allianz China Life Insurance Co. Ltd., Shanghai	51.0 ³	37,230	27,600
				Allianz Colombia S.A., Bogotá D.C.	100.0	94,199	(2,636)
Joint ventures				Allianz Compañía de Seguros y Reaseguros S.A., Madrid	99.9	889,090	51,456
Dealis Fund Operations GmbH, Frankfurt am Main	50.0	32,914	903	Allianz Cornhill Information Services Private Ltd., Trivandrum	100.0 ³	20,002	6,230
				Allianz Côte d'Ivoire Assurances SA, Abidjan	74.1	6,311	3,094
Associates				Allianz Côte d'Ivoire Assurances Vie SA, Abidjan	71.0	7,106	3,387
Autobahn Tank & Rast Gruppe GmbH & Co. KG, Bonn	25.0 ³	371,387	(106,819)	Allianz do Brasil Participações Ltda., São Paulo	100.0	204,078	(4,864)
AV Packaging GmbH, Munich	51.0	17,059	(337)	Allianz Elementar Lebensversicherungs-Aktiengesellschaft, Vienna	100.0	212,790	11,740
T&R Real Estate GmbH, Bonn	25.0 ³	140,827	(15)	Allianz Elementar Versicherungs-Aktiengesellschaft, Vienna	100.0	438,338	86,054
Verimi GmbH, Frankfurt am Main	14.8 ³	35,670	(4,493)	Allianz EM Loans S.C.S., Luxembourg	100.0 ³	130,132	4,196
				Allianz Engineering Inspection Services Limited, Guildford	100.0	13,573	1,939
Other participations below 20% voting rights				Allianz Equity Investments Ltd., Guildford	100.0	157,114	(10,639)
EXTREMUS Versicherungs-Aktiengesellschaft, Cologne	16.0 ³	63,940	200	Allianz Europe B.V., Amsterdam	100.0 ³	45,603,578	3,468,911
FC Bayern München AG, Munich	8.3 ³	445,819	33,245	Allianz Europe Ltd., Amsterdam	100.0 ³	3,679,838	7,383
GDV Dienstleistungs-GmbH, Hamburg	18.9 ³	26,529	(515)	Allianz Finance II B.V., Amsterdam	100.0 ³	5,144	2,886
La Famiglia Fonds I GmbH & Co. KG, Munich	5.9 ³	10,986	1,066	Allianz Finance II Luxembourg S.à r.l., Luxembourg	100.0 ³	3,777,592	52,638
MLP AG, Wiesloch	9.7 ³	404,935	27,796	Allianz Finance VII Luxembourg S.A., Luxembourg	100.0 ³	1,597,885	3,944
N26 GmbH, Berlin	5.7 ³	10,054	(32,046)	Allianz Finance VIII Luxembourg S.A., Luxembourg	100.0 ³	481,755	(62)
Protector Lebensversicherungs-AG, Berlin	10.0 ³	105,796	384	Allianz Fire and Marine Insurance Japan Ltd., Tokyo	100.0 ³	27,511	2,048
Sana Kliniken AG, Ismaning	14.5 ³	824,767	95,327	Allianz France Investissement OPCI, Paris la Défense	100.0	135,066	5,385
				Allianz France Real Estate Invest SPPICAV, Paris la Défense	100.0 ³	1,780,401	61,363
FOREIGN ENTITIES				Allianz France Richelieu 1 S.A.S., Paris la Défense	100.0	488,520	22,728
Affiliates				Allianz France S.A., Paris la Défense	100.0	6,257,887	840,254
490 Lower Unit LP, Wilmington, DE	100.0	132,852	4,735	Allianz France US REIT LP, Wilmington, DE	100.0	117,572	672
Aero-Fonte S.r.l., Catania	100.0 ³	13,239	4,927	Allianz Fund Investments 2 S.A. (Compartment), Luxembourg	100.0	47,579	29,849
AGCS International Holding B.V., Amsterdam	100.0 ³	1,164,349	37,712	Allianz Fund Investments Inc., Wilmington, DE	100.0 ³	262,266	11,622
AGCS Marine Insurance Company, Chicago, IL	100.0 ³	163,672	8,826	Allianz General Insurance Company (Malaysia) Berhad p.l.c., Kuala Lumpur	100.0 ³	392,421	41,509
AGCS Resseguros Brasil S.A., São Paulo	100.0 ³	239,205	8,196	Allianz General Laos Ltd., Vientiane	51.0 ³	9,401	2,037
AGF Holdings (UK) Limited, Guildford	100.0	87,761	(13,075)	Allianz Global Corporate & Specialty do Brasil Participações Ltda., Rio de Janeiro	100.0 ³	240,458	8,447
AGF Inversiones S.A., Buenos Aires	100.0 ³	9,655	(27)	Allianz Global Corporate & Specialty of Africa (Proprietary) Ltd., Johannesburg	100.0 ³	8,065	470
Allianz (UK) Limited, Guildford	100.0	1,014,545	197,878	Allianz Global Corporate & Specialty South Africa Ltd., Johannesburg	100.0 ³	8,214	466
Allianz Africa S.A., Paris la Défense	100.0 ³	45,396	(1,004)	Allianz Global Investors Asia Pacific Ltd., Hong Kong	100.0	42,694	17,151
Allianz Alapkezelő Zrt., Budapest	100.0	6,870	3,485	Allianz Global Investors Distributors LLC, Dover, DE	100.0	32,454	3,168
Allianz Argentina Compañía de Seguros Generales S.A., Buenos Aires	100.0 ³	113,372	62,697	Allianz Global Investors Holdings Ltd., London	100.0	29,594	395
Allianz Argentina RE S.A., Buenos Aires	100.0 ³	21,927	13,817	Allianz Global Investors Japan Co. Ltd., Tokyo	100.0	14,677	3,167
Allianz Asset Management of America L.P., Dover, DE	100.0	615,106	1,368,928	Allianz Global Investors Singapore Ltd., Singapore	100.0	15,501	2,281
Allianz Asset Management of America LLC, Dover, DE	100.0	6,270,986	1,679,483	Allianz Global Investors Taiwan Ltd., Taipei	100.0	39,866	21,794
Allianz Asset Management U.S. Holding II LLC, Dover, DE	100.0	238,213	66,446	Allianz Global Investors U.S. Holdings LLC, Dover, DE	100.0	111,188	81,910
Allianz Australia Insurance Limited, Sydney	100.0	1,610,208	317,832	Allianz Global Investors U.S. LLC, Dover, DE	100.0	46,674	74,807
Allianz Australia Limited, Sydney	100.0	1,590,773	313,365	Allianz Global Life dac, Dublin	100.0 ³	135,281	15,020
Allianz Ayudhya Assurance Public Company Limited, Bangkok	62.6 ³	418,920	42,925				
Allianz Bank Bulgaria AD, Sofia	99.9	113,227	15,089				

	Owned ¹	Equity	Net Earnings		Owned ¹	Equity	Net Earnings
	%	€ thou	€ thou		%	€ thou	€ thou
Allianz Global Risks US Insurance Company Corp., Chicago, IL	100.0 ³	1,541,119	200,796	Allianz México S.A. Compañía de Seguros, Mexico City	100.0	150,932	21,507
Allianz Hayat ve Emeklilik A.S., Istanbul	89.0 ³	18,906	4,880	Allianz Nederland Groep N.V., Rotterdam	100.0 ³	278,686	25,517
Allianz Hellas Insurance Company S.A., Athens	100.0	145,882	(7,612)	Allianz Nederland Levensverzekering N.V., Rotterdam	100.0 ³	252,856	29,404
Allianz Hold Co Real Estate S.à r.l., Luxembourg	100.0 ³	376,886	3,312	Allianz New Europe Holding GmbH, Vienna	100.0	814,725	185,281
Allianz Holding eins GmbH, Vienna	100.0	2,456,879	410,990	Allianz New Zealand Limited, Auckland	100.0	34,104	2,623
Allianz Holding France SAS, Paris la Défense	100.0	9,051,856	314,523	Allianz Nigeria Insurance plc, Lagos	99.1 ³	12,518	(2,213)
Allianz Holdings p.l.c., Dublin	100.0	61,516	20,006	Allianz of America Inc., Wilmington, DE	100.0	13,756,504	1,710,802
Allianz Holdings plc, Guildford	100.0	1,706,434	256,682	Allianz p.l.c., Dublin	100.0	396,368	32,161
Allianz Hungária Biztosító Zrt., Budapest	100.0	137,850	62,132	Allianz Partners S.A.S., Saint-Ouen	100.0 ³	165,817	14,045
Allianz HY Investor LP, Wilmington, DE	100.0 ³	368,050	(2,379)	Allianz Pensionskasse Aktiengesellschaft, Vienna	100.0	11,714	104
Allianz IARD S.A., Paris la Défense	100.0 ³	2,097,839	317,523	Allianz penzijní společnost a.s., Prague	100.0 ³	35,906	1,674
Allianz Individual Insurance Group LLC, Minneapolis, MN	100.0 ³	223,977	9,565	Allianz PNB Life Insurance Inc., Makati City	51.0 ³	30,666	2,514
Allianz Infrastructure Czech HoldCo I S.à r.l., Luxembourg	100.0 ³	84,004	(8)	Allianz pojistovna a.s., Prague	100.0 ³	206,862	-
Allianz Infrastructure Czech HoldCo II S.à r.l., Luxembourg	100.0 ³	84,188	246	Allianz Polska Services Sp. z o.o., Warsaw	100.0 ³	17,641	2,044
Allianz Infrastructure Luxembourg Holdco I S.A., Luxembourg	100.0 ³	2,300,668	(23)	Allianz Popular Asset Management SGIIC S.A., Madrid	100.0	6,065	18,530
Allianz Infrastructure Luxembourg Holdco II S.A., Luxembourg	100.0 ³	480,285	(63)	Allianz Popular Pensiones EGFP S.A., Madrid	100.0	19,954	17,635
Allianz Infrastructure Luxembourg I S.à r.l., Luxembourg	100.0 ³	3,370,576	45,800	Allianz Popular S.L., Madrid	60.0	888,881	129,558
Allianz Infrastructure Norway Holdco I S.à r.l., Luxembourg	100.0 ³	124,936	4,554	Allianz Popular Vida Compañía de Seguros y Reaseguros S.A., Madrid	100.0	69,901	80,056
Allianz Infrastructure Spain Holdco I S.à r.l., Luxembourg	100.0 ³	52,055	2,953	Allianz Presse US REIT LP, Wilmington, DE	100.0	51,720	(450)
Allianz Infrastructure Spain Holdco II S.à r.l., Luxembourg	100.0 ³	11,231	(1,082)	Allianz Properties Limited, Guildford	100.0	216,298	9,418
Allianz Insurance Company of Kenya Limited, Nairobi	100.0 ³	8,013	(1,231)	Allianz Re Dublin dac, Dublin	100.0	1,032,686	333,592
Allianz Insurance Company-Egypt S.A.E., New Cairo	95.0 ³	9,908	3,290	Allianz Real Estate France SAS, Paris	100.0 ³	5,160	4,350
Allianz Insurance Lanka Limited, Colombo	100.0 ³	42,742	6,138	Allianz Reinsurance America Inc., Los Angeles, CA	100.0	543,564	22,484
Allianz Insurance plc, Guildford	100.0	1,144,003	52,789	Allianz Renewable Energy Partners I LP, London	100.0	154,814	10,022
Allianz Inversiones S.A., Bogotá D.C.	100.0	5,748	92	Allianz Renewable Energy Partners II Limited, London	100.0	132,192	421
Allianz Invest Kapitalanlagegesellschaft mbH, Vienna	100.0	7,494	1,945	Allianz Renewable Energy Partners III LP, London	98.8	137,946	7,139
Allianz Investment Management LLC, Minneapolis, MN	100.0 ³	5,046	52,652	Allianz Renewable Energy Partners IV Limited, London	98.8	703,186	24,715
Allianz Investmentbank Aktiengesellschaft, Vienna	100.0	36,184	11,671	Allianz Renewable Energy Partners of America 2 LLC, Wilmington, DE	100.0	170,697	(5,129)
Allianz Investments III Luxembourg S.A., Luxembourg	100.0 ³	1,184,389	6,800	Allianz Renewable Energy Partners of America LLC, Wilmington, DE	100.0	708,364	(37,858)
Allianz Jewel Fund ICAV, Dublin	100.0	152,905	7,250	Allianz Renewable Energy Partners V plc., London	100.0	650,191	16,393
Allianz Leasing Bulgaria AD, Sofia	51.0	5,527	906	Allianz Renewable Energy Partners VI Limited, London	100.0	671,090	10,462
Allianz Leben Real Estate Holding I S.à r.l., Luxembourg	100.0 ³	1,110,334	-	Allianz Renewable Energy Partners VIII Limited, London	100.0	254,558	4,060
Allianz Life (Bermuda) Ltd., Hamilton	100.0 ³	7,606	1,328	Allianz Risk Transfer (Bermuda) Ltd., Hamilton	100.0 ³	41,639	13,574
Allianz Life Assurance Company-Egypt S.A.E., New Cairo	100.0 ³	37,026	13,127	Allianz Risk Transfer AG, Schaan	100.0 ³	473,786	1,541
Allianz Life Financial Services LLC, Minneapolis, MN	100.0 ³	31,151	(275)	Allianz Risk Transfer Inc., New York, NY	100.0 ³	58,446	692
Allianz Life Insurance Company Ltd., Moscow	100.0 ³	48,363	7,244	Allianz S.p.A., Trieste	100.0 ³	2,549,878	684,203
Allianz Life Insurance Company of Missouri, Clayton, MO	100.0 ³	270,189	9,816	Allianz Saúde S.A., São Paulo	100.0	47,741	968
Allianz Life Insurance Company of New York, New York, NY	100.0 ³	139,042	(2,630)	Allianz Saudi Fransi Cooperative Insurance Company, Riyadh	51.0 ³	55,759	8,238
Allianz Life Insurance Company of North America, Minneapolis, MN	100.0 ³	6,942,191	541,204	Allianz Seguros de Vida S.A., Bogotá D.C.	100.0	59,267	2,036
Allianz Life Insurance Japan Ltd., Tokyo	100.0 ³	6,284	(2,089)	Allianz Seguros S.A., Bogotá D.C.	100.0	42,253	(2,523)
Allianz Life Insurance Malaysia Berhad p.l.c., Kuala Lumpur	100.0 ³	185,823	19,748	Allianz Seguros S.A., São Paulo	100.0	201,842	(3,609)
Allianz Life Luxembourg S.A., Luxembourg	100.0	92,777	17,441	Allianz Sénégal Assurances SA, Dakar	83.2	5,441	799
Allianz Malaysia Berhad p.l.c., Kuala Lumpur	75.0 ³	216,306	15,752	Allianz Services (UK) Limited, London	100.0 ³	6,413	193
Allianz Marine (UK) Ltd, Ipswich	100.0 ³	10,737	34	Allianz Sigorta A.S., Istanbul	96.2 ³	497,928	139,275
Allianz Maroc S.A., Casablanca	98.9 ³	145,963	9,448	Allianz SNA s.a.l., Beirut	100.0 ³	53,357	8,167
Allianz Mena Holding Bermuda Ltd., Hamilton	99.9 ³	23,524	7,352	Allianz Société Financière S.à r.l., Luxembourg	100.0 ³	1,500,910	22,417
				Allianz South America Holding B.V., Amsterdam	100.0 ³	472,743	(27)
				Allianz Strategic Investments S.à r.l., Luxembourg	100.0 ³	41,877	7,962
				Allianz Suisse Lebensversicherungs-Gesellschaft AG, Wallisellen	100.0	788,342	87,318
				Allianz Suisse Versicherungs-Gesellschaft AG, Wallisellen	100.0	659,460	350,698

	Owned ¹	Equity	Net Earnings		Owned ¹	Equity	Net Earnings
	%	€ thou	€ thou		%	€ thou	€ thou
Allianz Taiwan Life Insurance Co. Ltd., Taipei	99.7 ³	259,986	(17,816)	Beleggingsmaatschappij Willemsbruggen B.V., Rotterdam	100.0 ³	88,640	2,030
Allianz Technology (Thailand) Co. Ltd., Bangkok	100.0 ³	7,061	2,009	Beykoz Gayrimenkul Yatirim Insaat Turizm Sanayi ve Ticaret A.S., Ankara	100.0 ³	144,514	15,011
Allianz Technology AG, Wallisellen	100.0	10,874	3,709	British Reserve Insurance Co. Ltd., Guildford	100.0	10,710	287
Allianz Technology GmbH, Vienna	100.0	23,313	3,329	Calobra Investments Sp. z o.o., Warsaw	100.0	138,756	2,943
Allianz Technology International B.V., Amsterdam	100.0 ³	35,485	(23)	Calypto S.A., Paris la Défense	100.0	73,112	1,501
Allianz Technology of America Inc., Wilmington, DE	100.0 ³	7,392	2,796	CAP Rechtsschutz-Versicherungsgesellschaft AG, Wallisellen	100.0	30,433	(2,906)
Allianz Technology S.C.p.A., Milan	100.0 ³	15,814	11	Caroline Bertin S.C.S., Luxembourg	93.2	183,048	3,014
Allianz Technology S.L., Barcelona	100.0	68,959	(4,739)	Central Shopping Center a.s., Bratislava	100.0	59,409	3,622
Allianz Technology SAS, Paris	100.0 ³	43,298	1,494	CEPE de la Forterre S.à r.l., Versailles	100.0 ³	7,985	(1,995)
Allianz Tiriac Asigurari SA, Bucharest	52.2	188,353	28,888	CEPE de Langres Sud S.à r.l., Versailles	100.0 ³	21,888	359
Allianz Tiriac Pensii Private Societate de administrare a fondurilor de pensii private S.A., Bucharest	100.0	18,482	10,139	CEPE de Mont Gimont S.à r.l., Versailles	100.0 ³	12,317	(4,051)
Allianz Underwriters Insurance Company Corp., Burbank, CA	100.0 ³	61,243	1,632	CEPE de Sambres S.à r.l., Versailles	100.0 ³	13,713	(8,120)
Allianz US Investment LP, Wilmington, DE	100.0	1,809,250	(8,412)	CEPE des Portes de la Côte d'Or S.à r.l., Versailles	100.0 ³	9,111	(4,305)
Allianz US Private REIT LP, Wilmington, DE	100.0	1,863,664	(8,530)	CEPE du Bois de la Serre S.à r.l., Versailles	100.0 ³	6,293	(2,935)
Allianz Vie S.A., Paris la Défense	100.0	2,703,874	286,837	Chicago Insurance Company Corp., Chicago, IL	100.0 ³	55,379	(213)
Allianz Vorsorgekasse AG, Vienna	100.0	29,361	5,930	CIC Allianz Insurance Ltd., Sydney	100.0	28,634	2,489
Allianz Yasam ve Emeklilik A.S., Istanbul	80.0 ³	104,433	51,704	Climmox Holding SA, Luxembourg	100.0	76,617	2,123
Allianz Zagreb d.d., Zagreb	83.2 ³	134,390	15,131	Club Marine Limited, Sydney	100.0	6,195	1,598
Allianz ZB d.o.o. Company for the Management of Obligatory Pension Funds, Zagreb	51.0	25,141	9,982	Companhia de Seguros Allianz Portugal S.A., Lisbon	64.8	147,936	(2,669)
Allianz-Slovenská DSS a.s., Bratislava	100.0	45,642	4,105	CPRN Thailand Ltd., Bangkok	100.0 ³	70,979	18,947
Allianz-Slovenská poisťovna a.s., Bratislava	99.6	276,735	76,938	CreditRas Assicurazioni S.p.A., Milan	50.0 ³	88,990	4,083
American Automobile Insurance Company Corp., Earth City, MO	100.0 ³	64,981	675	CreditRas Vita S.p.A., Milan	50.0 ³	508,238	47,536
American Financial Marketing Inc., Minneapolis, MN	100.0 ³	36,966	(146)	Darta Saving Life Assurance dac, Dublin	100.0 ³	303,641	58,323
Ann Arbor Annuity Exchange Inc., Ann Arbor, MI	100.0 ³	13,749	984	Deaside Investments Inc., Wilmington, DE	50.1	60,299	13,939
APK US Investment LP, Wilmington, DE	100.0	104,195	(246)	Delta Technical Services Ltd., London	100.0 ³	10,373	(567)
APKV US Private REIT LP, Wilmington, DE	100.0	280,870	(178)	Diamond Point a.s., Prague	100.0 ³	12,444	755
Appia Investments S.r.l., Milan	57.6 ³	976,433	-	Dresdner Kleinwort Pfandbriefe Investments II Inc., Minneapolis, MN	100.0 ³	599,999	12,599
Arges Investments I N.V., Amsterdam	100.0 ³	142,082	984	Eolica Erchie S.r.l., Lecce	100.0 ³	7,428	1,727
Arges Investments II N.V., Amsterdam	100.0 ³	139,952	2,869	Euler Hermes Acmar SA, Casablanca	55.0 ³	6,053	945
Asit Services S.R.L., Bucharest	100.0	29,681	386	Euler Hermes Collections North America Company, Owings Mills, MD	100.0	5,635	547
Assistance Courtage d'Assurance et de Réassurance S.A., Courbevoie	100.0	5,461	4,807	Euler Hermes Collections Sp. z o.o., Warsaw	100.0 ³	24,719	757
Associated Indemnity Corporation, Los Angeles, CA	100.0 ³	74,965	601	Euler Hermes Crédit France S.A.S., Paris la Défense	100.0 ³	104,745	5,634
Assurances Médicales SA, Metz	100.0	5,268	3,171	Euler Hermes Group SA, Paris la Défense	100.0 ³	1,672,585	168,383
AWP Assistance UK Ltd., London	100.0 ³	8,733	5,793	Euler Hermes Korea Non-life Broker Company Limited, Seoul	100.0	252,506	77,832
AWP Australia Holdings Pty Ltd., Toowong	100.0 ³	7,165	-	Euler Hermes Luxembourg Holding S.à r.l., Luxembourg	100.0 ³	109,588	(9)
AWP Australia Pty Ltd., Toowong	100.0 ³	5,787	(1,435)	Euler Hermes North America Holding Inc., Owings Mills, MD	100.0	176,584	2,715
AWP Business Services Co. Ltd., Beijing	100.0 ³	16,994	13,781	Euler Hermes North America Insurance Company Inc., Owings Mills, MD	100.0	199,967	22,976
AWP France SAS, Saint-Ouen	95.0 ³	26,162	10,171	Euler Hermes Patrimonia SA, Brussels	100.0 ³	268,273	25,189
AWP Health & Life S.A., Saint-Ouen	100.0 ³	427,213	39,035	Euler Hermes Ré SA, Luxembourg	100.0 ³	61,055	-
AWP MEA Holdings Co. W.L.L., Manama	100.0 ³	26,780	14,028	Euler Hermes Real Estate SPPICAV, Paris la Défense	60.0 ³	204,704	3,444
AWP P&C S.A., Saint-Ouen	100.0 ³	395,783	49,180	Euler Hermes Recouvrement France S.A.S., Paris la Défense	100.0 ³	14,552	7,888
AWP Service Brasil Ltda., São Bernardo do Campo	100.0 ³	27,123	2,882	Euler Hermes Reinsurance AG, Wallisellen	100.0 ³	873,048	181,357
AWP Services NL B.V., Amsterdam	100.0 ³	14,207	1,328	Euler Hermes S.A., Brussels	100.0 ³	785,565	102,264
AWP USA Inc., Richmond, VA	100.0 ³	18,550	4,906	Euler Hermes Service AB, Stockholm	100.0 ³	16,529	8,132
AZ Euro Investments II S.à r.l., Luxembourg	100.0 ³	270,043	(19)	Euler Hermes Services Italia S.r.l., Rome	100.0 ³	9,686	8,488
AZ Euro Investments S.A., Luxembourg	100.0 ³	3,457,272	67,084	Euler Hermes Services North America LLC, Owings Mills, MD	100.0	13,539	6,502
AZ Jupiter 10 B.V., Amsterdam	100.0 ³	292,084	12,081	Euler Hermes Services Schweiz AG, Wallisellen	100.0 ³	6,638	1,154
AZ Jupiter 11 B.V., Amsterdam	97.6 ³	140,256	1,980	Euler Hermes Serviços de Gestão de Riscos Ltda., São Paulo	100.0 ³	5,758	(1,230)
AZ Jupiter 8 B.V., Amsterdam	100.0 ³	3,135,574	(412)	Euler Hermes Sigorta A.S., Istanbul	100.0	6,521	2,544
AZ Jupiter 9 B.V., Amsterdam	100.0 ³	323,354	(947)	Euler Hermes Singapore Services Pte. Ltd., Singapore	100.0	6,201	865
AZ Vers US Private REIT LP, Wilmington, DE	100.0	105,334	(581)				
AZGA Service Canada Inc., Kitchener, ON	55.0 ³	27,016	7,625				
AZL PF Investments Inc., Minneapolis, MN	100.0 ³	510,053	-				
AZOA Services Corporation, New York, NY	100.0	11,664	(694)				

	Owned ¹	Equity	Net Earnings		Owned ¹	Equity	Net Earnings
	%	€ thou	€ thou		%	€ thou	€ thou
Euler Hermes South Express S.A., Brussels	100.0 ³	36,635	501	PIMCO Europe Ltd., London	100.0	206,497	182,984
Euler Hermes World Agency SASU, Paris la Défense	100.0 ³	7,773	(400)	PIMCO Global Advisors (Ireland) Ltd., Dublin	100.0	31,047	15,364
Eurl 20/22 Le Peletier, Paris la Défense	100.0	49,996	1,405	PIMCO Global Advisors (Resources) LLC, Dover, DE	100.0	5,207	15
Eurosol Invest S.r.l., Udine	100.0 ³	9,436	807	PIMCO Global Advisors LLC, Dover, DE	100.0	431,947	269,362
Fénix Directo Compañía de Seguros y Reaseguros S.A., Madrid	100.0	34,780	9,648	PIMCO Global Holdings LLC, Dover, DE	100.0	34,663	19,747
Ferme Eolienne des Jaladeaux S.à r.l., Versailles	100.0 ³	7,205	(502)	PIMCO Investments LLC, Dover, DE	100.0	85,447	248,668
Fireman's Fund Indemnity Corporation, Liberty Corner, NJ	100.0 ³	12,445	(172)	PIMCO Japan Ltd., Road Town	100.0	33,348	35,526
Fireman's Fund Insurance Company Corp., Los Angeles, CA	100.0 ³	1,155,384	87,761	POD Allianz Bulgaria AD, Sofia	65.9	30,588	8,058
Fragonard Assurance S.A., Paris	100.0 ³	94,694	20,519	Protexia France S.A., Paris la Défense	100.0	45,192	13,748
Franklin S.C.S., Luxembourg	94.5	10,331	7,442	PT Asuransi Allianz Life Indonesia p.l.c., Jakarta	99.8 ³	370,147	19,463
GamePlan Financial Marketing LLC, Woodstock, GA	100.0 ³	112,511	487	PT Asuransi Allianz Utama Indonesia Ltd., Jakarta	97.8 ³	58,272	(2,567)
Generation Vie S.A., Courbevoie	52.5	73,017	2,962	PTE Allianz Polska S.A., Warsaw	100.0 ³	49,265	4,818
Genialloyd S.p.A., Milan	100.0 ³	349,727	683,989	Q207 S.C.S., Luxembourg	94.0	86,924	2,930
Havelaar & van Stolk B.V., Rotterdam	100.0 ³	5,527	(330)	Questar Capital Corporation, Minneapolis, MN	100.0 ³	10,569	(6,207)
Home & Legacy Insurance Services Limited, Guildford	100.0	20,599	2,690	Real Faubourg Haussmann SAS, Paris la Défense	100.0 ³	72,816	443
ICON Immobilien GmbH & Co. KG, Vienna	100.0	207,175	4,016	Real FR Haussmann SAS, Paris la Défense	100.0 ³	64,606	1,541
ICON Inter GmbH & Co. KG, Vienna	100.0	10,361	(11)	SA Carène Assurance, Paris	100.0	13,744	1,058
Immovalor Gestion S.A., Paris la Défense	100.0	8,404	4,173	SA Vignobles de Larose, Saint-Laurent-Médoc	100.0	37,063	599
ImWind AO GmbH & Co. KG, Pottenbrunn	100.0 ³	9,361	1,522	Saarenkylä Tuulipuisto Oy, Oulu	100.0 ³	9,183	(1,570)
ImWind GHW GmbH & Co. KG, Pottenbrunn	100.0 ³	6,805	1,152	SAS 20 pompidou, Paris la Défense	100.0	114,614	4,563
Insurance CJSC "Medexpress", Saint Petersburg	100.0 ³	13,143	1,229	SAS Allianz Etoile, Paris la Défense	100.0	109,055	787
Interstate Fire & Casualty Company, Chicago, IL	100.0 ³	58,363	(328)	SAS Allianz Forum Seine, Paris la Défense	100.0	241,421	7,363
Investitori Real Estate Fund, Milan	100.0 ³	362,075	17,867	SAS Allianz Logistique, Paris la Défense	100.0	693,620	9,867
Investitori SGR S.p.A., Milan	100.0 ³	19,824	8,506	SAS Allianz Platine, Paris la Défense	100.0	275,332	18,233
Järvsö Sörby Vindkraft AB, Danderyd	100.0 ³	19,589	(2,649)	SAS Allianz Prony, Paris la Défense	100.0	76,258	(142)
Jefferson Insurance Company Corp., New York, NY	100.0 ³	54,767	5,762	SAS Allianz Rivoli, Paris la Défense	100.0	100,372	3,950
Joukhaiselän Tuulipuisto Oy, Oulu	100.0 ³	9,741	(1,033)	SAS Allianz Serbie, Paris la Défense	100.0	338,056	11,065
Jouttikallio Wind Oy, Kotka	100.0 ³	9,608	(421)	SAS Angel Shopping Centre, Paris la Défense	90.0	286,049	3,320
JSC Insurance Company Allianz, Moscow	100.0 ³	58,073	11,460	SAS Madeleine Opéra, Paris la Défense	100.0	639,923	19,104
Kensington Fund, Milan	100.0 ³	148,033	49,563	SAS Passage des princes, Paris la Défense	100.0	194,404	2,711
Kiinteistöosakeyhtiö Eteläesplanadi 2 Oy, Helsinki	100.0	30,903	1,495	Sättravallen Wind Power AB, Strömstad	100.0 ³	8,867	(1,275)
Kohlenberg & Ruppert Premium Properties S.à r.l., Luxembourg	100.0 ³	101,011	778	SC Tour Michelet, Paris la Défense	100.0	54,646	1,564
Kuolavaara-Keulakkopään Tuulipuisto Oy, Oulu	100.0 ³	20,855	(2,923)	SCI 46 Desmoulins, Paris la Défense	100.0	112,978	4,180
LAD Energy GmbH & Co. KG, Pottenbrunn	100.0 ³	9,231	1,463	SCI Allianz ARC de Seine, Paris la Défense	100.0	213,719	7,218
LLC "IC Euler Hermes Ru", Moscow	100.0 ³	11,653	4,609	SCI Allianz Immobilier Durable, Paris la Défense	100.0	14,960	(49)
Lloyd Adriatico Holding S.p.A., Trieste	99.9 ³	21,987	-	SCI Allianz Invest Pierre, Paris la Défense	100.0	432,459	1,475
Medi24 AG, Bern	100.0 ³	5,419	3,179	SCI Allianz Messine, Paris la Défense	100.0	220,169	3,361
Mombyasen Wind Farm AB, Halmstad	100.0 ³	5,191	(3,978)	SCI Allianz Value Pierre, Paris la Défense	79.9	72,721	(689)
National Surety Corporation, Chicago, IL	100.0 ³	61,464	(141)	SCI AVIP SCPI Selection, Courbevoie	100.0	45,043	3,013
NEXtCARE Claims Management LLC, Dubai	100.0 ³	14,354	9,569	SCI ESQ, Paris la Défense	75.0	105,703	2,438
OPCI Allianz France Angel, Paris la Défense	100.0	118,580	4,236	SCI Via Pierre 1, Paris la Défense	100.0	250,810	8,992
Orione PV S.r.l., Milan	100.0 ³	9,228	897	SCI Volnay, Paris la Défense	100.0	178,123	7,288
Orsa Maggiore PV S.r.l., Milan	100.0 ³	18,467	1,931	SDIII Energy GmbH & Co. KG, Pottenbrunn	100.0 ³	6,417	972
Pacific Investment Management Company LLC, Dover, DE	95.7	460,609	1,746,104	Silex Gas Norway AS, Oslo	100.0 ³	67,475	3,958
Parc Eolien de Chaourse SAS, Versailles	100.0 ³	7,287	(1,047)	Sirius S.A., Luxembourg	94.8	330,612	34,609
Parc Eolien de Chateau Garnier SAS, Versailles	100.0 ³	5,332	(1,564)	Società Agricola San Felice S.p.A., Milan	100.0 ³	36,390	178
Parc Eolien de Fontfroide SAS, Versailles	100.0 ³	5,883	79	Société Foncière Européenne B.V., Amsterdam	100.0 ³	1,208,210	845
Parc Eolien de la Sole du Bois SAS, Paris	100.0 ³	6,376	1,210	Société Nationale Foncière S.A.L., Beirut	66.0 ³	6,816	274
Pet Plan Ltd., Guildford	100.0	107,981	(34)	Sofiholding S.A., Brussels	100.0	18,586	1,021
PFP Holdings Inc., Dover, DE	100.0	254,867	16,666	South City Office Broodthaers SA, Brussels	100.0	52,482	1,525
PIMCO (Schweiz) GmbH, Zurich	100.0	13,286	4,671	Stam Fem Gängaren 11 AB, Stockholm	100.0	173,707	361
PIMCO Asia Ltd., Hong Kong	100.0	26,966	(2,490)	StocksPLUS Management Inc., Dover, DE	100.0	5,176	38
PIMCO Asia Pte Ltd., Singapore	100.0	19,137	9,120	TFI Allianz Polska S.A., Warsaw	100.0	7,276	2,151
PIMCO Australia Management Limited, Sydney	100.0	5,158	568	The American Insurance Company Corp., Cincinnati, OH	100.0 ³	55,524	(756)
PIMCO Australia Pty Ltd., Sydney	100.0	32,189	22,876	The Annuity Store Financial & Insurance Services LLC, Sacramento, CA	100.0 ³	18,998	(560)
PIMCO Canada Corp., Toronto, ON	100.0	22,642	18,383	Three Pillars Business Solutions Limited, Guildford	100.0	5,201	(14)
				Top Immo A GmbH & Co. KG, Vienna	100.0	5,942	645
				Top Immo Besitzgesellschaft B GmbH & Co. KG, Vienna	100.0	8,926	1,070

	Owned ¹	Equity	Net Earnings ¹		Owned ¹	Equity	Net Earnings ¹
	%	€ thou	€ thou		%	€ thou	€ thou
Top Versicherungsservice GmbH, Vienna	100.0	17,801	(1,341)	SES Shopping Center FP 1 GmbH, Salzburg	50.0 ³	105,103	3,162
Towarzystwo Ubezpieczen Euler Hermes S.A., Warsaw	100.0 ³	21,362	301	Solucion Compañia Internacional de Seguros y Reaseguros SA, Madrid	50.0 ³	106,430	5,537
Trafalgar Insurance Public Limited Company, Guildford	100.0	43,604	289	The FIZZ Student Housing Fund S.C.S., Luxembourg	49.5 ³	164,703	1,986
TU Allianz Polska S.A., Warsaw	100.0	274,853	23,692	The State-Whitehall Company LP, Dover, DE	49.9 ³	220,604	5,153
TU Allianz Zycie Polska S.A., Warsaw	100.0	101,290	12,563	TopTorony Ingatlanhasznositó Zrt., Budapest	50.0 ³	9,081	(1,372)
Vanilla Capital Markets S.A., Luxembourg	100.0 ³	144,186	(326)	VGP European Logistics S.à r.L., Senningerberg	50.0 ³	208,881	4,109
VertBois S.à r.L., Luxembourg	100.0	19,963	898	VISION (III) Pte Ltd., Singapore	30.0 ³	35,743	14,011
Viveole SAS, Versailles	100.0 ³	17,244	(515)	Waterford Blue Lagoon LP, Wilmington, DE	49.0 ³	331,524	4,084
Vordere Zollamtsstraße 13 GmbH, Vienna	100.0	72,809	505				
WFC Investments Sp. z o.o., Warsaw	87.5 ³	230,440	(6,479)	Associates			
Windpark AO GmbH, Pottenbrunn	100.0 ³	12,491	(499)	Archstone Multifamily Partners AC JV LP, Wilmington, DE	40.0 ³	70,315	(984)
Windpark GHW GmbH, Pottenbrunn	100.0 ³	7,635	(347)	Archstone Multifamily Partners AC LP, Wilmington, DE	28.6 ³	116,709	(30,240)
Windpark Ladendorf GmbH, Vienna	100.0 ³	7,307	(404)	Areim Fastigheter 2 AB, Stockholm	23.3 ³	81,719	(102)
Windpark Les Cent Jalois SAS, Versailles	100.0 ³	5,461	23	Areim Fastigheter 3 AB, Stockholm	31.6 ³	139,581	(5,502)
Windpark PL GmbH, Pottenbrunn	100.0 ³	7,046	(273)	Bajaj Allianz General Insurance Company Ltd., Pune	26.0	559,631	114,128
Windpark Zistersdorf GmbH, Pottenbrunn	100.0 ³	7,398	692	Bajaj Allianz Life Insurance Company Ltd., Pune	26.0	1,155,036	88,716
YAO NEWREP Investments S.A., Luxembourg	93.2 ³	66,489	(73)	Bazalgette Equity Ltd., London	34.3 ³	574,213	-
Yorktown Financial Companies Inc., Minneapolis, MN	100.0 ³	140,904	1	Blue Vista Student Housing Select Strategies Fund LP., Dover, DE	24.9 ³	62,071	(6,287)
ZAD Allianz Bulgaria Zhivot, Sofia	99.0	37,442	500	Brunei National Insurance Company Berhad Ltd., Bandar Seri Begawan	25.0 ³	6,890	1,352
ZAD Allianz Bulgaria, Sofia	87.4	44,517	7,719	Chicago Parking Meters LLC, Wilmington, DE	49.9 ³	191,071	42,918
ZAD Energia, Sofia	51.0	15,483	4,754	CPIC Allianz Health Insurance Co. Ltd., Shanghai	22.9 ³	75,737	(24,126)
ZIOst Energy GmbH & Co. KG, Pottenbrunn	100.0 ³	11,724	1,975	Daiwater Investment Limited, London	36.6 ³	830,092	19,380
				Delgaz Grid S.A., Targu Mures	30.0 ³	757,449	79,014
Joint ventures				Douglas Emmett Partnership X LP, Wilmington, DE	28.6 ³	26,844	2,162
114 Venture LP, Wilmington, DE	49.5 ³	169,851	4,350	Four Oaks Place LP, Wilmington, DE	49.0 ³	430,780	16,898
1515 Broadway Realty LP, Dover, DE	49.6 ³	916,140	730	Helios Silesia Holding B.V., Amsterdam	45.0 ³	70,814	(6,811)
1800 M Street Venture LP, Wilmington, DE	42.8 ³	365,297	920	Lennar Multifamily Venture LP, Wilmington, DE	11.3 ³	1,471,195	194,818
A&A Centri Commerciali S.r.l., Milan	50.0 ³	167,590	5,016	Liverpool Victoria General Insurance Group Limited, Bournemouth	49.0	855,756	151,032
Allée-Center Kft., Budapest	50.0 ³	104,249	11,636	Medgulf Takaful B.S.C.(c), Manama	25.0 ³	14,291	8,781
AMLI-Allianz Investment LP, Wilmington, DE	75.0	89,514	2,860	MFM Holding Ltd., London	38.4	59,989	(1,121)
AS Gasinfrastruktur Beteiligung GmbH, Vienna	55.6 ³	338,796	31,327	OeKB EH Beteiligungs- und Management AG, Vienna	49.0 ³	119,582	7,722
AZ/JH Co-Investment Venture (DC) LP, Wilmington, DE	80.0 ³	283,462	40,581	Quadgas Holdings Topco Limited, Saint Helier	16.7 ³	5,280,234	254,388
AZ/JH Co-Investment Venture (IL) LP, Wilmington, DE	80.0 ³	149,211	11,337	Residenze CYL S.p.A., Milan	33.3 ³	112,416	(8,337)
Columbia REIT - 333 Market Street LP, Wilmington, DE	44.7 ³	418,565	6,676	SAS Alta Gramont, Paris	49.0	257,008	1,932
Columbia REIT-University Circle LP, Wilmington, DE	44.7 ³	454,550	8,059	SCI Bercy Village, Paris	49.0	41,818	7,848
Companhia de Seguro de Créditos S.A., Lisbon	50.0 ³	42,838	8,081	SK Versicherung AG, Vienna	25.8 ³	14,792	1,052
CPIC Fund Management Co. Ltd., Shanghai	49.0 ³	65,405	4,938	SNC Alta CRP Gennevilliers, Paris	49.0	29,551	2,044
Dundrum Car Park Limited Partnership, Dublin	50.0	34,017	3,738	SNC Alta CRP La Valette, Paris	49.0	20,948	4,295
Dundrum Retail Limited Partnership, Dublin	50.0	1,140,306	43,289	SNC Société d'aménagement de la Gare de l'Est, Paris	49.0	13,504	3,136
Enhanced Reinsurance Ltd., Hamilton	24.9	24,641	481	Solveig Gas Holdco AS, Oslo	30.0 ³	252,603	(43)
ESR India Logistics Fund Pte. Ltd., Singapore	50.0	39,219	1,660	UK Outlet Mall Partnership LP, Edinburgh	19.5 ³	467,744	11,725
Euromarkt Center d.o.o., Ljubljana	50.0 ³	36,574	7,990	Wildlife Works Carbon LLC, San Francisco, CA	10.0 ³	6,830	(1,044)
Fiumaranuova S.r.l., Genoa	50.1 ³	153,149	5,993				
Israel Credit Insurance Company Ltd., Tel Aviv	50.0 ³	48,429	8,287	Other participations below 20% voting rights			
Italian Shopping Centre Investment S.r.l., Milan	50.0 ³	25,911	4,744	1QB Information Technologies Inc., Vancouver, BC	4.9 ³	20,171	-
LBA IV-PPI Venture LLC, Dover, DE	45.0 ³	296,933	6,934	Agrupación Española de Entidades Aseguradoras de los Seguros Agrarios Combinados S.A., Madrid	5.6 ³	13,359	977
LBA IV-PPIL-Office Venture LLC, Dover, DE	45.0 ³	26,728	1,779	Al-Nisr Al-Arabi Insurance Company, Amman	18.0 ³	24,588	2,497
LBA IV-PPIL-Retail Venture LLC, Dover, DE	45.0 ³	37,365	(1,325)	ALTRO Invest S.C.A., Weiswampach	19.9	5,341	(15)
NET4GAS Holdings s.r.o., Prague	50.0 ³	228,717	62,116	American Well Corporation, Wilmington, DE	6.9 ³	61,950	(22,902)
NRF (Finland) AB, Västerås	50.0 ³	181,070	51,375	Autostrade per l'Italia S.p.A., Rome	6.9 ³	2,737,792	1,041,470
Podium Fund HY REIT Owner LP, Wilmington, DE	44.3 ³	787,468	2,355	Catch a Car AG, Luzern	19.5 ³	11,261	(2,500)
Porterbrook Holdings I Limited, London	30.0 ³	1,260,969	81,654	China Pacific Insurance (Group) Co. Ltd., Shanghai	3.3 ³	17,583,651	1,921,065
Queenspoint S.L., Madrid	50.0 ³	110,272	11,868	Cofinimmo S.A., Brussels	2.2	1,903,159	121,056
RMPA Holdings Limited, Colchester	56.0 ³	8,597	13,456	Commercial Bank of Cameroon LC, Douala	10.0 ³	20,122	2,136
SC Holding SAS, Paris	50.0 ³	10,517	869				
SES Shopping Center AT1 GmbH, Salzburg	50.0 ³	220,501	10,182				

	Owned ¹	Equity	Net Earnings
	%	€ thou	€ thou
Geodis SACS, Levallois-Perret	5.0 ³	1,092,800	(17,700)
IDI SCA, Paris	5.4 ³	209,978	19,485
I PUT plc, Dublin	16.7 ³	2,292,083	188,842
Lemonade Inc., New York, NY	4.9 ³	26,973	(24,893)
Logistis Luxembourg Feeder S.A., Luxembourg	7.6	159,430	82,399
Logistis Luxembourg S.A., Luxembourg	5.8 ³	273,012	17,464
Logistis SPPICAV, Paris	5.8 ³	859,926	49,644
Meiji Yasuda Asset Management Company Ltd., Tokyo	6.7	77,590	7,232
Nauto Inc., Paolo Alto, CA	2.2 ³	116,990	(18,717)
Oddo et Cie SCA, Paris	2.2 ³	770,600	68,328
PERILS AG, Zürich	10.0 ³	8,692	890
Pollen Inc., Wilmington, DE	7.7 ³	9,664	(18,778)
Portimo SCRL, Bruxelles	10.9	9,713	2,181
Rothschild & Co SCA, Paris	2.5 ³	1,666,456	121,764
Société Générale de Banque au Cameroun LC, Douala	16.3 ³	114,187	18,167
Société Générale de Banques en Côte d'Ivoire S.A., Abidjan	7.3 ³	200,743	60,406
Sri Ayudhya Capital Public Company Limited, Bangkok	14.3 ³	196,605	12,083
Tecnologías de la Información y Redes para las Entidades Aseguradoras S.A., Las Rozas de Madrid	6.0 ³	34,817	3,633
UniCredit S.p.A., Milan	1.0 ³	59,331,000	19,619,000
Zagrebacka banka d.d., Zagreb	11.7 ³	2,108,741	112,470

1_Percentage includes equity participations held by dependent entities in full, even if the Allianz Group's share in the dependent entity is below 100 %.

2_Profit and loss transfer agreement.

3_As per annual financial statement 2017.

4_Insolvent. Dependent entities are shown in a way, which reflects the state as of the date of filing for insolvency.

5_As per annual financial statement 2010. This is only applicable for manroland AG and their subsidiaries.

FURTHER INFORMATION

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RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements of Allianz SE give a true and fair view of the assets, liabilities, financial position, and profit or loss of the company, and the management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Munich, 12 February 2019

Allianz SE
The Board of Management



Oliver Bäte



Sergio Balbinot



Jacqueline Hunt



Dr. Helga Jung



Dr. Christof Mascher



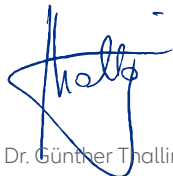
Niran Peiris



Iván de la Sota



Giulio Terzariol



Dr. Günther Thallinger



Dr. Axel Theis

INDEPENDENT AUDITOR'S REPORT

To Allianz SE, Munich

Report on the Audit of the Annual Financial Statements and of the Management Report

AUDIT OPINIONS

We have audited the annual financial statements of Allianz SE, Munich, which comprise the balance sheet as at 31 December 2018, and the income statement for the financial year from 1 January to 31 December 2018, and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Allianz SE for the financial year from 1 January to 31 December 2018. In accordance with the German legal requirements, we have not audited the content of those parts of the management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2018 and of its financial performance for the financial year from 1 January to 31 December 2018 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of those parts of the management report listed in the "Other Information" section of our auditor's report.

Pursuant to §322 (3) sentence 1 HGB of the German Commercial Code ("Handelsgesetzbuch – HGB"), we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the annual financial statements and of the 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 Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company 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 annual financial statements and on the management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

- Measurement of shares in affiliated enterprises
- Measurement of reserves for loss and loss adjustment expenses

Our presentation of these key audit matters has been structured in each case as follows:

- Matter and issue
- Audit approach and findings
- Reference to further information

Hereinafter, we present the key audit matters:

MEASUREMENT OF SHARES IN AFFILIATED ENTERPRISES

Matter and issue

In the annual financial statements of the Company, shares in affiliated enterprises amounting to € 72,006 mn (60% of total assets) are reported under the "Investments in affiliated enterprises and participations" balance sheet item.

Shares in affiliated enterprises are measured at the lower of cost and fair value in accordance with German commercial law.

The fair values of the material shares in affiliated enterprises are generally calculated using earnings model or appraisal values for life and health companies. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used for earnings models is the individually determined cost of capital for the relevant financial investment. For certain shares in affiliated enterprises, the fair values are calculated using valuation models. On the basis of the values determined and supplementary documentation, a write-down totalling € 0.4 mn and a reversal totalling € 115 mn were required for the financial year.

The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors of the future earnings

and cash flows, and on the respective discount rates and rates of growth. The valuation is therefore subject to material uncertainties. Against this background and due to the highly complex nature of the valuation and its material significance for the Company's assets, liabilities and financial performance, this matter was of particular significance in the context of our audit.

Audit approach and findings

As part of our audit, we assessed the methodology used for the purposes of the valuation, among other things.

In particular, we assessed whether the fair values of the material shares in affiliated enterprises had been appropriately determined using adequate models in compliance with the relevant measurement standards. We based our assessment, among other things, on a comparison with general and sector-specific market expectations as well as on the executive directors' detailed explanations regarding the key value drivers underlying the expected cash flows. Where the Company used alternative valuation models for individual shares in affiliated enterprises, we examined whether the application of these valuation models was sufficiently documented and substantiated.

With the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model.

In our view, taking into consideration the information available, the valuation methods and parameters and underlying assumptions used by the executive directors are appropriate overall for the purpose of appropriately measuring the shares in affiliated enterprises.

Reference to further information

The Company's disclosures on the measurement of shares in affiliated enterprises are included in the sections [Accounting, valuation, and calculation methods](#) and "3 – Market value of investments" of the notes to the financial statements.

MEASUREMENT OF RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES

Matter and issue

In the annual financial statements of the Company, technical provisions (so called "claims provisions") amounting to € 11,283 mn (9.4% of total assets) are reported under the "Reserves for loss and loss adjustment expenses" balance sheet item. Of this amount, € 11.121 mn is attributable to the Property-Casualty Insurance business segment.

Insurance companies are required to recognize technical provisions to the extent necessary in accordance with reasonable business judgment to ensure that they can meet their obligations from insurance contracts on a continuous basis. Defining assumptions for the purpose of measuring the technical provisions requires the Company's executive directors, in addition to complying with the requirements of commercial and regulatory law, to make estimations of future events and to apply appropriate measurement methods. The gross provision is generally determined on the basis of the cedents' information or, in the case of outstanding settlements, on the basis of an estimate. The Company reviews the appropriateness of the

cedents' information and, if necessary, makes appropriate increases to the amounts.

The methods used to determine the amount of the claims provisions and the calculation parameters are based on judgments and assumptions made by the executive directors. In particular the lines of products with long claims settlement periods, low loss frequency or high individual losses are usually subject to increased estimation uncertainties and usually require a high degree of judgment by the Company's executive directors.

Minor changes to those assumptions and to the methods used may have a material impact on the measurement of the claims provisions. Due to the material significance of the amounts of these provisions in relation to the assets, liabilities and financial performance of the Company as well as the considerable scope for judgment on the part of the executive directors and the associated uncertainties in the estimations made, the measurement of the claims provisions was of particular significance in the context of our audit.

Audit approach and findings

As part of our audit, we evaluated the appropriateness of selected controls established by the Company for the purpose of selecting actuarial methods, determining assumptions and making estimates for the measurement of provisions for unsettled claims in property-casualty insurance.

With the support of our property-casualty insurance valuation specialists, we have compared the respective actuarial methods applied and the material assumptions with generally recognized actuarial practices and industry standards and examined to what extent these are appropriate for the valuation. Our audit also included an evaluation of the plausibility and integrity of the data and assumptions used in the valuation and an analysis of the claims settlement processes and the reconciliation of the information provided by the cedents. Furthermore, we recalculated the amount of the provisions for selected lines of products, in particular lines of products with large reserves or increased estimation uncertainties. For these lines of products we compared the recalculated provisions with the provisions calculated by the Company and evaluated any differences.

Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are appropriate overall for measuring the technical provisions in property-casualty insurance.

Reference to further information

The Company's disclosures on the measurement of provisions for unsettled claims are contained in section "Accounting, valuation, and calculation methods" in the notes to the financial statements.

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the management report:

- the statement on corporate management pursuant to §289f HGB included in section [Statement on Corporate Management pursuant to §289f of the HGB](#) of the management report
- the [Corporate Governance Report](#) pursuant to No. 3.10 of the German Corporate Governance Code

- the separate non-financial report pursuant to §289b (3) HGB and §315b (3) HGB

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited annual financial statements, the audited management report and our auditor’s report.

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company’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, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company’s position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a 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 management report.

The supervisory board is responsible for overseeing the Company’s financial reporting process for the preparation of the annual financial statements and of the management report.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company’s position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor’s report that includes our audit opinions on the annual financial statements and on the 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 annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors’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 Company’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 annual financial statements and in the 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 Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual 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 auditor by the supervisory board on 8 March 2018. We were engaged by the audit committee of the supervisory board on 14 May 2018. We have been the auditor of the Allianz SE, Munich, without interruption since the financial year 2018.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Richard Burger.

Munich, 25 February 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Richard Burger

Wirtschaftsprüfer
(German Public Auditor)

Julia Unkel

Wirtschaftsprüferin
(German Public Auditor)

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