



# Allianz Group **Annual Report 2010** Additional Information

Unaudited

**Allianz** 

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# Business Operations and Markets

Allianz is present in about 70 countries and offers a comprehensive range of insurance and asset management products and services to more than 76 million customers. As a global financial services provider, we are among the top five in 32 markets.

## Business Operations

We serve our customers mainly through three business segments, Property-Casualty insurance, Life/Health insurance, and Asset Management. In addition we report on Banking and other supplementary activities under the segment Corporate and Other. Our

six business divisions and their board members manage our global and regional business lines and entities, while the other four board members, including the chairman of the Board of Management, control group functions, such as Finance, Controlling and Operations.

### Members of the Board of Management and their responsibilities 2010 and 2011<sup>1</sup>

Responsibility/Divisions	Board member
<b>Functional</b>	
Chairman of the Board of Management	Michael Diekmann
Finance	Dr. Paul Achleitner
Controlling, Reporting, Risk	Oliver Bäte
<b>Business</b>	
Insurance Growth Markets	Dr. Werner Zedelius (until December 31, 2010) Manuel Bauer (since January 1, 2011)
Global Insurance Lines & Anglo Markets	Clement B. Booth
Insurance Europe, South America, Africa	Enrico Cucchiani
Asset Management Worldwide	Dr. Joachim Faber
Operations, Assistance Service	Dr. Christof Mascher
Insurance NAFTA Markets	Jay Ralph
Insurance German Speaking Countries, Human Resources <sup>2</sup>	Dr. Gerhard Rupprecht (until December 31, 2010) Dr. Werner Zedelius (since January 1, 2011)

## Insurance Operations

Our product portfolio includes a wide range of property-casualty and life/health insurance products for both private and corporate customers. We are the leading property-casualty insurer globally and among the top five in the life/health insurance business.

<sup>1</sup> For further information on the remuneration structure, including target setting and performance assessment, please refer to the Remuneration Report of the Annual Report 2010.

<sup>2</sup> As of January 1, 2011, Dr. Werner Zedelius oversees the international HR strategy and all central HR functions.

Most of our insurance markets are served by local Allianz companies, while selected business lines (Global Corporate Customers, Credit Insurance, Assistance Services, Reinsurance, Worldwide Care, Reinsurance) are run globally.

For further information about our largest insurance markets, please refer to page 5.

### Selected product range

	Property-Casualty	Life/Health
Private Clients	<ul style="list-style-type: none"> <li>– Motor (liability/ own damage)</li> <li>– Liability</li> <li>– Property</li> <li>– Accident</li> <li>– Travel and assistance</li> </ul>	<ul style="list-style-type: none"> <li>– Endowment</li> <li>– Annuity</li> <li>– Term</li> <li>– Disability</li> <li>– Investment-oriented products</li> <li>– Private health insurance</li> </ul>
Corporate Clients	<ul style="list-style-type: none"> <li>– Property</li> <li>– Liability</li> <li>– Motor fleets</li> <li>– Directors' and Officers' liability</li> <li>– Credit</li> <li>– Marine, aviation and transport</li> </ul>	<ul style="list-style-type: none"> <li>– Group life products</li> <li>– Pension products for employees</li> </ul>

## Asset Management

We are one of the largest active asset managers in the world. Total assets managed by our Asset Management operations as of December 31, 2010 amounted to more than € 1,500 billion. Our business activities in this segment consist of asset management products and services both for third-party investors and for the Allianz Group's insurance operations.

We serve a comprehensive range of retail and institutional asset management clients. Our institutional customers include corporate and public pension funds, insurance and other financial services companies, governments and charities as well as financial advisors. Our retail asset management business is primarily conducted under the brand name Allianz Global Investors (AGI) through our operating companies worldwide. In our institutional asset management business, AGI operates under the brand names of our investment management entities (PIMCO, RCM, AGI Capital).

AGI managed € 1.1 trillion of third-party assets as of December 31, 2010, both from retail and institutional clients. AGI's share represented 98.4% (2009: 97.4%) of our total third-party assets on a worldwide basis. AGI operates on a global basis with investment and distribution capacities in all major markets with particular strongholds in the United States, Germany, France, Italy, United Kingdom and in the Asia-Pacific region. We are also represented in China by participating in our joint venture Guotai Allianz Finance Management. In India, we are represented by Bajaj Allianz Global Investors, a joint venture with Bajaj.

### Selected product range

	Equity	Fixed-Income
Retail and institutional clients	<ul style="list-style-type: none"> <li>– Systematic</li> <li>– Sector funds</li> <li>– Country funds</li> <li>– Stocks plus</li> </ul>	<ul style="list-style-type: none"> <li>– Money market</li> <li>– Low duration</li> <li>– Real return</li> <li>– Global</li> <li>– Investment grade</li> <li>– Diversified income</li> <li>– High yield</li> <li>– Emerging markets</li> <li>– Convertible bonds</li> </ul>
	Alternatives	Solutions
<ul style="list-style-type: none"> <li>– Hedge fund of funds</li> <li>– Commodity funds</li> <li>– Certificate funds</li> <li>– Real estate</li> <li>– Structured products</li> </ul>	<ul style="list-style-type: none"> <li>– Life-cycle concepts</li> <li>– Multi-asset solution</li> <li>– Variable-annuity products</li> <li>– Asset/Liability management</li> <li>– Risk management concepts</li> </ul>	

## Corporate and Other

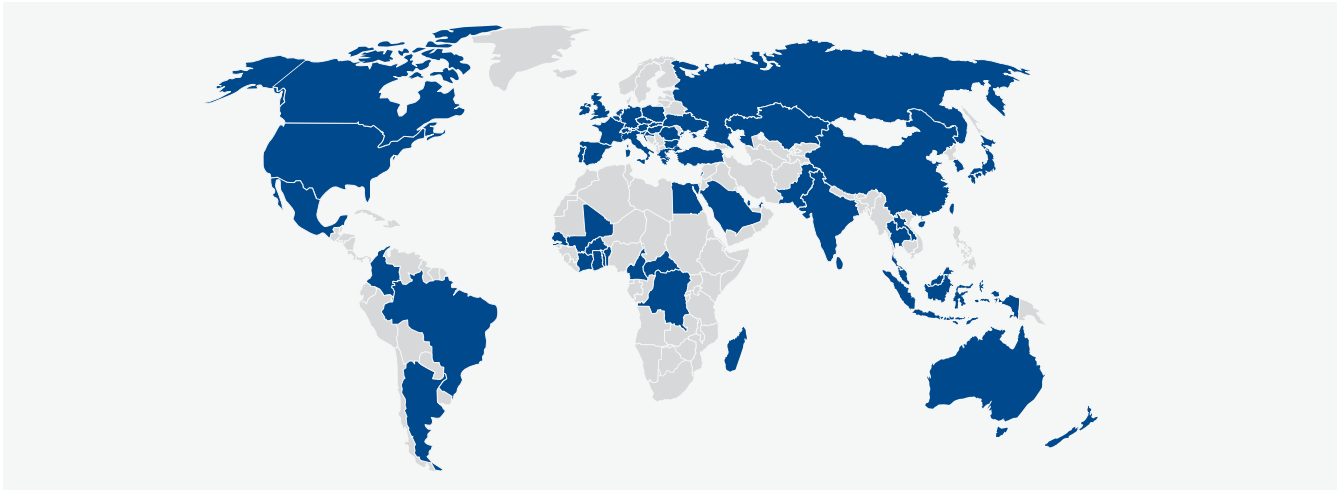
The following four functional divisions are part of the Corporate and Other segment: the Chairman's division, the Controlling/Reporting/Risk division, the Finance division and the Chief Operating Officer's division. The Corporate and Other segment's activities include the management and support of Allianz Group's businesses through its strategy, risk, corporate finance, treasury, financial control, communication, legal, human resources and technology functions, as well as Banking and Alternative Investments.

### Banking Operations

Our banking operations support our insurance business and complement our product offerings in Germany, Italy, France and Central and Eastern Europe. In the Banking business we focus on our core market Germany under the brand name Allianz Bank. Allianz Banking Germany is a division of Allianz Deutschland AG and contains Oldenburgische Landesbank AG and the banking customers originally introduced to Dresdner Bank through the tied agents network. Oldenburgische Landesbank is Allianz's main banking product and service provider in Germany. While retail clients are the main focus, the bank offers a wide range of products for corporate and retail clients alike. In addition to our banking activities, the distribution of banking products through our German insurance agents' network is important. The number of Allianz Bank branches and certified agencies, offering integrated financial services and products, increased from 130 to 694. Additional agencies are planned to be certified in 2011. Due to their limited size, banking operations are reported as part of the Corporate and Other segment.

In our ongoing portfolio management, we reviewed our banking operations in Hungary and Poland and decided to sell Allianz Bank Zrt., Budapest (completed in 2010), and Allianz Bank Polska SA (expected in 2011).

## Worldwide Presence and Business Divisions



### Insurance German Speaking Countries

● I.	● I.	●	Germany
● II.	● II.		Switzerland
● II.	● III.		Austria

### Insurance Europe, South America, Africa

● II.	● II.	●	Italy
● II.	● IV.		Spain
● III.	● III.		Portugal
● III.	● III.		Greece
● II.	● III.		Turkey
● II.	● III.	●	France
● III.	● III.		Belgium
● II.	● III.		Netherlands
● IV.	● IV.		Luxembourg

#### South America

● IV.			Argentina
● III.	● III.		Brazil
● II.	● III.		Colombia

#### Africa

● II.			Benin
● II.	● II.		Burkina Faso
● II.	● I.		Cameroon
● II.			Central Africa
● —			Ghana
● II.	● II.		Ivory Coast
● II.	● —		Madagascar
● II.			Mali
● I.	● II.		Senegal
● II.			Togo

### Insurance NAFTA Markets

● IV.	● III.		United States
● IV.	● IV.		Mexico

### Global Insurance Lines & Anglo Markets

● III.			United Kingdom
● II.	● IV.	●	Australia
● II.			Ireland
● II.			Allianz Global Corporate and Specialty
● I.			Credit Insurance
● —	● —		Reinsurance
	● —		Allianz Worldwide Care

### Insurance Growth Markets

#### Asia

● I.			Brunei
● IV.	● IV.		China
● IV.			Hong Kong
● II.	● II.		India
● III.	● II.		Indonesia
● IV.	● IV.		Japan
● I.	● I.		Laos
● I.	● III.		Malaysia
	● —		Pakistan
● IV.			Singapore
	● III.		South Korea
● III.	● III.		Sri Lanka
	● III.		Taiwan
● IV.	● III.		Thailand

#### Central and Eastern Europe

● II.	● I.	●	Bulgaria
● II.	● I.		Croatia
● II.	● III.		Czech Republic
● I.	● II.	●	Hungary
● II.			Kazakhstan
● II.	● II.	●	Poland
● II.	● III.		Romania
● II.	● III.		Russia
● I.	● I.		Slovakia
● IV.			Ukraine

### Insurance Growth Markets

#### Middle East and North Africa

● IV.	● III.		Bahrain
● III.	● II.		Egypt
● II.	● II.		Lebanon
	● —		Qatar
● III.	● III.		Saudi Arabia

### Asset Management

#### America

●	●		United States
●			Canada

#### Europe/Middle East

●	●		Germany
●	●		France
●	●		Italy
●	●		Portugal
●	●		Spain
●	●		Switzerland
●	●		Austria
●	●		Netherlands
●	●		UK
●	●		Nordics
●	●		Middle East

#### Asia-Pacific

●	●		Japan
●	●		Hong Kong
●	●		Taiwan
●	●		Singapore
●	●		South Korea
●	●		China
●	●		India
●	●		Australia

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

### Travel Insurance and Assistance Service

Via Mondial Assistance Group, we are the worldwide leader of travel insurance and assistance services, based on revenue<sup>1</sup>. Mondial Assistance is one of our fast growing entities, entering new markets and successfully developing highly sophisticated new products. Some services provided by Mondial are sold with our insurance products, thus enriching our global portfolio.

<sup>1</sup> Source: Own local estimations as of 2009.

## Our Largest Insurance Markets

The following sections give an overview of our business operations in our largest insurance markets by business divisions.

### Insurance German Speaking Countries

Selected markets		motor/non-motor as % of total property-casualty gross premiums		traditional/non-traditional as % of total life statutory premiums <sup>1</sup>	Statutory gross premiums written	Operating profit	Number of customers <sup>2</sup> (mn)	Proprietary networks <sup>3</sup> (thou)	Number of brokers (thou)	Number of employees (thou)
Germany	I.	35% 65%	I.	79% 21%	€ 28,183 mn	€ 1,771 mn	19.3	15.2	10.4	28.3
Switzerland	II.	49% 51%	II.	39% 61%	€ 2,891 mn	€ 229 mn	1.0	1.0	0.7	2.0
Austria	II.	44% 56%	III.	80% 20%	€ 1,288 mn	€ 99 mn	1.1	1.4	0.8	2.9

● Property-Casualty ● Life/Health

Market position by gross premiums written:<sup>4</sup> I. Position 1 II. Position 2 to 5 III. Position 6 to 10 IV. not in the top 10

#### Germany

We serve our customers in Germany a full range of insurance and financial services through Allianz Deutschland AG. Products are provided by Allianz Versicherungs-AG (Allianz Sach), Allianz Lebensversicherungs-AG (Allianz Leben) and Allianz Private Krankenversicherungs-AG (Allianz Private Kranken). Since 2009 Allianz in Germany (including Oldenburgische Landesbank AG and Allianz Bank) offers a variety of banking products. Our products are distributed mainly through a network of full-time tied agents. Since September 2010 all Commerzbank branches sell Allianz products, which will increase the importance of the banking distribution channel. The Allianz Beratungs- und Vertriebs-AG serves as our distribution company.

As the market leader in the German **property-casualty** market, we offer a wide variety of insurance products for private and commercial clients. Germany is a rather mature market for property-casualty business, with a high degree of competition. In 2010, the motor business was affected by our portfolio cleaning in fleets

and fewer car pools in commercial lines. In addition, we experienced strong price competition in the non-motor commercial business.

For **life insurance**, we are active in the private and commercial markets and offer a comprehensive range of life insurance and related products. The main classes of coverage offered include annuity, endowment and term insurance. In our commercial lines, we offer group life insurance and provide companies with services and solutions in connection with pension arrangements and defined contribution plans. In 2010, we successfully increased our market share for traditional life products with individual and group contracts. Through our selective sales approach we lost some market share for short term capitalization products.

Through Allianz Private Kranken, we provide a wide range of **health insurance** products, including full private health care coverage, supplementary health and care insurance as well as foreign travel medical insurance. For our health insurance business with its two basic products - full health care coverage and supplementary insurance - conditions of health care

1 We define IFRS-premiums as "traditional" and deposits from insurance and investment contracts as "non-traditional". This also applies to the following pages.

2 Customer figures are not directly comparable to financial figures. Country specifics are also excluded (e.g. Microinsurance Clients, Pension Funds Clients and Pet Plan Clients). This also applies to the following pages.

3 Including agents and financial advisors. This also applies to the following pages.

4 Source: Own local estimations as of 2009. This also applies to the following pages.

policy have improved recently (e.g. the waiting period, necessary for the changeover from public state health insurance to private health insurance, has been reduced from 3 years to 1 year again, effective from 1 January 2011). We expect the demand for both products to grow. Through the strategic cooperation of Allianz Private Krankenversicherungs-AG with the KKH-Allianz we can offer a comprehensive sales channel for supplementary products.

We expect the property-casualty market to remain challenging but with a slight increase in premiums especially in motor. Nevertheless, our key challenge is to maintain profitability by enforcing a strong underwriting discipline as well as effective claims management. We will furthermore extend our cooperation with the automobile industry and increase our position in the direct market under the brand of AllSecur. For our life business, we anticipate growth opportunities as we see an increasing demand for private retirement products and retirement provisioning in general. In order to further strengthen our position in the German market, we continue to develop our customer-focused organization and aim to provide our clients with more integrated products from all our segments for every stage of their lives.

### Austria

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

The Austrian **property-casualty** market is very competitive, especially in the motor segment. In 2010 Allianz Austria maintained both its premium level of 2009 and the good level of profitability, despite strong price pressure in motor and a marginal indexation of in force business caused by low inflation.

In Austria, we offer traditional **life/health** insurance contracts, government subsidized products as well as unit-linked and investment-oriented products. In 2010 the Austrian life market was driven by single premium business in the bank assurance channel.

As Allianz Austria does not offer products via the bank assurance channel we could not fully participate in this trend and therefore faced a decline in premiums. Nevertheless, Allianz Austria remains in a good competitive position in both traditional and corporate business. In recent years, Allianz Austria has outperformed the market in terms of profitability.

Over the next few years, we expect a slight improvement in the market prices in motor. In the short term, we will focus on maintaining our good levels of profitability and on benefiting from our excellent technical know-how. Allianz Austria will continue to put profitability first and we believe that there is good potential for mid-term growth in the Austrian market, once financial market conditions further improve.

### Switzerland

We serve the Swiss property-casualty market through Allianz Suisse Versicherungs-Gesellschaft AG, CAP Rechtsschutz AG and Quality 1. The subsidiaries Alba Allgemeine Versicherungs-Gesellschaft AG, Phenix Versicherungsgesellschaft AG and Phenix Lebensversicherungsgesellschaft AG were sold to the Helvetia Group in 2010.

The biggest and most important line of business in **property-casualty** is motor with a market share based on turnover of approximately 16%.<sup>1</sup> Besides motor, our broad product range for private and commercial customers includes property, liability, accident and health solutions. In 2010, strong price pressure, especially in motor, and a competitive environment had an impact on the property-casualty market. Significant growth was achieved in the areas of corporate insurance and accident insurance. With the implementation of the "FIT for the future" program in 2009 – our cost reduction, re-organization and customer focus initiative in Switzerland – we have sought to improve our customer focused approach and introduced a new cost-efficient structure which complies with the Group's target operating model.

<sup>1</sup> Source: Own estimations based on published annual reports 2009.



We offer a wide range of individual and group **life** insurance products, including retirement, death and disability products through Allianz Suisse Lebensversicherungs-Gesellschaft AG. The sale of unit-linked products still suffered from the effects of the financial crisis and we observed a shift in the market in favor of traditional products with minimum guarantees. 2010 has been dominated by growth in group life business, which was above the market average. On the other hand, due to the low interest rate environment, Allianz Suisse limited the underwriting of traditional single life business resulting in a decline in business

volume. Given an increasing need for financial precaution, the high levels of disposable income, and per capita wealth in Switzerland, we believe that the Swiss market offers further potential for growth in our retirement and investment products.

Allianz Suisse will further leverage the FIT program in 2011. We expect to reap the benefits from 2011 onwards, which will help us overcome strong competition and price pressure. We believe that our strong customer focus and service standards, as well as our favorable cost position are the basis for our success in the coming years.

## Insurance Europe, South America, Africa

Selected markets		motor/non-motor as % of total property-casualty gross premiums		traditional/non-traditional as % of total life statutory premiums		Statutory gross premiums written	Operating profit	Number of customers (mn)	Proprietary networks (thou)	Number of brokers (thou)	Number of employees (thou)
Italy	II.	62%	38%	II.	7%	€ 12,827 mn	€ 662 mn	5.9	18.8	0.5	5.5
Spain	II.	66%	34%	IV.	42%	€ 2,937 mn	€ 395 mn	3.4	7.1	4.3	2.4
France	II.	43%	57%	III.	42%	€ 11,314 mn	€ 613 mn	5.1	5.6	1.2	12.1
Netherlands	II.	60%	40%	III.	45%	€ 1,225 mn	€ 102 mn	1.5	—	5.1	1.3

● Property-Casualty ● Life/Health

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

### Italy

We serve the Italian market primarily through Allianz S.p.A., which is our company mainly dedicated to the agent and broker channels. We also distribute our products through Genialloyd (a leading company in direct business), Allianz Bank, with its associated Financial Advisors network (one of the top 5 in the market<sup>1</sup>) and the bancassurance channel (Unicredit as main partner).

In **property-casualty**, our most important line of business is motor. We also have a strong presence in fire, personal accident and general liability insurance. After several years of significant deterioration in technical profitability resulting from the implementation of the Bersani law, in 2010, the pricing trend seems to have finally reverted. At the same time, trading conditions in non-motor remained very difficult. Moreover,

legal changes such as the introduction of Milan indemnity tables have significantly increased the cost of claims.

Allianz Italy continued to privilege profitability over growth, leveraging its efficiency advantage, superior technical know-how, strict underwriting and its strong distribution networks. Particularly notable in this difficult environment was the growth of more than 22% in direct (Genialloyd), coupled with a combined ratio of 86%.

After a particularly strong growth in 2009, the Italian **life** market has shown good progress, also in 2010, especially during the first half of the year. In the second half of 2010, demand shifted from traditional to unit-linked products, thanks to the positive development of financial markets. Allianz Italy performed well across its entire distribution network.

<sup>1</sup> Source: Own estimations.

Overall, while the trend toward acceptable market profitability is likely to continue, we expect the Italian insurance market to remain very challenging. However, we also expect to benefit from our technical know-how, IT-infrastructure and strong brand. We continue to focus on first class customer service, efficiency enhancement and adherence to profitable underwriting in property-casualty. In life/health as well as in property-casualty, we will seek to deliver further product innovations to our customers.

### Spain and Portugal

Allianz in Spain serves the [property-casualty](#) market through the operating entities Allianz Compañía de Seguros y Reaseguros S.A. and Fénix Directo S.A. Life products are provided through Allianz Compañía de Seguros y Reaseguros S.A. and Eurovida, our joint venture with Banco Popular. Our Portuguese company is Allianz Companhia de Seguros.

Besides motor, which is our largest line of business, we offer products for property and liability protection and [life/health](#) coverage in both Spain and Portugal. In Portugal, we also offer workers compensation.

We distribute our products through over around 11,400 agents and brokers in Spain, and over 3,600 in Portugal. In both countries, we maintain strong bancassurance partnerships, cooperating with Banco Popular in Spain and with BPI in Portugal.

In 2010, the economies of Spain and Portugal were severely affected by the global crisis. The property-casualty markets stagnated in both countries, also driven by the expiration of the public incentives for car sales in 2010. In this situation, we clearly outperformed the Spanish and Portuguese markets in terms of growth (premiums and customers) and profitability. The life market grew in Portugal while it shrank in Spain. In both countries, our life operations developed favorably, particularly in traditional lines.

We expect, that the Iberian region will recover more slowly than other E.U. member states from the economic crisis. Unemployment remains at very high

levels, particularly in Spain. And yet, we remain confident that our efficient operating platform and strong distribution capabilities in Spain and Portugal will enable Allianz to outperform the market.

### France

We serve the French market through Allianz France, a major market participant in insurance and financial services. We offer a broad range of property-casualty and life/health products for individuals and corporate customers alike, including property, injury and liability insurance as well as short-term investment and savings products. Our sales force of over 2,000 agents, 2,500 life consultants, 350 health consultants, over 1,200 brokers, over 500 independent financial advisors and many partnerships serve over 5 million customers.

In addition to the traditional sales channels, we distribute our products via the direct sales channel AllSecur. In 2010, we bridged these channels by launching our eAllianz platform which offers our customers and sales force a free and flexible choice over their preferred channel.

The French [property-casualty](#) market has seen limited growth in recent years and was significantly affected by natural catastrophes in 2010, as in 2009. In this competitive segment, we continue to focus on increasing efficiency by optimizing processes and the structure of the company. We continue to implement actions within the four levers of our strategic plan in France: financial & technical performance, profitable growth, operational excellence and performance culture.

We consider the French [life and health](#) business to be a growth area. In the highly competitive life market, we respond to the needs of our demanding customer base with an attractive range of traditional and unit-linked products in both group and individual business. Product innovations allow us to continue to provide attractive products to our customers, even in the current low interest rate environment. As with property-casualty, we focus on operating profitability.

Allianz France also has a strong position in the dynamic health market for individual and institutional clients. Our expertise in this area allows us to successfully serve French and international clients alike, often combining elements of life, health and accident insurance as comprehensive solutions for our customers.

Our insurance activities are complemented by Allianz Banque which permits us to offer one-stop solutions such as combining our life offering with deposits on mortgage loans.

In the French property-casualty market, competition will remain tough, even though we expect Allianz and the market to benefit from price increases. The evolution of the Life market in France will, to a certain extent, depend on the outcome of ongoing discussions on further regulatory and fiscal changes. With our pricing, underwriting, internal efficiency and distribution measures we are well positioned to create value under these market conditions.

### The Netherlands

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

The Dutch insurance market is characterized by intense competition and Allianz has chosen to focus on profitability. The Dutch unit-linked life insurance market suffered from discussions in the media about the transparency of cost loadings. As one of the first players in the market to react, we have proactively picked up this challenge by replacing our product range with a new set of products with transparent cost structure enabled by state-of-the-art technology and processes.

We expect competition to remain intense in 2011, but market prices should increase, allowing margins to recover to some degree.

### Belgium

Allianz Belgium S.A. markets a wide range of life and property-casualty insurance products. Life insurance continues to be the major product line. Allianz Belgium grew dynamically in 2010, largely driven by the award-winning Invest for Life product.

Despite strong competition, Allianz Belgium also managed to grow in property-casualty insurance. Profitability was negatively affected by several natural catastrophes in Belgium in 2010: Xynthia, summer storms and the November floods. Nevertheless, our combined ratio remains below the peer average.<sup>1</sup>

We distribute our products and services only through brokers. We have re-enforced our strong commitment through the implementation of our new broker strategy, whilst continuously advancing and tailoring our services and product offerings to our partners.

In 2011, the competition for insurance products in general will remain strong, even though we expect an increase in market prices, allowing margins to recover slightly.

### Turkey

We serve the Turkish market through our entities Allianz Sigorta A.S. and Allianz Hayat ve Emeklilik A.S. We offer a wide variety of property-casualty products, both in retail markets (distributed mainly via agents) and in commercial markets (distributed mainly via brokers). We also provide life insurance and pension solutions to our customers.

In property-casualty, trading conditions continued to be very difficult, with many insurers suffering significant losses. Allianz Turkey however achieved profitability significantly above the market average by focusing on growth in profitable lines. Looking ahead, we are optimistic that due to new reserve requirements price levels will increase. As we already operate on a solid capital base, we expect to profit from this development.

<sup>1</sup> Source: Own estimations.

### South America

In South America, three companies form the basis of our local presence: Allianz Brazil Seguros S.A. in Brazil, Aseguradora Colseguros S.A. in Colombia and Allianz Argentina Compañía de Seguros S.A. in Argentina.

In all three markets, we focus on **property-casualty**, where motor generally represents the largest individual line of business, followed by industrial. In addition to offering **life** insurance in Colombia, we are also one of the leading **health** insurers in both Brazil and Colombia. Distribution is primarily done via brokers.



We are particularly pleased about the exceptional performance of the Brazilian insurance market, which mirrors the strong growth of Brazil overall as it develops into a major economy. Even though the general performance of the insurance sector was very strong, Allianz Brazil still managed to surpass market growth by a solid margin. For the future, we believe that the South American markets in which we are present offer significant potential for further growth. We will continue to strengthen our presence in this region, particularly in retail lines.

### Africa

In Africa we serve the market through Allianz Africa, the specialist of Allianz for Sub-Saharan Africa. We have local subsidiaries in ten sub-Saharan countries, including 450 employees and additional partners in bordering countries. Providing both insurance and reinsurance coverage, we serve the market via a multi-channel distribution network consisting of agents, local and international brokers, as well as direct and bancassurance partnerships. We offer **property-casualty** products in all African countries where we are present. **Life** products are offered by our operating entities in Burkina Faso, Ivory Coast, Cameroon, Madagascar and Senegal.

We intend to consider further business opportunities in Africa when appropriate, with a focus on organic growth.

### Insurance NAFTA Markets

Selected markets		motor/non-motor as % of total property-casualty gross premiums		traditional/non-traditional as % of total life statutory premiums	Statutory gross premiums written	Operating profit	Number of customers (mn)	Proprietary networks (thou)	Number of brokers (thou)	Number of employees (thou)
United States	IV.	6% 	III.	9% 	€ 11,505 mn	€ 627 mn	1.3	—	—	5.3

● Property-Casualty ● Life/Health

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

### United States

Our property-casualty insurance business in the United States is conducted through Fireman's Fund Insurance Company (Fireman's Fund) as well as the U.S. operations of Allianz Global Corporate & Specialty (AGCS). Our life and annuity business is run through Allianz Life Insurance Company of North America (Allianz Life U.S.).

Through Fireman's Fund, we underwrite personal, commercial and agribusiness lines, selling these products through independent agents and brokers. Our personal business unit focuses on affluent and high net worth individuals, while our commercial business unit offers specialized **property and casualty** coverage for small and medium-sized businesses. Our agribusiness unit offers crop, farm and ranch insurance.

In 2010, the U.S. property-casualty insurance market experienced fewer hurricane landfalls but more winter storms than the previous year, but the market continues to be soft. In addition, the state of the economy continues to put pressure on premium growth. Nonetheless, in 2010, we benefited from very favorable underwriting experience in the agribusiness unit (strong crop yields and prices). Fireman's Fund is one of the few carriers in the United States that has a national personal and commercial presence. Our strategy has two pillars: on the one hand, strengthening the existing business by continuously investing in infrastructure; and on the other hand, leveraging infrastructure capabilities to grow geographically diverse and to expand our personal and commercial presence. Our product offerings have grown over the last years as we released our first general market property and motor products, both branded under the Allianz name. Along with our ongoing focus on niche market strengths, these actions allow us to address a significantly larger part of the market and exploit additional attractive growth opportunities. We also continue to focus on targeted actions to strengthen underwriting and improve expense efficiency in light of the soft market.

Our **life** and **annuity** business primarily underwrites fixed, fixed-indexed and variable annuities, which are sold through independent distribution channels, as well as large financial institutions such as banks and wirehouses. Market conditions for the U.S. life insurance industry recovered in 2010, with strong competition. The industry as a whole reacted to the economic crisis by re-designing their product offerings, in particular the Variable Annuity products. Our life insurance business in the U.S. made significant changes to its product portfolio over the last two years, with the aim of continuing to create and offer value-added products to help our customers address their financial needs, particularly in the retirement market. Our Life and Annuity insurance performed well and was able to expand both product portfolio and distribution partnerships.

For 2011, we do not expect significant premium growth in our property-casualty business, which is in line with the uncertain economic development ahead. The soft market has persisted longer than many expected, with revenues under additional pressure from economic conditions and lower exposures. Whilst pricing has declined at a slower rate, claims inflation will continue to exert pressure on underwriting results.

Although the U.S. industry is over the worst of the crisis, we only expect a gradual recovery of life insurance sales, particularly in the annuity market. We foresee continued uncertainty regarding economic growth, paired with equity market volatility and a low interest rate environment, and yet regulatory uncertainty has decreased, especially regarding distribution. We continue to believe that the U.S. demographic development presents a compelling opportunity in the retirement market. To position ourselves to reap the benefits of this opportunity we will further strengthen our distribution network and value proposition to our policyholders.

### **Mexico**

We serve the Mexican market via our company Allianz México, S.A. Compañía de Seguros. We offer **property-casualty** and **life/health** products. The distribution is primarily done via brokers. Our unit in Mexico recorded strong growth in recent years, most notably in life/health product lines.

We view Mexico as an attractive market due to its significant economy, strong market growth, regulatory effectiveness and potential for growth in insurance demand.

## Global Insurance Lines and Anglo Markets

Selected markets		motor/non-motor as % of total property-casualty gross premiums		traditional/non-traditional as % of total life statutory premiums	Statutory gross premiums written	Operating profit	Number of customers (mn)	Proprietary networks (thou)	Number of brokers (thou)	Number of employees (thou)
Australia	II.	46% 54%	IV.	100%	€ 2,161 mn	€ 302 mn	2.7	—	2.0	3.5
United Kingdom	III.	26% 74%	—	—	€ 1,939 mn	€ 185 mn	0.9	—	5.2	4.2

● Property-Casualty ● Life/Health

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

### Australia

Allianz Australia Insurance Ltd. is our operating entity serving the Australian and New Zealand **property-casualty** markets. Since 2006, Allianz sells **life** insurance products in Australia under the company name of Allianz Australia Life Insurance Ltd.

Our Australian insurance operations include a variety of products and services, with strong positions in the workers' compensation market, as well as in rehabilitation and occupational health, safety and environment services. We also operate in certain niche markets, including premium financing and pleasure craft insurance. Allianz Australia markets products through brokers and non-tied agents, as well as directly to customers. Furthermore, we expanded our premium financing business to include receivables financing.

Market conditions in Australia remain competitive. There is a softening of premium rates at the top end of the market with rate increases commensurate with inflation in other products. This pattern is expected to continue into 2011.

### Ireland

Allianz holds third position in the Irish insurance market, based on turnover. We offer a full range of **property-casualty** products for both commercial and retail customers via direct, broker and bancassurance distribution channels. The difficult economic environment in 2010 led to falling exposures in commercial lines, a segment which is still characterized by over-capacity and severe competition. Rate increases were implemented during the year in personal lines and

another severe freeze at the end of 2010 will make further rate corrections necessary. The restructuring program, which commenced in 2009, delivered the full cost saving benefit in 2010 and helped maintain the competitive position of Allianz Ireland in this difficult environment.

For 2011, we expect the market to remain challenging depending on the recovery of the economic environment.

### United Kingdom

We serve the market in the United Kingdom primarily through our subsidiary Allianz Insurance plc. We offer a broad range of **property-casualty** products, including a number of specialty products, which we sell to retail and commercial customers through a range of distribution channels, including affinity groups.

In 2010, we made significant further progress in establishing a profitable and expanding retail business. We continued to win substantial business with large corporate partners and we focused on enhancing our pricing expertise. Our commercial lines business continued to outperform our key competitors in terms of growth and profitability.

Operating in a highly competitive market, Allianz Insurance plc continues to concentrate on active cycle management in order to support operating profitability. We seek to capitalize on growth opportunities that offer a profitable correlation between premium rates and risks and forego premium growth in areas which do not offer an adequate risk return.

### Allianz Global Corporate & Specialty

Allianz Global Corporate & Specialty (AGCS) is the dedicated Allianz insurer for **corporate and specialty** clients in numerous industries around the world. In addition to its own teams and offices in nearly 30 countries, AGCS is able to support its clients' businesses in some 150 countries around the world through the Allianz network and selected local partners. AGCS offers property, liability, financial lines and engineering insurance solutions to corporate clients (with a particular focus on larger corporations or those with multi-national risk exposures) as well as specialty coverage, such as marine, aviation, and energy. Additionally, the unit works closely with Allianz Risk Transfer to develop and deliver customized non-traditional risk transfer solutions for complex risks.

AGCS continues to integrate its business under a single structure and framework, thereby managing a diversified portfolio of risk management solutions and services while realizing synergies and increasing efficiency worldwide. In 2010, AGCS launched branches in Belgium, the Netherlands, Spain, Dubai and South Africa, and it took over the management responsibility for Allianz property & casualty units in Singapore, Hong Kong and Japan.

Despite the impact of significant natural catastrophe events, in particular the earthquake in Chile, 2010 remained a profitable year for AGCS, demonstrating the value of the company's global diversification, through both product lines and geographical spread of exposures. Overall, the outlook for 2011 remains positive as the company expands its services around the world. The market outlook for corporate and specialty business should remain stable on the whole in terms of pricing.

### Credit Insurance

We underwrite **credit insurance** in major markets around the world through our subsidiary Euler Hermes, the global leader in this sector<sup>1</sup>. Euler Hermes provides businesses with protection against the risk of non-payment of accounts receivables and buyer insolvency. Additionally, Euler Hermes holds strong

positions in bonding and guarantees, debt collection and fidelity insurance. As a result, the group offers a comprehensive range of services for the management of trade receivables to help companies of all sizes and in every industry sector to develop their business safely in their home as well as in export markets.

Euler Hermes aims to run its business in the most efficient way and launched its transformation project "Excellence" in 2010. The goal is to deliver market-leading levels of service and improve the group's long-term competitive edge over the next three years. On the market side, Euler Hermes aims to enable growth through a new global customer segmentation, a service model granting higher client satisfaction and growth strategies for selected regions and business sectors. On the cost side, Euler Hermes strives to build an efficient global platform able to generate operational productivity gains through harmonized tools and processes.

Since June 2009, Euler Hermes has been gradually increasing risk coverage to help its customers benefit from the economic upswing. At the same time, Euler Hermes' performance has seen a rebound as revenues increased during the last year while claims declined sharply, reaching a low point in August 2010. Proactive communication efforts towards the group's clients have had a significant and positive impact on customer satisfaction and loyalty.

Thanks to the specific actions taken in combination with a prudent asset management approach, Standard & Poor's reconfirmed Euler Hermes' AA- rating with stable outlook in July 2010, the soundest in the credit insurance industry.

For 2011, we expect the global economy to continue to grow, albeit at a lower pace than in 2010. Worldwide corporate insolvencies should decline further next year. However, the decrease is likely to be moderate as insolvencies still remain at higher levels than before the crisis.

<sup>1</sup> Source: Own estimate based on information from the International Credit Insurance and Surety Association, ICISA.

The overall goal remains to consolidate and extend Euler Hermes' market leadership in credit insurance by increasing customer satisfaction, and maintain its positions in bonding and guarantees, as well as debt collections. In regards to Euler Hermes' core business, credit insurance, a growth strategy has been defined for emerging markets such as Latin America and Asia Pacific.

### Allianz Worldwide Care

Allianz Worldwide Care (AWC), based in Dublin, is our specialist **health** insurer offering international health products to expatriates worldwide and to high net worth individuals in emerging markets. Our products are distributed by brokers, agents as well as our direct internet and call center offering. Due to tight expense control, process improvements and rigorous underwriting discipline, we maintained healthy levels of profitability. We expect to see further growth in the next years, while sustaining our profitability.

## Insurance Growth Markets

Selected markets	motor/non-motor as % of total property-casualty gross premiums	traditional/non-traditional as % of total life statutory premiums	Statutory gross premiums written	Operating profit	Number of customers (mn)	Proprietary networks (thou)	Number of brokers (thou)	Number of employees (thou)
South Korea	—	III.  39% 61%	€ 1,836 mn	€ 87 mn	1.2	5.7	—	1.6
Taiwan	—	III.  7% 93%	€ 2,170 mn	€ 51 mn	0.3	1.9	—	0.5
Malaysia	I.  49% 51%	III.  91% 9%	€ 552 mn	€ 55 mn	2.6	10.2	—	1.5
Indonesia	III.  25% 75%	II.  50% 50%	€ 494 mn	€ 39 mn	0.7	14.2	—	1.0
Hungary	I.  60% 40%	II.  35% 65%	€ 602 mn	€ 17 mn	1.5	2.0	—	1.6
Poland	II.  58% 42%	II.  34% 66%	€ 811 mn	€ 13 mn	1.6	3.7	—	1.2
Russia	II.  38% 62%	III.  100%	€ 723 mn	€ - 38 mn	0.9	34.1	1.0	8.3

● Property-Casualty ● Life/Health

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

### Asia

Asia is one of our major growth regions with a considerable revenue growth over the last five years. We are one of the leading international players in this region. Allianz is active in all the region's key markets, offering its core businesses of property-casualty insurance, life/health insurance and asset management. With more than 33,000 employees (all Allianz entities), Allianz serves over 20 million customers in the region. We offer a full suite of products through our distribution network of approximately 218,000 tied agents in the region.

In the Asian region we maintain **property-casualty** operations in Malaysia, Indonesia, China, Hong Kong, India, Japan, Singapore, Sri Lanka, Thailand, Brunei and Laos. In Indonesia, we are one of the leading microinsurers with around 460,000 people insured. The majority of our **life/health** business in this region is written in South Korea through Allianz Life Insurance Co. Ltd. (Allianz Life Korea) and in Taiwan through Allianz Taiwan Life Insurance Company. In recent years, our South Korean operation has developed a leading position in equity-indexed products. Allianz Taiwan Life is the leading provider of unit-linked insurance products, which we have achieved through product innovations and focus on customer service.



We also maintain significant life/health operations in Malaysia, Indonesia, China, India, Thailand and Japan.

Today, our strong market position in Asia, combined with our innovative products, delivered through multiple distribution platforms, helps us to maintain strong growth and to capture further market share in this fast growing region. Our companies in Asia continuously adapt to the changing needs and requirements of our customers:

- In 2010, Allianz Life Insurance Japan has rapidly expanded its business and distribution channels with new partnerships with major banks.
- Indonesia is one of the fastest growing markets for Allianz and we expect growth to continue due to the expanding middle class. Our life business is developing particularly strongly through our tied agency force and successful bancassurance co-operations.
- Thailand is one of our most profitable markets due to our product focus on participating savings products and a large agency force of over 10,000 agents.
- In the Malaysian market, Allianz is a significant household name. Both of our insurance business lines in Malaysia have enjoyed strong and steady growth over the past years.
- In January 2010, the Chinese regulatory authority (CIRC) granted Allianz the license to convert Allianz Insurance Company Guangzhou branch into a subsidiary: Allianz China General Insurance Company Ltd. started on July 1, 2010.

Overall, we seek to expand business in all our selected Asian markets through further organic growth and selective acquisitions. We intend to strengthen our distribution capabilities and use the hub-and-spoke approach in order to increase operational effectiveness. The Asian emerging markets weathered the financial and economic crisis far better than expected. In addition, this region has a favorable demographic development as only 9% of the population is older than 65 versus 18% in Europe. We expect total pension assets to grow most dynamically in the Asian emerging markets. Further growth is possible in light of the increasing wealth in the Asian countries and low insurance penetration rates. We aim to take advantage of these opportunities by strengthening our distribution and product propositions in the region.

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

Active in 11 countries in the region, Allianz ranks among the top three players in six of the largest markets in CEE, serving 7.4 million customers. We offer life, health, property-casualty products as well as pension funds. Our operating subsidiaries are located in Bulgaria, Croatia, the Czech Republic, Hungary, Kazakhstan, Poland, Russia, Romania, Slovakia, Slovenia and the Ukraine. Within two decades we have become one of the leading international insurers in the region with a market share of over 9%, based on turnover. CEE is one of our most important growth regions in the world.

In **property-casualty**, Allianz is the leading company in the CEE region. Our main products are motor third-party liability, motor own damage, property and liability insurance lines for retail, commercial and industrial clients. Our motor business was seriously affected by the financial crisis, in particular due to a serious downturn in new car sales in most markets. To secure profitability, the companies in this region have taken focused measures in the areas of underwriting and re-pricing, while also adjusting products or launching new ones.

In 2010, strong performance in the **life and health** segment was driven by successful sales campaigns for single premium products in Hungary and the Czech Republic and by bancassurance business in Russia and Poland. Along with the development of new bank partnerships, significant results have been achieved in the life business segment in Russia due to large corporate sales and an innovative product offerings. Looking ahead, we aim to capitalize on growth opportunities in the CEE region and strengthen our market position. A well balanced product portfolio and distribution set-up will ensure sustainable business in all of our markets. Our multi-channel distribution approach has proven to be a successful strategy for our business activities. We continue to develop this distribution model on the basis of new and existing channels, as well as expand on the professionalism of our tied agents sales force. We remain focused on process optimization and cost efficiency across the whole region.

Following our endeavors in our property-casualty operations, we believe Allianz remains well on course in the CEE region despite the challenging economic environment.

In Life, we plan to extend our bancassurance business with a diversified network of bank partners and life brokers. Despite the challenging market environment, we are committed to continuing the Allianz success story in the region by combining sustainable growth and profitability.

### **Middle East and North Africa (MENA)**

In 2010, our growing business in the Middle East and North Africa was added to the regional responsibility of the former Allianz New Europe Business Division in 2010, renamed Allianz CEEMA (Central and Eastern Europe, Middle East and North Africa). In this region we have operating entities in Egypt, Lebanon, Saudi Arabia and Bahrain; together they serve over 200,000 customers.

Through Allianz Egypt, Allianz Saudi Fransi and Allianz SNA (Lebanon) we offer **property-casualty** and **life/health** products. We sell our products via agents, banks and in property-casualty we also distribute via brokers and dealers, who are a vital part of our distribution power. In Bahrain, we offer life/health and property-casualty products through Allianz Takaful, the Allianz Group's hub for innovative Takaful services. Our companies in the MENA region have experienced strong growth in recent years. Based on statutory premiums, they rank amongst the leading companies in their individual markets. Egypt and Lebanon are the biggest contributors to the bancassurance production in the region. Allianz Egypt is the local market leader in bancassurance, offering a wide range of life insurance products through its key distribution partnerships with banks.

In 2010, Allianz Egypt has proven its competitiveness in the overall life insurance segment and is striving to improve its market position. Over the next few years, the focus will be on maintaining profitability.

Through our company NEXtCARE, we provide health insurance management and third-party administration services to our clients. The company manages over 750,000 insured members and is a leading Third-Party Administrator in the United Arab Emirates and an important player in the MENA region.

# Our Strategy

2010 was a challenging year, but our strong results demonstrate our leading positions in our markets and the consistency with which we have executed our plan. With our proven strategy, resilient business model and strong brand, we are well on our way to build the world's most trusted financial community.

## Five Goals of our Group Strategy

We operate in an environment that continues to challenge our business in fundamental ways. In the near future, we may have to face only moderate economic growth, especially in Western Europe and the U.S.A., while also dealing with high market volatility, low interest rates, and a persistent appetite among governments for more regulation and higher taxes.

Naturally, we want to create and distribute value for our investors. Among other things, this means paying close attention to capital market expectations and exceeding them whenever we can.

Such a performance, though, can only be achieved if we also pay close attention to our other stakeholders, namely our customers, staff, business and distribution partners as well as the communities we operate in. Therefore, we strongly believe that our value creation needs to be sustainable and resilient.

As a consequence, the Allianz Group follows five strategic goals: 1. We seek to achieve profitable and sustainable growth, 2. driven by our well-balanced and synergetic array of businesses, 3. geared by a strong, though not excessive capitalization, 4. supported by a world-class investment management, and 5. secured by a state-of-the-art risk framework.

### 1. Profitable and sustainable growth

We seek profitable and sustainable growth in our three business segments: Property-Casualty insurance, Life/Health insurance, and Asset Management.

In 2010, we lifted our topline well above the impressive mark of € 100 billion, and while our revenues have grown by over 9.0% compared to 2009, our net

income from continuing operations rose by 12.0% to over € 5 billion, and our operating profit expanded by an even swifter pace to above € 8 billion.

### 2. Well-balanced and synergetic business portfolio

Each of our three business segments is sensitive to changes in the economic environment and capital markets. As we have seen during and after the financial crisis, the Group can maintain a high performance relative to the economy, markets and peers thanks to the individual dynamics of, and interaction between our segments.

Beyond that, we will continue our ambitious though careful expansion in regional and product markets around the globe. We pursue profitable and sustainable opportunities through our agile local companies, as well as through our global lines of business. A welcome side effect of our global reach is our distributed exposure to the world's leading currencies.

Allianz is much more than a diversified conglomerate of financial business lines: our segments and operating entities complement and enrich each other, primarily by cross-serving the diverse needs of our customers, but also, from the perspective of the Group's management, ever striving to realize valuable synergies, such as:

- Allianz continues to build and operate under one of the strongest brands in the financial services industry worldwide.
- Jointly, we are confident of being in a much better position to provide sound capitalization under Solvency II than our operating entities ever could on their own, enabled not only by our Group-wide

risk framework and management, but also supported by our global reinsurance unit.

- The size and reach of our businesses enables us to carefully allocate capital to the most attractive business opportunities without compromising our long-term ability to generate cash-flows.
- We react to changing customer behaviors and demands, for example, by modifying our service for global corporate clients to a dedicated business unit.
- We regularly collect and disseminate the best know-how on customer service, distribution, products, underwriting and other functional disciplines to our entities through focused and effective competence centers and initiatives.
- Allianz continues to realize economies of scale and scope through shared operations and build momentum through joint investments in technology.

### 3. Strong capitalization

Our primary objectives in this area are to:

- protect the capital of our investors against market shocks,
- support our businesses with sufficient capital to pursue qualitative growth, and
- collectively determine and provide the appropriate amount of risk capital indicated by new accounting and risk management regimes, such as IFRS and Solvency II, and by industry best practices, such as the MCEV calculation methodology.

Additionally, we owe it to our investors and other stakeholders to use our reputation, market position and global reach to ensure that regulatory and rating developments under public discussion do not have a negative impact on our strong capitalization.

### 4. World-class investment management

Qualitative growth and solid capitalization depend on a sound investment strategy based on one essential principle: a solid and conservative investment portfolio that can generate stable returns and compensate for low interest rates or a looming inflation. Given capital requirements, rating considerations and a solid portfolio, there is little need for investing in riskier asset classes. Consequently, as long as the current market conditions prevail, we seek to:

- compensate for lower investment income via higher technical results,
- create room to maneuver with a short-term focus on duration management, and
- continually adapt our framework for increased returns on risk-adequate investments and continue to build first class alternative asset investment capabilities.

### 5. State-of-the-art risk framework

Our comprehensive risk framework and strategy aspires to offer an attractive risk/reward proposition to our investors and other stakeholders. Through our risk policies, standards, guidelines and systems, we ensure that our local and global business and investment decisions operate within the limits of our carefully defined appetite and tolerance for foreseeable risks.

Our “3+One” strategy aims to achieve these goals through well defined programs and measures throughout the Allianz Group to protect and enhance our capital base, to strengthen our operating profitability, to further reduce complexity of our structure and our operating model, and to increase sustainable competitiveness and value.

# The Allianz Brand

A brand provides identification and trust for our many customers and stakeholders. Allianz builds on the heritage of a strong brand that is based on two pillars – outstanding delivery in products, services and sales to clients, and branding that is insightful, consistent and within a global perspective. Our brand conveys a sense of security and trust that helps guide people's buying decisions.

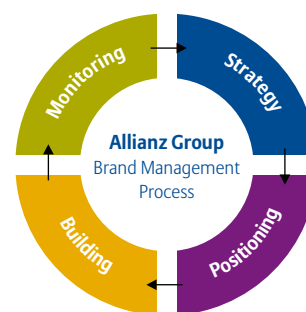
The constant delivery on our brand essence "Trusted Partner" sets us apart from the competition and creates a sustainable long-term competitive advantage. Our brand is an important and valuable asset and therefore an essential element of our business strategy. We want to further develop and grow the Allianz brand, as we did with recent successful rebranding in Italy and France.

## Some key facts about the Allianz brand

- The Allianz Group is active in about 70 countries, with currently 79% of revenues branded as Allianz. With the planned rebranding in 2011/2012 of Mondial, branded revenues will increase to approximately 80% of revenues.
- Our one-brand vision, however, leaves room for renowned specialty brands such as PIMCO, the largest fixed income asset manager in the U.S.A., as well as Euler Hermes, the world's number one credit insurance provider.
- Our Allianz trademark is registered and protected worldwide, as are our web domains.
- The Chief Marketing Officer award 2010 has been assigned to Allianz Group by Booz & Co, acknowledging the outstanding and consistent implementation of a clear global Allianz Brand Architecture.
- In 2010, Allianz climbed 14 ranks within the Interbrand global TOP 100 brand ranking and positioned itself amongst the top risers of the year. Based on the Interbrand ranking, the value of the Allianz Brand increased from approximately USD 3.8 billion in 2009 to USD 4.9 billion in 2010.

## Steering the brand

Our brand strategy is an integral part of our business strategy. In order to maximize brand value and optimize our brand investments, we use a structured brand management process with most local markets covered by globally standardized brand research. Our brand management process includes Strategy Setting, Brand Positioning, Brand Building and Brand Monitoring:



## End-to-end brand management

Our long-term brand strategy and brand architecture follow a one brand vision, and are brought to life by our brand communication and campaigns. Customers learn from experience whether the promise behind a brand is true or false, above all in times of crisis. Essentially, they want a partner to help and accompany them onwards and upwards in life's journey. This is why being a trusted partner lies at the core of the Allianz brand. This message is conveyed in our communications and also serves as a point of orientation for our more than 150,000 employees and a few hundred thousand distribution partners.

The financial crisis has highlighted many strengths that can help to differentiate Allianz for its stakeholders. We have taken the opportunity to adopt a new communication approach that will meet the need to re-position and rejuvenate the Allianz brand and in the process build the world's strongest financial community. Our new communication strategy leverages this strength: it creates a new kind of dialogue with our customers and is even more open and transparent than ever.

We have based our new communication strategy on robust research into consumer insights and how trusted relationships work. Thanks to 120 years of experience with more than 76 million customers worldwide, Allianz has vast knowledge on both life and business challenges. Opening up, encouraging dialogue and sharing the wealth of our knowledge and expertise with our employees and customers lies at the heart of our strategy. This approach aims to help us build honest and long-lasting relationships with our customers.

The “One” Concept: Guided by our strategy, in the recent years we have transformed the existing Allianz organizational structure into more customer and market-oriented entities. We are now taking the next step and placing the customer at the center of our communications by dealing with real people, sharing real experiences, advice and knowledge.

Through the “One” concept Allianz has taken the opportunity to demonstrate globally one strong and consistent position to our current and prospective customers. It is about one global concept with local interpretations worldwide.

Within this concept, digital media plays a stronger role. This reflects the increasing relevance of digital technology and changed consumer needs and behavior.

#### Reported media expenses for the “One” campaign

	2010 € mn
Germany	26.1
Austria	4.1
Hungary	5.9
Portugal	1.8

Source: Focus Media Research, Infoadex, Marktest, Kantar, TNS Media Intelligence

Another aspect of our communication approach is our involvement in sports such as Formula One™, Golf, Paralympics, and with FC Bayern Munich and the Allianz Arena. These global platforms allow our more than 70 local Allianz entities worldwide to build the brand globally as well as locally. They also enable Allianz to link the brand with its business, as illustrated by our Formula One™ Safety Car engagement. As one of the world’s leading motor insurers, this reflects perfectly our commitment to road safety.

Our new communication strategy will be supported by a new corporate identity framework and design, specifically developed to meet the new digital needs of consumers. Consumers can now easily share their experiences and knowledge with us and with existing and prospective customers.

Monitoring the brand, especially within the new strategic setup, is important in order to understand the key drivers in local markets; customer insights are constantly being gathered and integrated into our processes. In addition, brand monitoring is crucial for steering activities and optimizing our resource allocation.

To address these new brand communication requirements and ensure close collaboration between business and brand, while leveraging synergies, a global agency review and local agency consolidations were started in 2009/2010.

## Customer Focus at Allianz

We aim to further drive profitable growth and long lasting customer relationships. To these ends, we continue to empower the Market Management function in all our countries to support the efforts of our businesses to strengthen their focus on customers and markets.

Building on market and customer insights our Market Management function enables us to:

- create a holistic customer view across all relevant customer interactions
- identify strategic customer segments
- develop product, service and channel propositions
- build customer loyalty
- align brand management with business objectives

We regard customer orientation as a key success factor for profitable growth. As part of our Customer Focus activities we have globally established key tools such as the Net Promoter Score (NPS) and Complaint Management to continuously listen to our customers, identify their needs, learn from them and act accordingly.

The NPS enables us to assess customer loyalty by measuring a customer's willingness to recommend Allianz. Mainly we use it in two ways:

Firstly, we benchmark ourselves every year for customer loyalty against competitors in each market – totaling in 2010, 57 regional markets worldwide. Our management commits to achieve loyalty leadership and their targets reflect this by incorporating relative NPS improvements.

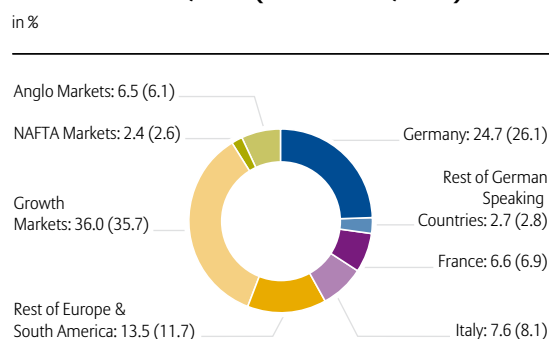
Secondly, in 2010, we established NPS in 40 Allianz companies (representing about 90% of our GPW) to systematically collect customer feedback on key customer interactions such as claims and sales from over 1,000,000 customers. We engaged our frontline Allianz employees to make these customer calls. Thus, NPS serves as a key change management and mobilization tool supporting ongoing improvements on all levels.

Our customers' feedback and complaints are taken seriously which means ensuring proficient handling according to global quality standards. To meet the tasks, Allianz companies went through an internal certification process allowing us to make good practice common practice. Building on all these valuable insights we are in the position to improve our services, processes and products according to customer requirements.

We have also started to use NPS to measure distributors' satisfaction to ensure they are fully enabled to fulfill our customers' needs. In order to better understand our strengths and potential weaknesses in the sales process we measure the delivery of service to our customers at the point of sale via Mystery Shopping (test visits by trained observers in the role of potential customers).

Our use and development of NPS show that our efforts are successful: since the first NPS measurement in 2006 there has been an increase in the number of Allianz companies with customer loyalty significantly above the peer average.

### Customers by regions/countries as of December 31, 2010 (December 31, 2009)



# Our Employees

Our employees' exceptional commitment and ambition to provide excellent service to our customers are crucial to our success. To constantly enhance our performance we place great emphasis on fostering outstanding leadership, continuous talent and personal development. Only by unlocking our employees' potential can we achieve our primary goal of being a reliable partner to our customers.

## Employees in figures

On December 31, 2010, the Allianz Group had 151,338 employees, 1.2% fewer than the previous year. In 2010, 24,261 staff were hired worldwide.

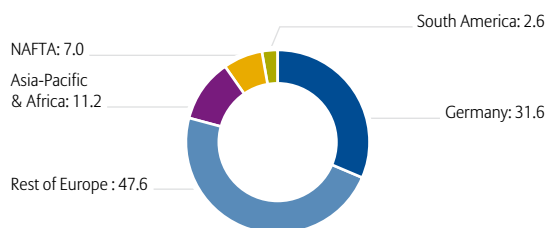
### Employees by country

as of December 31,	2010	2009
Germany	47,889	49,051
France	18,127	18,489
United States	9,808	9,908
Russia	8,434	8,311
United Kingdom	7,253	7,043
Italy	6,914	6,961
Australia	4,043	3,866
Switzerland	3,633	3,984
Spain	3,448	3,426
Austria	3,258	3,194
Brazil	2,876	2,963
Poland	2,560	2,589
Slovakia	2,432	2,487
China (incl. Hong Kong)	2,143	2,225
Romania	2,121	2,152
Netherlands	2,041	2,102
Other	24,358	24,452
<b>Total</b>	<b>151,338</b>	<b>153,203</b>

### Employees by regions/countries

as of December 31, 2010

in %



## Reorganization of Human Resources

We reorganized the Human Resources Department in 2010 to further strengthen the professional advancement of our employees and to expand the strategic advisory role of human resources. The responsibilities at board level were realigned, the central human resources departments were merged and the position of a Chief HR Officer with Group-wide responsibility was created.

The focus of our human resources division is:

- Employee Engagement
- Diversity
- Talent Management
- Remuneration

## Employee Engagement

Our employee engagement is a key competitive advantage and it should be continuously improved. An important milestone towards this objective was reached in 2010 when we carried out for the first time a globally standardized employee survey which enabled us to compare the results across our subsidiaries. This was previously not possible as our companies conducted their employee surveys independently. This time some 106,000 employees from 66 companies were surveyed on a uniform basis. The participation rate of 69% shows how well the survey was received. The engagement index<sup>1</sup> again reached over 70% in 31 Allianz companies.

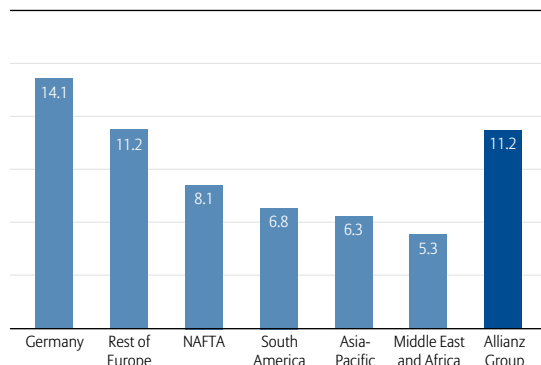
Besides the evaluations from our customers and shareholders, employee engagement is now also taken into account in the remuneration of the Board of Management and affects part of the variable remuneration for top management. For further information about the remuneration of top management please refer to the Remuneration Report on pages 35 to 46 of the Annual Report 2010.

<sup>1</sup> The Employee Engagement Index (EEI) is one of the main KPIs of the Allianz Engagement Survey and a leading indicator of people's attitudes and perceptions that drive behaviors. These behaviors impact metrics such as customer satisfaction, productivity, efficiency, safety and others that influence profitability.



### Duration of employment by region as of December 31, 2010

in number of years



### Diversity

The Allianz Group is convinced that diversity and open-mindedness to different opinions and attitudes are essential to an innovative, customer-oriented company. Given an aging society and a foreseeable shortage of skilled personnel, it is also necessary to realize the full potential of the workforce.

Promoting diversity begins with our international workforce and cross-border cooperation. 43% of managers at the top two levels are non-Germans and 39 different nationalities are represented in our top management. In 2010, we coordinated 531 long-term employee assignments within the Allianz Group.

Promoting women is also part of our bid to increase diversity. In 2008, we already set ourselves the target of increasing the share of women in the talent pool for management positions to 30% by 2015. In the reporting year, 15% of management positions at the level directly below the board were held by women while women in middle management accounted for 20%. Overall, 32% of positions across all management levels in the Allianz Group were held by women<sup>1</sup>. In 2010, Allianz SE, Allianz Global Corporate Specialty, Allianz Global Investors, Euler Hermes and Allianz France offered mentoring programs to promote women.

<sup>1</sup> Including women in positions at the board level as well as three levels below the board level (division, department and team managers).

### Talent Management

Our culture is characterized by a commitment to performance and we need to attract the very best employees who are always prepared to develop their skills and deliver top performance. Our global talent management system gives us an overview of potential internal candidates within Allianz companies and enables us to steer our succession planning Group-wide and globally.

Central to our talent management processes, Career Development Conferences (CDCs) were held in 58 countries in 2010. During these CDCs, we evaluated more than 3,000 candidates from 70 Allianz companies on the basis of clearly defined competencies. Besides the CDCs on succession planning for management positions, 8 additional CDCs were held to evaluate potential candidates for the most important business functions.

We also run “Strategic Workforce Planning” that is concerned with long-term planning for employees over the next ten years and securing the talent pipeline for experts in strategic positions. Following the first comprehensive analysis of future human resources development in Germany in 2009, the evaluation was extended in 2010 to France and Italy, as well as to our global subsidiary AGCS and to our tied agent channels in Germany and France. As a result we launched special global development programs for actuaries, auditors and communication experts, the first ever continuing-education and advanced-training measures for these target groups.

Overall, the Allianz Group invested € 130 million (2009: € 147 million) in training and continuing-education measures in 2010 or on average € 980 (2009: € 1,100) per employee worldwide. The decline in investments in training and continuing-education measures was due to a greater usage of e-learning and overall more in-house training was held. We are promoting and developing our managers and potential candidates through the Allianz Management Institute (AMI); 6,692 of them took part in the AMI programs, 21% more than in the previous year. AMI now also includes the AMI OPEX Academy programs in which 1,363 employees participated.

## Remuneration

In 2010, the remuneration of the Board of Management of Allianz SE and the managers of the Allianz insurance companies was standardized and focused even more consistently on sustainability and long-term performance. The new remuneration system, introduced throughout the Group in 2010, balances short-, mid- and long-term elements of variable remuneration. To this end, the three-year bonus for top managers with operational responsibility was increased. For the members of the Board of Management of Allianz SE this meant raising the mid-term variable component from 11% to 25% of the total target remuneration. For further information about the remuneration of Board of Management members please refer to the Remuneration Report on pages 35 to 46 of the Annual Report 2010.

Below the Board of Management we also aim for remuneration that is performance-oriented and well balanced. In addition to the annual review of the different remuneration components, our Total Rewards approach helps ensure an attractive and competitive offer. It includes several variable pay components in accordance with our pay-for-performance principles as well as the individual businesses and markets we operate in. For the majority of managers and executives, remuneration typically consists of three components: base salary, an annual bonus and an annual long-term incentive grant consisting of RSU (restricted stock units). The Allianz Equity Incentive (AEI) plan includes around 800 executives and top performers. Depending on their roles, responsibilities and market practice, employees worldwide participate in different annual bonus programs. The annual bonus typically amounts to 10% to 40% of the total cash remuneration for these employees.

In 2010, the Allianz Group again offered our attractive Employee Stock Purchase Plan in many markets in order to strengthen employees' commitment to the company and to raise their awareness of the corporate strategy and business results. This time, some 94,000 employees in 21 countries were entitled to participate in the program, and around 14,500

employees took advantage of the opportunity to buy shares. In total, employees hold 1.1% of Allianz shares and represent 7.9% of shareholders.

Further, many employees participate in company pension plans, insurance arrangements, deferred compensation plans, flexible work and other employee benefit arrangements, which vary between different countries and markets in accordance with typical market practice for comparable organizations.

The Allianz Group paid a total of € 8.3 billion (2009: € 7.7 billion) to its employees worldwide in 2010. Of this, € 2.0 billion, or approximately 24%, was accounted for by performance-related (variable) remuneration elements. € 2.2 billion (2009: € 2.2 billion) was spent on social security contributions, pensions and other social benefits.

## Awards for our human resources policy

Our human resources projects and initiatives received the following awards in 2010:

### 2010 Awards

Our internet portal [Allianz.com/careers](http://Allianz.com/careers) was named **"Best Corporate Career Website 2010"** by the corporate consultancy firm Potentialpark.

Allianz Germany won the **"InnoWard"** from the German Insurance Industry's Professional Training Institute.

Mondial Assistance UK was recognized as one of the **"Best Companies to work for"** by Best Companies and the Sunday Times.

Izabela Jarosz, Human Resources Director of Mondial Assistance Poland, was named **"HR Manager of the Year"** by the Polish daily newspaper Rzeczpospolita.

Our company ROSNO was identified as one of **"the most attractive employers"** by the Russian career platform Superjob and as one of the **"50 Dream Employers for Graduates"** in an award by the Russian newspaper Akzia.

Allianz China Life was listed as one of the **"100 Best Human Resource Management Companies"** and the **"100 Best Training Companies"** by the human resources magazine 51job.

Mondial Assistance Canada was named one of the **"Top 15 Local Employers in the Waterloo Region"** by Mediacorp Canada Inc.

# Sustainable Development

Allianz has laid solid foundations over the last 120 years, which have enabled us to navigate a changing environment and evolving markets. As the pace of change accelerates, we continue to integrate sustainability into our business to ensure our continued success.



Allianz is focusing on five global issues:

1. Climate Change
2. Demographic Change
3. Digitalization
4. Stability of Financial Markets
5. Access to Finance

Allianz pursues long-term economic value in accordance with environmental stewardship, social responsibility and good corporate governance. Critical to our sustained business success is the consistent management of the global, long-term issues which are material to our business, such as climate and demographic change, digitalization, the stability of financial markets and access to basic financial services.

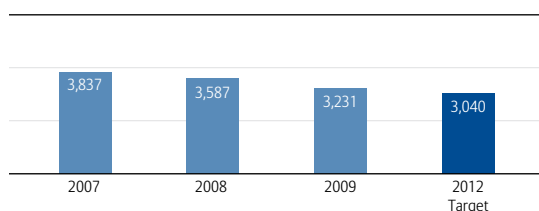
Allianz4Good is our central unit responsible for promoting and further integrating sustainability into all areas of our business, working in close cooperation with both central functions and our subsidiaries. Our approach is reflected in our strategic principles of sustainable development and our achievements in 2010 are outlined below.

## 1. Safeguarding natural resources further embedded in our internal operations

All employees are expected to protect the environment as much as possible. We monitor and control our impact on the environment through a Group-wide Environmental Management System which covers over 80% of our employees worldwide.

### CO<sub>2</sub> Emissions of the Allianz Group

in kilograms per employee



In 2010, the position of a Group Environmental Officer was established, tasked with developing the Group's carbon reduction strategy further and steering the carbon reduction activities of Allianz Group companies. We also introduced new Group-wide policies for business travel and printing, which further support our efforts.

## 2. Increasing sustainable business through a growing range of products and services

We are working on developing new products and services for our customers to help them mitigate the effects of climate change or manage their own environmental impact. In 2010, the number of "green" products and services offered by Allianz increased from 50 to over 70. In addition, we now offer a variety of microfinance products to more than 4 million customers (2009: 3.8 million) in eight countries throughout Asia, Africa and South America. The product range, however, is only part of our strategy. Equally important is promoting financial literacy and independence.

We also expanded our renewable energy portfolio by investing in solar power projects in Europe. By the end of 2010, Allianz had invested more than € 1 billion in 30 wind and solar parks and we plan to further increase the portfolio by up to € 0.5 billion by the end of 2012. Allianz also manages a number of Sustainable and Responsible Investments (SRI) across the major asset classes through our third-party asset manager Allianz Global Investors. SRI assets under management amounted to € 3.1 billion at the end of 2010, down from € 4.8 billion in 2009. This decline was driven by outflows in retail fixed income, especially money market funds, due to the low interest rate environment.



A complete list of our green solutions can be found online under [Green Solutions Factsheet](#)



For further information about KPIs on our employees please refer to [www.allianz.com/annualreport](http://www.allianz.com/annualreport)

### 3. Strengthening long-term and mutually beneficial partnerships with our stakeholders

Through structured involvement with strategic partners in the communities where we operate, we support the development of effective solutions to address social concerns. In 2010, Allianz teamed up with partners to work with the education and politics sector to launch an independent initiative to take finance into schools. “My Finance Coach” is being piloted in Germany and, in 2010, 670 employees volunteered, reaching 7,770 pupils in 90 schools across the country.

#### Key Figures on My Finance Coach

	2010		2011
	Planned	Actual	Plan
Employee volunteers (min. 1 classroom visit)	300	670	800
Participating pupils	3,750	7,770	53,000
In classroom	3,750	7,770	15,000
Teacher training and out-of-classroom activities <sup>1</sup>	—	—	38,000

We also support and encourage volunteering among our employees, and the use of corporate expertise and competencies for the community's benefit. One of our initiatives is “Social OPEX”, where trained Allianz employees apply business improvement tools to help social organizations improve their social impact. In 2010, our employees supported 11 such organizations.

#### Key Figures on Social OPEX

	2009 <sup>2</sup>	2010	2011
	Actual	Actual	Plan
Employee volunteers	8	21	40
Participating social entrepreneurs	3	11	18
Allianz operating entities involved	5	10	13

### 4. Striving for transparency about our sustainability performance rewarded again

Our efforts to be fully transparent about our sustainability performance have once again been rewarded in 2010 with numerous recognitions:

- Dow Jones Sustainability Index: Included since 2000, Allianz was rated the best primary insurer in 2010 for the fifth year running.
- Carbon Disclosure Project: Allianz is a founding member and part of the Carbon Disclosure Leadership Index Germany 2010.
- FTSE4Good: Included since 2001, Allianz is one of the longest-standing FTSE4Good companies.
- Goldman Sachs GS Sustain: Allianz is recognized as one of three sustainability leaders within the insurance industry. The rating is unique as it combines financial and non-financial assessments.

For a detailed description of our 2010 performance in sustainable development, please refer to the Allianz Group Sustainable Development Report. It will be available online at [www.allianz.com/responsibility](http://www.allianz.com/responsibility) from May 2011.

<sup>1</sup> New modules to be rolled out in 2011.

<sup>2</sup> Pilot year.