



ALLIANZ GROUP TAX TRANSPARENCY REPORT 2018

WELCOME

CONTENTS

Allianz Tax Strategy and Principles	3
Tax Compliance, Stakeholder Dialogue and Tax Advocacy	4
Tax Planning	5
Tax Reporting	6
Tax Risk Management and Tax Governance	9
Allianz Group Structure	10

With over 92 million customers in more than 70 countries worldwide, Allianz is one of the world's largest insurers, investors and assistance providers.

This enables us to protect our customers locally and to offer a global portfolio of products and services that meet both our customers' needs and the needs of wider society.

We stand for trust and strive for profitable and sustainable growth that ensures benefits for everyone belonging to our community.

In 2018, our income tax contribution around the world was 2.2 billion Euros. The taxes we pay are an important part of our wider economic and social impact and play a key role in the development of the countries in which we operate.

Allianz acts transparently and responsibly in all tax matters and works closely with experts, auditors and tax authorities to ensure that we pay our fair share of taxes. We have a global tax strategy in place ensuring full compliance in every jurisdiction across the world. In this context, during the revision of our Allianz Standard for Tax Management in 2018, we reinforced the already clear Allianz position on tax havens.

Moreover, we are member of the B Team¹. One of the B Team work streams brought together leading multinational companies and representatives from international civil society organizations to develop a set of principles on responsible tax, which are included in this report and are complementary to our existing disclosures on tax in our Annual and Sustainability Reports. We fully support the principles laid down by the B Team because this builds trust, and we believe that this is an important step to create successful communities and a healthy, civil society.

In 2018, the Allianz Group once again achieved the top position as the most sustainable insurance company in the Dow Jones Sustainability Index. Our approach to transparency regarding our tax practices (for example through our first Tax Transparency Report last year) pays into this leadership position.

With this second Tax Transparency Report, we continue on our path to give a deeper insight into our approach to taxation.

Besides information on tax compliance, governance and risk management, we have enhanced our statement concerning taxes we paid and where they are paid. This will not be the end of our path to more transparency.



Giulio Terzariol
Chief Financial Officer
Allianz SE

¹ See more about the B Team at www.bteam.org: The Allianz B Team principles are reflected in entities in which Allianz hold – directly/indirectly – more than 50% ownership or control.

ALLIANZ TAX STRATEGY AND PRINCIPLES

The Allianz Group seeks to position itself as the world's most trusted financial service provider. Supporting this goal, Allianz Group entities follow a responsible and transparent approach to all tax issues, for which clear rules are defined in the Allianz Standard for Tax Management.



The Allianz Group's general business aspiration is to position itself as the world's most trusted financial service provider. Therefore, our focus is on the following: portfolio strength, market leadership and customer centricity. We strive for profitable and sustainable growth and to remain a solid and trusted partner for our customers and investors. By implementing the Renewal Agenda 2.0, further steps will be made to achieve our strategic plan.

The Allianz Group's tax strategy is closely aligned to our general business aspiration. It comprises the following strategic priorities, which are based on the below named key rules and principles:

- Full compliance with tax regulations, accurate and timely reporting and effective tax risk management.
- Safeguarding of the Group's reputation as a responsible taxpayer.
- Existence of a sound organizational set-up for appropriate tax management.
- Full compliance of tax planning and optimization activities with tax laws, supported by solid business reasons to sustain a credible long-term reputation with tax authorities.

In addition, we aim to continuously improve our tax processes through simplification. Up-to-date digital solutions are implemented to improve the efficient handling of tax-relevant topics.

The principles mentioned above provide the basis for our Allianz Standard for Tax Management which represents the framework and minimum requirement for all tax-relevant processes, methods and structures within the Allianz Group.

The standard defines:

- General rules for the performance of tax activities
- Roles and responsibilities in the tax area throughout the Group
- Organizational aspects and interaction between local tax functions and the Group tax function
- Consultation requirements and reporting lines.

All Group entities have to adhere to the standard when conducting their tax activities.

With this standard, we are committed to a transparent compliance and disclosure policy, seeking to maintain good relationships with the tax authorities and act as a trusted partner. Paying taxes in a timely manner and with accurate amounts is an important way to contribute to societies in which we operate.

TAX COMPLIANCE, STAKEHOLDER DIALOGUE AND TAX ADVOCACY



Transparent and trustworthy dialogue with all stakeholders is fundamental to our corporate policy.

Operating in over 70 countries, Allianz complies with the applicable tax laws wherever we do business.

TAX COMPLIANCE:

Allianz Group has a global reach and operates in over 70 countries worldwide. In most of these countries, Allianz is not only a taxpayer but also a tax collector. Therefore, tax is an integral part of our overall Group business principles and codes. The Allianz Group tax function establishes and oversees the Allianz Standard for Tax Management, including, among other things, local compliance with tax regulations for all Group entities.

To ensure that the requirements of the various tax rules and regulations are fully met in the countries in which Allianz operates, all key operative entities have a tax team of leading professionals with in-depth knowledge of local tax rules and regulations.

In line with our Renewal Agenda 2.0 we ensure their professional development

and promote continuous learning, as well as an ongoing exchange with internal stakeholders.

Allianz complies with the applicable tax laws wherever we operate. We pay tax on profits according to where value is created within commercial activity. Allianz does not use artificially fragmented structures or contracts to avoid establishing a taxable presence in jurisdictions where we do business. Insofar as Allianz operates, in certain cases, in so-called tax havens a decisive prerequisite for engagement is a valid business reason or regulatory requirements.

Trustworthy and transparent communication is of great importance to Allianz. Therefore, we prepare and file all required tax returns. Clear processes ensure complete, accurate and timely disclosure to all relevant tax authorities. Since 2016, the tax compliance management system for our German companies has been officially certified by an external auditor. Furthermore, we provide the authorities with electronic access to tax-relevant documents and are already preparing to comply with the forthcoming EU-wide rules on notifiable cross-border agreements (DAC 6) to be applied from 2020 onwards.

Knowing that our assessment does not always match that of the authorities, we give early notice of possible divergent opinions in order to prevent misunderstandings. However, we constantly aim for certainty in our tax positions and obtain internal or external advice to verify

and validate our position where appropriate. If we seek rulings from tax authorities to confirm an applicable tax treatment, we do so based on full disclosure of all the relevant facts and circumstances.

STAKEHOLDER DIALOGUE AND ADVOCACY:

Allianz is convinced that responsibly conducted tax practices support the economic and societal development of markets.

For the same reasons and equally important, every country's tax system should be sustainable and efficient, and the tax rates should be internationally competitive and determined with a sense of proportion.

Even though recent developments in international taxation have increased the likelihood of double taxation, we expressly support the work at national and international level for a better and fairer tax system, to improve the balance between the various interests of society, politics and business.

That's why Allianz has been involved in public debate on tax regulations for several years now. As a member of several tax-related associations, our positions are represented in a transparent way. Allianz SE is, directly or through its subsidiaries, a member of business associations, including BIAC² and Insurance Europe, and national insurance associations in Germany, France, Great Britain, Italy, USA, Switzerland and Spain.

² Business and Industry Advisory Committee to the OECD.

TAX PLANNING



Our tax activities are conducted with the clear understanding that all facts and circumstances have to be disclosed to the tax authorities.

EFFICIENT TAX PLANNING:

We seek efficiency in tax matters, including the prevention of double-taxation and pay only the tax due, following reasonable interpretation and application of tax rules. We do not engage in aggressive tax planning or artificial structuring that lacks business purpose or economic substance. Our tax activities are conducted with the clear understanding that all facts and circumstances must be disclosed to the tax authorities.

We refrain from discretionary tax arrangements. If jurisdictions offer tax incentives that are publicly available and rule-based, for example to promote a country's economic development and our business activity is within their scope, they are carefully considered. Yet, it depends on the specific needs of our business operations and the overall fit with our investment or business strategy whether such tax incentives are eventually claimed.

International activities and transactions with and between Group subsidiaries are disclosed to the relevant tax authorities as part of our tax returns or other filing requirements. For instance, in Germany, cross-border business relations with affiliated parties are subject to detailed documentation requirements, including their pricing and comparison basis. We ensure that the pricing of our intra-Group activities

is consistent with the OECD arm's length principle, as well as with local transfer pricing rules, to pay adequate tax on profits where the value is created.

ENGAGEMENT IN TAX HAVENS:

Allianz does not use so-called tax havens in order to avoid taxes on activities that take place elsewhere. Allianz regards countries as tax havens if their general corporate income tax rate is less than 10%. The most current "Common EU list of non-cooperative jurisdictions for tax purposes" provides another indication for a tax haven jurisdiction, but Allianz's 10% threshold is decisive. Consolidated Group subsidiaries that are in nil or low tax jurisdictions are located there to carry out operative insurance, reinsurance or asset management activities, including insurance-related administrative or assistance services. The choice of residence in these jurisdictions was and is not tax driven but dictated by business or regulatory reasons. This is made obvious by the fact that fully consolidated entities located in tax havens contributed less than 1% to the Group's profit before income taxes in 2018. Our insurance companies hold diversified investment portfolios that also include so-called alternative assets: equity, debt, or fund investments in real estate or infrastructure. These are asset classes that are particularly beneficial for the policyholder during low-interest periods. These investments can

include fund products that are structured with various legal entities in different jurisdictions, which can contain low or nil tax countries. Our investment will rarely exceed 10% of the total fund volume. Regardless of the lower-tier tax burden, income from such an investment is subject to further taxation in the country of residence of the investing Allianz entity.

Our asset manager units, PIMCO and AGI, have fund-related entities in various jurisdictions. In accordance with international practice, most of them are established in countries that do not impose an additional layer of taxes on the fund itself. This ensures that, when the investment return is taxed at the customer's level in his country of residence, their tax position is the same as if they had made the investment directly. Regardless of where the fund invests, tax will be paid in accordance with the tax rules of those countries; in no case do Allianz Group companies derive tax advantages from the fund jurisdictions. This procedure also applies in those cases where, due to commercial and regulatory reasons, the fund-related entities are established in tax haven jurisdictions.

TAX REPORTING



More granular tax reporting with respect to taxes paid due to newly introduced reporting processes.

GENERAL REMARKS:

Tax reporting intends to inform internal and external stakeholders about where and for what we pay taxes, and about regional variations. It delivers valuable data for informed decision-making in general and, for instance, internal risk modelling and tax risk assessment in particular. Our tax reporting is guided by the principles of accuracy, timeliness, and compliance with external reporting obligations, such as tax disclosures in the IFRS Group, Solvency and Financial Condition, or Country-by-Country Reports.

TAXATION OF ALLIANZ BUSINESS ACTIVITIES:

In simplified terms, our total tax contribution can be split into taxes borne by Allianz (as a taxpayer) and taxes collected by Allianz that need to be passed on to tax authorities specifically on behalf of our policyholders, employees or service providers. Accordingly, taxation of our business activities can roughly be described as the following:

Taxes borne by Allianz

We mainly generate taxable profits from insurance and asset management activities.

As an insurance company, we are offering policyholders insurance coverage for payment (i.e. premiums) whereby the most common forms of insurance coverage

relate to life/health and property/casualty insurance. Our taxable profits stem from premiums received and investment income generated, less administration/commission expenses and settled claims/guarantees.

Under the umbrella of our Allianz asset management units, we also manage client funds through active investment strategies. Here, our taxable income results especially from fees received for asset management activities.

The profits from our insurance and asset management operations are subject to tax at the income tax rates applicable in the country in which such profits are generated. Additional costs result from other taxation e.g. non-recoverable value added tax (VAT) on purchased services, financial transaction tax and stamp duties.

Taxes collected and remitted to fiscal authorities by Allianz

We are obliged to collect and remit taxes for certain activities. The most relevant taxes collected and remitted relate to purchased insurance services by the policyholder (insurance premium taxes), salaries paid to our staff (wage taxes) and annuity/pension payments to policyholders (policyholder taxes).

ENHANCED REPORTING OF TAXES PAID BY ALLIANZ:

Compared to the Tax Transparency Report 2017, for this report we gathered the amount of taxes paid not only from our flagship countries but also from all consolidated entities of the Allianz Group. Thus, by introducing a new Group uniform reporting process for all consolidated entities, we are able to provide a more granular picture of the taxes paid by the Allianz Group. Currently, the reporting of taxes paid is limited to the categories described on the following pages, as we believe that these taxes comprise the most significant payments (income tax, insurance premium tax, wage tax, VAT, tax collected on payments to policyholders). Going forward, we will enhance the reporting process further.

TAX REPORTING

1. INCOME TAXES ACCORDING TO IFRS GROUP FINANCIALS

In the following, we give an overview of the profit before income taxes, effective income tax expenses, effective income tax rates³ and corporate income tax rates in 2018 for our significant flagship countries⁴ and the Allianz Group in total, as reported in our IFRS Group Financials⁵:

	Profit before income taxes € mn	Income taxes € mn	Effective tax rate %	Corporate tax rate %
Germany	1,091.4	643.5	59.0	31.0
USA	2,664.6	451.4	16.9	21.0
France	1,277.5	365.4	28.6	34.4
Italy	958.1	318.4	33.2	24.0
Switzerland	525.5	84.3	16.0	21.0
Spain	458.1	103.4	22.6	25.0
Belgium	275.9	85.5	31.0	29.6
Other	3,148.7	643.8	20.4	n.a.
Group	10,399.8	2,695.7	25.9	n.a.

³ Income taxes according to IAS 12 (current and deferred income taxes) based on Allianz IFRS Group Financials 2018; profit before income taxes based on consolidated figures without intercompany benefit/expense elimination.

⁴ Flagship countries for tax purposes are Germany, USA, France, Italy, Switzerland, Spain and Belgium.

⁵ As published in our Group Annual Report 2018.

In principle; taxable profit is the local GAAP accounting profit adjusted by any tax modifications according to local tax regulations. Technical reserves set up for policyholder liabilities are generally tax-deductible. Some countries restrict the amount of technical reserves that can be deducted some countries exclude specific types of technical reserve from the deduction.

The effective tax rate is the tax rate calculated by dividing the income taxes by the profit before income taxes according to IFRS. Deviations from the corporate tax rate result from any deductions, allowances, incentives or other adjustments unique to that country. A reconciliation of Allianz Group's expected income tax expense with the effective tax expense can be seen in the notes to the consolidated financial statements (p. 136 of our Annual Report 2018).

2. INCOME TAXES PAID

	Income taxes paid € mn
Germany	438
USA	-111
France	376
Italy	384
Switzerland	89
Spain	41
Belgium	46
Other	906
Group	2,169

The 2,169 million Euro of income taxes paid in 2018 is not equal to the income tax expense of 2,696 million Euro recorded in our 2018 IFRS Group Financials. This is due to a number of reasons:

- The income tax expense is based upon the accrual accounting concept that allows for the allocation of a tax expense to the same period in which the underlying taxable item is realized. Contrary to that, cash tax paid during a financial year may include payments or refunds relating to prior financial years, and may exclude final payments or refunds that occur in the next financial year.

- Furthermore, the profit before income taxes in our financial statements may differ from the taxable income reported in tax returns. For example, depreciation periods for accounting and tax purposes may vary. These differences result in deferred taxes in the financial statements to reflect any future taxable events (2018: deferred tax expense 703 million Euro). Income tax expense may also be affected by items that do not result in an immediate cash payment, such as provisions for uncertain tax positions.
- The net refunds of income taxes in the USA result from refunds of prepayments for 2017 due to a lower actual taxable income in 2017 than expected.

TAX REPORTING

3. INSURANCE PREMIUM TAXES (IPT) COLLECTED

	Insurance premium taxes paid € mn
Germany	1,988
USA	93
France	982
Italy	1,003
Switzerland	80
Spain	230
Belgium	184
Other	1,379
Total	5,939

IPT is a type of indirect tax levied on insurance premiums. The IPT is charged to the policyholder and, in most countries, remitted by the insurer to the nominated tax office.

The IPT rates differ from country to country and regarding the type of insurance (motor, fire, etc.).

4. WAGE TAXES COLLECTED

	Wage taxes paid € mn
Germany	568
USA	642
France	589
Italy	223
Switzerland	45
Spain	87
Belgium	23
Other	834
Total	3,011

Wage taxes are paid on behalf of our staff and which we are required to withhold from wages; they are usually calculated as a percentage of the salaries we pay and include income taxes, social security contributions and health provisions (employer and employee share).

5. VALUE ADDED TAX (VAT) PAID & COLLECTED

	Value added tax paid € mn
Germany	431
USA	1
France	83
Italy	148
Switzerland	15
Spain	76
Belgium	31
Other	384
Total	1,169

VAT is a type of indirect tax levied on certain revenues of Allianz acting as entrepreneur and is remitted to the nominated tax office. Besides, Allianz Group incurs VAT and similar sales taxes on goods and services that it purchases. In most countries, insurance products are exempt from VAT and sales tax; therefore, our insurance businesses can usually only recover a small portion of the VAT and sales tax incurred, while the non-recoverable part results in a cost to the Group.

6. TAXES COLLECTED ON PAYMENTS TO POLICYHOLDERS

	Tax on payments to policyholders € mn
Germany	109
USA	376
France	236
Italy	401
Switzerland	21
Spain	50
Belgium	38
Other	60
Total	1,291

In some countries, we are required to deduct tax from annuity/pension payments made to our policyholders and remit this to the relevant tax authority. The tax rates differ from country to country. In general, the policyholders are allowed to credit this tax on their personal income tax liability.

TAX RISK MANAGEMENT AND TAX GOVERNANCE

Effective and strong tax governance and tax risk management are key for Allianz. Processes are in place to identify, assess, control and report tax risks, and are embedded in our overarching governance framework.

TAX RISK MANAGEMENT:

The Allianz approach to tax risk management is consistent with Allianz's general approach to risk management: we actively and continuously identify, assess, monitor and manage tax risks to ensure that they remain in line with our business and strategic objective, taking into account Allianz's appetite towards tax risks.

Effective tax risk management is ensured via the following means:

- All tax-related topics are handled by tax experts that are highly qualified, with an in-depth tax and business expertise.
- Allianz implemented a governance framework that ensures appropriate processes and organizational structures to identify, assess, monitor and manage tax risks at different levels of the Allianz Group.
- Group uniform and well-established reporting processes ensure Group internal communication of any tax risks within different risk categories (strategic, financial, operational or reputational risk).
- The efficiency of the tax risk management process is continuously monitored by the Group tax function via institutionalized oversight processes.

Allianz's appetite for tax risks is low and we therefore seek to minimize tax risks, especially through efficient control-based and state-of-the-art IT-supported processes. If necessary, we seek external advice.

TAX GOVERNANCE:

Board of Management:

The Allianz SE Board of Management is responsible for the Group's business strategy, the Renewal Agenda 2.0, of which our tax strategy is an integral part. The Chief Financial Officer of Allianz SE regularly informs the Board on key strategic tax topics, including updates on tax developments within the Group and on the tax risk assessment. Regular updates on all material tax topics and their current and future impact on Allianz Group's financials are provided to the Chief Financial Officer of Allianz SE.

Tax functions:

The day-to-day responsibility for tax is upheld by our Group and our local tax functions.

In markets with business engagement of more than one Allianz entity, we install centralized local tax functions that are hosted at the local finance function. Our Group tax function serves as the local tax function for Germany and coordinates the local tax functions of the Group.

This allows us to effectively align our tax approach across all our entities, ensures comprehensive information flows and efficiently leverage our tax expertise.

Interaction and coordination:

Regular country-specific and international tax-expert meetings facilitate the continuous interaction and coordination between the Group and our local tax functions. Together with standardized tax risk reporting procedures, this also ensures that local tax risks are assessed from a Group perspective and appropriately reported to and controlled by the Group tax function.

Framework:

The Allianz Standard for Tax Management applies throughout the Group to all our internal and outsourced tax processes and is effectively communicated and published. The Board of Management takes notice of the periodically reviewed standard.

ALLIANZ GROUP STRUCTURE

Allianz SE is the holding company of the Allianz Group. Our Group comprises subsidiaries in more than 70 countries. Here, we show a simplified overview of the Group structure as of December 31, 2018, showing our global presence and operations with our major operating entities.

Approximately 1,000 subsidiaries are part of the consolidated Allianz Group. These consolidated subsidiaries, including information on the respective Group's parent entity/entities owning them, are listed [here](#).

Additionally, the "List of Group Subsidiaries" can be seen in our Annual Report.

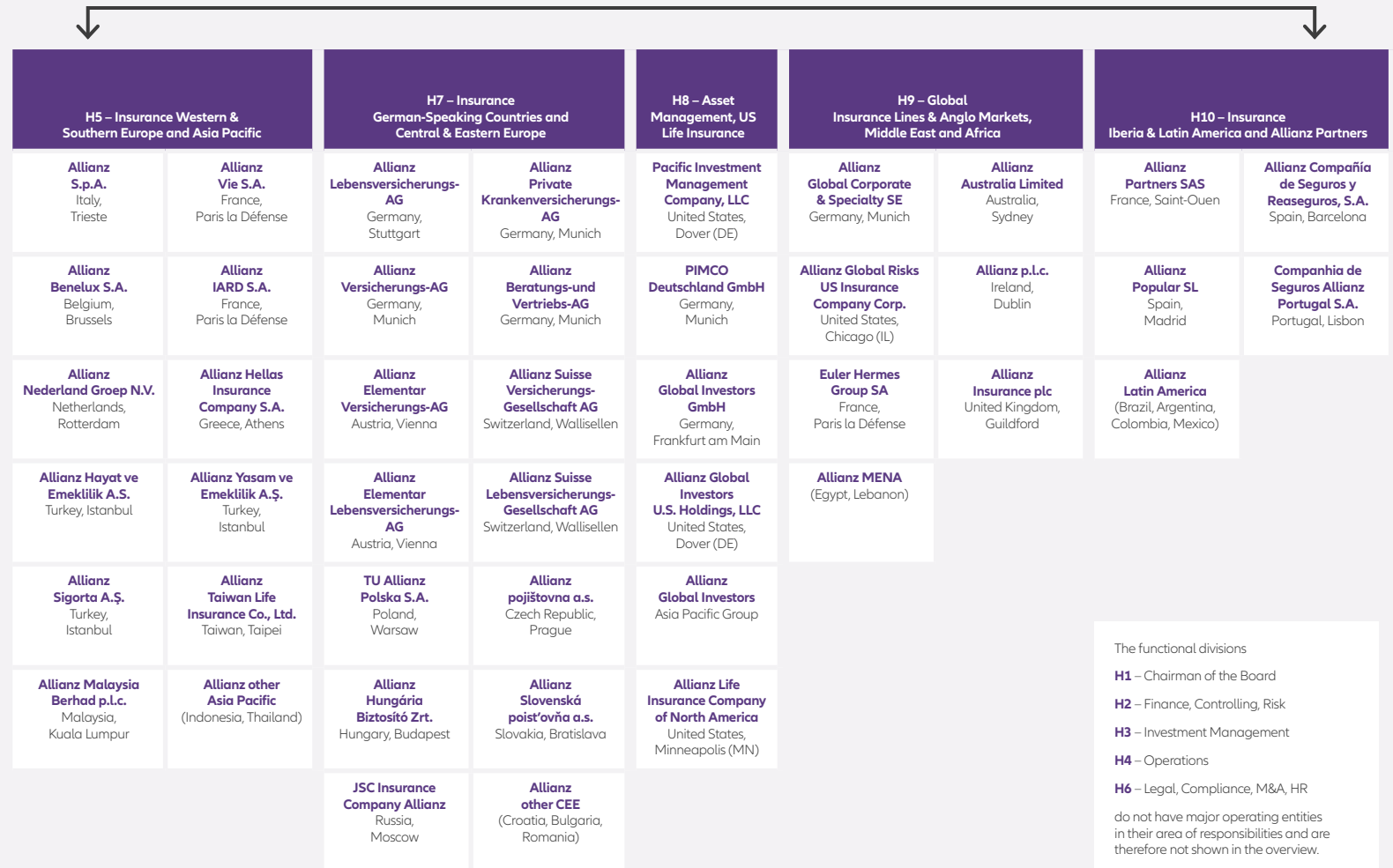
For more information, please refer to the [Annual](#) and Sustainability [Reports](#).

Disclaimer

This report is not audited nor signed off by the Group's external auditor.

This overview is simplified. It focuses on the major operating entities and does not contain all entities of the Allianz Group. Also, it does not show whether a shareholding is direct or indirect. This overview shows the status as of December 31, 2018.

Allianz SE





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