

A man with a beard, wearing a blue suit and a white shirt, is sitting in a light-colored armchair. He is looking down at a newspaper he is holding in his hands. The background shows a large window with greenery outside.

ALLIANZ GROUP TAX TRANSPARENCY REPORT 2017

Allianz 

WELCOME

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There are many ways to measure success. Some would say it comes from having a clear purpose and a sense of belonging. Allianz's purpose is to create economic value through a sustainable approach to corporate governance, social responsibility, and environmental stewardship. As part of that, we are proud to support the communities to which we belong by being a responsible taxpayer.

Allianz acts transparently and responsibly in all tax matters. We have a global strategy to ensure compliance in every jurisdiction the world over. We do this because it builds trust and because we believe that this creates successful communities and a healthy, civil society.

Allianz works closely with experts, auditors and tax authorities to ensure that we pay our fair share of taxes. In 2017, the Allianz Group paid some 2,099 billion Euros in taxes that will help to build roads and schools, provide health services and policing, and to keep valuable government facilities up and running. It's part of being a responsible corporate citizen and we're proud to do our part.

At a time when public scrutiny of globally active companies is intensifying, we're keen to demonstrate our commitment in this Tax Transparency Report. It is our first attempt to shed light voluntarily on our general approach to tax, tax compliance, taxes we paid and where they are paid, tax governance, and tax risk management.

Allianz has a clear purpose that includes serving our customers in the communities to which we belong. Having a transparent and responsible tax strategy is a key part of that purpose.



Giulio Terzariol
Chief Financial Officer,
Allianz SE

GUIDING TAX PRINCIPLES

Paying taxes is an important way for business to contribute to society. A fair allocation of taxes remains crucial, as taxes should be paid where value is created. While the individual tax rules of countries and international taxation regimes remain complex, public attention to corporate tax issues is increasing.



The Allianz Standard for Tax Management sets clear rules and responsibilities for a responsible approach to tax management throughout Allianz Group. 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.

To create even more transparency for our external stakeholders, we are publishing a separate tax report, which is complementary to our existing disclosures on tax in our Annual Report and Sustainability Development Report. This first edition includes further details on our overall approach to tax, tax compliance, taxes we paid and where they are paid, tax governance, and tax risk management.

The Allianz Standard for Tax Management sets out clear rules and responsibility for a responsible approach to tax management throughout Allianz Group.

This report also reflects the responsible tax principles framework launched by Allianz and other members of the international not-for-profit initiative, The B Team¹, in February 2018.

During 2017, Allianz tax professionals participated in a B Team working group where leading multinational companies and representatives from international civil society organizations developed a set of principles on responsible tax. As a founding signatory, Allianz is pleased to endorse this framework (<http://www.bteam.org>) and share our experience with other companies and stakeholders. The B Team Principles are reflected in Allianz entities in which Allianz SE holds – directly or indirectly – over 50% ownership or control (consolidated subsidiaries).

¹ See more about the B Team at www.bteam.org

TAX COMPLIANCE, COOPERATION AND TAX ADVOCACY



Tax is an integral part of our overall Group business principles and codes.

TAX COMPLIANCE

As an international Group operating in over 70 countries, Allianz is subject to a variety of tax regimes and regulations. In most of these countries, Allianz is both a taxpayer and a tax collector, as specific taxes are often levied on insurance policies collected from us as part of the insurance premium and remitted to the respective state and federal administrations.

Tax is an integral part of our overall Group business principles and codes. The Group Tax Department establishes and oversees the Allianz Standard for Tax Management including, among other things, local compliance with tax regulations for all Group entities. All key operational entities have a tax team charged with satisfying tax regulations in each applicable jurisdiction. These teams are staffed with leading professionals with deep knowledge of local tax rules, regulations, and customs.

Allianz complies with the applicable tax laws wherever we operate. According to our internal transfer pricing guidelines, 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.

Allianz attaches great importance to creating trusting and transparent communication with tax authorities and follows clear processes in doing so. We prepare and file all tax returns required and provide complete, accurate, and timely disclosures to all relevant revenue authorities.

Furthermore, we provide the authorities with electronic access to tax-relevant documents and give early notice of possible deficiencies and divergent opinions in order to prevent misunderstandings. However, we constantly aim for certainty on 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.

In 2016, the tax compliance management system for our German entities was officially certified by an external auditor. It includes income tax, Value Added Tax (VAT), Insurance Premium Tax (IPT), and withholding tax.

STAKEHOLDER DIALOGUE AND ADVOCACY

Allianz is convinced that responsibly conducted tax practices can add measurable value to the economic and societal development of markets.

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

Therefore, we are engaging in public debates on tax regulations and encourage developments, that balance the various interests of society, politics and business. 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: BIAC, Insurance Europe, and national insurance associations in Germany, France, Great Britain, Italy, USA, Switzerland, Spain.

Allianz is an international Group operating in over

70
countries

TAX PLANNING

The key objective of our tax planning activities is to support our business and our business strategies in full compliance with applicable laws. We complete a fundamental tax and tax-risk analysis before entering into any significant transactions.

Relevant tax rules are applied in an informed and sound manner based on reasonable and objective interpretation of any such rules.

We seek efficiency in tax matters including to prevent double-taxation and to only pay 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 and tax deals. If jurisdictions offer tax incentives that are publicly available and rule-based to, e.g., 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 guidelines as well as with local transfer pricing rules to pay adequate tax on profits where the value is created.

Allianz does not use so-called tax havens in order to avoid taxes on activities that take place elsewhere. According to internal Allianz guidelines, countries are regarded as tax havens if their general corporate income tax rate is 10%

or less. The "Common EU list of non-cooperative jurisdictions for tax purposes", published in December 2017, provides another indication for a tax haven jurisdiction, but Allianz's 10% threshold is ultimately decisive. The few consolidated Group subsidiaries that are located 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 reasons.

Our insurance companies hold diversified investment portfolios that also include so called alternative assets, i.e. equity, debt, or fund investments in real estate or infrastructure. These are asset classes that are particularly beneficial for the policy holder 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 Allianz Asset Managers, 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 level in his country of residence, the customer's tax position is the same as if he 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 does 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 as defined above.



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

TAX REPORTING



GENERAL REMARKS:

Tax reporting intends to inform internal and external stakeholders about where we pay taxes, 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 Report or the Solvency Financial Condition Report, or the Country-by-Country Report.

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 which need to be passed on to tax authorities specifically on behalf of our policy holders or employees, or service providers. Accordingly taxation of our business activities can roughly be described as the following:

TAX 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 expense and settled claims/ guarantees.

Under the umbrella of Allianz Asset Management, Allianz also manages 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 cost from other taxation results from, e.g., non-recoverable VAT on purchased services, financial transactions 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).

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 expense, effective income tax rates², and corporate income tax rates 2017 of our most important tax flagship countries³ and for the Allianz Group in total as reported in our IFRS Group Financials:

	Profit before income taxes €mn	Income taxes € mn	Effective tax rate %	Corporate tax rate %
Germany	1842.3	512.9	27.8%	31.0%
USA	2478.1	811	32.7%	35.0%
France	1266.1	498.8	39.4%	34.4%
Italy	1334.3	342.2	25.6%	24.0%
Switzerland	494.2	76.2	15.4%	21.0%
Spain	413.2	97.7	23.6%	25.0%
Belgium	240.8	48	19.9% ⁴	34.0%
Other	2079.1	553.9	26.6%	n.a.
Group	10148.1	2940.7	29.0%	n.a.

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 to the effective tax expense can be seen in the tax footnote of our IFRS Group Financials.

2. INCOME TAXES PAID:

In the following we give an overview of the income taxes paid in our flagship countries and for the Allianz Group in total:

	Income taxes paid € mn
Germany	-141.006
USA	442.309
France	402.381
Italy	431.383
Switzerland	70.536
Spain	88.278
Belgium	42.901
Other	762.218
Group	2,099.000

The amount of income taxes paid in 2017 of EUR 2,099mn is not equal to the income tax expense recorded in our IFRS Group Financials 2017 of EUR 2,940.7mn. 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 may vary for accounting and tax purposes. These differences result in deferred taxes in the financial statements to reflect any future taxable events (2017: deferred tax expense € 811.8mn). Income tax expense may also be impacted by items that do not result in an immediate cash payment, such as provisions for uncertain tax positions.
- The net refunds in Germany especially result from refunds of income taxes already accounted in prior years. Furthermore, taxes paid do not include taxes paid in non-German branches which are allocated to the respective jurisdiction.

² Income taxes according to IAS 12 (current and deferred income taxes) based on Allianz IFRS Group Financials 2017; profit before income taxes based on consolidated figures w/o intercompany benefit/expense elimination.

³ Flagship countries for tax purposes are Germany, USA, France, Italy, Switzerland, Spain and Belgium.

⁴ The deviation of the effective tax rate and the corporate tax rate in Belgium results from tax benefits due to revaluation of deferred taxes based on an enacted corporate income tax rate reduction.

TAX REPORTING

3. INSURANCE PREMIUM TAXES (IPT) COLLECTED:

In the following we give an overview of the IPT paid in our flagship countries:

	Insurance premium taxes paid € mn
Germany	1817.8
USA	57.4
France	882.4
Italy	863.5
Switzerland	62.9
Spain	230.5
Belgium	93.1
Total	4007.6

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 with regard to the type of insurance (motor, fire, etc.).

4. WAGE TAXES COLLECTED

	Wage taxes paid € mn
Germany	723.2
USA	612.7
France	85.3
Italy	199.2
Switzerland	1.8
Spain	26.4
Belgium	70
Total	1718.6

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

5. VALUE ADDED TAX (VAT) PAID

	Value added tax paid € mn
Germany	363.8
USA	2.6
France	129.9
Italy	120.5
Switzerland	8.2
Spain	38.9
Belgium	24.5
Total	688.4

Allianz Group incurs VAT and similar sales taxes on goods and services which it purchases. In most countries, insurance products are exempt from VAT and sales tax; as a consequence, our insurance businesses can usually only recover a small proportion 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 THE POLICYHOLDER

	Tax on payments to policyholders € mn
Germany	69.5
USA	310.2
France	258.6
Italy	168.5
Switzerland	0.5
Spain	54.3
Belgium	43.9
Total	905.5

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 policyholder is allowed to credit this tax on the personal income tax liability.

TAX GOVERNANCE AND TAX RISK MANAGEMENT

Effective and strong governance is key for Allianz. Our Allianz Group Risk Policy provides a global framework for the Group to thoroughly identify, assess, control, and report tax risks in a timely fashion.

The Allianz SE Board of Management is responsible for the Group's Business Strategy, the Renewal Agenda, of which our tax strategy is an integral part. The Chief Financial Officer of Allianz SE regularly informs the Allianz SE Board of Management 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.

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 which are hosted at the local finance function. Our Group tax function serves as the local tax function for Germany and also 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 to efficiently leverage our tax expertise. Regular country-specific and also 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 (financial tax risk reporting, operational tax risk reporting), this also ensures that local tax risks are assessed from a Group perspective and are appropriately reported to and controlled by the Group.



The Allianz Standard for Tax Management applies throughout the Group to all our internal and outsourced tax processes and is approved by the Allianz SE Board. We review the Standard annually, and the Board of Management is notified of any material changes. The Standard is effectively communicated to all tax related employees and published on the Group Intranet as part of our Corporate Rules Book.

Allianz's tax experts are highly qualified with an in-depth tax and business expertise. We ensure their professional development and promote continuous learning as well as on going exchange with internal stakeholders. This is in line with our Renewal Agenda business strategy which carries people and performance at its core and regards technical excellence as one of its pillars to enable growth.

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 Allianz Group structure as of December 31, 2017 showing our global presence and operations with our major operating entities.

Approximately 1,000 subsidiaries are part of the consolidated Allianz Group. The list of consolidated subsidiaries including information on the respective Allianz Group parent entity/-ies owning them is available [here](#).

Additionally, the "List of Group Subsidiaries" can be seen in our [Annual Report](#).

The Allianz tax strategy can be downloaded [here](#).

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

Disclaimer

Report not audited and signed off by Group's external auditor. Taxes paid with respect to IPT, VAT, wage taxes and taxes collected on payments to policyholder are only disclosed for our flagship countries being Germany, USA, France, Italy, Belgium, Spain, and Switzerland. For these flagship countries the most significant subsidiaries were included. Taxes paid with respect to income taxes are disclosed for our flagship countries based on individual reporting of the most significant subsidiaries. All other income taxes paid are derived from a simplified cash flow calculation.

This overview is simplified. It focuses on 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 31 December 2017.

Allianz SE



