COMPETENCE
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ALLIANZ SE
ANNUAL REPORT 2017

Allianz

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Disclaimer regarding roundings

Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

TO OUR INVESTORS

A

SUPERVISORY BOARD REPORT

Ladies and Gentlemen,

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

OVERVIEW

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

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

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

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

Details on each member's participation at meetings of the Supervisory Board and its committees can be found in the Corporate Governance Report, starting on **page 29**. Members of the Supervisory Board who were unable to attend meetings of the Supervisory Board or its committees were excused and, as a rule, cast their votes in writing.

ISSUES DISCUSSED IN THE SUPERVISORY BOARD PLENARY SESSIONS

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

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

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

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

At the meeting on 3 August 2017, the Board of Management first reported extensively on the half-yearly results. It additionally addressed the upcoming investment in the UK property insurance firm Liverpool Victoria, the sale of the Allianz holding in Oldenburgische Landesbank AG, and the impact of Banco Santander's acquisition of Banco Popular, a long-standing distribution and joint venture partner in Spain. The Board of Management then reported on the strategic dialog with the Group companies, particularly regarding the progress of the Renewal Agenda. In addition, the Board of Management provided a status report on cyber risk security. The Supervisory Board amended the Rules of Information for Reports by the Board of Management to the Supervisory Board in order to comply with new regulatory requirements. Finally, the Board of Management reported on the percentage of women in management positions. Thereafter, the Supervisory Board set a new target for the percentage of women in Allianz SE's Board of Management. This target is also a component of the diversity concept for the Board of Management, which was to be established in accordance with the new CSR regulations. A corresponding diversity concept for the Supervisory Board was included into the objectives for the composition of the Supervisory Board, as well as a profile of skills and expertise for the Supervisory Board which is required under a new Code recommendation (see **page 35**).

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

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

DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

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

Further explanations on corporate governance in the Allianz Group can be found in the Corporate Governance Report starting on **page 29** and the Statement on Corporate Management pursuant to §289f of the HGB starting on **page 34**. The Allianz website also provides more details on corporate governance: **www.allianz.com/corporate-governance**.

COMMITTEE ACTIVITIES

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

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

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

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

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

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

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

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

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

Chairman: Michael Diekmann

Vice Chairmen: Jim Hagemann Snabe, Rolf Zimmermann

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

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

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

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

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

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

AUDIT OF ANNUAL ACCOUNTS AND CONSOLIDATED FINANCIAL STATEMENTS

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

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

On the basis of our own reviews of the annual Allianz SE and consolidated financial statements, the management and group management reports, and the recommendation for appropriation of earnings, we raised no objections and agreed with the results of the KPMG audit. We approved the Allianz SE and consolidated financial statements prepared by the Board of Management. The financial statements are thus adopted. We agree with the Board of Management's proposal on the appropriation of earnings.

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

LIMITED ASSURANCE ENGAGEMENT OF THE COMBINED SEPARATE NON-FINANCIAL REPORT

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

MEMBERS OF THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

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

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

Munich, 8 March 2018

For the Supervisory Board:

Michael Diekmann
Chairman

MANDATES OF THE MEMBERS OF THE SUPERVISORY BOARD

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

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

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

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

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

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

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

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

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

JEAN-JACQUES CETTE
Chairman of the Group Works Council of Allianz France S.A.
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz France S.A.

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

MARTINA GRUNDLER
National Representative Insurances, ver.di Berlin

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

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

PROF. DR. RENATE KÖCHER
until 3 May 2017
Head of "Institut für Demoskopie Allensbach" (Allensbach Institute)
Membership in other statutory supervisory boards and SE administrative boards in Germany
BMW AG
Infineon Technologies AG
Nestlé Deutschland AG
Robert Bosch GmbH

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

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

MANDATES OF THE MEMBERS OF THE BOARD OF MANAGEMENT

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

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

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

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

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

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

GIULIO TERZARIOL
since 1 January 2018
Finance, Controlling, Risk

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

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

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

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

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

MANAGEMENT REPORT OF ALLIANZ SE

B

EXECUTIVE SUMMARY AND OUTLOOK

Earnings summary

CONDENSED INCOME STATEMENT

€ mn

	2017	2016	Change
Gross premiums written	**10,265**	**10,820**	**(555)**
Premiums earned (net)	9,433	9,625	(191)
Claims (net)	(6,262)	(6,344)	82
Underwriting expenses (net)	(2,884)	(2,946)	62
Other technical reserves (net)	52	65	(14)
Net underwriting result	339	400	(61)
Change in claims equalization and similar reserves	(226)	(528)	302
Net technical result	113	(128)	241
Investment result	3,713	3,290	423
Allocated interest return	(22)	(22)	-
Other non-technical result	(267)	(459)	192
Non-technical result	3,423	2,809	616
Net operating income	**3,537**	**2,681**	**856**
Taxes	135	267	(133)
Net income	**3,671**	**2,948**	**724**

NET UNDERWRITING RESULT

Gross premiums written decreased to € 10,265 mn, mainly due to a one-off effect in 2016 coming from the premium portfolio entries performed for the new quota share agreements with European Allianz entities. In total, € 9,858 mn (2016: € 10,385 mn) of gross premiums came from Property-Casualty reinsurance and € 407 mn (2016: € 435 mn) from Life/Health reinsurance.

The net retention ratio decreased slightly to 92.4 % (2016: 92.7 %). Premiums earned (net) declined by € 191 mn to € 9,433 mn (2016: € 9,625 mn), mainly driven by the development of gross premiums written and higher retrocessions.

The accident year loss ratio (net) in Property-Casualty reinsurance dropped to 69.6 % (2016: 69.9 %). Natural catastrophe losses amounted to € 153 mn for the accident year 2017 (2016: € 216 mn)[1]. The decrease was mainly driven by the received retro compensation for several natural catastrophe events with an amount of € 172 mn (2016: € 0 mn) in 2017.

Natural catastrophes before retrocessions

€ mn

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

	Losses for Allianz SE
Major Events in 2016	
Storms Lea, Marine and Neele, Germany	47
Earthquake in New Zealand	39
Storm Elvira, Germany	37
Storm Friederike, Germany	27
Hailstorm in the Netherlands	18
Floods in France	12
Other	36
Total	**216**

The positive run-off result decreased from € 427 mn to € 343 mn and was mainly influenced by the development of fire reinsurance (€ 122 mn), engineering reinsurance (€ 103 mn), personal accident reinsurance (€ 49 mn) and credit and bond reinsurance (€ 48 mn). In total, there was an increase of the loss ratio (net) in Property-Casualty reinsurance to 65.8 % (2016: 65.3 %).

The expense ratio (net) in Property-Casualty reinsurance decreased slightly to 30.7 % (2016: 31.0 %). This was largely driven by an decrease of 0.3 percentage points in the commission ratio to 29.8 % (2016: 30.1 %). The administrative expense ratio remains stable at prior-year level of 0.9 % (2016: 0.9 %).

The net underwriting result reduced by 15.2 % from € 400 mn to € 339 mn, mainly because of the negative development of calendar year claims ratio in 2017 and the overall portfolio decline.

1_Based on Group definition for large losses.

NET TECHNICAL RESULT

In 2017, a change in claims equalization and similar reserves of € 226 mn (2016: € 528 mn) resulted from the positive underwriting result as well as the overall portfolio growth of the last years. The strengthening was mainly driven by other reinsurance lines (€ 111 mn), credit and bond reinsurance (€ 53 mn), liability reinsurance (€ 47 mn) and legal expenses reinsurance (€ 20 mn). On the other hand, there is a withdrawal due to exaggeration of loss for motor reinsurance with an amount of € 26 mn.

Despite the further increase of equalization and similar reserves, the net technical result turned positive with € 113 mn (2016: € (128) mn).

NON-TECHNICAL RESULT

INVESTMENT RESULT

€ mn

	2017	2016	Change
Investment income			
Income from profit transfer agreements	3,026	1,943	1,082
Income from affiliated enterprises and participations	1,099	1,727	(628)
Income from other investments	860	945	(85)
Realized gains	653	365	288
Income from reversal of impairments	10	105	(95)
Subtotal	5,648	5,085	563
Investment expenses			
Expenses for the management of investments, interest and other investment-related expenses	(1,093)	(1,106)	13
Depreciation and impairments of investments	(267)	(183)	(84)
Realized losses	(131)	(198)	68
Expenses for losses taken over	(445)	(308)	(137)
Subtotal	(1,935)	(1,795)	(139)
Investment result	**3,713**	**3,290**	**423**

The investment result increased by € 423 mn to € 3,713 mn.

Income from profit transfer agreements rose by € 1,082 mn to € 3,026 mn, primarily due to a higher profit transfer from Allianz Deutschland AG, which went up by € 574 mn to € 1,423 mn, and a € 900 mn profit transfer from Allianz Argos 14 GmbH which reflects a dividend payment received from Allianz Holding France SAS. This was partly offset by lower profit transfers from Allianz Global Corporate & Specialty SE and from Allianz Asset Management GmbH, which decreased by € 369 mn to € 331 mn and by € 24 mn to € 356 mn.

Income from affiliated enterprises and participations declined by € 628 mn to € 1,099 mn, mainly because the dividend payment received from our subsidiary Allianz Europe B.V. was reduced by € 750 mn to € 600 mn in 2017.

Income from other investments went down by € 85 mn to € 860 mn. It largely consits of interest income from intra-group loans (€ 387 mn) and bonds (€ 315 mn).

Realized gains increased by € 288 mn to € 653 mn, mainly due to the termination of intra-group loans in 2017 (€ 389 mn). Further realized gains primarily resulted from the sale of bonds, which decreased by € 116 mn to € 210 mn.

Income from reversal of impairments fell by € 95 mn to € 10 mn, mainly stemming from write-ups related to our bond portfolio.

Expenses for the management of investments, interest and other investment-related expenses were further reduced by € 13 mn to € 1,093 mn. Despite an overall increase of financial liabilities, interest expenses went down as a result of lower refinancing rates for the rollover of matured debt instruments.

Depreciation and impairments of investments rose by € 84 mn to € 267 mn. Much of the impairments in 2017 was attributable to our bond portfolio (€ 239 mn).

Realized losses went down by € 68 mn to € 131 mn, mainly resulting from the sale of bonds (€ 72 mn) and the redemption of intra-group debt at fair value prior to maturity (€ 31 mn).

Expenses for losses taken over grew by € 137 mn to € 445 mn. This was primarily due to higher losses taken over from our service provider Allianz Technology SE, which increased by € 158 mn to € 442 mn.

OTHER NON-TECHNICAL RESULT

The other non-technical result improved by € 192 mn to € (267) mn. This was primarily driven by the foreign currency translation result, which improved by € 640 mn. The increase of interest expenses on pensions by € 397 mn negatively influenced the result. For further information regarding other income and expenses, please refer to note 25.

TAXES AND NET INCOME

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

After being offset against tax losses, the current tax charge of Allianz SE amounted to € 393 mn (2016: € 257 mn). Moreover, Allianz SE received a tax allocation of € 515 mn (2016: € 523 mn) by Allianz SE tax group companies that recorded taxable income. Taking into account other taxes, the income from taxes amounted to € 135 mn (2016: € 267 mn).

The increase of net income by € 724 mn to € 3,671 mn (2016: € 2,948 mn) is supported by all result components. The investment result rose significantly by € 423 mn to € 3,713 mn, the net technical result contributed with an upswing of € 241 mn to € 113 mn and the other non-technical result improved by € 192 mn to € (267) mn.

Economic outlook[1]

Although political uncertainties linger, the global economic outlook for 2018 is favorable. The U.S. economy is expected to grow by 2.6 %. The recently adopted tax reform package should contribute to higher growth. The net tax reductions will underpin companies' propensity to invest and support solid consumption growth. In the Eurozone, growth is likely to exceed 2 % again in 2018. In particular, apart from the favorable global backdrop, the fact that the loose European Central

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

Bank monetary policy continues to provide support, coupled with broadly neutral fiscal policy, points to an ongoing recovery. As in 2017, the emerging market economies are expected to grow by close to 5%. Asian emerging markets continue to benefit from the revival of world trade and stable growth in China. The Eastern European countries capitalize on the continuing upturn in the Eurozone. We are currently faced with a rather high degree of synchronization, and for the world economy it is the strongest expansion period since 2011. Global output is expected to increase by 3.2% in 2018.

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

Insurance industry outlook

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

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

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

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

Business outlook

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

- Global economic growth is set to continue.
- Modest rise in interest rates expected.
- No major disruptions of capital markets.
- No disruptive fiscal or regulatory interference.
- Level of claims from natural catastrophes at expected average levels.
- Average U.S. Dollar to Euro exchange rate of 1.22.

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

Allianz SE and its subsidiaries (the Allianz Group) use Allianz SE, in particular, as a vehicle for actively managing their overall exposure to natural catastrophes. Within a group-wide risk management framework, each operating entity is responsible for controlling its exposure to individual catastrophes and defining its local reinsurance requirements, based on its local risk appetite and capital position. The respective cover is then provided by Allianz SE or one of its subsidiaries. At the Group level, the Allianz SE Board reviews and approves the risk appetite. The reinsurance division is then responsible for designing and implementing Group catastrophe protections within given exposure limits. These covers take various forms and aim to protect the Group against excessive losses from major natural catastrophes. However, there is still the potential for an unexpected frequency and/or severity of catastrophic events in any year that may materially impact the results of Allianz SE. The top five residual risk exposures at the Group level are summarized on **page 28.**

After five years of falling rates the softening reinsurance cycle has come to an end for the January 2018 renewals, mainly a result of claims burden due to Natural Catastrophes in 2017. As there is still plenty of capacity in the reinsurance market it remains to be seen if this development will continue in 2018.

Allianz SE's technical result largely depends on group-internal cessions resulting from the quota share agreements with European Allianz entities. We expect an increase of net premiums as well as an improvement of the net underwriting result before equalization reserve in 2018. Based on our estimates we expect an improved combined ratio for the property and casualty reinsurance in 2018. It should be noted that, in extreme cases, the actual result may vary significantly as the reinsurance business is, by nature, volatile in terms of frequency and severity of losses.

For 2018, we predict an almost stable net income and, together with the unappropriated earnings carried forward, an increase in net earnings. Based on our current planning, this may involve a year-on-year shift in earning contributions between the investment result and the other non-technical result. We currently expect a rising investment result. However, as things stand, this increase is set to be more than offset by an declined other non-technical result. On the other hand, we estimate a better tax income. We are not currently planning a specific currency rate result, nor are we able to anticipate any net gains/losses from derivatives. This could impact the net income of Allianz SE considerably. Given the susceptibility of our non-technical result to adverse capital market developments, we do not provide a precise outlook for net income. Nevertheless, we are ultimately planning and managing the Allianz SE net earnings in line with the Allianz Group's dividend policy. To this end, we take advantage of the opportunity to make targeted use of the dividends of our subsidiaries, in particular those of Allianz Europe B.V., in order to generate net earnings for Allianz SE that match the dividend policy of Allianz Group. For more detailed information on our dividend policy, see the Allianz Group's Annual Report 2017 and **www.allianz.com/dividend**.

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

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

OPERATIONS BY REINSURANCE LINES OF BUSINESS

Gross premiums written decreased by 5.1% to € 10,265 mn (2016: € 10,820 mn). All in all, 91.9% (2016: 92.6%) of premiums written originated from the Allianz Group's internal business. In addition, Allianz SE continued to write business from selected external partners in order to diversify the internal portfolio.

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

	Gross premiums written			Combined ratio Property-Casualty		Change in claims equalization and similar reserves		Net technical result	
	2017	2016	Change	2017	2016	2017	2016	2017	2016
	€ mn	€ mn	%[1]	%	%	€ mn	€ mn	€ mn	€ mn
Motor	3,780	4,062	(6.9)	104.4	104.1	26	(106)	(151)	(276)
Fire and property reinsurance	2,687	2,817	(4.6)	89.7	88.2	(11)	(183)	243	92
thereof:									
Household and homeowner	865	839	3.2	96.1	88.0	-	-	33	95
Fire	680	810	(16.1)	94.2	78.2	(11)	(183)	22	(59)
Engineering	412	441	(6.6)	63.7	88.7	-	-	145	48
Business interruption	160	83	91.2	99.0	87.8	-	-	1	10
Other property reinsurance	569	644	(11.6)	92.7	98.8	-	-	42	(2)
Liability	1,206	1,270	(5.0)	93.5	94.6	(48)	(45)	33	16
Credit and bond	445	382	16.4	96.7	93.3	(53)	(43)	(43)	(17)
Personal accident	365	354	3.1	77.7	79.3	(1)	(1)	77	68
Life	302	319	(5.3)	n/a	n/a	-	-	31	89
Marine and aviation	297	357	(16.7)	94.1	94.8	(8)	(27)	7	(9)
Legal expenses	245	237	3.6	91.4	98.3	(20)	(1)	1	3
Health	105	116	(8.9)	n/a	n/a	-	-	(1)	1
Other lines	832	906	(8.2)	96.4	96.5	(111)	(122)	(84)	(95)
Total	**10,265**	**10,820**	**(5.1)**	**96.6**	**96.3**	**(226)**	**(528)**	**113**	**(128)**

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

Premiums written in motor reinsurance fell by 6.9% to € 3,780 mn (2016: € 4,062 mn), mainly impacted by the decrease of premium volume from Allianz S.p.A. The combined ratio rose to 104.4% (2016: 104.1%), mainly driven by the increased calendar year loss ratio of 78.1% (2016: 75.4%), with offsetting effects coming from the reduced expense ratio of 26.3% (2016: 28.8%). In particular, the claims development caused a release of equalization reserve in the amount of € (26) mn (2016: strengthening € 106 mn).

The household and homeowner reinsurance portfolio increased slightly by 3.2%, with gross premiums written of € 865 mn (2016: € 839 mn), mainly coming from the business with Allianz Versicherungs-AG. Driven by a deteriorated accident year claims ratio of 65.2% (2016: 57.8%) and a negative run-off result of € (5) mn (2016: € 9 mn), the combined ratio worsened to 96.1% (2016: 88.0%). The net technical result decreased to € 33 mn (2016: € 95 mn).

The fire reinsurance portfolio declined by 16.1% to € 680 mn (2016: € 810 mn) in gross premiums written, driven by internal business. The increase of accident year claims ratio to 89.2% (2016: 81.8%) and the decrease of run-off result to € 122 mn (2016: € 180 mn) caused a significant increase of the calendar year claims ratio to 67.1% (2016: 50.3%). The combined ratio deteriorated to 94.2% (2016: 78.2%). After a further strengthening of the equalization reserve of € 11 mn (2016: € 183 mn), a positve net technical result of € 22 mn (2016: € (59) mn) was achieved.

Engineering reinsurance premiums written decreased to € 412 mn (2016: € 441 mn), mainly resulting from the shift to more non-proportional reinsurance covers for several business partners. The combined ratio improved significantly to 63.7% (2016: 88.7%), much of which was driven by the positive development of the accident year claims ratio of 58.5% (2016: 80.6%). The net technical result increased by € 97 mn to € 145 mn (2016: € 48 mn).

Other property reinsurance includes extended coverage for fire and business interruption as well as hail, storm, water damage, livestock, burglary, and glass reinsurance. Premiums written declined by 11.6% to € 569 mn (2016: € 644 mn) due to reduced external business volume. The net technical result improved significantly to € 42 mn (2016: € (2) mn), mainly driven by the positive development of accident year loss ratio 65.3% (2016: 71.5%).

Premiums written for liability reinsurance declined by 5.0% to € 1,206 mn (2016: € 1,270 mn), much of which resulted from a decrease of premium revenue with Allianz Global Corporate & Specialty SE. The combined ratio improved to 93.5% (2016: 94.6%), mainly influenced by the positive development of accident year loss ratio 57.0% (2016: 59.3%) which was partially offset by the negative run-off result of € (44) mn (2016: € (33) mn). The net technical result amounted to € 33 mn (2016: € 16 mn), after a further strengthening of the equalization reserve of € 48 mn (2016: € 45 mn).

Gross premiums written in credit and bond reinsurance increased by € 63 mn to € 445 mn. The calendar year loss ratio improved by 3,6% to 49.7% which was mainly influenced by the increased run-off result of € 48 mn (2016: € 20 mn). However, the combined ratio worsened to 96.7% (2016: 93.3%), influenced by a higher expense ratio of 47.0% (2016: 40.0%). A further strengthening of the equalization reserve of € 53 mn (2016: € 43 mn) led to a negative net technical result of € (43) mn (2016: € (17) mn).

The gross premium written in marine and aviation reinsurance fell by 16.7% to € 297 mn (2016: € 357 mn), mainly impacted by a decrease of premium revenue with Allianz Global Corporate & Specialty SE. The combined ratio improved slightly by 0.7 percentage points to 94.1%, mainly due to the increased run-off result of € 33 mn (2016: € 10 mn). This development caused a strengthening of € 8 mn (2016: € 27 mn) in equalization reserve. As a consequence of the decreased allocation to the equalization reserve, the net technical result turned positive with € 7 mn (2016: € (9) mn).

The personal accident reinsurance gross premium revenue increased to € 365 mn (2016: € 354 mn), mainly driven by higher premiums ceded by Allianz Versicherungs-AG. The combined ratio further improved to 77.7% (2016: 79.3%), mainly influenced by a lower accident year claims ratio of 57.3% (2016: 58.9%). After a strengthening of € 1 mn in equalization reserve (2016: € 1 mn), an increased net technical result of € 77 mn (2016: € 68 mn) was achieved.

In life reinsurance, the premium revenue declined to € 302 mn (2016: € 319 mn), primarily due to the recapture of several reinsurance contracts in the Asia-Pacific region. The expense ratio increased by 10.8 percentage points, compared to the previous year, reaching 28.6%, much of the difference being due to one-off effects in 2016. The net technical result dropped to € 31 mn (2016: € 89 mn).

The premium revenue of legal expenses reinsurance rose by 3.6% to € 245 mn (2016: € 237 mn), largely driven by business with Allianz Versicherungs-AG. The combined ratio improved substantially to 91.4% (2016: 98.3%). This positive development was mainly attributable to higher run-off result of € 24 mn (2016: € 16 mn) reflected in an improved calendar year losses ratio of 54.4% (2016: 61.8%). After a strengthening of equalization reserve with an amount of € 20 mn (2016: € 1 mn), the net technical result remained positive with € 1 mn (2016: € 3 mn).

Other reinsurance lines include:

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

BALANCE SHEET REVIEW

Condensed balance sheet

€ mn

as of 31 December	2017	2016
ASSETS		
Intangible assets	30	21
Investments	116,061	113,079
Receivables	5,398	5,473
Other assets	272	292
Deferred charges and prepaid expenses	307	615
Excess of plan assets over pension and similar obligations	11	-
Total assets	**122,080**	**119,480**
EQUITY AND LIABILITIES		
Shareholders' equity	42,014	44,650
Subordinated liabilities	13,689	13,806
Insurance reserves net	14,980	14,471
Other provisions	7,950	7,369
Funds held with reinsurance business ceded	983	1,075
Payables on reinsurance business	363	411
Other financial liabilities	42,090	37,691
Deferred income	11	7
Total equity and liabilities	**122,080**	**119,480**

Investments

€ mn

as of 31 December	2017	2016
Real estate	245	250
Investments in affiliated enterprises and participations	74,176	71,354
Other investments	33,329	33,447
Funds held by others under reinsurance business assumed	8,310	8,028
Total investments	**116,061**	**113,079**

The book value of investments in affiliated enterprises and participations increased by € 2.8 bn to € 74.2 bn, driven by a higher book value of shares in affiliated enterprises (€ 5.6 bn). A reduction of loans to affiliated enterprises (€ 2.8 bn) partly offset this increase. More details regarding this position are explained in note 5 to our financial statements.

Other investments slightly decreased from € 33.4 bn to € 33.3 bn, reflecting declines in investment funds (€ 0.7 bn), loans (€ 0.2 bn), and deposits with banks (€ 0.2 bn), which mostly were compensated by higher investments in debt securities (€ 1.0 bn).

At the end of 2017, € 28.4 bn of other investments were invested in debt securities, of which € 9.6 bn were government bonds. We slightly raised our overall government bond exposure by € 0.1 bn compared to year-end 2016, reducing our sovereign debt exposure in Spain from € 0.7 bn to € 0.6 bn while increasing our investments in Italian government bonds from € 0.6 bn to € 0.8 bn.

Funds held by others under reinsurance business assumed increased to € 8.3 bn (2016: € 8.0 bn). This increase reflects the development of reserves for loss and loss adjustment expenses.

As of 31 December 2017, the fair value of investments amounted to € 127.1 bn (2016: € 124.9 bn), compared to a carrying amount of € 116.1 bn (2016: € 113.1 bn).

Shareholders' equity

As of 31 December 2017, our shareholders' equity amounted to € 42.0 bn (2016: € 44.7 bn), a decrease of € 2.7 bn in the financial year. The reduction is caused by a buy-back of own shares at acquisition costs of € 3.0 bn. The shares were cancelled without reducting the issued capital. This decrease was partly offset by a slight rise of € 0.3 bn, due to net income being higher than the dividend paid and due to the sale of own shares for the Employee Stock Purchase Plan.

The Board of Management proposes to use the net earnings of € 4,117 mn for dividend payments in the amount of € 3,511 mn.[1] The unappropriated earnings of € 606 mn will be carried forward.

Development of shareholders' equity and of issued shares

	Issued shares	Issued capital	Mathematical value of own shares	Additional paid-in capital	Revenue reserves	Net earnings	31 December
	Number	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou
as of 31 December 2016	457,000,000	1,169,920	(4,945)	27,844,664	11,784,157	3,855,866	44,649,662
Own shares: cancellation	(16,750,354)	-	-	-	(2,997,705)	-	(2,997,705)
Own shares	-	-	1,307	-	38,566	-	39,873
Own shares: realized gains	-	-	-	60,592	-	-	60,592
Dividend payment for 2016	-	-	-	-	-	(3,409,946)	(3,409,946)
Unappropriated earnings carried forward	-	-	-	-	-	(445,920)	(445,920)
Net earnings	-	-	-	-	-	4,117,339	4,117,339
as of 31 December 2017	**440,249,646**	**1,169,920**	**(3,638)**	**27,905,256**	**8,825,017**	**4,117,339**	**42,013,894**

1_The proposal reflects the number of shares entitled to the dividend as of 31 December 2017.

Insurance reserves and other provisions

For information on insurance reserves and other provisions, please refer to notes 14 and 15 to our financial statements.

Financial liabilities

As of 31 December 2017, Allianz SE had the following outstanding financial liabilities:

Financial liabilities
€ mn

as of 31 December	2017	2016
Intra-group subordinated liabilities	3,412	4,869
Third-party subordinated liabilities	10,277	8,937
Subordinated liabilities	13,689	13,806
Bonds issued to Group companies	2,354	2,576
Liabilities to banks	-	398
Other intra-group financial liabilities	38,397	33,429
Other third-party financial liabilities	1,338	1,288
Other financial liabilities	42,090	37,691
Total financial liabilities	**55,779**	**51,497**

Of these financial liabilities, € 44.2 bn (2016: € 40.9 bn) were intra-group liabilities.

Subordinated liabilities decreased to € 13.7 bn (2016: € 13.8 bn). Details regarding this position are explained in note 13 to our financial statements.

Liabilities from bonds issued to Group companies declined to € 2.4 bn (2016: € 2.6 bn), due to the redemption of bonds in the amount of € 0.2 bn.

Liabilities to banks went down to € 0.0 bn (2016: € 0.4 bn) following the termination of short-term repurchase agreements amounting to € 0.4 bn.

Other intra-group financial liabilities rose to € 38.4 bn (2016: € 33.4 bn) and were composed of the following positions:

Other intra-group financial liabilities
€ mn

as of 31 December	2017	2016
Intra-group loans	23,292	23,317
Cash pool liabilities	13,981	9,272
Miscellaneous	1,124	840
Other intra-group financial liabilities	**38,397**	**33,429**

While liabilities from intra-group loans remained stable at € 23.3 bn, liabilities from intra-group cash pooling significantly increased by € 4.7 bn to € 14.0 bn and miscellaneous intra-group liabilities climbed by € 0.3 bn to € 1.1 bn.

In 2017, other third-party financial liabilities amounted to € 1.3 bn (2016: € 1.3 bn). The decline of short-term funding through European commercial papers by € 0.1 bn to € 0.9 bn was offset by an increase of various other third-party financial liabilities by € 0.1 bn to € 0.4 bn.

LIQUIDITY AND FUNDING RESOURCES

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

Liquidity Resources and Uses

Allianz SE ensures adequate access to liquidity and capital for our operating subsidiaries. Main sources of liquidity available to Allianz SE are dividends and funds received from subsidiaries, reinsurance premiums received, and funding provided by capital markets. Liquidity resources are defined as readily available assets – specifically cash, money market investments, and highly liquid government bonds. Funds are primarily used for paying interest expenses on our debt funding, claims arising from the reinsurance business, operating costs, internal and external growth investments, and dividends to our shareholders.

Funding Sources

Allianz SE's access to external funds depends on various factors such as capital market conditions, access to credit facilities as well as credit ratings and credit capacity. The financial resources available to Allianz SE are both equity and debt funding. Equity can be raised by issuing ordinary shares. The issuance of debt in various maturities as well as group-wide liquidity management are the main sources of our debt funding.

EQUITY FUNDING

As of 31 December 2017, the issued capital registered at the Commercial Register was € 1,169,920,000. This was divided into 440,249,646 registered shares with restricted transferability. As of 31 December 2017, Allianz SE held 1,369,131 (2016: 1,931,677) own shares.

Allianz SE has the option to increase its equity capital base according to authorizations provided by the AGM. The following table outlines Allianz SE's capital authorizations as of 31 December 2017:

Capital authorizations of Allianz SE

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

For further details on Allianz SE's capital authorizations, please refer to note 12 to our financial statements.

DEBT FUNDING

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

In 2017, we had steady access to debt funding sources, enabling us to actively steer the maturity profile of our funding structure. In January 2017, Allianz SE issued two dated subordinated bonds of € 1.0 bn and USD 0.6 bn and redeemed a subordinated bond of € 1.4 bn in February 2017. Overall, our subordinated liabilities decreased slightly to € 13.7 bn (2016: € 13.8 bn) at year-end.

Other financial liabilities increased to € 42.1 bn (2016: € 37.7 bn), mainly as a result of higher intra-group liabilities. For further details on Allianz SE's financial liabilities, please refer to notes 13 and 16 to our financial statements.

RISK AND OPPORTUNITY REPORT

Target and strategy of risk management

Allianz SE aims to ensure adequate capitalization at all times for the benefit of both shareholders and policyholders. This includes meeting the Solvency II regulatory capital requirements resulting from the internal model. Furthermore, risk and the cost of capital – reflecting that risk – are important aspects to be taken into account in business decisions.

We closely monitor the capital position and risk concentrations of Allianz SE and apply regular stress tests (standardized and historical stress test scenarios). This allows us to take appropriate measures to ensure our continued capital and solvency strength.

Risk governance

RISK MANAGEMENT FRAMEWORK

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

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

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

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

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

Risk reporting and monitoring: Our comprehensive qualitative and quantitative risk monitoring framework provides management with the transparency needed to assess whether our risk profile falls within delegated limits and to identify emerging issues quickly. For example, risk dashboards and limit consumption reports as well as scenario analyses and stress tests are regularly prepared and communicated.

Communication and transparency: Transparent risk disclosure provides the basis for communicating our strategy and performance to internal and external stakeholders, ensuring a sustainable and positive impact on valuation and financing. It also strengthens the risk awareness and risk culture throughout Allianz SE.

MANAGEMENT STRUCTURE

SUPERVISORY BOARD RISK COMMITTEE AND GROUP FINANCE AND RISK COMMITTEE

Allianz SE's risk governance ensures that our risk profile remains consistent with both our risk strategy and our capacity to bear risks.

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

Supervisory Board Risk Committee

The Risk Committee of the Supervisory Board monitors the effectiveness of Allianz SE's risk management framework. It also keeps track of risk-related developments as well as of general risks and specific risk exposures.

Group Finance and Risk Committee

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

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

OVERALL RISK ORGANIZATION AND ROLES IN RISK MANAGEMENT

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

As a general principle, the "first line of defense" rests with business managers in the business units of Allianz SE. They are responsible for both the risks and returns from their decisions. Our "second line of defense" is made up of independent oversight functions including risk, actuarial, compliance, and legal, which support the Board in defining the risk framework within which the business can operate.

Audit forms the "third line of defense", independently reviewing Allianz SE's risk governance implementation and compliance with risk principles. It performs quality reviews of risk processes, and tests adherence to business standards, including the internal control framework .For the first and the second line of defense, Allianz SE has established dedicated responsibilities at its departments (including reinsurance).

Risk Function

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

Other functions and bodies

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

Allianz SE's legal and compliance functions seek to mitigate legal risks for Allianz SE with support from other departments. The objectives of these functions are to ensure that laws and regulations are observed, to react appropriately to all impending legislative changes or new court rulings, to attend to legal disputes and litigation, and to provide legally appropriate solutions for transactions and business processes. In addition, compliance is responsible for integrity management, which aims to protect Allianz SE and employees from regulatory risks.

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

Risk based steering and risk management

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

Allianz SE considers diversification across different lines of business and geographic regions to be a key element in managing our risks efficiently, limiting the economic impact of any single event and contributing to relatively stable results. Our aim is to maintain a balanced risk profile without any disproportionately large risk concentrations and accumulations.

With Solvency II being the binding regulatory regime for Allianz SE since 1 January 2016, our risk profile is measured and steered based on our approved Solvency II internal model. We have introduced a target Solvency II ratio for Allianz SE based on predefined shock-scenarios, which is supplemented by sensitivity analysis.

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

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

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

MARKET RISK

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

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

As the fair values of our assets and liabilities depend on financial markets, which may change over time, we are exposed to the risk of adverse financial market developments. Allianz SE's most important market risk results from changes in the value of its participations in Group companies. The long-dated internal pension liabilities of German Group companies on Allianz SE's balance sheet contribute to interest rate risk, in particular as they cannot be fully matched by available investments due to long maturities. In addition, we are also exposed to adverse changes in equity and real estate prices, credit spread levels, inflation, implied volatilities, and currency values, which might impact the value of our assets and liabilities.

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

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

EQUITY RISK

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

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

In 2017, Allianz SE had in place profit-and-loss transfer agreements with twelve German subsidiaries. These are listed in the appendix on **page 73.** Risk from these contracts is reflected via the risk capital calculation on participations.

INTEREST RATE RISK

If the duration of our assets is shorter than that of our liabilities, we may suffer an economic loss in a falling-rate environment as we reinvest maturing assets at lower rates prior to the maturity of liability contracts.

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

CREDIT SPREAD RISK

Fixed-income assets such as bonds may lose value if credit spreads widen. However, our risk appetite for credit spread risk takes into account the underlying economics of our reinsurance business model. As a liability-driven investor, we typically hold fixed-income assets covering reinsurance liabilities until maturity. This implies that short-term changes in market prices affect us to a lesser extent.

INFLATION RISK

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

Inflation assumptions are already taken into account in our reinsurance underwriting. That said, unexpected inflation can increase future claims and expenses, leading to greater liabilities; conversely, if future inflation rates turn out lower than assumed, liabilities will be less than anticipated. The risk of changing inflation rates is incorporated in our internal model.

CURRENCY RISK

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

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

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

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

CREDIT RISK

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

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

Investment portfolio: Credit risk results from our investments in fixed-income bonds, loans, derivatives, cash positions, and receivables, whose values may decrease depending on the credit quality of the obligors.

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

Retrocession: Credit risk to external reinsurers arises when insurance risk exposure from Allianz SE's reinsurance business is retroceded to external reinsurance companies to mitigate insurance risks. Credit risk arises from potential losses resulting from a non-recoverability of reinsurance receivables, or from defaults on benefits under in-force reinsurance treaties. Our reinsurance partners are carefully selected by a dedicated team. Besides focusing on companies with a strong credit profile, we may further require letters of credit, cash deposits, or other financial measures to further mitigate our exposure to credit risk.

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

The loss profile of the portfolio is obtained through Monte Carlo simulation, taking into account interdependencies and exposure concentrations per obligor segment.

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

Our group-wide country and obligor group limit management framework (CrisP[1]) allows us to manage counterparty concentration risk, covering both credit and equity exposures at the Group and Allianz SE levels. This limit framework forms the basis for discussions on credit actions. Clearly defined processes ensure that exposure concentrations and limit utilizations are appropriately monitored and managed.

[1] 1_Credit Risk Platform

UNDERWRITING RISK

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

PROPERTY-CASUALTY

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

As part of our property-casualty reinsurance operations, we receive premiums from our customers and provide insurance protection in return. Premium risk is the risk that actual claims for the current year business develop adversely relative to expected claims ratios. Premium risk is subdivided into three categories: Natural catastrophe risk, man-made risk, and non-catastrophe risk.

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

Premium risk is estimated based on actuarial models that are used to derive claims distributions and consider the features of our reinsurance contracts (e.g. shares, limits, reinstatements, and commissions). Non-catastrophe risk is modelled using attritional loss models for frequency losses, as well as frequency & severity models for large losses. Natural disasters, such as earthquakes, storms, and floods, represent a significant challenge for risk management due to their accumulation potential and volatility of occurrence. For natural catastrophe risk, we use special modelling techniques which combine portfolio data (geographic location, characteristics of insured objects and their values) with simulated natural disaster scenarios to estimate the magnitude and frequency of potential losses. For significant exposures where such stochastic models do not exist, we use deterministic, scenario-based approaches to estimate potential losses. Similar approaches are used to evaluate risk concentrations for man-made catastrophes including losses from terrorism and industrial concentrations. These loss distributions are then used within the internal model to calculate potential losses with a predefined confidence level of 99.5 %.

Reserve risk represents the risk of adverse developments in the best estimate reserves over a one-year time horizon, resulting from fluctuations in the timing and/or amount of claims settlement. Allianz SE estimates and holds reserves for claims resulting from past events that have not yet been settled. The company experiences a reserve loss if the reserves are not sufficient due to unexpected developments; in contrast, there is the chance for positive returns if our reserves prove to be too conservative.

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

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

LIFE/HEALTH

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

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

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

OPERATIONAL RISK

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

- "Execution, Delivery and Process Management" losses arising from transaction or process management failures. Examples include interest from non-payment or underpayment of taxes. These losses tend to occur with a low financial impact (although single large loss events can occur).
- "Clients, Products & Business Practices" losses due to a failure to meet a professional obligation, or from the design of a transaction. Examples include anti-trust behavior, data protection, sanctions and embargoes. These losses can have a high financial impact.
- Other operational risks, including external fraud, financial misstatement risk, and a breach of cyber security causing business disruption or fines, or a potential failure at an outsourcing partner causing a disruption to our working environment.

Reflecting Allianz SE's tasks as holding company for Allianz Group and reinsurer, the operational risk capital of Allianz SE is dominated by the risk of potential losses within the areas of "Execution, Delivery and Process Management" and "Clients, Products & Business Practices".

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

Allianz SE has implemented the Group-wide operational risk management framework that focuses on the early recognition and proactive management of material operational risks. The framework defines roles and responsibilities as well as management processes and methods: Risk managers in the Allianz SE risk management function, in their capacity as the "second line of defense", identify and evaluate relevant operational risks and control weaknesses via a dialog with the "first line of defense", and report operational risk events in a central database.

This framework specifies controls for risk mitigation. For example, compliance risks are addressed via written policies. The risk of financial misstatement is mitigated by a system of internal controls covering financial reporting. Outsourcing risks are covered by an Outsourcing Policy, by Service Level Agreements, and by Business Continuity and Crisis Management programs. Cyber risks are mitigated through investments in cyber security and a variety of ongoing control activities.

BUSINESS RISK

Allianz SE's business risk consists of cost risk from property-casualty reinsurance business and of policyholder behavior risk from both life/health and property-casualty reinsurance.

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

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

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

OTHER RISKS (NOT MODELLED IN THE INTERNAL MODEL)

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

STRATEGIC RISK

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

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

The most important strategic risks are directly addressed through Allianz's Renewal Agenda, which focuses on five themes: True Customer Centricity, Digital by Default, Technical Excellence, Growth Engines and Inclusive Meritocracy. Progress on mitigating strategic risks and towards meeting the Renewal Agenda objectives are monitored and evaluated in the strategic and planning dialogue between Allianz Group and the operative functions of Allianz SE.

LIQUIDITY RISK

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

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

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

Allianz SE's short-term liquidity is managed within Allianz SE's cash pool, which serves as a centralized tool also for investing the excess liquidity of other Group companies. Strategic liquidity planning for Allianz SE over time horizons of 12 months and three years is reported to the Board of Management regularly.

The accumulated short-term liquidity forecast is updated daily and is subject to an absolute minimum strategic cushion amount and an absolute minimum liquidity target. Both are defined for the Allianz SE cash pool in order to be protected against short-term liquidity crises. As part of our strategic planning, contingent liquidity requirements and sources of liquidity are taken into account to ensure that Allianz SE is able to meet any future payment obligations even under adverse conditions. Major contingent liquidity requirements include non-availability of external capital markets, combined market and catastrophe risk scenarios for subsidiaries, as well as lower-than-expected profit transfers and dividends from subsidiaries.

In order to protect the Allianz Group against the liquidity impact of adverse risk events beyond those covered by the capital and liquidity buffers at our subsidiaries, Allianz SE holds a strategic liquidity reserve.

REPUTATIONAL RISK

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

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

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

The identification and assessment of reputational risks is part of our yearly Top Risk Assessment process, in course of which senior management also decides on a risk management strategy and related actions. This is supplemented by quarterly updates. In addition, reputational risk is managed on a case-by-case basis.

Internal risk capital framework

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

GENERAL APPROACH

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

INTERNAL MODEL

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

Risk capital is defined as the difference between the current portfolio value and the portfolio value under adverse conditions at the 99.5 % confidence level. As we consider the impact of a negative or positive event on all covered businesses at the same time, diversification effects across products and regions are taken into account. The results of our Monte Carlo simulation allow us to analyze our exposure to each source of risk, both separately and in aggregate. We also analyze several pre-defined stress scenarios, representing historical events and adverse scenarios relevant for our portfolio.

COVERAGE OF THE RISK CAPITAL CALCULATIONS

Allianz SE's internal risk capital model covers the activities of Allianz SE as the holding company for Allianz Group, as well as its activities as a reinsurer.

Whereas most subsidiaries are covered through treatment as participations, the model covers, on a granular level, the very closely linked activities of 19 subsidiaries which reflect either financing entities or other service providers.

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

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

ASSUMPTIONS AND LIMITATIONS

RISK FREE RATE AND VOLATILITY ADJUSTMENT ASSUMPTIONS

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

In addition, we adjust the risk-free yield curves by a volatility adjustment in most markets where a volatility adjustment is defined by EIOPA and approved by BaFin. This is done to better reflect the underlying economics of our business. The advantage of being a long-term investor, therefore, is the opportunity to invest in bonds yielding spreads over the risk-free return and earning this additional yield component over the duration of the bonds. Therefore, we reflect this mitigation using a volatility adjustment spread risk offset, and view the more relevant risk to be default risk rather than credit spread risk.

DIVERSIFICATION AND CORRELATION ASSUMPTIONS

Our internal risk capital model considers concentration, accumulation, and correlation effects for risks when aggregating results for Allianz SE. This reflects the fact that not all potential worst-case losses are likely to materialize at the same time. This effect, which is known as diversification, forms a central element of our risk management framework.

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

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

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

ACTUARIAL ASSUMPTIONS

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

MODEL LIMITATIONS

The internal model is based on a 99.5% confidence level. Therefore, there is a low statistical probability of 0.5% that experienced losses could exceed this threshold at Allianz SE level in the course of one year.

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

Furthermore, we validate the model and parameters through sensitivity analyses, independent internal peer reviews, and – where appropriate – independent external reviews, focusing on methods for selecting parameters and control processes. Overall, we believe that our validation efforts are effective and that the model adequately assesses the risks to which we are exposed.

The construction and application of replicating portfolios is subject to the set of replicating instruments available, and might, therefore, be too simple or too restrictive to capture all factors affecting the change in value of obligations. We believe that the obligations are adequately represented by the replicating instruments.

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

MODEL CHANGES IN 2017

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

Most of the model changes causing a significant increase in risk capital were related to pensions, especially the Group's IAS 19 pensions model change, a change in the tool to estimate the best-estimate cash flows for German pension liabilities, as well as the modelling of risk from future service costs from the VVW pension scheme. In addition, risk capital increased as the result of a central model change for credit spread risk. The impact of these model changes on risk capital was € 863 mn.

This increase was partially offset especially by the change of our interest rate model to also consider negative interest rates, and the elimination of weaknesses in the modelling of the insurance risk from a Whole-Account Stop-Loss reinsurance contract with Allianz Re Dublin d.a.c., which allowed removing Allianz SE's capital add-on.

In aggregate, the total impact of model changes implemented in 2017 was an increase in risk capital of € 162 mn.

We also updated the methodology for risk capital allocation, moving from a matrix approach to directly retrieving the risk contributions from the scenarios of the Monte Carlo simulation. This ensures an economically more correct allocation of Allianz SE's risk capital to the risk sub-categories.

In the subsequent sections, the risk figures for 2016 after model changes will form the basis for the analysis of the changes in our risk profile in 2017.

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

as of 31 December	2016[1]	2016[2]
Market risk	20,193	19,664
Credit risk	593	633
Underwriting risk	3,129	2,731
Business risk	45	46
Operational risk	771	773
Diversification	(3,656)	(3,325)
Capital add-on	-	391
Total Allianz SE	**21,075**	**20,913**

1_2016 risk profile figures recalculated based on model changes in 2017.
2_2016 risk profile figures as reported previously.

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

MARKET RISK

Market risk was most strongly affected by negative interest rates, the IAS 19 pensions and the pension cash flows model changes. The combined impact of all model changes on total market risk was an increase of € 529 mn to € 20,193 mn (Reported previously: € 19,664 mn).

CREDIT RISK

In 2017, no new model changes were implemented to the internal model for credit risk. We only introduced annual updates of rating transition matrices and asset correlations based on extended time series. Nevertheless, the change of the credit spread risk model also had an impact on credit risk. As a result, credit risk decreased by € 40 mn to € 593 mn.

UNDERWRITING RISK AND CAPITAL ADD-ON

The increase in underwriting risk is mainly due to a change in the reflection of the risk from the Whole-Account Stop-Loss agreement with Allianz Re Dublin d.a.c. A better reflection of this risk in the underwriting risk modelling allowed removing the € 391 mn capital add-on. From the perspective of the total risk for Allianz SE, this relief was higher that the additional burden from the rise in underwriting risk capital.

Together with minor model changes, the combined impact of all model changes on the total underwriting risk was an increase of € 398 mn to € 3,129 mn (Reported previously: € 2,731 mn).

BUSINESS RISK AND OPERATIONAL RISK

No material model changes have been applied for business risk and operational risk in 2017. Nonetheless, business risk marginally decreased and operational risk slightly increased, reflecting an indirect impact from model changes in other risk categories.

Allianz SE risk profile and management assessment

RISK PROFILE AND MARKET ENVIRONMENT

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

The risk profile and relative contributions have changed in 2017, predominantly due to changes in the market environment and management actions.

FINANCIAL MARKETS AND OPERATING ENVIRONMENT

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

REGULATORY DEVELOPMENTS

Following the approval of our internal model in November 2015, the model has been fully applied since the beginning of 2016.

Due to the review of the Solvency II framework by EIOPA, future Solvency II capital requirements might change depending on the outcome.

MANAGEMENT ASSESSMENT

Allianz SE's management feels comfortable with Allianz SE's overall risk profile and has confidence in the effectiveness of its risk management framework to meet the challenges of a rapidly changing environment as well as of day-to-day business needs. This confidence is based on several factors:

- Due to its effective capital management, Allianz SE is well capitalized. We have met our internal and regulatory solvency targets as of 31 December 2017.
- Allianz SE's management also believes that Allianz SE is well positioned to withstand potentially adverse future events, in part due to our strong internal limit framework defined by Allianz SE's risk appetite and risk management practices, including our approved internal model.
- Allianz SE has a conservative investment profile and disciplined business practices in the reinsurance business, leading to sustainable operating earnings with a well-balanced risk-return profile.

SOLVENCY II REGULATORY CAPITALIZATION

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

Allianz SE: Solvency II regulatory capitalization

as of 31 December		2017	2016[1]
Own funds	€ bn	84.2	81.3
Capital requirement	€ bn	23.7	20.9
Capitalization ratio	%	355	389

1_2016 risk profile figures as reported previously.

As of 31 December 2017, the Solvency II capitalization of the legal entity Allianz SE is at 355%. The decrease by 34 percentage points in 2017 was driven by a € 2.8 bn increase risk capital, which was only partially compensated by the rise in eligible own funds.

Quantifiable risks and opportunities by risk category

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

We measure and steer risk based on an approved internal model, under which we derive our risk capital from potential adverse developments of Own Funds. The resulting risk profile provides an overview of how risks are distributed over different risk categories,

1_Own funds and capital requirement are calculated taking into account volatility adjustment and yield curve extension, as described in Risk free rate and volatility adjustment assumptions on page 24.

and determines the regulatory capital requirements in accordance with Solvency II.

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

The Allianz SE diversified risk is broken down as follows:

Allianz SE: Allocated risk according to the risk profile
€ mn

as of 31 December	2017	2016
Market risk	22,898	20,193
Credit risk	568	593
Underwriting risk	3,216	3,129
Business risk	37	45
Operational risk	847	771
Diversification	(3,870)	(3,656)
Total Allianz SE	**23,696**	**21,075**

As of 31 December 2017, Allianz SE's diversified risk capital of € 23.7 bn (2016: € 21.1 bn) represented a diversification benefit of approximately 14% (2016: 15%) across risk categories.

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

MARKET RISK RESULTS

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

Allianz SE: Risk profile – Market risk by source of risk
pre-diversified, € mn

as of 31 December	2017	2016
Interest rate	123	(223)
Inflation	(186)	(108)
Credit spread	359	1,001
Equity	22,450	19,259
Real estate	79	72
Currency	74	193
Total Allianz SE	**22,898**	**20,193**

For the legal entity Allianz SE, the pre-diversified market risk showed a strong increase of € 2,704 mn driven equity risk.

INTEREST RATE RISK

In 2017, our interest rate risk increased by € 346 mn, mainly reflecting a reduction in loans provided to subsidiaries.

As of 31 December 2017, Allianz SE's interest-rate-sensitive investment assets amounting to a market value of € 48.5 bn would have gained € 2.2 bn or lost € 2.0 bn in value, in the event of interest rates changing by -100 and +100 basis points, respectively.

INFLATION RISK

The € 78 mn increase in the relief for total risk from inflation in 2017 mainly reflects a change in the sharing of costs for pensions between Allianz SE and several German subsidiaries.

EQUITY RISK

In 2017, Allianz SE's equity risk strongly increased by € 3,191 mn, mainly reflecting a change in the value of participations in Allianz Group companies.

As of 31 December 2017, our investment assets that are sensitive to changing equity markets would have lost € 320 mn in value, assuming equity markets declined by 30%.

CREDIT SPREAD RISK

Allianz SE's credit spread risk is € 642 mn lower than in 2016. This is especially explained by a reduction in loans provided to subsidiaries.

REAL ESTATE RISK

As of 31 December 2017, real estate risk for Allianz SE is minor (€ 79 mn). The marginal increase in 2017 of € 7 mn reflects an increase in real estate prices.

CURRENCY RISK

Allianz SE's € 74 mn currency risk at year-end 2017 reflects net open positions in several currencies, dominated by the U.S. Dollar. The € 119 mn reduction is mainly caused by a stronger Euro, together with various changes in positions such as a reduction in USD loans provided to subsidiaries.

CREDIT RISK

Throughout 2017, the credit environment was stable. Annual updates based on extended time series were performed for credit risk parameters like the transition matrix and asset correlations, which had only a slightly positive effect on credit risk.

Credit risk of the legal entity Allianz SE decreased by € 25 mn in 2017, dominantly resulting from a decrease in the credit risk exposure of assets.

UNDERWRITING RISK

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

Allianz SE: Risk Profile – Underwriting risk by source of risk
pre-diversified, € mn

as of 31 December	2017	2016
Premium natural catastrophe	289	402
Premium non-catastrophe and terror	1,758	1,697
Reserve	1,074	980
Biometric	95	50
Total Allianz SE	**3,216**	**3,129**

As of 31 December 2017, the total Allianz SE pre-diversified underwriting risk was € 3.2 bn, with premium risk amounting to € 2.0 bn, reserve risk to € 1.1 bn, and biometric risk to € 0.1 bn. The total figure does not materially deviate from end 2016.

PROPERTY-CASUALTY

Premium risk

In 2017, Allianz SE's natural catastrophe risk decreased by € 113 mn, mainly reflecting an increase in retrocession.

The top five scenarios contributing to the natural catastrophe risk of Allianz SE as of December 2017 were: a windstorm in Europe, an earthquake in Turkey, an earthquake in Italy, an earthquake in Australia, and a tropical cyclone in Australia.

With an increase by 3.6 %, non-catastrophe and terror premium risk of Allianz SE only marginally changed in 2017.

Reserve risk

The € 94 mn increase in Allianz SE's reserve risk in 2017 mainly reflects the building up of reserves in Group-internal quota shares.

LIFE/HEALTH

In 2017, the biometric risk of Allianz SE is € 45 mn higher than in 2016, which is dominantly reflecting a rise in exposures from internal pensions, caused by a change in the cost sharing between Allianz SE and several German subsidiaries.

BUSINESS RISK

The € 8 mn decrease in business risk is immaterial.

OPERATIONAL RISK

The increase of € 76 mn shown in the operational risk is driven by the annual update of local parameters, mainly reflecting a reassessment of cyber and other IT-related risks.

CORPORATE GOVERNANCE REPORT

Good corporate governance is essential for sustainable business performance. The Board of Management and the Supervisory Board of Allianz SE thus attach great importance to complying with the recommendations of the German Corporate Governance Code (referred to hereinafter as the "Code"). The Declaration of Conformity with the recommendations of the Code, issued by the Board of Management and the Supervisory Board on 14 December 2017, and the company's position regarding the Code's suggestions can be found in the Statement on Corporate Management pursuant to §289f of the HGB starting on page 34.

Corporate Constitution of the European Company (SE)

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

Function of the Board of Management

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

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

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

BOARD OF MANAGEMENT AND GROUP COMMITTEES

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

Board Committees

Board committees	Responsibilities
GROUP FINANCE AND RISK COMMITTEE Dr. Dieter Wemmer (Chairman), Sergio Balbinot, Dr. Günther Thallinger, Dr. Axel Theis.	Preparation of the capital and liquidity planning for the Group and Allianz SE, implementing and overseeing the principles of group-wide capital and liquidity planning, as well as investment strategy and preparing risk strategy. This includes, in particular, significant individual investments and guidelines for currency management, Group financing and internal Group capital management, as well as establishing and overseeing a group-wide risk management and monitoring system including dynamic stress tests.
GROUP IT COMMITTEE Dr. Christof Mascher (Chairman), Jacqueline Hunt, Dr. Axel Theis, Dr. Dieter Wemmer, Dr. Werner Zedelius.	Developing, proposing, implementing and monitoring a group-wide IT strategy, approving relevant IT investments.
GROUP MERGERS AND ACQUISITIONS COMMITTEE Dr. Helga Jung (Chairwoman), Oliver Bäte, Dr. Dieter Wemmer.	Managing and overseeing Group M&A transactions, including approval of individual transactions within certain thresholds.
As of 31 December 2017	

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

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

Group committees

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

The Allianz Group runs its operating entities and business segments via an integrated management and control process. The Holding and the operating entities first define the business strategies and goals. On this basis, joint plans are then prepared for the Supervisory Board's consideration when setting targets for the performance-based remuneration of the members of the Board of Management. For details, see the Remuneration Report starting on page 37.

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

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

Principles and function of the Supervisory Board

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

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

The Supervisory Board oversees and advises the Board of Management on managing the business. It is also responsible for appointing the members of the Board of Management, determining their overall remuneration, and reviewing Allianz SE's and the Allianz Group's annual financial statements. The Supervisory Board's activities in the 2017 financial year are described in the Supervisory Board Report starting on **page 2.**

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

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

SUPERVISORY BOARD COMMITTEES

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

Supervisory board committees

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

As of 31 December 2017

PUBLICATION OF DETAILS OF MEMBERS' PARTICIPATION IN MEETINGS

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

Publication of details of members' participation in meetings

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

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

OBJECTIVES OF THE SUPERVISORY BOARD REGARDING ITS COMPOSITION

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

Objectives of Allianz SE's Supervisory Board regarding its composition

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

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

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

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

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

1. Propriety

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

2. Fitness

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

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

3. Independence

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

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

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

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

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

4. Time of availability

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

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

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

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

5. Retirement age

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

6. Term of membership

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

7. Former Allianz SE Management Board members

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

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

II. Requirements for the entire Supervisory Board

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

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

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

2. Diversity concept

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

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

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

Directors' dealings

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

Annual General Meeting

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

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

Accounting and auditing

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

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

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

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

Regulatory requirements

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

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

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

Declaration of Conformity with the German Corporate Governance Code

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

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

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

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

Munich, December 14, 2017
Allianz SE

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

For the Supervisory Board:
Signed Michael Diekmann"

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

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

Corporate governance practices

INTERNAL CONTROL SYSTEMS

Allianz SE, as a member of the Allianz Group, has an effective internal risk and control system for verifying and monitoring its operating activities and business processes, in particular financial reporting, as well as compliance with regulatory requirements. The requirements placed on the internal control systems are essential not only for the resilience and franchise value of the company, but also to maintain the confidence of the capital market, our customers, and the public. A comprehensive risk and control management system regularly also assesses the effectiveness and the appropriateness of the internal control system as part of the System of Governance. For further information on the risk organization and risk principles, please refer to **page 19.** Information on the internal Controls over Financial Reporting you will find on **page 51.**

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

COMPLIANCE PROGRAM

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

The standards of conduct established by the Code of Conduct for Business Ethics and Compliance are obligatory for all employees. The Code of Conduct is available on our website at **www.allianz.com/corporate-governance**.

The Code of Conduct and the internal guidelines derived from it provide all employees with clear guidance on behavior that lives up to the values of the Allianz Group. In order to transmit the principles of the Code of Conduct and the internal compliance program based on these principles, the compliance function of Allianz SE, together with regional, divisional, and local compliance functions has implemented interactive training programs around the world. These provide practical guidelines which enable employees to come to their own decisions. The Code of Conduct also forms the basis for guidelines and controls to ensure fair dealings with Allianz Group customers (sales compliance).

There are legal provisions against corruption and bribery in almost all countries in which Allianz has a presence. The global Anti-Corruption Program of the Allianz Group ensures the continuous monitoring and improvement of the internal anti-corruption controls. More information on the Anti-Corruption Program can be found in the Sustainability Report on our website at **www.allianz.com/sustainability.**

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

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

A description of the composition of the Supervisory Board and its committees can be found on **pages 5 and 7** of the Annual Report. A description of the composition of the Board of Management can be found on **page 8**, while the composition of the Committees of the Board of Management is described in the Corporate Governance Report starting on **page 29.** This information is also available on our website at **www.allianz.com/corporate-governance.**

A general description of the functions of the Board of Management, the Supervisory Board, and their committees can be found in the Corporate Governance Report starting on **page 29**, and on our website at **www.allianz.com/corporate-governance.**

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

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

The targets that had been set up until 30 June 2017 and their implementation are dealt with first:

For the Board of Management, the Supervisory Board had set a target of 11% for the percentage of women until 30 June 2017. This target was exceeded with a percentage of women on the Board of Management of 22%. For the proportion of women on the two management levels below the Board of Management, a target of 20% had been set. As of 30 June 2017, this target was met for the second management level with a percentage of women of 24%, but could not be met on the first level with a percentage of 17%. The first management level below the Board of Management comprises a very small comparative group of executives. No suitable female candidates could be identified for the very few positions that became vacant in the period considered.

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

In August 2017, the Supervisory Board resolved on a new target for the percentage of women on Allianz SE's Board of Management at 30% up until 31 December 2021. As regards the proportion of women on the first and second management levels below the Board of Management, the Board of Management of Allianz SE has set a target of 20% and 25%, respectively, up until 31 December 2018. In the longer term, Allianz aims to place women in at least 30% of the positions at these two management levels throughout the Group.

Diversity concepts for the Board of Management and Supervisory Board

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

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

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

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

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

The diversity concept for the Supervisory Board was approved by the Supervisory Board in August 2017 and included in the objectives for the composition of the Supervisory Board (see No. II.2 of the objectives for the composition of the Supervisory Board on **page 32**).

The Supervisory Board pursues these objectives, and thus also the diversity concept, nominating the candidates for the shareholder representatives. As the employee representatives are appointed according to different national provisions, there is only limited potential influence to the selection of employee representatives. The Supervisory Board is currently composed in accordance with the diversity concept. For details please see the Corporate Governance Report on **page 29.**

REMUNERATION REPORT

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

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

Allianz SE Board of Management remuneration

GOVERNANCE SYSTEM

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

Regarding the activities and decisions taken by the Personnel Committee and the Supervisory Board, please refer to the Supervisory Board Report starting on **page 2.**

REMUNERATION PRINCIPLES

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

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

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

REMUNERATION STRUCTURE, COMPONENTS AND TARGET SETTING PROCESS

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

BASE SALARY

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

VARIABLE REMUNERATION

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

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

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

Annual bonus

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

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

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

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

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

Mid-term bonus (MTB)

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

"Performance"

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

"Health" (in line with the Renewal Agenda)

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

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

Equity-related remuneration

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

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

PENSIONS AND SIMILAR BENEFITS

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

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

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

PERQUISITES

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

REMUNERATION FOR 2017

The following remuneration disclosure, which is based on and compliant with the German Corporate Governance Code, shows the individual Board members' remuneration for 2016 and 2017 including fixed and variable remuneration and pension service cost. The

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

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

"Grant" column below shows the remuneration at target, minimum, and maximum levels. The "Payout" column discloses the 2016 and 2017 payments. The base salary, annual bonus, and perquisites are linked to the reported performance years, 2016 and 2017, whereas the Group Equity Incentive (GEI) and Allianz Equity Incentive (AEI) payouts result from grants related to the performance years 2010, 2012 and 2013. To enhance transparency of the remuneration related to the performance year 2017, the additional column "Actual grant" includes the 2017 fixed compensation, the annual bonus paid for 2017, the MTB 2016 – 2018 tranche accrued for the performance year 2017, and the fair value of the RSU grant value for the performance year 2017.

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

Individual remuneration: 2017 and 2016

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

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

1_In accordance with the German Corporate Governance Code, the annual bonus disclosed for performance year 2017 is paid in 2018 and for performance year 2016 in 2017. The payments for equity-related deferred compensation (GEI and AEI), however, are disclosed for the year in which the actual payment was made.

2_The MTB figure included in the Actual Grant column shows the annual accrual.

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

4_The equity-related remuneration that applied before 2010 consisted of two vehicles, virtual stock awards known as RSUs and virtual stock options known as "Stock Appreciation Rights" (SAR). Only RSUs have been awarded as of 1 January 2010. The remuneration system valid until December 2009 is disclosed in the Annual Report 2009 (starting on page 17). Whereas the RSU grants are automatically exercised at the vesting date, the GEI/SAR grants are exercised by the Board member within the exercise period following the vesting date. Hence the total payout from SARs depends on the individual decision by the Board member. SARs are released to plan participants upon expiry of the vesting period, assuming all other exercise hurdles are met. For SARs granted until and including 2008, the vesting period was two years and the exercise period five years. SARs can be exercised on the condition that the price of the Allianz SE stock is at least 20 % above the strike price at the time of grant. During the term of the plan, at least once on five consecutive trading days the Allianz SE stock must relatively appreciate at least 0.01 percentage points ahead of the appreciation of the Dow Jones EURO STOXX Price Index (600).

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

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

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

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

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

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

Individual remuneration: 2017 and 2016

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

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

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

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

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

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

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

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

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

GERMAN ACCOUNTING STANDARD 17 DISCLOSURE

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

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

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

EQUITY-RELATED REMUNERATION

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

Grants and outstanding holdings under the Allianz Equity Program

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

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

PENSIONS

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

Individual pensions: 2017 and 2016

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

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

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

In 2017, former members of the Board of Management and their dependents received remuneration and other benefits totaling € 7 mn (2016: € 7 mn), while reserves for current pension obligations and accrued pension rights totaled € 131 mn (2016: € 119 mn).

LOANS TO MEMBERS OF THE BOARD OF MANAGEMENT

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

TERMINATION OF SERVICE

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

Arrangements for termination of service including retirement are as follows:

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

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

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

TERMINATION OF SERVICE – DETAILS OF THE PAYMENT ARRANGEMENTS

Transition payment (appointment before 1 January 2010)

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

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

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

Severance payment cap

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

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

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

Change of control

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

MISCELLANEOUS

INTERNAL AND EXTERNAL BOARD APPOINTMENTS

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

OUTLOOK FOR 2018

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

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

Remuneration of the Supervisory Board

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

REMUNERATION PRINCIPLES

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

REMUNERATION STRUCTURE AND COMPONENTS

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

FIXED ANNUAL REMUNERATION

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

COMMITTEE-RELATED REMUNERATION

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

Committee-related remuneration
€ thou

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

ATTENDANCE FEES AND EXPENSES

In addition to the fixed and committee-related remuneration, members of the Supervisory Board receive an attendance fee of € 750 for each Supervisory Board or committee meeting they attend. Should several meetings be held on the same or consecutive days, the attendance fee will only be paid once. In addition, Allianz SE reimburses the Supervisory Board members for their out-of-pocket expenses and the VAT payable on their Supervisory Board service. The Company provides insurance coverage and technical support to the Supervisory Board members to an extent reasonable for carrying out the Supervisory Board duties.

REMUNERATION FOR 2017

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

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

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

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

REMUNERATION FOR MANDATES IN OTHER ALLIANZ COMPANIES AND FOR OTHER FUNCTIONS

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

LOANS TO MEMBERS OF THE SUPERVISORY BOARD

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

OTHER INFORMATION

Our steering

BOARD OF MANAGEMENT AND ORGANIZATIONAL STRUCTURE

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

For further information on Board of Management members and their responsibilities, please refer to Mandates of the Members of the Board of Management on page 8.

TARGET SETTING AND MONITORING

The Allianz Group steers its operating entities and business segments via an integrated management and control process. It begins with the definition of a business-specific strategy and goals, which are discussed and agreed upon between the Holding and operating entities. Based on this strategy, our operating entities prepare three-year plans which are then aggregated to form the financial plans for the business divisions and for the Allianz Group as a whole. This plan also forms the basis for our capital management. The Supervisory Board approves the plan and sets corresponding targets for the Board of Management. The performance-based remuneration of the Board of Management is linked to short-term, mid-term, and long-term targets to ensure effectiveness and emphasize sustainability. For further details about our remuneration structure, including target setting and performance assessment, please refer to the Remuneration Report starting on page 37.

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

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

Non-financial key performance indicators (KPIs) are mainly used for the sustainability assessment that we conduct when determining mid-term bonus levels. In line with our Renewal Agenda, KPIs mainly represent three key levers: True Customer Centricity, Digital by Default, and Inclusive Meritocracy. Examples include the Allianz Engagement Survey and Net Promoter Score (NPS[3]) results, diversity development, and the share of digital retail products/digital client communication.

Our Corporate Responsibility approach

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

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

CORPORATE RESPONSIBILITY GOVERNANCE

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

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

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

CORPORATE RESPONSIBILITY APPROACH

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

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

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

1_This member of the Board of Management also oversees Allianz Partners.
2_Excluding unrealized gains/losses on bonds net of shadow accounting.
3_NPS is a measurement of customers' willingness to recommend Allianz. Top-down NPS is measured regularly according to global cross-industry standards and allows benchmarking against competitors in the respective markets.

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

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

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

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

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

Branches

In 2017, Allianz SE operated its business from Munich and from branch offices in Singapore, Labuan (Malaysia), Wallisellen (Suisse) and Dublin (Ireland).

Takeover-related Statements and Explanations

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

COMPOSITION OF SHARE CAPITAL

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

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

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

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

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

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

SHARES WITH SPECIAL RIGHTS CONFERRING POWERS OF CONTROL

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

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

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

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

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

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

AUTHORIZATION OF THE BOARD OF MANAGEMENT TO ISSUE AND REPURCHASE SHARES

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

It may increase the company's share capital, on or before 6 May 2019, with the approval of the Supervisory Board, by issuing new registered no-par value shares against contributions in cash and/or in kind, on one or more occasions:

- Up to a total of € 550,000,000 (Authorized Capital 2014/I). In case of a capital increase against cash contribution, the Board of Management may exclude the shareholders' subscription rights for these shares with the consent of the Supervisory Board, (i) for fractional amounts, (ii) in order to safeguard the rights pertaining to holders of convertible bonds or bonds with warrants, including mandatory convertible bonds, and (iii) in the event of a capital increase of up to 10 %, if the issue price of the new shares is not significantly below the stock market price. The Board of Management may furthermore exclude the shareholders' subscription rights with the consent of the Supervisory Board, in the event of a capital increase against contributions in kind.
- Up to a total of € 13,720,000 (Authorized Capital 2014/II). The shareholders' subscription rights can be excluded in order to issue the new shares to employees of Allianz SE and its Group companies, as well as for fractional amounts.

The company's share capital is conditionally increased by up to € 250,000,000 (Conditional Capital 2010/2014). This conditional capital increase will only be carried out to the extent that conversion or option rights are exercised (or conversion obligations fulfilled) resulting from bonds issued by Allianz SE or its subsidiaries, based on the authorizations granted by the General Meeting on 5 May 2010 and 7 May 2014.

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

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

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

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

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

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

A change-of-control clause in the service contracts of the members of Allianz SE's Board of Management provides that, if within twelve months after the acquisition of more than 50 % of the company's share capital by one shareholder or several shareholders acting in concert (change of control) the appointment as a member of the Board of Management is revoked unilaterally by the Supervisory Board, or if the mandate is ended by mutual agreement, or if the Management Board member resigns because his or her responsibilities as a Board member are significantly reduced through no fault of the Board member, he or she shall receive his or her contractual remuneration for the remaining term of the service contract, but limited, for the purpose hereof, to three years, in the form of a one-off payment. The one-off payment is based on the fixed remuneration plus 50% of the variable remuneration, with this basis being limited, however, to the amount paid for the last fiscal year. To the extent that the remaining term of the service contract is less than three years, the one-off payment is generally increased in line with a term of three years. This applies accordingly if, within two years of a change of control, a mandate in the Board of Management comes to an end and is not extended; the one-off payment will then be granted for the period between the end of the mandate and the end of the three-year period following the change of control. For further details, please refer to the Remuneration Report starting on page 37.

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

Controls over Financial Reporting

The following information is given pursuant to §289(4) of the HGB.

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

ACCOUNTING PROCESSES

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

Internal controls are embedded in the accounting processes to safeguard the accuracy, completeness, and consistency of the information provided in our financial statements.

INTERNAL CONTROL SYSTEM APPROACH

Our approach can be summarized as follows:

- We use a top-down, risk-based approach to determine the accounts that have to be in the scope of our internal control system over financial reporting. The methodology is described in the ICOFR manual which is applicable group-wide and the IRCS Guideline. During the scoping process, both materiality and susceptibility to a misstatement are considered simultaneously. In addition to the quantitative calculation, we also consider qualitative criteria.
- Next, we identify risks that could lead to material financial misstatements including all relevant root causes (i.e. human processing errors, fraud, system shortcomings, external factors, etc.).
- Preventive and detective key controls to address financial reporting risks have been put in place to reduce the likelihood and impact of financial misstatements. If a potential risk materializes, actions are taken to reduce the impact of the financial misstatement. Given the strong dependence of financial reporting processes on information technology systems, we also implement IT controls.
- Finally, we ensure that controls are appropriately designed and effectively executed to mitigate risk. We have set consistent documentation requirements across the Allianz Group for elements such as processes, related key controls, and execution. We conduct an annual assessment of our control system to maintain and continuously enhance its effectiveness. Audit ensures that the overall quality of our control system is subjected to regular control-testing, to assure reasonable design and operating effectiveness.

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FINANCIAL STATEMENTS OF ALLIANZ SE

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FINANCIAL STATEMENTS

BALANCE SHEET

€ thou

as of 31 December	Note	2017	2017	2016
ASSETS				
A. Intangible assets	1, 2			
I. Self-created industrial property rights and similar rights and assets		29,187		17,623
II. Licenses acquired against payment, industrial property rights, and similar rights and assets as well as licenses for such rights and assets		1,146		2,928
			30,333	20,551
B. Investments	1, 3 - 6			
I. Real estate, real estate rights, and buildings, including buildings on land not owned by Allianz SE		245,401		250,343
II. Investments in affiliated enterprises and participations		74,176,435		71,354,121
III. Other investments		33,329,072		33,446,657
IV. Funds held by others under reinsurance business assumed		8,310,276		8,028,086
			116,061,184	113,079,207
C. Receivables				
I. Accounts receivable on reinsurance business		528,244		450,606
thereof from affiliated enterprises: € 280,343 thou (2016: € 217,820 thou)				
thereof from participations[1]: € 1,197 thou (2016: € 1,756 thou)				
II. Other receivables	7	4,869,995		5,022,127
thereof from affiliated enterprises: € 4,430,597 thou (2016: € 4,325,105 thou)				
thereof from participations[1]: € 541 thou (2016: € 2,807 thou)				
			5,398,239	5,472,733
D. Other assets				
I. Tangible fixed assets and inventories		15,150		15,632
II. Cash with banks, checks, and cash on hand		234,138		49,528
III. Miscellaneous assets	8	22,835		227,014
			272,123	292,174
E. Deferred charges and prepaid expenses	9			
I. Accrued interests and rent		237,273		474,724
II. Other deferred charges and prepaid expenses		70,072		140,532
			307,345	615,256
F. Excess of plan assets over pension and similar obligations	10		10,811	-
Total Assets			122,080,035	119,479,921

1_Companies in which we hold a participating interest.

€ thou

as of 31 December	Note	2017	2017	2017	2016
EQUITY AND LIABILITIES					
A. Shareholders' equity	12				
I. Issued capital		**1,169,920**			**1,169,920**
Less: mathematical value of own shares		3,638			4,945
			1,166,282		**1,164,975**
II. Additional paid-in capital			**27,905,256**		**27,844,664**
III. Revenue reserves					
1. Statutory reserves		1,229			1,229
2. Other revenue reserves		8,823,789			11,782,928
			8,825,017		**11,784,157**
IV. Net earnings			**4,117,339**		**3,855,866**
				42,013,894	**44,649,662**
B. Subordinated liabilities	13, 16			**13,689,227**	**13,806,280**
C. Insurance reserves	14				
I. Unearned premiums					
1. Gross		1,641,405			1,642,350
2. Less: amounts ceded		65,197			81,950
			1,576,208		**1,560,400**
II. Aggregate policy reserves					
1. Gross		709,801			814,245
2. Less: amounts ceded		27,661			26,734
			682,140		**787,511**
III. Reserves for loss and loss adjustment expenses					
1. Gross		12,092,668			11,683,973
2. Less: amounts ceded		1,964,574			1,942,252
			10,128,094		**9,741,721**
IV. Reserves for premium refunds					
1. Gross		22,551			33,968
2. Less: amounts ceded		31			21
			22,520		**33,947**
V. Claims equalization and similar reserves			**2,541,167**		**2,315,370**
VI. Other insurance reserves					
1. Gross		30,154			32,260
			30,154		**32,260**
				14,980,283	**14,471,209**
D. Other provisions	15			**7,949,981**	**7,369,141**
E. Funds held with reinsurance business ceded				**983,272**	**1,075,022**
F. Other liabilities					
I. Accounts payable on reinsurance business			**362,729**		**410,563**
thereof to affiliated enterprises: € 214,528 thou (2016: € 269,609 thou)					
thereof to participations[1]: € 325 thou (2016: € 11,968 thou)					
II. Bonds	16		**2,353,545**		**2,575,931**
thereof to affiliated enterprises: € 2,353,545 thou (2016: € 2,575,931 thou)					
III. Liabilities to banks	16		**490**		**397,574**
IV. Miscellaneous liabilities	16		**39,735,524**		**34,717,195**
including taxes of: € 21,445 thou (2016: € 21,626 thou)					
thereof to affiliated enterprises: € 38,397,220 thou (2016: € 33,429,044 thou)					
thereof to participations[1]: € 266 thou (2016: € 3 thou)					
				42,452,289	**38,101,263**
G. Deferred income				**11,091**	**7,344**
Total equity and liabilities				**122,080,035**	**119,479,921**

1_Companies in which we hold a participating interst.

INCOME STATEMENT

€ thou

	Notes	2017	2017	2017	2016
I. Technical account					
1. Premiums earned (net)					
a) Gross premiums written	18	10,265,435			10,820,290
b) Ceded premiums written		(777,449)			(787,517)
			9,487,986		10,032,773
c) Change in gross unearned premiums		(50,839)			(425,198)
d) Change in ceded unearned premiums		(3,712)			17,098
			(54,550)		(408,100)
Premium earned (net)				**9,433,436**	**9,624,673**
2. Allocated interest return (net)	19			**20,849**	**21,025**
3. Other underwriting income (net)				**19,249**	**72,789**
4. Loss and loss adjustment expenses (net)	20				
a) Claims paid					
aa) Gross		(6,076,163)			(4,504,389)
ab) Amounts ceded in reinsurance		421,733			(571,225)
			(5,654,430)		(5,075,614)
b) Change in reserve for loss and loss adjustment expenses (net)					
ba) Gross		(776,415)			(2,164,929)
bb) Amounts ceded in reinsurance		169,179			896,657
			(607,236)		(1,268,272)
Loss and loss adjustment expenses (net)				**(6,261,666)**	**(6,343,886)**
5. Change in other insurance reserves (net)	21			**20,093**	**6,725**
6. Expenses for premium refunds (net)				**11,123**	**(13,244)**
7. Underwriting expenses (net)	22			**(2,884,228)**	**(2,946,248)**
8. Other underwriting expenses (net)				**(19,771)**	**(21,864)**
9. Subtotal (Net underwriting result)				**339,084**	**399,970**
10. Change in claims equalization and similar reserves				**(225,797)**	**(527,557)**
11. Net technical result				113,287	(127,587)
II. Non-technical account					
1. Investment income	23	**5,647,514**			**5,084,886**
2. Investment expenses	24	**(1,934,808)**			**(1,795,458)**
3. Investment result			**3,712,706**		**3,289,428**
4. Allocated interest return			**(21,819)**		**(22,131)**
				3,690,886	**3,267,297**
5. Other income			**3,158,500**		**2,718,536**
6. Other expenses			**(3,425,921)**		**(3,177,927)**
7. Other non-technical result	25			**(267,421)**	**(459,391)**
8. Non-technical result				3,423,465	2,807,906
9. Net operating income				**3,536,752**	**2,680,319**
10. Income Taxes	26	**(392,665)**			**(256,718)**
Amounts charged to other Group companies		514,930			522,931
			122,265		**266,213**
11. Other taxes			**12,401**		**1,082**
12. Taxes				**134,666**	**267,295**
13. Net income				**3,671,418**	**2,947,614**
14. Unappropriated earnings carried forward				**445,920**	**908,252**
15. Net earnings	27			**4,117,339**	**3,855,866**

NOTES TO THE FINANCIAL STATEMENTS

NATURE OF OPERATIONS AND BASIS OF PREPARATION

NATURE OF OPERATIONS

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

BASIS OF PREPARATION

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

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

ACCOUNTING, VALUATION, AND CALCULATION METHODS

INTANGIBLE ASSETS

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

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

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

INVESTMENTS IN AFFILIATED ENTERPRISES AND PARTICIPATIONS

SHARES IN AFFILIATED ENTERPRISES AND PARTICIPATIONS

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

Impairments are measured either as the difference between acquisition cost and the respective value, in accordance with IDW RS HFA 10 in conjunction with IDW S1, or as the difference between acquisition cost and the lower share price as of 31 December 2017.

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

LOANS IN AFFILIATED ENTERPRISES AND PARTICIPATIONS

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

OTHER INVESTMENTS

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

These items are generally valued in accordance with §341b (2) of the German Commercial Code in conjunction with §253 (1), (4), and (5) of the German Commercial Code, using either the acquisition cost or the stock exchange or market value on the balance sheet date, whichever is lower. We calculate the acquisition cost by averaging the different acquisition costs for securities of the same type. Long-term investments in mutual funds are valued according to the regulations that apply to investments pursuant to §341b (2) of the German Commercial Code in conjunction with §253 (1) and (3) of the code using the moderate lower of cost or market value principle.

REGISTERED BONDS, DEBENTURES AND LOANS

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

SECURITIES TO MEET LIABILITIES RESULTING FROM RETIREMENT PROVISION COMMITMENTS

These securities are valued at fair value in accordance with §253 (1) of the German Commercial Code, and offset against the liabilities in accordance with §246 (2) of the code. Pension plan reinsurance contracts are recorded at asset value.

TANGIBLE FIXED ASSETS, INVENTORIES, AND MISCELLANEOUS ASSETS

These items are recorded at acquisition cost less depreciation. Low-value assets worth up to € 150 are written off immediately. A compound item for tax purposes formed in accordance with § 6 (2a) of the German Income Tax Act (EStG) for assets from € 150 to € 1,000 is depreciated by one fifth each year.

DEFERRED TAX ASSETS

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

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

REMAINING ASSETS

These consist of the following:

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

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

INSURANCE RESERVES

These consist of the following:

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

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

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

Written premiums for future periods are accrued in unearned premiums.

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

Reserves for loss and loss adjustment expenses are established for the payment of losses and loss adjustment expenses on claims that have occurred but are not yet settled. Reserves for loss and loss adjustment expenses fall into two categories: case reserves for reported claims and reserves for incurred but not reported yet, or not sufficiently reported, losses.

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

OTHER PROVISIONS

Pension provisions are calculated applying actuarial principles. From 2016 onwards, the discount rate used for calculating the pension obligations has to be derived from a 10-year-average, while it was derived from a 7-year-average before. A positive difference resulting from the change of the valuation method is earmarked for profit distribution (§ 253 (6) sentence 2 of the German Commercial Code). The aforementioned change only applies to pension obligations, not to other provisions such as phased-in early retirement benefits, long-term credit accounts, or jubilee payments.

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

Provisions for jubilee payments, birthday payments and phased-in early retirement benefits are also calculated in accordance with actuarial principles. For further information regarding the accounting for pensions and similar obligations, please refer to note 15 to our financial statements.

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

REMAINING LIABILITIES

These consist of the following:

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

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

PREPAID EXPENSES AND DEFERRED INCOME

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

CURRENCY TRANSLATION

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

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

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

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

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

Issued debt securities and borrowings denominated in foreign currencies are converted into Euro at the middle forex spot rate as of the reporting date. Unrealized losses are recognized immediately in the income statement, while unrealized gains are not.

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

VALUATION UNITS

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

When accounting for valuation units, we apply the "freezing" method, which means that mutually offsetting changes in value of opposing positions (i.e., within valuation units) are not recorded in the income statement (see also note 17).

SUPPLEMENTARY INFORMATION ON ASSETS

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

		Values stated as of 1 January 2017	
		€ thou	%
A.	**Intangible assets**		
	1. Self-created industrial property rights and similar rights and assets	17,623	
	2. Licenses acquired against payment, industrial property rights, and similar rights and assets as well as licenses for such rights and assets	2,928	
	Subtotal A.	20,551	
B.I.	**Real estate, real estate rights, and buildings, including buildings on land not owned by Allianz SE**	**250,343**	**0.2**
B.II.	**Investments in affiliated enterprises and participations**		
	1. Shares in affiliated enterprises	64,405,015	61.3
	2. Loans to affiliated enterprises	6,446,846	6.1
	3. Participations	501,160	0.5
	4. Loans to participations	1,100	-
	Subtotal B.II.	**71,354,121**	**67.9**
B.III.	**Other investments**		
	1. Stocks, interests in funds and other variable-income securities	1,753,794	1.7
	2. Debt securities and other fixed-income securities	27,423,045	26.1
	a) Registered bonds	2,606,687	2.5
	b) Loans and promissory notes	279,015	0.3
	3. Bank deposits	1,384,116	1.3
	Subtotal B.III.	**33,446,657**	**31.9**
	Subtotal B.I. – B.III.	105,051,121	100.0
Total		**105,071,672**	

2 _ Intangible assets

The book value of intangible assets totaled € 30 mn (2016: € 21 mn) and mainly consists of internally generated software.

In 2017, the research and development costs of Allianz SE amounted to € 13 mn and represent in total the development costs for the internally generated software.

3 _ Market value of investments

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

Book values and market values of investments
€ bn

	Book value		Market value		Valuation reserve	
as of 31 December	2017	2016	2017	2016	2017	2016
Real estate	0.2	0.3	0.7	0.7	0.5	0.4
Equity securities	71.6	66.7	81.3	76.1	9.7	9.4
Debt securities	28.4	27.4	28.8	28.1	0.4	0.7
Loans	6.3	9.3	6.8	10.6	0.5	1.3
Bank deposits	1.2	1.4	1.2	1.4	-	-
Funds held by others under reinsurance business assumed	8.3	8.0	8.3	8.0	-	-
Total	**116.1**	**113.1**	**127.1**	**124.9**	**11.1**	**11.8**

Additions (+)	Disposals (-)	Revaluation (+)	Depreciation (-)	Net additions (+) Net disposals (-)	Values stated as of 31 December 2017	
€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	%
13,343	-	-	1,779	11,564	29,187	
265	153	-	1,894	(1,782)	1,146	
13,608	153	-	3,673	9,782	30,333	
9,000	**9,622**	**860**	**5,180**	**(4,942)**	**245,401**	**0.2**
10,633,346	5,030,292	-	8,818	5,594,236	69,999,251	65.0
167,430	2,954,611	-	302	(2,787,482)	3,659,363	3.4
27,712	1,526	-	13,525	12,661	513,821	0.5
2,900	-	-	-	2,900	4,000	-
10,831,388	**7,986,429**	**-**	**22,645**	**2,822,315**	**74,176,435**	**68.8**
709,198	1,399,742	842	130	(689,833)	1,063,961	1.0
25,233,196	24,054,321	8,749	238,712	948,911	28,371,956	26.3
1,814,677	2,053,109	-	-	(238,432)	2,368,255	2.2
63,350	28,162	-	-	35,188	314,203	0.3
-	173,419	-	-	(173,419)	1,210,697	1.1
27,820,420	**27,708,754**	**9,590**	**238,843**	**(117,586)**	**33,329,072**	**30.9**
38,660,808	35,704,804	10,450	266,668	2,699,787	107,750,908	100.0
38,674,416	**35,704,957**	**10,450**	**270,341**	**2,709,569**	**107,781,241**	

VALUATION METHODS USED TO DETERMINE THE MARKET VALUE

REAL ESTATE

Land and buildings are valued using the discounted cash flow method or, for new buildings, at cost. The fair value was determined during the fiscal year.

EQUITY SECURITIES

Investments in companies quoted on the stock exchange are generally measured by the stock exchange price quoted on the last trading day of 2017. Non-quoted companies are valued at their net asset value calculated by the German Association for Financial Analysis and Asset Management's (DVFA) method. For recent transactions the transaction prices were used.

DEBT SECURITIES

These items are measured at the stock exchange value quoted on the last trading day of 2017 or, if there is no active market, at the prices obtained from brokers or pricing services.

LOANS

Loans are valued using the discounted cash flow method. The relevant discount rates are derived from observable market parameters and reflect the remaining life and credit risk of the instruments.

BANK DEPOSITS AND FUNDS HELD BY OTHERS UNDER REINSURANCE BUSINESS ASSUMED

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

4 _ Real estate, real estate rights and buildings

The book value of own property for own use amounted to € 135,863 thou (2016: € 0 thou).

5 _ Investments in affiliated enterprises and participations

€ bn

as of 31 December	2017	2016	Change
Shares in affiliated enterprises	70.0	64.4	5.6
Loans to affiliated enterprises	3.7	6.5	(2.8)
Participations	0.5	0.5	-
Total	**74.2**	**71.4**	**2.8**

The book value of shares in affiliated enterprises went up by € 5.6 bn to € 70.0 bn (2016: € 64.4 bn). This increase resulted from the following:

- a € 2.8 bn capital increase of our subsidiary Allianz Europe B.V. by contribution in kind of an intra-group loans receivable against Allianz of America, Inc.,
- a contribution in kind of investment fund shares to our holding companies Allianz of Asia-Pacific and Africa GmbH and Atropos Vermögensverwaltungsgesellschaft mbh resulting in book value increases by (€ 0.6 bn) and (€ 0.4 bn), respectively,
- the acquisition of shares in Euler Hermes Group S.A. for a purchase price of € 0.8 bn (€ 122 per share), increasing the Allianz Group participation in Euler Hermes by 15.2 % to 79.1 % at year end 2017,
- various further capital increases and decreases of Group companies amounting to € 1.1 bn and € 0.1 bn, respectively.

Loans to affiliated enterprises declined by € 2.8 bn to € 3.7 bn (2016: € 6.5 bn) due to the termination of intra-group loans provided to our North American holding company Allianz of America, Inc.

6 _ Interests in investment funds

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

€ thou

	Book value	Fair value	Valuation reserve	Dividend distribution
Equity funds				
Allianz Global AC Equity Insights Fund	3,939	4,364	425	-
Allianz Global Emerging Markets Equity Dividend Fund	3,000	4,062	1,062	79
Allianz All China Equity I Fund	4,000	4,181	181	-
Subtotal equity funds	10,939	12,607	1,668	79
Bond funds				
Allianz RE Asia Fund	859,456	893,012	33,556	21,135
PIMCO Covered Bond Source UCITS ETF	49,368	53,872	4,504	615
Allianz Emerging Markets Local Currency Bond Fund	3,891	3,891	-	240
PIMCO Select Funds U.S. High Yield BB-B Bond	99,744	99,744	-	4,771
Allianz SE – PD Fund	35,855	35,963	108	776
Subtotal bond funds	1,048,314	1,086,482	38,168	27,537
Mixed funds				
Allianz Global Dynamic Multi Asset Income	3,890	3,915	25	120
Total	**1,063,143**	**1,103,004**	**39,861**	**27,736**

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

7 _ Other receivables

Other receivables dropped by € 152 mn. This was caused by a reduction in tax receivables (€ (251) mn), partly compensated for by a rise of intra-group receivables (€ 103 mn).

8 _ Miscellaneous assets

At the end of the fiscal year, this position mainly included variation margins paid in connection with financial derivative transactions (€ 10 mn) and options on stock indices (€ 6 mn).

9 _ Deferred charges and prepaid expenses

This item includes accrued interests in the amount of € 237 mn (2016: € 475 mn), which mainly result from our investments in debt securities and loans, as well as other deferred charges and prepaid expenses amounting to € 70 mn (2016: € 140 mn). The latter comprise the discount on borrowings from affiliated enterprises, issued bonds, and subordinated liabilities.

10 _ Excess of plan assets over pension and similar obligations

A part of the pension obligations is secured by reinsurance contracts and other plan assets respectively. As a different discount rate is applied for these plan assets, compared to the calculation of the settlement amount of the pension obligations, this results in an excess of plan assets over pension and similar obligations for some pension plans. So far this amount has been netted with the exceeding joint liability. In 2017, the netting was carried out per pension plan.

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

This results in the disclosure of an excess of plan assets over pension and similar obligations of € 11 mn (2016: € 0 mn).

11 _ Collateral

Assets amounting to € 0.6 bn (2016: € 1.0 bn), of which € 0.6 bn (2016: € 0.6 bn) were in favor of affiliated enterprises, were pledged as collateral for liabilities.

SUPPLEMENTARY INFORMATION ON EQUITY AND LIABILITIES

12 _ Shareholders' equity

ISSUED CAPITAL

Issued capital as of 31 December 2017 amounted to € 1,169,920.0 thou, divided into 440,249,646 registered shares. The shares have no-par value but a mathematical per-share value as a proportion of the issued capital.

AUTHORIZED CAPITAL

As of 31 December 2017, Allianz SE had authorized capital with a notional amount of € 550,000.0 thou for the issuance of new shares until 6 May 2019 (Authorized Capital 2014/I). The shareholders' subscription rights can be excluded for capital increases against contribution in kind. For a capital increase against contributions in cash, the shareholders' subscription rights can be excluded: (i) for fractional amounts, (ii) if the issue price is not significantly below the market price and the shares issued under exclusion of the subscription rights pursuant to § 186 (3) sentence 4 of the German Stock Corporation Act (Aktiengesetz) do not exceed 10 % of the share capital, and (iii) to the extent necessary to grant a subscription right for new shares to the holders of bonds that carry conversion or option rights or provide for mandatory conversion. The subscription rights for new shares from the Authorized Capital 2014/I and the Conditional Capital 2010/2014 may only be excluded for the proportionate amount of the share capital of up to € 233,728.0 thou (corresponding to 20 % of the share capital at year-end 2013).

In addition, Allianz SE has authorized capital (Authorized Capital 2014/II) for the issuance of shares against cash until 6 May 2019. The shareholders' subscription rights can be excluded in order to issue new shares to employees of Allianz SE and its Group companies. As of 31 December 2017, the Authorized Capital 2014/II amounted to € 13,720.0 thou.

CONDITIONAL CAPITAL

As of 31 December 2017, Allianz SE had conditional capital totaling € 250,000.0 thou (Conditional Capital 2010/2014). This conditional capital increase will only be carried out if conversion or option rights attached to bonds which Allianz SE or its Group companies have issued against cash payments according to the resolutions of the Annual General Meeting (AGM) on 5 May 2010 or 7 May 2014, are exercised or the conversion obligations under such bonds are fulfilled, and only to the extent that the conversion or option rights or conversion obligations are not serviced through treasury shares or through shares from authorized capital.

Convertible subordinated notes totaling € 500,000.0 thou, which may be converted into Allianz shares, were issued against cash in July 2011. Within 10 years after the issuance a mandatory conversion of the notes into Allianz shares at the then prevailing share price may apply if certain events occur, subject to a floor price of at least € 74.90 per share. Within the same period, the investors have the right to convert the notes into Allianz shares at a price of € 187.26 per share. Both conversion prices are as of inception and subject to anti-dilution provisions. The subscription rights of shareholders for these convertible notes have been excluded with the consent of the Supervisory Board and pursuant to the authorization of the AGM on 5 May 2010. The granting of new shares to persons entitled under such convertible notes is secured by the Conditional Capital 2010/2014. On or before 31 December 2017, there was no conversion of any such notes into new shares.

CHANGES IN THE NUMBER OF ISSUED SHARES OUTSTANDING

Number of issued shares outstanding

	2017	2016
Number of issued shares outstanding as of 1 January	455,067,737	454,823,638
Changes in number of treasury shares	562,546	244,099
Cancellation of issued shares	(16,750,354)	-
Number of issued shares outstanding as of 31 December	438,879,929	455,067,737
Treasury shares[1]	1,369,717	1,932,263
Total number of issued shares	**440,249,646**	**457,000,000**

1_Thereof 1,369,131 (2016: 1.931.677) own shares held by Allianz SE.

PROPOSAL FOR APPROPRIATION OF NET EARNINGS

The Board of Management and the Supervisory Board propose that the net earnings ("Bilanzgewinn") of Allianz SE of € 4,117,338,522.10 for the 2017 fiscal year shall be appropriated as follows:

- Distribution of a dividend of € 8.00 per no-par share entitled to a dividend: € 3,511,039,432.00
- Unappropriated earnings carried forward: € 606,299,090.10

The proposal for appropriation of net earnings reflects the 1,369,717 treasury shares held directly and indirectly by the company as of 31 December 2017. Such treasury shares are not entitled to the dividend pursuant to § 71b of the German Stock Corporation Act (AktG). Should there be any change in the number of shares entitled to the dividend by the date of the Annual General Meeting, the above proposal will be amended accordingly and presented for resolution on the appropriation of net earnings at the Annual General Meeting, with an unchanged dividend of € 8.00 per each share entitled to dividend.

TREASURY SHARES

As of 31 December 2017, Allianz SE held 1,369,131 (2016: 1,931,677) treasury shares. Of these, 343,102 (2016: 905,648) were held for covering future subscriptions by employees in Germany and abroad in the context of Employee Stock Purchase Plans, whereas 1,026,029 (2016: 1,026,029) were held as a hedge for obligations from the Allianz Equity Incentive Program (former Group Equity Incentive Program).

In the year ending 31 December 2017, 562,546 (2016: 617,084) shares were sold to employees of Allianz SE as well as its subsidiaries in Germany and abroad in the context of the Employee Stock Purchase Plan. These shares were taken from the stock of treasury shares dedicated to this purpose. In 2017, as in the previous year, no capital increase for the purpose of Employee Stock Purchase Plans was undertaken. Employees of the Allianz Group purchased shares at prices ranging from € 108.04 (2016: € 94.54) to € 158.72 (2016: € 121.84) per share. As of 31 December 2017, the remaining treasury shares of Allianz SE held for covering subscriptions by employees in the context of the Employee Stock Purchase Plan of Allianz SE and its subsidiaries in Germany and abroad amounted to 343,102 shares.

In the year ending 31 December 2017, the total number of treasury shares of Allianz SE decreased by 562,546 (2016: decrease of 244,099), which corresponds to € 1,494,910.50 (2016: € 624,893.00) or 0.13 % (2016: 0.05 %) of issued capital as of 31 December 2017.

The treasury shares of Allianz SE and its subsidiaries represent € 3,638 thou (2016: € 4,945 thou) or 0.31 % (2016: 0.42 %) of the issued capital as of 31 December 2017.

SHARE BUY-BACK PROGRAM 2017

In its meeting on 16 February 2017, the Board of Management of Allianz SE has resolved to conduct a share buy-back program in an amount of up to € 3 bn within a period of twelve months. The share buy-back program is based on the authorization granted by the Annual General Meeting on 7 May 2014. In the period between 17 February 2017 and 15 December 2017, total of 16,750,354 treasury shares with a market value of € 2,999,969,793.55 have been acquired for an average price of € 179.10. All of the treasury shares acquired within the share buy-back program 2017 have been redeemed according to the simplified procedure without reduction of the share capital.

Additional paid-in capital
€ thou

As of 31 December 2016	27,844,664
Own shares: realized gains	60,592
As of 31 December 2017	**27,905,256**

Revenue reserves
€ thou

as of 31 December	2016	Own shares exceeding mathematical value	Own shares: Cancellation[1]	2017
1. Statutory reserves	1,229	-	-	1,229
2. Other revenue reserves[2]	11,782,928	38,566	(2,997,705)	8,823,789
Total	**11,784,157**	**38,566**	**(2,997,705)**	**8,825,017**

1_Share buy-back program 2017: Acquisition costs of the repurchased and cancelled shares of Allianz SE.
2_Thereof reserves for own shares € 3,638 thou (2016: € 4,945 thou).

RESTRICTIONS ON DIVIDEND PAYOUT

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

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

Of the unappropriated reserves plus the unappropriated earnings carried forward, a total of € 929,512 thou (2016: € 772,254 thou) is exempt from dividend distribution. Of this amount, € 896,687 thou (2016: € 749,686 thou) are due to the change in the legal requirement in 2016 for discounting pension obligations according to § 253 (2) sentence 1 in connection with § 253 (6) of the German Commercial Code. Another, € 3,638 thou (2016: € 4,945 thou) relate to the mathematical value of own shares deducted from issued capital according to § 272 (1a) of the German Commercial Code. Another € 29,187 thou (2016: € 17,623 thou) account for internally generated intangible assets according to § 268 (8) of the German Commercial Code.

13 _ Subordinated liabilities

Subordinated liabilities decreased to € 13.7 bn in 2017 (2016: € 13.8 bn). € 10.3 bn (2016: € 8.9 bn) were external subordinated liabilities resulting from bonds directly issued by Allianz SE. In 2017, Allianz SE placed two new subordinated bonds with volumes of € 1.0 bn and of USD 0.6 bn (equals € 0.6 bn). This was partly offset by a book value decline of € 0.2 bn, a consequence of the foreign-currency revaluation of our subordinated liabilities denominated in USD and CHF.

Further, intra-group subordinated liabilities amounting to € 3.4 bn (2016: € 4.9 bn) were attributable to subordinated bonds issued by Allianz Finance II B.V., an affiliated enterprise that usually transfers the proceeds from these issues to Allianz SE via intra-group loans. In 2017, Allianz Finance II B.V. redeemed a subordinated bond with a volume of € 1.4 bn. Allianz SE provides a financial guarantee for the total amount of bonds issued by Allianz Finance II B.V.

14 _ Insurance reserves

€ mn

as of 31 December 2017	Unearned premiums	Aggregate policy reserves	Reserves for loss and loss adjustment expenses	Reserves for premium refunds	Claims equalization and similar reserves	Other insurance reserves	Total
Motor	480	-	2,908	-	302	5	3,695
Fire and property reinsurance	461	-	1,893	-	611	7	2,973
Liability	210	-	3,215	-	441	3	3,869
Credit and bond	21	-	446	21	493	2	983
Personal accident	38	41	492	-	3	2	577
Life	40	640	94	-	-	6	780
Marine and aviation	20	-	440	-	74	-	534
Legal expenses	47	-	274	-	38	2	361
Health	2	1	13	-	-	-	17
Other lines	256	-	353	-	579	3	1,192
Total	**1,576**	**682**	**10,128**	**23**	**2,541**	**30**	**14,980**

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

AGGREGATE POLICY RESERVES

Aggregate policy reserves declined by € 105 mn to € 682 mn due to the Life/Health reinsurance.

RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES

Reserves for loss and loss adjustment expenses increased by 4.0% to € 10,128 mn, largely due to the growth of the portfolio in the last years.

CLAIMS EQUALIZATION AND SIMILAR RESERVES

In 2017, claims equalization and similar reserves rose by € 226 mn to € 2,541 mn. The increase resulted mainly from other reinsurance lines (€ 111 mn), credit and bond reinsurance (€ 53 mn), and liability reinsurance (€ 47 mn).

15 _ Other provisions

Development of other provisions
€ thou

	Provision	Use	Release[1]	Additions[1]	Reversal of Discounting	Provision
	1 January 2017	(-)	(-)	(+)	(+)	31 December 2017
Provisions for pensions and similar liabilities	6,066,802	262,396	2,117	81,475	534,411	6,418,175
Tax provisions	541,230	4,917	35,292	357,199	-	858,220
Miscellaneous						
1. Anticipated losses	336,896	181,228	30,823	143,029	1,227	269,102
2. Remaining provisions	424,213	245,173	71,212	294,184	2,471	404,483
Total	**7,369,141**	**693,714**	**139,444**	**875,888**	**538,109**	**7,949,981**

1_Including currency translation effects.

Other provisions increased by € 581 mn, largely due to a net increase in pension liabilities (€ 351 mn) and tax provisions (€ 317 mn). Miscellaneous provisions dropped by € 87 mn, driven by declines in both the provisions for anticipated losses (€ 68 mn) and the remaining provisions (€ 20 mn).

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

In 1985, the pension provisions of the German subsidiaries were centralized by transferring the corresponding assets to Allianz SE. As a result, Allianz SE has a joint liability for a large part of these old pension promises. The German subsidiaries reimburse the costs, with Allianz SE assuming responsibility for settlement. Consequently, these pension provisions are reported by Allianz SE.

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

The following table shows a breakdown of pension liabilities:

Settlement amount of the offset liabilities
€ thou

as of 31 December	2017	2016
Old pension promises of the German subsidiaries	1,854,607	1,808,224
Pension promises of Allianz SE		
Vertreterversorgungswerk	4,576,550	4,285,330
old pension promises to employees	202,381	194,941
contribution-based pension plans	202,858	184,826
deferred compensation	100,848	87,006
Total	**6,937,244**	**6,560,327**

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

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

Actuarial parameters
%

as of 31 December	2017	2016
Applied discount rate (10-year-average)	3.68	4.01
Applied discount rate (7-year-average)	2.81	3.23
Rate of assumed pension trend	1.50	1.50
Rate of assumed salary increase (inclusiv average career trend)	3.25	3.25

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

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

The retirement age applied is the contractual or legal retirement age.

Supplementary information
€ thou

as of 31 December	2017	2016
Historical costs of the offset assets	522,640	488,562
Settlement amount of the offset liabilities	6,937,244	6,560,327
(-) Fair value of the offset assets	529,751	493,525
Net amount of pension provisions and excess of plan assets over pension and similar obligations	**6,407,493**	**6,066,802**

Allianz SE has obligations resulting from jubilee payments, a long-term credit account, birthday payments, and phased-in early retirement, which are reported under remaining provisions.

These obligations are basically calculated in the same way as the pension obligations, using the same actuarial assumptions (except for the discount rate).

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

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

Information on the offset assets and liabilities
€ thou

as of 31 December	2017	2016
Historical costs of the offset assets	19,740	19,513
Settlement amount of the offset liabilities	19,912	19,691
Fair value of the offset assets	20,755	20,530

16 _ Maturity of financial liabilities

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

Maturity table as of 31 December 2017
€ thou

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

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

Maturity table as of 31 December 2016
€ thou

	Total	Term < 1 year	Term 1 – 5 years	Term > 5 years
Subordinated liabilities (B.)				
Intra-group transmission of proceeds from third-party financing	4,868,974	168,974	-	4,700,000
Subordinated bonds issued by Allianz SE	8,937,306	100,658	-	8,836,648
Subtotal Subordinated liabilities (B.)	13,806,280	269,632	-	13,536,648
Bonds (intra-group – F.II.)	2,575,931	379,931	1,800,000	396,000
Liabilities to banks (F.III.)	397,574	397,574	-	-
Miscellaneous liabilities (F.IV.)				
Intra-group transmission of proceeds from third-party financing	5,177,377	173,745	2,625,000	2,378,632
Other intra-group liabilities[1]	28,251,667	27,059,263	1,092,404	100,000
Subtotal intra-group miscellaneous liabilities	**33,429,044**	**27,233,008**	**3,717,404**	**2,478,632**
Liabilities to third parties	**1,288,151**	**1,288,151**	**-**	**-**
Subtotal Miscellaneous liabilities	34,717,195	28,521,159	3,717,404	2,478,632
Total	**51,496,980**	**29,568,296**	**5,517,404**	**16,411,280**

1_As of 31 December 2016, other intra-group liabilities due within one year armounted to € 27.1 bn. Thereof, cash pool and intra-group loans accounted for € 9.3 bn and € 17.0 bn, respectively. Upon maturity, intra-group loans are rolled forward by Allianz SE on a regular basis.

As of 31 December 2017, € 0.8 bn (2016: € 0.6 bn) of the total financial liabilities were secured by assets pledged as collateral.

17 _ Information about derivative financial instruments

Options dealing in shares and share indices as of 31 December 2017

	Nominal	Fair value	Book value	Underlying	Balance sheet position
Class	€ thou	€ thou	€ thou		
Long call	44,392	5,280	4,301	Share index	Assets D.III.
Short call	44,392	(5,280)	4,301	Share index	Liabilities F.IV.
Long put	88,380	636	1,956	Share index	Assets D.III.
Short put	88,380	(636)	1,956	Share index	Liabilities F.IV.

Options on stock indices are held in the context of hedging activities of other entities of the Allianz Group. Allianz SE has hedged intra-group positions by entering into countertrade agreements at the market. Both intra-group and group-external positions were combined into valuation units ("Bewertungseinheiten") representing perfect micro hedges. The opposing value changes within these units completely offset each other and are not recorded in either our income statement or our balance sheet.

European-type options are valued using the Black Scholes model, American-type options are valued using the binomial model, based on the market information available on the valuation date. Yield curves are derived from the swap rates prevailing on the valuation date. The future dividend yield is estimated on the basis of market information on the valuation date. The volatility is estimated based on currently traded implicit volatility, taking into account the residual term and the ratio between the strike price and the prevailing share price.

Forward contracts in shares, share indices and hedge RSU as of 31 December 2017

	Nominal	Fair value	Book value	Underlying	Balance sheet position
Class	€ thou	€ thou	€ thou		
Long forward	574,476	60,497	449	Allianz SE share	Liabilities D.
Long forward	379,731	(33,997)	–	UniCredit S.p.A. share	–
Long forward	368,275	4,234	–	China Pacific Insurance (Group) Co., Ltd. share	–
Short forward	379,731	33,997	–	UniCredit S.p.A. share	–
Short forward	368,275	(4,234)	–	China Pacific Insurance (Group) Co., Ltd. share	–
Hedge RSU	295,637	(452,219)	452,228	Allianz SE share	Liabilities F.IV.

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

For the purpose of hedging the share price risk of UniCredit S.p.A. shares and of the shares in China Pacific Insurance (Group) Co., Ltd., our subsidiary Allianz Finance II Luxembourg S.à.r.l. entered into short forwards on these underlyings with Allianz SE. Allianz SE hedged these positions by entering into countertrade agreements in the market. Both intra-group and group-external positions were combined to form valuation units ("Bewertungseinheiten") representing perfect micro hedges. The opposing value changes within these units completely offset each other and are not recorded in either our income statement or our balance sheet.

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

Forward currency contracts as of 31 December 2017

	Nominal	Fair value	Book value	Underlying	Balance sheet position
Class	€ thou	€ thou	€ thou		
Long forward	6,928,210	(117,691)	104,447	AED, AUD, BRL, CAD, CHF, COP, CZK, DKK, GBP, HKD, HUF, ILS, JPY, KRW, NOK, NZD, PLN, QAR, SAR, SGD, THB, TRY, TWD, USD	Liabilities D.
Short forward	11,393,759	224,794	23,644	AED, AUD, BRL, CAD, CHF, CNY, COP, CZK, DKK, GBP, HKD, HUF, JPY, MYR, NOK, PLN, QAR, SEK, SGD, THB, TRY, USD, ZAR	Liabilities D.

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

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

Long forwards and short forwards with a nominal value of € 2.9 bn and a fair value of € 23.8 mn, respectively, were aggregated to form valuation units ("Bewertungseinheiten") and accounted for with a book value of zero. In each case, diametrical positions with identical terms and conditions closed with intra-group and group-external counterparts, respectively, form a perfect micro hedge because the fair value changes of the diametric positions completely compensate each other.

Within the financial participations, there are put and call options on company shares which are linked to certain conditions. Due to the lack of quoted prices on active markets for these financial participations and the uncertainty regarding the occurrence of the option conditions, it is not possible to reliably determine the fair value of such options. Wherever feasible, contractual arrangements including the option agreements were taken into account when determining the fair value of the financial participation. We did not perform a stand-alone valuation of the options as derivative financial instruments.

Swap contracts as of 31 December 2017

	Nominal	Fair value	Book value	Underlying	Balance sheet position
Class	€ thou	€ thou	€ thou		
Receiver swap EUR	1,500,000	(3,611)	3,611	Long-term interst rate positions	Liabilities D.

Allianz SE has entered into an EUR interest rate swap agreement to hedge interest rate risk arising from its interest rate positions.

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

SUPPLEMENTARY INFORMATION ON THE INCOME STATEMENT

18 _ Gross premiums written

€ thou

	2017	2016
Property-Casualty reinsurance	9,857,787	10,385,480
Life/Health reinsurance	407,648	434,810
Total	**10,265,435**	**10,820,290**

Gross premiums written decreased by 5.1% to € 10,265 mn. This decrease is driven by the lines of business motor reinsurance (€ 282 mn), fire reinsurance (€ 130 mn) and liability reinsurance (€ 64 mn).

19 _ Allocated interest return (net)

The amount of interest income transferred from the non-technical section to the technical section was calculated in accordance with §38 RechVersV and remained stable with € 21 mn.

20 _ Run-off result

In 2017, the positive run-off result in Property-Casualty amounted to € 343 mn (2016: € 427 mn) and was primarily owed to the positive development of the following four lines of business:

- fire reinsurance (€ 122 mn),
- engineering reinsurance (€ 103 mn),
- personal accident reinsurance (€ 49 mn),
- credit and bond reinsurance (€ 48 mn).

21 _ Change in other insurance reserves (net)

€ thou

	2017	2016
Change in aggregate policy reserves (net)	17,954	3,931
Other insurance reserves (net)	2,139	2,794
Total	**20,093**	**6,725**

The change in aggregate policy reserves (net) was driven by decreased business volume due to a recapture of several reinsurance contracts in Life/Health reinsurance.

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

22 _ Underwriting expenses (net)

€ thou

	2017	2016
Gross	(2,930,442)	(3,063,930)
Ceded	46,213	117,682
Net	**(2,884,228)**	**(2,946,248)**

The decrease of underwriting expenses (net) was mainly influenced by the premium development, the expenses ratio stayed stable with 30.6% (2016: 30.6%).

23 _ Investment income

€ thou

	2017	2016
a) Income from affiliated enterprises and participations thereof from affiliated enterprises: € 1,052,491 thou (2016: € 1,722,849 thou)	1,098,617	1,726,629
b) Income from other investments thereof from affiliated enterprises: € 464,023 thou (2016: € 473,296 thou)		
ba) Income from real estate, real estate rights, and buildings including buildings on land not owned by Allianz SE	9,443	27,532
bb) Income from other investments (see below)	850,142	916,897
c) Income from reversal of impairments	10,450	105,206
d) Realized gains	653,231	365,486
e) Income from profit transfer agreements	3,025,630	1,943,136
Total	**5,647,514**	**5,084,886**

	2017	2016
bb) Income from other investments		
Loans to affiliated enterprises	386,536	416,928
Debt securities	314,979	385,837
Funds held by others under reinsurance business assumed	79,852	72,124
Interests in funds	39,808	24,935
Loans to third parties	1,301	6,282
Receivables from intra-group cash pooling	20,473	7,450
Bank deposits	4,795	2,686
Other	2,398	655
Total	**850,142**	**916,897**

24 _ Investment expenses

€ thou

	2017	2016
a) Expenses for the management of investments, interest, and other investment-related expenses		
aa) Interest expenses (see below)	(1,000,900)	(1,021,215)
ab) Other	(92,073)	(84,983)
b) Depreciation and impairments of investments	(266,668)	(182,873)
c) Realized losses	(130,532)	(198,564)
d) Expenses from losses taken over	(444,635)	(307,823)
Total	**(1,934,808)**	**(1,795,458)**

	2017	2016
aa) Interest expenses		
Subordinated bonds issued by Allianz SE	(406,622)	(323,824)
Liabilities from intra-group loans	(226,162)	(270,917)
Intra-group subordinated liabilities (intra-group transmission of proceeds from third-party financing)	(208,861)	(267,960)
Liabilities from intra-group bonds	(107,023)	(111,109)
Liabilities from intra-group cash pooling	(24,637)	(29,860)
Liabilities from commercial paper issues	(12,996)	(8,647)
Other	(14,599)	(8,898)
Total	**(1,000,900)**	**(1,021,215)**

The depreciation and impairments of investments include unscheduled write-downs of € 8 mn (2016: € 51 mn) on holdings in affiliated enterprises and € 0 mn (2016: € 7 mn) on real estate.

25 _ Other non-technical result

€ thou

	2017	2016
Other Income		
Currency gains	1,569,244	1,018,676
Gains on derivatives	1,099,634	1,135,670
Other service revenues from group companies	214,088	179,192
Income due to adjustment of cost allocation contract	153,454	147,827
Income from the release of other provisions	53,928	158,528
Intercompany income	31,788	39,798
Service revenues from pensions charged to group companies	23,394	32,912
Other	12,969	5,933
Total other income	3,158,500	2,718,536
Other expenses		
Currency losses	(904,962)	(994,231)
Expenses on derivatives	(895,723)	(998,915)
Interest and similar expenses	(567,124)	(163,233)
Other HR-related expenses	(352,071)	(285,837)
Other service expenses to group companies	(214,088)	(179,192)
Anticipated losses on derivatives	(147,198)	(189,683)
Pension expenses	(78,613)	(28,675)
Service expenses from pensions charged to group companies	(23,394)	(32,912)
Expenses for financial guarantees	(15,366)	(42,586)
Other	(227,380)	(262,663)
Total other expenses	(3,425,921)	(3,177,927)
Other non-technical Result	**(267,421)**	**(459,391)**

The net result from currency translation amounted to € 664 mn after € 24 mn in the previous year. The considerably positive result in 2017 was mainly driven by currency translation gains on liabilities denominated in USD due to a significantly weaker USD. These gains were economically compensated by currency-translation losses on investments denominated in USD. These losses are generally shown within the investment result. In 2017, however, they were only partly reflected in the income statement as they largely represented a decline of unrealized gains created in the past without impact on net income.

Allianz SE has a joint liability for a large part of the pension provisions of its German subsidiaries (see note 15 for more details). Costs incurred in this context are recognized as service expenses from pension plans charged to group companies, as they are reimbursed by the German subsidiaries according to the cost allocation contract and result in corresponding service revenues.

The decline in income from the release of other provisions was largely due to the reduction of the assumed pension trend from 1.7% to 1.5% in 2016. As a result, the income from the release of pension provisions had amounted to € 143 mn in the previous year.

The increase in interest and similar expense of € 404 mn was predominantly caused by a year-on-year higher interest expense regarding the addition to the pension provisions of € 397 mn. As a result of a change in legislation, effective from 2016, the interest rate used for calculating the pension obligations has to be determined as a 10-year-average instead of a 7-year-average. Applying this change in 2016 led to a higher interest rate, which in turn led to low interest expense compared to 2017.

Furthermore, the items other income and other expenses include the following offset income and expenses:

€ thou

	2017	
	Pensions and similar obligations	Other obligations
Actual return of the offset assets	(17,136)	(145)
Imputed interest cost for the settlement amount of the offset liabilities	256,598	255
Effect resulting from the change in the discount rate for the settlement amount	294,911	17
Net amount of the offset income and expenses	**534,373**	**127**

FEES TO THE AUDITOR

The fees for audit services of KPMG AG Wirtschaftsprüfungsgesellschaft primarily relate to services rendered for the audit of the Allianz Group's consolidated financial statements as well as the audit of the statutory financial statements of Allianz SE and its subsidiaries, including the statutory audit scope extensions required by law (e.g. Solvency II). In addition, reviews were performed of interim financial statements, project-related IT audits as well as contractual reviews on the effectiveness of controls of service companies.

Other attestation services refer to statutory filing services for regulatory purposes, the issuing of comfort letters, and statutory or contractually agreed assessments, as well as required audits of funds, including contractually agreed assurance services.

Tax services primarily include support in the preparation of tax returns and advice on individual matters. In respect to tax services, significant tax advice services in relation to the German Investment Tax Reform were provided.

Other services primarily refer to quality assurance support services and consulting services in connection with current developments in financial reporting and regulatory requirements based on concepts/solutions presented by Allianz. In addition, IT quality assurance and advisory on non-financial information systems and forensic advisory services were provided. In respect to the other services, significant quality assurance services in relation to the initial application of new/prospective accounting standards, such as IFRS 17 and IFRS 9, application were provided.

Details of the fees to the auditor pursuant to §285 No. 17 HGB for services to Allianz SE can be found in the notes to the Allianz Group's consolidated financial statements.

26 _ Income taxes

In 2017, our tax income, most of which relates to our net operating income, decreased to € 122 mn (2016: € 266 mn).

As the controlling company ("Organträger") of the tax group, Allianz SE files a consolidated tax return with most of its German affiliated enterprises. As long as the corporate income tax loss carried forward is not fully utilized, the tax compensation payments as of € 515 mn (2016: € 523 mn) received from members of the tax group result in a tax income.

The greatest differences between accounting and tax-based valuation concern the balance sheet items reserves for loss and loss adjustment expenses, pension accruals, and liabilities resulting in deferred tax assets.

In addition, the existing corporate tax loss increases the surplus of deferred tax assets.

The valuation of the domestic deferred taxes is based on the following tax rates:

- 31.0 % differences in balance sheet items,
- 15.8 % corporate tax losses,
- 15.2 % trade tax losses.

27 _ Net earnings

€ thou

	2017	2016
Net income	3,671,418	2,947,614
Unappropriated earnings carried forward	445,920	908,252
Net earnings	**4,117,339**	**3,855,866**

OTHER INFORMATION

Contingent liabilities, other financial commitments, and legal proceedings

CONTINGENT LIABILITIES

GUARANTEES RELATING TO ALLIANZ GROUP COMPANIES

The following guarantees have been provided by Allianz SE to Allianz Group companies as well as to third parties with regard to the liabilities of certain Allianz Group companies:

- bonds issued by Allianz Finance II B.V. and Allianz Finance III B.V. for € 12.3 bn, of which € 3.3 bn were on a subordinated basis,
- commercial papers issued by Allianz Finance Corporation. As of 31 December 2017, USD 0.2 bn in commercial papers were issued as part of the program,
- letters of credit issued to various Allianz Group companies amounting to € 0.9 bn.

The guarantees refer to possible future events that could lead to an obligation. As of today, and to the best of our knowledge, we assess the probability of a loss resulting from outstanding guarantees to be extremely remote.

Guarantee declarations totaling € 1.1 bn have also been made for life policies signed by Allianz Compañía de Seguros y Reaseguros S.A.

Allianz SE provides a € 1.0 bn guarantee for the obligations of Allianz Vie S.A. under a unit-linked pension insurance contract.

Contingent liabilities exist because of indirect pension promises organized via pension funds (Allianz Versorgungskasse VVaG) and support funds (Allianz Pensionsverein e.V.). Allianz SE has a joint liability of € 435 mn for a part of the pension promises of its German subsidiaries.

In the context of the sale of investments, guarantees were given in individual cases to cover counterparty exposure or the various bases used to determine purchase prices.

Allianz SE has also provided several subsidiaries and associates with either a standard indemnity guarantee or such guarantees as required by the supervisory authorities, which cannot be quantified. These include, in particular, a deed of general release as against the Federal Association of German Banks ("Bundesverband deutscher Banken e.V.") for Oldenburgische Landesbank AG (OLB), in accordance with §5(10) of the Statute of Deposit Security Arrangement Fund. In connection with the sale of OLB in February 2018, Allianz SE terminated the indemnification undertaking; however, it remains applicable with respect to supporting measures that are based on facts that were already existing at the time of termination.

In addition, Allianz SE has issued guarantees to various Allianz Group companies totaling € 476 mn.

OTHER GUARANTEES TO THIRD PARTIES

A contingent indemnity agreement has been entered into with respect to securities issued by HT1 Funding GmbH in case HT1 Funding GmbH cannot serve the agreed coupon of the bond in part or in total. Allianz SE expects not to be obliged to make a payment in the foreseeable future. However it is not possible for Allianz SE to predict the ultimate payment obligations at this point in time.

As of 31 December 2017, other guarantee commitments given by Allianz SE amounted to € 12 mn. As of today and to the best of our knowledge, we assess the probability of a loss resulting from other guarantees to be extremely remote.

LEGAL OBLIGATIONS

Legal obligations to assume any losses arise on account of management control agreements and/or profit transfer agreements with the following companies:

- Allianz Argos 14 GmbH,
- Allianz Asset Management GmbH,
- Allianz Capital Partners GmbH (terminated as of 31 December 2017),
- Allianz Deutschland AG,
- Allianz Finanzbeteiligungs GmbH,
- Allianz Global Corporate & Specialty SE,
- Allianz Global Health GmbH,
- Allianz Investment Management SE,
- Allianz Technology SE,
- Allianz Real Estate GmbH,
- AZ-Arges Vermögensverwaltungsgesellschaft mbH,
- IDS GmbH-Analysis and Reporting Services.

OTHER FINANCIAL COMMITMENTS

Advertising agreements incurred financial obligations of € 102 mn.

Security deposits for rental contracts amounted to € 0.1 mn in financial commitments.

LITIGATION

Allianz SE is involved in legal, regulatory, and arbitration proceedings. Such proceedings arise in the ordinary course of business, including, amongst others, Allianz SE's activities as a reinsurance company, employer, investor and taxpayer. It is not feasible to predict or determine the ultimate outcome of the pending or threatened proceedings. Management does not believe that the outcome of these proceedings, including the one discussed below, will have a material adverse effect on the financial position and the results of Allianz SE, after consideration of any applicable provisions.

On 24 May 2002, pursuant to a statutory squeeze-out procedure, the general meeting of Dresdner Bank AG resolved to transfer shares from its minority shareholders to Allianz as the principal shareholder, in return for payment of a cash settlement amounting to € 51.50 per share. Allianz established the amount of the cash settlement on the basis of an expert opinion and its adequacy was confirmed by a court-appointed auditor. Some of the former minority shareholders applied for a court review of the appropriate amount of the cash settlement in a mediation procedure ("Spruchverfahren"). In September 2013 the district court ("Landgericht") of Frankfurt dismissed the minority shareholders' claims in their entirety. This decision has been appealed to the higher regional court ("Oberlandesgericht") of Frankfurt. In the event that a final decision were to determine a higher amount as an appropriate cash settlement, this would affect all of the approximately 16 mn shares that were transferred to Allianz.

Board Members

All supervisory board members, current or having resigned during the year, and all board members, current or having resigned during the year, are denoted on pages 7 and 8. Their memberships in supervisory boards or similar committees of other enterprises are also mentioned on these pages.

Board of Management remuneration[1]

As of 31 December 2017, the Board of Management was comprised of nine members. The following expenses reflect the full Board of Management active in the respective year.

The remuneration of the Board of Management includes fixed and variable components.

The variable remuneration consists of the annual bonus (short-term), the mid-term bonus (MTB) and the equity-related remuneration (long-term). In 2017, the equity-related remuneration was comprised of 49,385[2] (2016: 66,694[3]) Restricted Stock Units (RSU).

Board of Management remuneration
€ thou

	2017	2016
Base salary	(7,125)	(7,125)
Annual bonus	(8,370)	(8,911)
Perquisites	(205)	(302)
Subtotal Base salary, Annual bonus and Perquisites	(15,700)	(16,338)
Fair value of RSU at grant date	(8,370)	(8,911)
Subtotal equity-related remuneration	(8,370)	(8,911)
Total	**(24,070)**	**(25,249)**

The total remuneration of the Board of Management of Allianz SE for 2017 (excluding the relevant MTB 2016 – 2018 tranche) amounted to € 24,070 thou (2016: € 25,624 thou[4]).

EQUITY-RELATED REMUNERATION

The remuneration system as of 1 January 2010 only awards RSU. For 2017, the fair value of the RSU at the date of grant was € 8,370 thou (2016: € 8,911 thou).

BENEFITS TO RETIRED MEMBERS OF THE BOARD OF MANAGEMENT

In 2017, remuneration and other benefits of € 7 mn (2016: € 7 mn) were paid to retired members of the Board of Management and to surviving dependents of deceased former Board members.

The pension obligations for former members of the Board of Management and their surviving dependents are as follows:

€ thou

as of 31 December	2017	2016
Historical costs of the offset assets	105,768	94,006
Fair value of the offset assets	105,768	94,006
Settlement amount of the offset liabilities	109,498	96,826
Pension provisions	3,730	2,820

The asset value of the pension plan reinsurance contracts is taken as a basis for the fair value of the offset assets.

Supervisory Board remuneration[5]

	2017		2016	
	€ thou	%	€ thou	%
Fixed remuneration	(1,446)	66.4	(1,408)	69.5
Committee-related remuneration	(672)	30.8	(558)	27.5
Attendance fees	(61)	2.8	(59)	3.0
Total	**(2,179)**	**100.0**	**(2,025)**	**100.0**

Average number of employees

Excluding members of the Board of Management, trainees, interns, employees in the passive phase of early retirement and on early retirement, and employees on maternity leave or voluntary military/federal voluntary service.

	2017	2016
Full-time staff	1,300	1,389
Part-time staff	340	226
Total	**1,640**	**1,615**

1_For detailed information regarding the Board of Management remuneration, please refer to the Remuneration Report starting on page 37.
2_The relevant share price to determine the final number of RSU granted is only available after the sign-off by the external auditors, thus numbers are based on a best estimate.
3_The disclosure in the Annual Report 2016 was based on a best estimate of the RSU grants. The figure shown here for 2016 now includes the actual fair value as of the grant date (3 March 2017). The value therefore differs from the value disclosed last year.
4_Including the payment of the MTB tranch for Jay Ralph of € 375 thou.

5_For detailed information regarding the Supervisory Board remuneration, please refer to the Remuneration Report starting on page 37.

Staff expenses

Including members of the Board of Management, trainees, interns, employees in the passive phase of early retirement, and employees on maternity leave or voluntary military/federal voluntary service.

€ thou

	2017	2016
Wages and salaries	(380,643)	(318,337)
Statutory welfare contributions and expenses for optional support payments	(24,701)	(22,305)
Expenses for pensions and other post-retirement benefits	(26,501)	(23,313)
Total expenses	**(431,845)**	**(363,955)**

Events after the balance sheet date

TENDER OFFER FOR OUTSTANDING EULER HERMES SHARES

On 15 January 2018, Allianz launched a simplified cash tender offer to acquire all outstanding Euler Hermes shares which expired on 13 February 2018. As of 23 February 2018, the remaining float on the market represented less than 5% of Euler Hermes share capital. In continuation with its initial tender offer, Allianz intends to launch a further simplified cash tender offer for all remaining Euler Hermes shares held by minority shareholders, which will be immediately followed by a squeeze-out procedure and delisting of Euler Hermes shares from the Euronext Paris stock exchange. The consideration for one Euler Hermes share will remain unchanged from the prior tender offer and will be € 122 in cash. For further details, please refer to note 3 of the consolidated financial statements of the Allianz Group.

SHARE BUY-BACK PROGRAM

Beginning 2018, Allianz SE has started a new share buy-back program with a volume of up to € 2.0 bn. For further information, please refer to the section "Expected dividend development" of the chapter Outlook 2018 within the Group Management Report.

Mandates of the Members of the Supervisory Board and Board of Management

The disclosures required in accordance with § 285 No. 10 HGB for the Supervisory Board and Board of Management can be found on **pages 7 and 8.**

Information pursuant to § 160 (1) No. 8 AktG

The following major shareholdings were reported pursuant to § 20 (1) or (4) AktG or pursuant to § 21 WpHG[1]:

By way of a letter dated 25 July 2017, BlackRock Inc., Wilmington, Delaware, United States of America, notified in the course of a voluntary group notification with triggered threshold on subsidiary level its voting rights pursuant to § 21 (1) WpHG as of 20 July 2017 amounting to 6.90 % (representing 31,026,017 shares), its holdings in instruments pursuant to § 25 (1) No. 1 WpHG as of 20 July 2017, amounting to 0.001 % (representing 3,255 voting rights absolute), and its holdings in instruments pursuant to § 25 (1) No. 2 WpHG as of 20 July 2017, amounting to 0.03 % (representing 130,720 voting rights absolute). The total position notified on 25 July 2017 amounted to 6.93 %.

Declaration of Conformity with the German Corporate Governance Code

On 14 December 2017, the Board of Management and the Supervisory Board of Allianz SE issued the Declaration of Conformity with the German Corporate Governance Code required by § 161 AktG and made it permanently available on the company's website at **www.allianz.com/corporate-governance.**

1_From 2018 onwards §§ 33 WpGH.

LIST OF PARTICIPATIONS OF ALLIANZ SE, MUNICH AS OF 31 DECEMBER 2017 ACCORDING TO § 285 NO. 11 AND 11B HGB IN CONJUNCTION WITH § 286 (3) NO. 1 HGB

	Owned[1]	Equity	Net Earnings
	%	€ thou	€ thou
GERMAN ENTITIES			
Affiliates			
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4a, Munich	100.0	5,711	(3)
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4c, Munich	100.0	22,737	17,777
ADEUS Aktienregister-Service-GmbH, Munich	79.6	8,714	1,173
AGCS Infrastrukturfonds GmbH, Munich	100.0 [2]	7,393	-
AGCS-Argos 76 Vermögensverwaltungsgesellschaft mbH, Munich	100.0 [2]	8,088	1
AGCS-Argos 86 Vermögensverwaltungsgesellschaft mbH, Munich	100.0 [2]	6,505	-
Alida Grundstücksgesellschaft mbH & Co. KG, Hamburg	94.8 [3]	405,963	11,133
Allianz Argos 14 GmbH, Munich	100.0 [2]	5,069,081	-
Allianz Asset Management GmbH, Munich	100.0 [2]	3,308,258	-
Allianz AZL Vermögensverwaltung GmbH & Co. KG, Munich	100.0	409,456	(62)
Allianz Beratungs- und Vertriebs-AG, Munich	100.0 [2]	8,605	-
Allianz Capital Partners Verwaltungs GmbH, Munich	100.0	37,416	26,466
Allianz Deutschland AG, Munich	100.0 [2]	8,074,341	-
Allianz Finanzbeteiligungs GmbH, Munich	100.0 [2]	824,678	-
Allianz Global Corporate & Specialty SE, Munich	100.0 [3,2]	1,144,236	-
Allianz Global Investors GmbH, Frankfurt am Main	100.0 [2]	337,538	-
Allianz Handwerker Services GmbH, Aschheim	100.0 [3]	28,776	1,763
Allianz Investment Management SE, Munich	100.0 [2]	5,882	-
Allianz Leben Direkt Infrastruktur GmbH, Munich	100.0 [2]	182,185	-
Allianz Leben Infrastrukturfonds GmbH, Munich	100.0 [2]	341,147	-
Allianz Leben Private Equity Fonds 1998 GmbH, Munich	100.0 [2]	32,893	-
Allianz Leben Private Equity Fonds 2001 GmbH, Munich	100.0 [2]	2,332,235	-
Allianz Leben Private Equity Fonds 2008 GmbH, Munich	100.0 [2]	40,321	-
Allianz Lebensversicherungs-Aktiengesellschaft, Stuttgart	100.0 [2]	1,442,771	166,000
Allianz of Asia-Pacific and Africa GmbH, Munich	100.0	727,527	(28)
Allianz Pension Direkt Infrastruktur GmbH, Munich	100.0 [2]	5,656	-
Allianz Pensionsfonds Aktiengesellschaft, Stuttgart	100.0	56,086	2,001
Allianz Pensionskasse Aktiengesellschaft, Stuttgart	100.0	240,213	(23,108)
Allianz Private Equity GmbH, Munich	100.0 [2]	31,323	-
Allianz Private Krankenversicherungs-Aktiengesellschaft, Munich	100.0 [2]	387,731	-
Allianz Real Estate GmbH, Munich	100.0 [3,2]	21,237	-
Allianz Renewable Energy Subholding GmbH & Co. KG, Sehestedt	100.0 [3]	19,085	1,144
Allianz Taunusanlage GbR, Stuttgart	99.5 [3]	177,437	5,508
Allianz Technology SE, Munich	100.0 [3,2]	253,496	-
Allianz Versicherungs-Aktiengesellschaft, Munich	100.0	1,387,569	131
AllSecur Deutschland AG, Munich	100.0 [2]	44,831	-
APK Infrastrukturfonds GmbH, Munich	100.0 [2]	6,840	-
APK-Argos 85 Vermögensverwaltungsgesellschaft mbH, Munich	100.0 [2]	9,673	-
APKV Direkt Infrastruktur GmbH, Munich	100.0 [2]	50,477	-
APKV Infrastrukturfonds GmbH, Munich	100.0 [2]	45,986	-
APKV Private Equity Fonds GmbH, Munich	100.0 [2]	382,026	-
APKV-Argos 74 Vermögensverwaltungsgesellschaft mbH, Munich	100.0 [2]	12,297	1
APKV-Argos 84 Vermögensverwaltungsgesellschaft mbH, Munich	100.0 [2]	66,136	-
ARE Funds APKV GmbH, Munich	100.0 [2]	12,476	-
ARE Funds AZL GmbH, Munich	100.0 [2]	90,181	-
ARE Funds AZV GmbH, Munich	100.0 [2]	5,994	3
Atropos Vermögensverwaltungsgesellschaft mbH, Munich	100.0	405,260	(1)
AWP Service Deutschland GmbH, Aschheim	100.0 [3]	7,101	1,296
AZ-Arges Vermögensverwaltungsgesellschaft mbH, Munich	100.0 [2]	172,158	-
AZ-GARI Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0	136,852	48,239
AZL AI Nr. 1 GmbH, Munich	100.0 [2]	8,778	-
AZL-Argos 73 Vermögensverwaltungsgesellschaft mbH, Munich	100.0 [2]	57,003	1
AZL-Argos 83 Vermögensverwaltungsgesellschaft mbH, Munich	100.0	697,636	-
AZ-SGD Classic Infrastrukturfonds GmbH, Munich	100.0 [2]	42,935	-
AZ-SGD Direkt Infrastruktur GmbH, Munich	100.0 [2]	47,786	-
AZ-SGD Infrastrukturfonds GmbH, Munich	100.0 [2]	31,248	-
AZ-SGD Private Equity Fonds 2 GmbH, Munich	100.0 [2]	30,538	-
AZ-SGD Private Equity Fonds GmbH, Munich	100.0 [2]	524,890	-
AZV-Argos 72 Vermögensverwaltungsgesellschaft mbH, Munich	100.0 [2]	8,224	1
AZV-Argos 82 Vermögensverwaltungsgesellschaft mbH, Munich	100.0 [2]	16,175	-
AZV-Argos 87 Vermögensverwaltungsgesellschaft mbH, Munich	100.0 [2]	88,500	-
BrahmsQ Objekt GmbH & Co. KG, Stuttgart	94.8 [3]	89,400	3,540
Deutsche Lebensversicherungs-Aktiengesellschaft, Berlin	100.0 [2]	44,991	-
Euler Hermes Aktiengesellschaft, Hamburg	100.0 [3]	105,752	45,215
Lola Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0	6,027	(23)
manroland AG, Offenbach am Main	100.0 [4,5]	148,289	(179,129)
manroland Vertrieb und Service GmbH, Mühlheim am Main	100.0 [4,5]	5,155	-
Münchener und Magdeburger Agrarversicherung Aktiengesellschaft, Munich	100.0 [3,2]	7,686	17
Oldenburgische Landesbank Aktiengesellschaft, Oldenburg	90.2 [3]	649,349	35,219
PIMCO Deutschland GmbH, Munich	100.0 [2]	35,030	-
REC Frankfurt Objekt GmbH & Co. KG, Hamburg	80.0	303,583	10,442
Spherion Objekt GmbH & Co. KG, Stuttgart	100.0 [3]	76,156	3,150
Volkswagen Autoversicherung AG, Braunschweig	100.0 [2]	108,517	-
Volkswagen Autoversicherung Holding GmbH, Braunschweig	49.0	111,496	(3,906)
Windpark Aller-Leine-Tal GmbH & Co. KG, Sehestedt	100.0 [3]	22,821	777
Windpark Berge-Kleeste GmbH & Co. KG, Sehestedt	100.0 [3]	11,216	1,164
Windpark Büttel GmbH & Co. KG, Sehestedt	100.0 [3]	25,429	1,555
Windpark Calau GmbH & Co. KG, Sehestedt	100.0 [3]	49,455	1,650
Windpark Cottbuser See GmbH & Co. KG, Sehestedt	100.0 [3]	14,055	1,130
Windpark Dahme GmbH & Co. KG, Sehestedt	100.0 [3]	34,035	3,481

	Owned[1]	Equity	Net Earnings
	%	€ thou	€ thou
Windpark Eckolstädt GmbH & Co. KG, Sehestedt	100.0[3]	39,769	1,596
Windpark Freyenstein-Halenbeck GmbH & Co. KG, Sehestedt	100.0[3]	22,037	1,270
Windpark Kesfeld-Heckhuscheid GmbH & Co. KG, Sehestedt	100.0[3]	23,953	567
Windpark Kirf GmbH & Co. KG, Sehestedt	100.0[3]	5,551	379
Windpark Kittlitz GmbH & Co. KG, Sehestedt	100.0[3]	8,704	342
Windpark Pröttlin GmbH & Co. KG, Sehestedt	100.0[3]	16,791	1,445
Windpark Quitzow GmbH & Co. KG, Sehestedt	100.0[3]	16,582	1,285
Windpark Redekin-Genthin GmbH & Co. KG, Sehestedt	100.0[3]	26,900	1,691
Windpark Schönwalde GmbH & Co. KG, Sehestedt	100.0[3]	18,639	477
Windpark Waltersdorf GmbH & Co. KG Renditefonds, Sehestedt	100.0[3]	10,889	414
Windpark Werder Zinndorf GmbH & Co. KG, Sehestedt	100.0[3]	28,047	1,783
Joint ventures			
Dealis Fund Operations GmbH, Frankfurt am Main	50.0	32,011	13,424
Associates			
Autobahn Tank & Rast Gruppe GmbH & Co. KG, Bonn	25.0[3]	478,206	-
AV Packaging GmbH, Munich	51.0	17,396	(304)
T&R Real Estate GmbH, Bonn	25.0[3]	140,841	(26)
Other participations below 20 % voting rights			
Bürgschaftsbank Bremen GmbH, Bremen	2.5[3]	6,839	548
EURO Kartensysteme Gesellschaft mit beschränkter Haftung, Frankfurt am Main	1.5[3]	11,635	173
EXTREMUS Versicherungs-Aktiengesellschaft, Cologne	16.0[3]	64,740	300
FC Bayern München AG, Munich	8.3[3]	454,574	20,580
GDV Dienstleistungs-GmbH, Hamburg	18.9[3]	21,773	1,215
Mittelständische Beteiligungsgesellschaft Niedersachsen (MBG) mbH, Hanover	5.5[3]	13,131	899
MLP AG, Wiesloch	9.7[3]	383,585	14,696
Niedersächsische Bürgschaftsbank (NBB) GmbH, Hanover	2.8[3]	24,464	1,273
Parkhaus am Waffenplatz GmbH, Oldenburg	3.4[3]	5,968	502
paydirekt Beteiligungsgesellschaft privater Banken mbH, Unterföhring	2.0[3]	6,683	550
Protektor Lebensversicherungs-AG, Berlin	10.0[3]	105,412	12,512
Sana Kliniken AG, Ismaning	14.3[3]	757,734	90,075
FOREIGN ENTITIES			
Affiliates			
490 Lower Unit LP, Wilmington, DE	100.0	127,635	3,750
Aero-Fonte S.r.l., Catania	100.0[3]	12,527	4,216
AGA Assistance Beijing Services Co. Ltd., Beijing	100.0[3]	17,837	12,743
AGA Service Company Corp., Richmond, VA	100.0[3]	15,487	12,823
AGCS International Holding B.V., Amsterdam	100.0[3]	1,331,683	(119)
AGCS Marine Insurance Company, Chicago, IL	100.0	163,672	8,826
AGCS Resseguros Brasil S.A., São Paulo	100.0[3]	65,174	466
AGF Holdings (UK) Limited, Guildford	100.0	98,469	2,067
AGF Inversiones S.A., Buenos Aires	100.0[2]	9,655	(27)
Allianz (UK) Limited, Guildford	100.0	1,025,798	65
Allianz Africa S.A., Paris la Défense	100.0[3]	46,400	3,970
Allianz Alapkezelő Zrt., Budapest	100.0	7,163	3,652
Allianz Argentina Compañía de Seguros Generales S.A., Buenos Aires	100.0	113,372	62,697
Allianz Argentina RE S.A., Buenos Aires	100.0	21,927	13,817
Allianz Asset Management of America L.P., Dover, DE	100.0	687,910	1,370,379
Allianz Asset Management of America LLC, Dover, DE	100.0	5,953,166	1,676,851

	Owned[1]	Equity	Net Earnings
	%	€ thou	€ thou
Allianz Asset Management U.S. Holding II LLC, Dover, DE	100.0	230,232	66,111
Allianz Australia Insurance Limited, Sydney	100.0	1,697,895	212,861
Allianz Australia Life Insurance Limited, Sydney	100.0[3]	51,132	7,762
Allianz Australia Limited, Sydney	100.0[3]	1,730,187	226,595
Allianz Ayudhya Assurance Public Company Limited, Bangkok	62.6	418,920	42,925
Allianz Bank Bulgaria AD, Sofia	99.9[3]	111,005	15,469
Allianz Bank Financial Advisors S.p.A., Milan	100.0[3]	243,091	7,751
Allianz Banque S.A., Puteaux	100.0	119,287	5,991
Allianz Benelux S.A., Brussels	100.0	732,129	80,865
Allianz Bulgaria Holding AD, Sofia	66.2[3]	56,195	16,604
Allianz C.P. General Insurance Co. Ltd., Bangkok	100.0	17,096	(3,773)
Allianz Cameroun Assurances SA, Douala	75.4	12,173	3,568
Allianz Carbon Investments B.V., Amsterdam	100.0[3]	12,928	(122)
Allianz Cash SAS, Paris la Défense	100.0	5,506	276
Allianz Chicago Private Reit LP, Wilmington, DE	100.0	173,021	73
Allianz China General Insurance Company Ltd., Guangzhou	100.0	51,841	3,071
Allianz China Life Insurance Co. Ltd., Shanghai	51.0	37,230	27,600
Allianz Colombia S.A., Bogotá D.C.	100.0	100,288	9,661
Allianz Compañía de Seguros y Reaseguros S.A., Barcelona	99.9[3]	956,836	146,485
Allianz Cornhill Information Services Private Ltd., Trivandrum	100.0[3]	19,181	4,869
Allianz Côte d'Ivoire Assurances SA, Abidjan	74.1[3]	5,359	2,080
Allianz Côte d'Ivoire Assurances Vie SA, Abidjan	71.0[3]	6,495	2,211
Allianz Digital Corporate Ventures S.à r.l., Luxembourg	100.0[3]	15,216	(72)
Allianz do Brasil Participações Ltda., São Paulo	100.0	224,709	(15,921)
Allianz Elementar Lebensversicherungs-Aktiengesellschaft, Vienna	100.0	207,158	6,113
Allianz Elementar Versicherungs-Aktiengesellschaft, Vienna	100.0	437,322	55,028
Allianz EM Loans S.C.S., Luxembourg	100.0[3]	43,812	426
Allianz Engineering Inspection Services Limited, Guildford	100.0	11,791	4,019
Allianz Equity Investments Ltd., Guildford	100.0	169,469	3,712
Allianz Europe B.V., Amsterdam	100.0[3]	45,713,477	1,297,755
Allianz Europe Ltd., Amsterdam	100.0[3]	3,340,815	5,251
Allianz Finance II B.V., Amsterdam	100.0[3]	18,758	3,202
Allianz Finance II Luxembourg S.à r.l., Luxembourg	100.0[3]	3,756,754	83,223
Allianz Finance IV Luxembourg S.à r.l., Luxembourg	100.0[3]	44,098	(12,467)
Allianz Finance VII Luxembourg S.A., Luxembourg	100.0[3]	1,120,680	6,230
Allianz Finance VIII Luxembourg S.A., Luxembourg	100.0[3]	339,732	(60)
Allianz Fire and Marine Insurance Japan Ltd., Tokyo	100.0[3]	29,842	4,403
Allianz France Investissement OPCI, Paris la Défense	100.0	138,400	5,349
Allianz France Real Estate Invest SPPICAV, Paris la Défense	100.0[3]	1,735,439	54,253
Allianz France Richelieu 1 S.A.S., Paris la Défense	100.0	465,792	(2,339)
Allianz France S.A., Paris la Défense	100.0	6,217,889	770,988
Allianz France US REIT LP, Wilmington, DE	100.0	111,266	1,142
Allianz Fund Investments Inc., Wilmington, DE	100.0[3]	284,569	9,240
Allianz General Insurance Company (Malaysia) Berhad p.l.c., Kuala Lumpur	100.0	392,421	41,509
Allianz Global Corporate & Specialty do Brasil Participações Ltda., Rio de Janeiro	100.0[3]	224,758	-
Allianz Global Corporate & Specialty of Africa (Proprietary) Ltd., Johannesburg	100.0[3]	7,824	347
Allianz Global Corporate & Specialty South Africa Ltd., Johannesburg	100.0[3]	7,822	344
Allianz Global Investors Asia Pacific Ltd., Hong Kong	100.0	32,326	9,199
Allianz Global Investors Distributors LLC, Dover, DE	100.0	31,024	3,657
Allianz Global Investors Japan Co. Ltd., Tokyo	100.0	13,514	4,773

	Owned[1]	Equity	Net Earnings
	%	€ thou	€ thou
Allianz Global Investors Singapore Ltd., Singapore	100.0	12,787	1,463
Allianz Global Investors Taiwan Ltd., Taipei	100.0	31,296	14,324
Allianz Global Investors U.S. Holdings LLC, Dover, DE	100.0	105,263	98,832
Allianz Global Investors U.S. LLC, Dover, DE	100.0	70,811	141,371
Allianz Global Life dac, Dublin	100.0[3]	121,101	4,787
Allianz Global Risks US Insurance Company Corp., Chicago, IL	100.0[3]	1,831,570	(254,634)
Allianz Hayat ve Emeklilik A.S., Istanbul	89.0	18,906	4,880
Allianz Hellas Insurance Company S.A., Athens	100.0	137,362	2,423
Allianz Hold Co Real Estate S.à r.l., Luxembourg	100.0[3]	374,646	13,018
Allianz Holding eins GmbH, Vienna	100.0	2,315,797	263,437
Allianz Holding France SAS, Paris la Défense	100.0	9,350,681	2,883,884
Allianz Holdings p.l.c., Dublin	100.0[3]	61,516	-
Allianz Holdings plc, Guildford	100.0	1,666,889	52,718
Allianz Hungária Biztosító Zrt., Budapest	100.0	110,940	61,285
Allianz HY Investor LP, Wilmington, DE	100.0[3]	428,065	(1,492)
Allianz IARD S.A., Paris la Défense	100.0	2,097,839	317,523
Allianz Individual Insurance Group LLC, Minneapolis, MN	100.0[3]	243,793	(4,538)
Allianz Infrastructure Czech HoldCo I S.à r.l., Luxembourg	100.0[3]	166,012	81,821
Allianz Infrastructure Czech HoldCo II S.à r.l., Luxembourg	100.0[3]	165,942	81,906
Allianz Infrastructure Luxembourg Holdco I S.A., Luxembourg	100.0[3]	1,111,893	20,786
Allianz Infrastructure Luxembourg Holdco II S.A., Luxembourg	100.0[3]	232,207	4,307
Allianz Infrastructure Luxembourg I S.à r.l., Luxembourg	100.0[3]	1,681,393	187,804
Allianz Infrastructure Norway Holdco I S.à r.l., Luxembourg	100.0[3]	124,882	499
Allianz Infrastructure Spain Holdco I S.à r.l., Luxembourg	100.0[3]	53,601	(3)
Allianz Infrastructure Spain Holdco II S.à r.l., Luxembourg	100.0[3]	12,313	9,606
Allianz Insurance Company-Egypt S.A.E., New Cairo	95.0[3]	7,136	(94)
Allianz Insurance Lanka Limited, Colombo	100.0	8,634	702
Allianz Insurance plc, Guildford	100.0	1,353,479	99,930
Allianz Inversiones S.A., Bogotá D.C.	100.0	5,865	3,060
Allianz Invest Kapitalanlagegesellschaft mbH, Vienna	100.0	7,090	1,541
Allianz Investment Management LLC, Minneapolis, MN	100.0[3]	7,633	55,825
Allianz Investmentbank Aktiengesellschaft, Vienna	100.0	35,152	5,638
Allianz Investments III Luxembourg S.A., Luxembourg	100.0[3]	649,588	(10,496)
Allianz Leasing Bulgaria AD, Sofia	51.0[3]	5,731	1,050
Allianz Life (Bermuda) Ltd., Hamilton	100.0[3]	8,244	1,574
Allianz Life Assurance Company-Egypt S.A.E., New Cairo	100.0[3]	28,952	10,289
Allianz Life Financial Services LLC, Minneapolis, MN	100.0[3]	35,760	(85)
Allianz Life Insurance Company Ltd., Moscow	100.0[3]	53,304	18,037
Allianz Life Insurance Company of Missouri, Clayton, MO	100.0[3]	291,581	(3,697)
Allianz Life Insurance Company of New York, New York, NY	100.0[3]	155,605	12,742
Allianz Life Insurance Company of North America, Minneapolis, MN	100.0[3]	7,120,651	669,690
Allianz Life Insurance Japan Ltd., Tokyo	100.0	6,284	(2,089)
Allianz Life Insurance Malaysia Berhad p.l.c., Kuala Lumpur	100.0	185,823	19,748
Allianz Life Luxembourg S.A., Luxembourg	100.0	74,750	9,867
Allianz Malaysia Berhad p.l.c., Kuala Lumpur	75.0	216,306	15,752
Allianz Marine (UK) Ltd., Ipswich	100.0[3]	11,138	68
Allianz Maroc S.A., Casablanca	98.9[3]	89,813	10,193
Allianz Mena Holding Bermuda Ltd., Beirut	99.9[3]	26,488	8,887
Allianz México S.A. Compañía de Seguros, Mexico City	100.0	134,628	60,172
Allianz Nederland Groep N.V., Rotterdam	100.0	278,686	25,517
Allianz Nederland Levensverzekering N.V., Rotterdam	100.0	252,856	29,404
Allianz New Europe Holding GmbH, Vienna	100.0	833,247	176,077
Allianz New Zealand Limited, Auckland	100.0[3]	36,154	1,536
Allianz of America Inc., Wilmington, DE	100.0	13,000,580	2,118,491
Allianz p.l.c., Dublin	100.0	375,422	33,435
Allianz Partners S.A.S., Saint-Ouen	100.0[3]	369,015	3,772
Allianz Pensionskasse Aktiengesellschaft, Vienna	100.0	11,610	386
Allianz penzijní spolecnost a.s., Prague	100.0[3]	32,294	2,671
Allianz PNB Life Insurance Inc., Makati City	51.0	30,666	2,514
Allianz pojistovna a.s., Prague	100.0[3]	166,533	27,571
Allianz Polska Services Sp. z o.o., Warsaw	100.0[3]	16,641	3,709
Allianz Popular Asset Management SGIIC S.A., Madrid	100.0	6,065	21,620
Allianz Popular Pensiones EGFP S.A., Madrid	100.0	19,954	21,618
Allianz Popular S.L., Madrid	60.0	1,010,719	7,761
Allianz Popular Vida Compañía de Seguros y Reaseguros S.A., Madrid	100.0	106,320	64,626
Allianz Presse US REIT LP, Wilmington, DE	100.0	37,677	(29)
Allianz Properties Limited, Guildford	100.0	169,550	14,643
Allianz Re Dublin dac, Dublin	100.0[3]	731,869	191,186
Allianz Renewable Energy Partners I LP, London	100.0	181,404	914
Allianz Renewable Energy Partners II Limited, London	100.0	191,456	(64,079)
Allianz Renewable Energy Partners III LP, London	98.8	149,927	2,952
Allianz Renewable Energy Partners IV Limited, London	98.8	715,671	(41,186)
Allianz Renewable Energy Partners of America LLC, Wilmington, DE	100.0	751,677	113,939
Allianz Renewable Energy Partners V plc., London	100.0	692,912	18,031
Allianz Renewable Energy Partners VI Limited, London	100.0	585,142	(7,984)
Allianz Renewable Energy Partners VIII Limited, London	100.0	221,803	(4,108)
Allianz Risk Transfer (Bermuda) Ltd., Hamilton	100.0[3]	53,597	928
Allianz Risk Transfer Inc., New York, NY	100.0[3]	57,754	(4,454)
Allianz S.p.A., Trieste	100.0	2,549,878	684,203
Allianz Saúde S.A., São Paulo	100.0	51,997	(24,085)
Allianz Seguros de Vida S.A., Bogotá D.C.	100.0	59,469	6,564
Allianz Seguros S.A., São Paulo	100.0	220,914	(14,157)
Allianz Seguros S.A., Bogotá D.C.	100.0	46,224	3,139
Allianz Services (UK) Limited, London	100.0	6,312	(92)
Allianz Sigorta A.S., Istanbul	96.2	371,859	139,245
Allianz SNA s.a.l., Beirut	100.0[3]	56,104	6,731
Allianz Société Financière S.à r.l., Luxembourg	100.0[3]	1,490,395	43,402
Allianz South America Holding B.V., Amsterdam	100.0[3]	424,170	(52,288)
Allianz Subalpina Holding S.p.A., Turin	98.1	5,545	106
Allianz Suisse Lebensversicherungs-Gesellschaft AG, Wallisellen	100.0	857,608	72,844
Allianz Suisse Versicherungs-Gesellschaft AG, Wallisellen	100.0	571,797	305,371
Allianz Taiwan Life Insurance Co. Ltd., Taipei	99.7	259,986	(17,816)
Allianz Technology (Thailand) Co.,Ltd, Bangkok	100.0[3]	5,279	2,188
Allianz Technology AG, Wallisellen	100.0	17,908	3,496
Allianz Technology GmbH, Vienna	100.0	19,984	1,198
Allianz Technology International B.V., Amsterdam	100.0[3]	35,509	(14)
Allianz Technology of America Inc., Wilmington, DE	100.0[3]	16,838	(1,139)
Allianz Technology S.C.p.A., Milan	100.0	15,814	11
Allianz Technology S.L., Barcelona	100.0[3]	78,236	(2,716)
Allianz Technology SAS, Paris	100.0[3]	41,928	1,408
Allianz Tiriac Asigurari SA, Bucharest	52.2	178,903	35,358
Allianz Tiriac Pensii Private Societate de administrare a fondurilor de pensii private S.A., Bucharest	100.0	17,588	20,256
Allianz Underwriters Insurance Company Corp., Burbank, CA	100.0	61,243	1,632
Allianz US Investment LP, Wilmington, DE	100.0	1,215,143	5,854

	Owned[1]	Equity	Net Earnings
	%	€ thou	€ thou
Allianz US Private REIT LP, Wilmington, DE	100.0	1,252,871	6,742
Allianz Vie S.A., Paris la Défense	100.0	2,586,328	272,337
Allianz Vorsorgekasse AG, Vienna	100.0	25,647	5,797
Allianz Yasam ve Emeklilik A.S., Istanbul	80.0	104,433	51,704
Allianz Zagreb d.d., Zagreb	83.2[3]	123,149	10,405
Allianz ZB d.o.o. Company for the Management of Obligatory Pension Funds, Zagreb	51.0	22,600	10,484
Allianz-Slovenská DSS a.s., Bratislava	100.0[3]	45,863	5,275
Allianz-Slovenská poist'ovna a.s., Bratislava	99.6	302,762	71,672
American Automobile Insurance Company Corp., Earth City, MO	100.0	64,981	675
American Financial Marketing Inc., Minneapolis, MN	100.0[3]	35,269	2,663
Ann Arbor Annuity Exchange Inc., Ann Arbor, MI	100.0[3]	15,072	1,574
APK US Investment LP, Wilmington, DE	100.0	80,478	275
APKV US Private REIT LP, Wilmington, DE	100.0	209,884	2,217
Arges Investments I N.V., Amsterdam	100.0[3]	142,178	(678)
Arges Investments II N.V., Amsterdam	100.0[3]	138,975	383
Asit Services S.R.L., Bucharest	100.0	29,209	1,920
Assistance Courtage d'Assurance et de Réassurance S.A., Courbevoie	100.0	5,447	4,792
Associated Indemnity Corporation, Los Angeles, CA	100.0	74,965	601
Assurances Médicales SA, Metz	100.0	5,597	4,091
AWP Assistance (India) Private Limited, Gurgaon	100.0[3]	9,362	1,002
AWP Assistance UK Ltd., London	100.0[3]	9,911	5,692
AWP Australia Holdings Pty Ltd., Toowong	100.0[3]	7,552	5,968
AWP Australia Pty Ltd., Toowong	100.0[3]	15,013	1,492
AWP France SAS, Saint-Ouen	95.0[3]	26,376	42,405
AWP Health & Life S.A., Saint-Ouen	100.0[3]	410,088	37,842
AWP MEA Holdings Co. W.L.L., Manama	75.0[3]	15,612	(2,336)
AWP P&C S.A., Saint-Ouen	100.0[3]	308,014	23,596
AWP Service Brasil Ltda., São Bernardo do Campo	100.0[3]	36,552	41
AWP Services NL B.V., Amsterdam	100.0[3]	13,081	1,559
AWP USA Inc., Richmond, VA	100.0[3]	15,088	13,989
AZ Euro Investments II S.à r.l., Luxembourg	100.0[3]	270,063	2,726
AZ Euro Investments S.à r.l., Luxembourg	100.0[3]	3,390,188	204,864
AZ Jupiter 10 B.V., Amsterdam	100.0[3]	148,311	1,104
AZ Jupiter 4 B.V., Amsterdam	100.0[3]	7,885	(14)
AZ Jupiter 8 B.V., Amsterdam	100.0[3]	3,265,428	(189)
AZ Jupiter 9 B.V., Amsterdam	100.0[3]	343,300	4,385
AZ Vers US Private REIT LP, Wilmington, DE	100.0	82,959	971
AZGA Service Canada Inc., Kitchener, ON	55.0[3]	20,984	6,183
AZL PF Investments Inc., Minneapolis, MN	100.0[3]	580,680	-
AZOA Services Corporation, New York, NY	100.0	11,488	(32)
Beleggingsmaatschappij Willemsbruggen B.V., Rotterdam	100.0[3]	86,610	2,132
Beykoz Gayrimenkul Yatirim Insaat Turizm Sanayi ve Ticaret A.S., Ankara	100.0	121,508	8,645
Botanic Building SPRL, Brussels	100.0[3]	48,443	2,395
British Reserve Insurance Co. Ltd., Guildford	100.0	10,348	44
Calobra Investments Sp. z o.o., Warsaw	100.0	139,809	(10,068)
Calypso S.A., Paris la Défense	100.0	71,611	7,912
CAP Rechtsschutz-Versicherungsgesellschaft AG, Wallisellen	100.0	20,407	786
Caroline Berlin S.C.S., Luxembourg	93.2	189,734	3,194
Central Shopping Center a.s., Bratislava	100.0	60,655	2,350
CEPE de la Forterre S.à r.l., Versailles	100.0[3]	8,110	(2,496)
CEPE de Sambres S.à r.l., Versailles	100.0[3]	15,368	(6,248)
CEPE des Portes de la Côte d'Or S.à r.l., Versailles	100.0[3]	9,972	(4,893)
CEPE du Bois de la Serre S.à r.l., Versailles	100.0[3]	6,733	(3,743)
Chicago Insurance Company Corp., Chicago, IL	100.0	55,379	(213)
CIC Allianz Insurance Ltd., Sydney	100.0[3]	35,461	6,458
Climmolux Holding SA, Luxembourg	100.0	75,943	1,470
Club Marine Limited, Sydney	100.0[3]	5,605	807
Companhia de Seguros Allianz Portugal S.A., Lisbon	64.8	178,961	6,375
CPRN Thailand Ltd., Bangkok	100.0	70,979	18,947
CreditRas Assicurazioni S.p.A., Milan	50.0	88,990	4,083
CreditRas Vita S.p.A., Milan	50.0	508,238	47,536
Darta Saving Life Assurance Ltd., Dublin	100.0	303,641	58,323
Deeside Investments Inc., Wilmington, DE	50.1	65,349	22,425
Delta Technical Services Ltd., London	100.0[3]	10,940	1,381
Diamond Point a.s., Prague	100.0	12,444	755
Dresdner Kleinwort Pfandbriefe Investments II Inc., Minneapolis, MN	100.0[3]	664,150	10,807
Eolica Erchie S.r.l., Lecce	100.0[3]	6,869	1,168
Euler Hermes Acmar SA, Casablanca	55.0[3]	7,080	937
Euler Hermes Collections Sp. z o.o., Warsaw	100.0[3]	12,887	2,342
Euler Hermes Crédit France S.A.S., Paris la Défense	100.0[3]	164,095	6,473
Euler Hermes Group SA, Paris la Défense	79.1[3]	1,700,869	777,887
Euler Hermes Luxembourg Holding S.à r.l., Luxembourg	100.0[3]	109,599	(34)
Euler Hermes North America Holding Inc., Owings Mills, MD	100.0	165,436	1,787
Euler Hermes North America Insurance Company Inc., Owings Mills, MD	100.0	177,333	21,513
Euler Hermes Patrimonia SA, Brussels	100.0[3]	243,084	(1,040)
Euler Hermes Ré SA, Luxembourg	100.0[3]	61,055	-
Euler Hermes Real Estate SPPICAV, Paris la Défense	60.0[3]	202,200	(2,190)
Euler Hermes Recouvrement France S.A.S., Paris la Défense	100.0[3]	13,664	8,092
Euler Hermes Reinsurance AG, Wallisellen	100.0[3]	866,609	137,748
Euler Hermes S.A., Brussels	100.0[3]	761,784	148,491
Euler Hermes Seguros de Crédito S.A., São Paulo	100.0[3]	6,975	183
Euler Hermes Service AB, Stockholm	100.0[3]	8,655	7,265
Euler Hermes Services Italia S.r.l., Rome	100.0[3]	10,247	9,747
Euler Hermes Services North America LLC, Owings Mills, MD	100.0	6,494	5,044
Euler Hermes Services Schweiz AG, Wallisellen	100.0[3]	7,308	2,922
Euler Hermes Serviços de Gestão de Riscos Ltda., São Paulo	100.0[3]	7,974	(237)
Euler Hermes Sigorta A.S., Istanbul	100.0[3]	5,374	(198)
Euler Hermes Singapore Services Pte. Ltd., Singapore	100.0	5,163	2,056
Euler Hermes South Express S.A., Brussels	100.0[3]	36,134	626
Euler Hermes World Agency SASU, Paris la Défense	100.0[3]	8,172	822
Eurl 20/22 Le Peletier, Paris la Défense	100.0	52,242	1,740
Eurosol Invest S.r.l., Udine	100.0[3]	9,187	557
Fénix Directo Compañía de Seguros y Reaseguros S.A., Madrid	100.0	40,830	(4,476)
Fireman's Fund Indemnity Corporation, Liberty Corner, NJ	100.0	12,445	(172)
Fireman's Fund Insurance Company Corp., Los Angeles, CA	100.0	1,155,384	87,761
Fireman's Fund Insurance Company of Hawaii Inc., Honolulu, HI	100.0	7,618	(109)
Fragonard Assurance S.A., Paris	100.0[3]	84,425	26,738
Fu An Management Consulting Co. Ltd., Beijing	1.0[3]	6,568	(49)
Fusion Company Inc., Richmond, VA	100.0[3]	5,086	234
GamePlan Financial Marketing LLC, Woodstock, GA	100.0[3]	126,136	770
Generation Vie S.A., Courbevoie	52.5	68,372	2,920
Genialloyd S.p.A., Milan	100.0	349,727	683,989
Havelaar & van Stolk B.V., Rotterdam	100.0	5,527	(330)
Home & Legacy Insurance Services Limited, Guildford	100.0	19,254	2,728
Immovalor Gestion S.A., Paris la Défense	100.0	6,987	3,055
ImWind GHW GmbH & Co. KG, Pottenbrunn	100.0[3]	5,652	(997)
Insurance CJSC "Medexpress", Saint Petersburg	100.0[3]	8,186	1,793

	Owned[1]	Equity	Net Earnings
	%	€ thou	€ thou
Interstate Fire & Casualty Company, Chicago, IL	100.0	58,363	(328)
Investitori SGR S.p.A., Milan	100.0	19,824	8,506
Järvsö Sörby Vindkraft AB, Danderyd	100.0[3]	23,901	(4,641)
Jefferson Insurance Company Corp., New York, NY	100.0[3]	67,732	8,020
Joukhaisselän Tuulipuisto Oy, Oulu	100.0[3]	19,774	(5,491)
Jouttikallio Wind Oy, Kotka	100.0[3]	9,699	25
JSC Insurance Company Allianz, Moscow	100.0[3]	113,671	31,067
Kensington Fund, Milan	100.0	148,103	49,633
Kiinteistöosakeyhtiö Eteläesplanadi 2 Oy, Helsinki	100.0	33,991	1,611
Kuolavaara-Keulakkopään Tuulipuisto Oy, Oulu	100.0[3]	23,778	(8,434)
LAD Energy GmbH & Co. KG, Pottenbrunn	100.0[3]	7,767	(145)
LLC "IC Euler Hermes Ru", Moscow	100.0[3]	6,761	211
Lloyd Adriatico Holding S.p.A., Trieste	99.9	21,987	-
Maevaara Vind 2 AB, Stockholm	100.0[3]	12,322	(252)
National Surety Corporation, Chicago, IL	100.0	61,464	(141)
NEXtCARE Claims Management LLC, Dubai	100.0[3]	13,523	4,150
OPCI Allianz France Angel, Paris la Défense	100.0	125,935	4,261
Orione PV S.r.l., Milan	100.0[3]	8,847	516
Orsa Maggiore PV S.r.l., Milan	100.0[3]	18,178	1,642
Pacific Investment Management Company LLC, Dover, DE	95.7	523,674	1,732,566
Parc Eolien de Chaourse SAS, Versailles	100.0[3]	7,239	(1,175)
Parc Eolien de Fontfroide SAS, Versailles	100.0[3]	5,259	(398)
Parc Eolien de la Sole du Bois SAS, Paris	100.0[3]	5,490	1,189
Pet Plan Ltd., Guildford	100.0	109,219	43
PFP Holdings Inc., Dover, DE	100.0	232,904	6,168
PGA Global Services LLC, Dover, DE	100.0	8,374	5,463
PIMCO (Schweiz) GmbH, Zurich	100.0	8,184	3,404
PIMCO Asia Ltd., Hong Kong	100.0	19,792	614
PIMCO Asia Pte Ltd., Singapore	100.0	17,778	2,629
PIMCO Australia Pty Ltd., Sydney	100.0	32,870	16,749
PIMCO Canada Corp., Toronto, ON	100.0	21,766	17,242
PIMCO Europe Ltd., London	100.0	184,152	134,496
PIMCO Global Advisors (Ireland) Ltd., Dublin	100.0	22,775	9,943
PIMCO Global Advisors LLC, Dover, DE	100.0	373,224	241,528
PIMCO Global Holdings LLC, Dover, DE	100.0	31,772	20,622
PIMCO Investments LLC, Dover, DE	100.0	80,807	260,575
PIMCO Japan Ltd., Road Town	100.0	33,927	29,088
POD Allianz Bulgaria AD, Sofia	65.9[3]	24,612	9,460
Primacy Underwriting Management Pty Ltd., Melbourne	100.0[3]	6,338	2,090
Protexia France S.A., Paris la Défense	100.0	35,471	8,472
PT Asuransi Allianz Life Indonesia p.l.c., Jakarta	99.8	370,147	19,463
PTE Allianz Polska S.A., Warsaw	100.0	49,265	4,818
Q207 S.C.S., Luxembourg	94.0	87,373	3,378
Questar Capital Corporation, Minneapolis, MN	100.0[3]	14,892	(7,174)
Real Faubourg Haussmann SAS, Paris la Défense	100.0[3]	72,373	227
Real FR Haussmann SAS, Paris la Défense	100.0[3]	63,774	746
Redoma S.à r.l., Luxembourg	100.0[3]	23,488	(42)
SA Carène Assurance, Paris	100.0	14,233	698
SA Vignobles de Larose, Saint-Laurent-Médoc	100.0	36,464	(47)
Saarenkylä Tuulipuisto Oy, Oulu	100.0[3]	10,753	(4,541)
San Francisco Reinsurance Company, Los Angeles, CA	100.0	495,356	(16,839)
SAS 20 pompidou, Paris la Défense	100.0	115,681	4,380
SAS Allianz Etoile, Paris la Défense	100.0	112,673	4,421
SAS Allianz Forum Seine, Paris la Défense	100.0	242,292	6,733
SAS Allianz Logistique, Paris la Défense	100.0	606,956	8,635
SAS Allianz Platine, Paris la Défense	100.0	274,242	16,677
SAS Allianz Rivoli, Paris la Défense	100.0	101,538	3,915
SAS Allianz Serbie, Paris la Défense	100.0	340,819	11,879
SAS Angel Shopping Centre, Paris la Défense	90.0	296,018	2,894

	Owned[1]	Equity	Net Earnings
	%	€ thou	€ thou
SAS Madeleine Opéra, Paris la Défense	100.0	646,165	28,351
SAS Passage des princes, Paris la Défense	100.0	196,256	2,462
Sättravallen Wind Power AB, Strömstad	100.0[3]	10,142	(899)
SC Tour Michelet, Paris la Défense	100.0	54,100	1,368
SCI 46 Desmoulins, Paris la Défense	100.0	112,885	4,086
SCI Allianz ARC de Seine, Paris la Défense	100.0	213,497	6,996
SCI Allianz Chateaudun, Paris la Défense	100.0	116,913	1,843
SCI Allianz Invest Pierre, Paris la Défense	100.0	289,987	1,323
SCI Allianz Messine, Paris la Défense	100.0	227,875	3,766
SCI Allianz Value Pierre, Paris la Défense	49.3	30,387	(64)
SCI AVIP SCPI Selection, Courbevoie	100.0	46,175	11,451
SCI ESQ, Paris la Défense	75.0	106,183	2,918
SCI Via Pierre 1, Paris la Défense	100.0	253,132	11,314
SCI Volnay, Paris la Défense	100.0	173,512	2,677
SDIII Energy GmbH & Co. KG, Pottenbrunn	100.0[3]	6,645	649
Silex Gas Norway AS, Oslo	100.0[3]	77,408	4,136
Sirius S.A., Luxembourg	94.8	320,277	6,273
Società Agricola San Felice S.p.A., Milan	100.0	36,390	178
Société Foncière Européenne B.V., Amsterdam	100.0[3]	1,207,366	1,545
Société Nationale Foncière S.A.L., Beirut	66.0[3]	14,119	304
Sofiholding S.A., Brussels	100.0	17,564	358
South City Office Broodthaers SA, Brussels	100.0	52,957	2,110
TFI Allianz Polska S.A., Warsaw	100.0[3]	6,877	1,829
The American Insurance Company Corp., Cincinnati, OH	100.0	55,524	(756)
The Annuity Store Financial & Insurance Services LLC, Sacramento, CA	100.0[3]	22,230	108
Three Pillars Business Solutions Limited, Guildford	100.0	5,272	(11)
Top Immo A GmbH & Co. KG, Vienna	100.0	5,897	600
Top Immo Besitzgesellschaft B GmbH & Co. KG, Vienna	100.0	8,890	1,034
Top Versicherungsservice GmbH, Vienna	100.0	17,801	(1,585)
Towarzystwo Ubezpieczen Euler Hermes S.A., Warsaw	100.0[3]	19,693	1,245
Trafalgar Insurance Public Limited Company, Guildford	100.0	43,986	330
TU Allianz Polska S.A., Warsaw	100.0	249,279	29,156
TU Allianz Zycie Polska S.A., Warsaw	100.0	103,567	12,990
VertBois S.à r.l., Luxembourg	100.0	20,049	849
Vordere Zollamtsstraße 13 GmbH, Vienna	100.0	76,928	100,121
WFC Investments Sp. z o.o., Warsaw	87.5	230,440	(6,479)
Windpark GHW GmbH, Pottenbrunn	100.0	7,456	(184)
Windpark Ladendorf GmbH, Vienna	100.0[3]	8,382	(286)
Windpark Zistersdorf GmbH, Pottenbrunn	100.0[3]	7,959	(590)
Yorktown Financial Companies Inc., Minneapolis, MN	100.0[3]	155,673	1
ZAD Allianz Bulgaria, Sofia	87.4[3]	33,462	4,185
ZAD Allianz Bulgaria Zhivot, Sofia	99.0[3]	31,488	3,219
ZAD Energia, Sofia	51.0[3]	22,035	8,882
ZiOst Energy GmbH & Co. KG, Pottenbrunn	100.0[3]	11,155	1,390
Joint ventures			
114 Venture LP, Wilmington, DE	49.5[3]	198,160	5,800
A&A Centri Commerciali S.r.l., Milan	50.0[3]	167,225	5,011
Allee-Center Kft., Budapest	50.0[3]	109,207	9,955
AMLI-Allianz Investment LP, Wilmington, DE	75.0	87,534	2,688
AS Gasinfrastruktur Beteiligung GmbH, Vienna	60.0[3]	338,770	(11)
AZ/JH Co-Investment Venture (DC) LP, Wilmington, DE	80.0[3]	269,063	8,647
AZ/JH Co-Investment Venture (IL) LP, Wilmington, DE	80.0[3]	246,158	5,140
Companhia de Seguro de Créditos S.A., Lisbon	50.0[3]	65,040	8,454
Dundrum Car Park Limited Partnership, Dublin	50.0[3]	40,942	6,252
Dundrum Retail Limited Partnership, Dublin	50.0[3]	1,740,524	152,081
Euromarkt Center d.o.o., Ljubljana	50.0[3]	28,584	8,796
Fiumaranuova S.r.l., Genoa	50.1[3]	153,952	4,698

	Owned[1]	Equity	Net Earnings
	%	€ thou	€ thou
Guotai Jun'an Allianz Fund Management Co. Ltd., Shanghai	49.0[3]	96,765	18,239
Israel Credit Insurance Company Ltd., Tel Aviv	50.0[3]	46,312	6,130
Italian Shopping Centre Investment S.r.l., Milan	50.0[3]	21,198	(3,925)
LBA IV-PPI Venture LLC, Dover, DE	45.0[3]	335,142	2,369
LBA IV-PPII-Office Venture LLC, Dover, DE	45.0[3]	29,944	471
LBA IV-PPII-Retail Venture LLC, Dover, DE	45.0[3]	44,395	163
NET4GAS Holdings s.r.o., Prague	50.0[3]	105,401	64,877
NRF (Finland) AB, Västeras	50.0[3]	129,695	26,176
Porterbrook Holdings I Limited, London	30.0[3]	1,326,430	17,328
Queenspoint S.L., Madrid	50.0[3]	108,273	3,368
SC Holding SAS, Paris	50.0[3]	10,603	967
SES Shopping Center AT1 GmbH, Salzburg	50.0[3]	220,016	9,892
SES Shopping Center FP 1 GmbH, Salzburg	50.0[3]	104,911	2,806
Solunion Compañía Internacional de Seguros y Reaseguros SA, Madrid	50.0[3]	105,103	8,281
The State-Whitehall Company LP, Dover, DE	49.9[3]	5,893	(3,688)
TopTorony Ingatlanhasznosító Zrt., Budapest	50.0[3]	10,453	(1,658)
VGP European Logistics S.à r.l., Senningerberg	50.0[3]	156,960	(674)
Waterford Blue Lagoon LP, Wilmington, DE	49.0[3]	383,677	2,116
Associates			
Allianz EFU Health Insurance Ltd., Karachi	49.0[3]	5,732	1,191
Allianz Saudi Fransi Cooperative Insurance Company, Riyadh	32.5[3]	57,138	685
Archstone Multifamily Partners AC JV LP, Wilmington, DE	40.0[3]	85,977	(649)
Archstone Multifamily Partners AC LP, Wilmington, DE	28.6[3]	165,272	(59,672)
Areim Fastigheter 2 AB, Stockholm	23.3[3]	83,949	(170)
Areim Fastigheter 3 AB, Stockholm	26.2[3]	36,926	(3,310)
Bajaj Allianz General Insurance Company Ltd., Pune	26.0[3]	493,760	101,673
Bajaj Allianz Life Insurance Company Ltd., Pune	26.0[3]	1,183,961	116,819
Bazalgette Equity Ltd., London	34.3[3]	162,020	-
Brunei National Insurance Company Berhad Ltd., Bandar Seri Begawan	25.0[3]	10,999	1,906
Chicago Parking Meters LLC, Wilmington, DE	49.9[3]	232,217	41,741
CPIC Allianz Health Insurance Co. Ltd., Shanghai	22.9[3]	106,351	(10,462)
Delgaz Grid S.A., Târgu Mures	30.0[3]	816,106	74,648
Douglas Emmett Partnership X LP, Wilmington, DE	28.6[3]	33,868	2,624
Four Oaks Place LP, Wilmington, DE	49.0[3]	499,644	15,240
Helios Silesia Holding B.V., Amsterdam	45.0[3]	64,096	(585)
Lennar Multifamily Venture LP, Wilmington, DE	11.3[3]	905,806	(5,981)
Liverpool Victoria General Insurance Group Limited, Bournemouth	49.0	776,911	(24,953)
Medgulf Allianz Takaful B.S.C., Seef	25.0[3]	13,696	(219)
OeKB EH Beteiligungs- und Management AG, Vienna	49.0	119,582	7,721
Residenze CYL S.p.A., Milan	33.3[3]	120,521	578
SAS Alta Gramont, Paris	49.0	267,429	1,807
SCI Bercy Village, Paris	49.0	43,947	8,359
SK Versicherung AG, Vienna	25.8[3]	14,240	985
SNC Alta CRP Gennevilliers, Paris	49.0	31,291	2,026
SNC Alta CRP La Valette, Paris	49.0	25,628	4,353
SNC Société d'aménagement de la Gare de l'Est, Paris	49.0	13,896	2,990
Solveig Gas Holdco AS, Oslo	30.0[3]	320,410	38,551
UK Outlet Mall Partnership LP, Edinburgh	19.5[3]	445,589	167,334
Wildlife Works Carbon LLC, San Francisco, CA	10.0[3]	8,897	(969)

	Owned[1]	Equity	Net Earnings
	%	€ thou	€ thou
Other participations below 20 % voting rights			
Agrupación Española de Entidades Aseguradoras de los Seguros Agrarios Combinados S.A., Madrid	5.2[3]	12,947	588
Al-Nisr Al-Arabi Insurance Company, Amman	18.0[3]	27,776	3,384
ALTRO Invest S.C.A., Weiswampach	19.9	5,356	(15)
Autostrade per l'Italia S.p.A., Rome	6.9[3]	6,117,662	930,375
Banco BPI S.A., Porto	8.5[3]	2,440,477	313,230
Catch a Car AG, Luzern	19.5[3]	14,885	869
China Pacific Insurance (Group) Co. Ltd., Shanghai	3.3[3]	18,385,255	1,675,864
Cofinimmo S.A., Brussels	2.4	1,852,935	96,627
Commercial Bank of Cameroon LC, Douala	10.0[3]	20,122	2,136
ESL Partners L.P., Wilmington, DE	1.5[3]	1,708,651	12,629
Formula E Holdings Limited, Hong Kong	3.7[3]	5,882	(2,152)
Geodis SACS, Levallois-Perret	5.0[3]	1,110,500	274,900
IDI SCA, Paris	5.4[3]	203,801	3,876
IPUT plc, Dublin	14.5[3]	1,988,842	80,542
Lemonade Inc., New York, NY	4.8[3]	48,470	(4,105)
Logistis Luxembourg Feeder S.A., Luxembourg	7.6	76,816	23,737
Logistis Luxembourg S.A., Luxembourg	5.8[3]	203,567	2,455
Logistis SPPICAV, Paris	5.8[3]	750,354	33,540
Meiji Yasuda Asset Management Company Ltd., Tokyo	6.7	69,185	4,498
MFM Holding Ltd., London	8.8[3]	9,434	(9,393)
Nauto Inc., Paolo Alto, CA	1.9[3]	5,276	(983)
Oddo et Cie SCA, Paris	2.2[3]	814,000	65,327
PARIS-ORLEANS, Paris	2.5[3]	2,300,530	186,000
PERILS AG, Zürich	10.0[3]	8,565	1,002
Portima SCRL, Bruxelles	10.9	12,092	2,416
Société d'Assurances de Consolidation des Retraites de l'Assurance S.A., Paris	20.8[3]	230,428	(22,678)
Société Générale de Banque au Cameroun LC, Douala	16.3[3]	77,353	14,824
Société Générale de Banques en Côte d'Ivoire S.A., Abidjan	7.3[3]	25,916	41,204
Sri Ayudhya Capital Public Company Limited, Bangkok	16.8[3]	186,447	16,287
Tecnologías de la Información y Redes para las Entidades Aseguradoras S.A., Las Rozas de Madrid	6.0[3]	34,817	3,633
UniCredit S.p.A., Milan	1.0[3]	32,697,000	(11,460,000)
Zagrebacka banka d.d., Zagreb	11.7[3]	1,957,654	226,156

1_Percentage includes equity participations held by dependent entities in full, even if the Allianz Group's share in the dependent entity is below 100 %.
2_Profit and loss transfer agreement.
3_As per annual financial statement 2016.
4_Insolvent. Dependent entities are shown in a way, which reflects the state as of the date of filing for insolvency.
5_As per annual financial statement 2010. This is only applicable for manroland AG and their subsidiaries.

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FURTHER INFORMATION

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RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements of Allianz SE give a true and fair view of the assets, liabilities, financial position, and profit or loss of the company, and the management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Munich, 13 February 2018

Allianz SE
The Board of Management

Oliver Bäte

Sergio Balbinot

Jacqueline Hunt

Dr. Helga Jung

Dr. Christof Mascher

Niran Peiris

Giulio Terzariol

Dr. Günther Thallinger

Dr. Axel Theis

INDEPENDENT AUDITOR'S REPORT

To Allianz SE, Munich

Report on the Audit of the Annual Financial Statements and of the Management Report

OPINIONS

We have audited the annual financial statements of Allianz SE, Munich, which comprise the balance sheet as at 31 December 2017, and the statement of profit and loss for the financial year from 1 January to 31 December 2017, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Allianz SE for the financial year from 1 January to 31 December 2017. In accordance with the German legal requirements we have not audited the content of the Statement on Corporate Management pursuant to Section 289f of the German Commercial Code [HGB] and the corporate governance report according to No. 3.10 of the German Corporate Governance Code, which is included in section B of the management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to insurance companies and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2017 and of its financial performance for the financial year from 1 January to 31 December 2017 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the Statement on Corporate Management and the corporate governance report mentioned above.

Pursuant to Section 322(3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

BASIS FOR THE OPINIONS

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10(2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5(1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year from 1 January 2017 to 31 December 2017. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF SHARES IN AFFILIATED ENTERPRISES

With regard to the accounting policies applied, please refer to the Company's explanations in the notes to the financial statements in the section "Accounting, Valuation and Calculation Methods" under "Shares in affiliated enterprises and participations", for a breakdown and description of the changes in the financial year see the note "Investments in affiliated enterprises and participations" and for a presentation of the fair values and valuation reserves see the note "Market value of investments". For a presentation of shareholdings, please see the section "List of participations of Allianz SE, Munich, as of 31 December 2017 according to Section 285 No. 11 and 11b HGB in conjunction with Section 286(3) No. 1 HGB" in the notes. Risk disclosures can be found in the management report in the "Risk and Opportunity Report" under section "Quantifiable risks and opportunities by risk category" under "Market risk" and "Credit risk".

FINANCIAL STATEMENT RISK

As at the reporting date shares in affiliated enterprises amount to EUR 69,999.3 million. This represents 57.3% of total assets. Shares in affiliated enterprises represent a significant part of the investments.

Shares in affiliated enterprises are measured at the lower of cost or fair value. This fair value is generally determined on the basis of internal valuations and corresponding documentation. For all significant subsidiaries, the fair value is determined on the basis of a dividend discount method according to IDW Standard S 1 of the German Institute of Public Auditors [IDW S 1]. For life/health insurance companies, the fair value is determined based on the appraisal value. The appraisal value is generally composed of the market consistent embedded value (MCEV), which reflects the value of the existing insurance portfolio, and the estimated value of new business. The fair value of asset management companies is determined from the fair value of the assets held less liabilities.

The cash flows used for the dividend discount method are based on income or cash flow projections for the next three years, and are extrapolated based on assumptions for long-term growth rates. This involves determining both expected business development and sustainable returns on investments. The applied discount rate is derived in each case from the return of a risk-adequate alternative investment and requires judgement to determine the risk premium and the beta factor; this applies also for the growth rate. If the fair value is lower than the book value, qualitative and quantitative criteria are used to assess whether or not the impairment is expected to be permanent.

The calculation of the fair value according to the dividend discount method is complex and, as regards the assumptions made, based largely on estimations and assessments of the Company. A set of parameters that are subject to judgement have to be determined for the purposes of valuation.

OUR AUDIT APPROACH

To audit the shares in affiliated enterprises, we engaged valuation experts and actuaries as part of the audit team. In particular, we performed the following significant audit procedures:

- We used a risk-based audit approach. First, we used the information obtained during our audit to assess which shares in affiliated enterprises indicated a need for impairment. We also evaluated the shares in affiliated enterprises in terms of their size and significance for the financial statements of Allianz SE.
- With the involvement of our valuation specialists, we assessed the appropriateness of the significant assumptions and the valuation model of the Company. For this purpose we discussed the expected cash flows and the assumed long-term growth rates with those responsible for planning. We also reconciled this information with other internally available forecasts. Furthermore, we evaluated the consistency of assumptions with external market assessments.
- We also confirmed the accuracy of the Company's previous forecasts by comparing the estimations in previous financial years with actual results and analysed the deviations.
- We compared the assumptions and parameters underlying the capitalisation rate, in particular the risk-free rate, the market risk premium and the beta factor, with our own assumptions and publicly available data. In order to take account of the uncertainty of estimates, we also investigated the impact of potential changes to the long-term growth rate and the combined ratio on the fair value (sensitivity analysis) by calculating alternative scenarios and comparing these with the Company's valuations. To ensure the computational accuracy of the valuation model used, we verified the Company's calculations on the basis of a risk-based sample.
- We assessed whether impairments or reversals had been appropriately made based on the valuation results.

OUR OBSERVATIONS

The approach used for impairment testing of shares in affiliated enterprises is appropriate and in line with the accounting policies. The assumptions and parameters used by the Company are appropriate as a whole.

VALUATION OF THE GROSS IBNR RESERVE FOR THE PROPERTY-CASUALTY BUSINESS

With regard to the accounting policies applied, please refer to the Company´s explanations in the notes to the financial statements under section "Accounting, Valuation and Calculation Methods" under the "Insurance Reserves". Risk disclosures can be found in the management report in the "Risk and Opportunity Report" under section "Quantifiable risks and opportunities by risk category" under "Underwriting Risk", "Property-Casualty".

FINANCIAL STATEMENT RISK

The gross reserves for loss and loss adjustment expenses amount to EUR 12,092.7 million. This represents 9.9% of the balance sheet total. A significant part of the gross reserve for loss and loss adjustment expenses is attributable to the gross reserve for incurred but not reported (IBNR) reserve.

The gross reserves for loss and loss adjustment expenses are determined according to the cedent´s statements and the application of actuarial and statistical models that require a sufficient data history and stability of the observed data. To this assumptions about premiums, ultimate loss ratios, run-off periods, run-off factors and run-off dynamics based on historical experience are taken into account. The IBNR is determined in consideration of the results of actuarial methods, the cedent´s statements and additional information regarding the uncertainty of the calculations.

The valuation of the gross IBNR is subject to uncertainty and therefore based on judgements. Estimation uncertainties arise particularly in respect of the amount of the ultimate loss and the run-off dynamics, particularly in the Liability business.

In accordance with German GAAP, this estimation must be made in accordance with the prudence principle under German commercial law (Section 252 (1) No. 4 HGB, Section 341e (1) sentence 1 HGB) and may not be a risk-neutral equal weighting of opportunities and risks.

The risk concerning unreported losses is that these losses are not, or not sufficiently, taken into account.

OUR AUDIT APPROACH

For the audit of the IBNR, we engaged actuaries as part of the audit team. In particular, we performed the following significant audit procedures:

- We recorded the process for determining the IBNR, identified key controls and tested them for their appropriateness and effectiveness. We also verified that the controls were performed.
- We assessed the appropriateness of significant assumptions used, including loss ratios and assumptions about the run-off behaviour of claims.
- We carried out our own actuarial reserve calculations for selected segments, which we selected on the basis of risk considerations. In doing so, for the ultimate loss expense, we determined a point estimate and an appropriate range using statistical probabilities in each case and compared these with the Company's calculations.
- We compared the level of reserving as at the reporting date with that of the prior year. To do this, we particularly assessed the appropriateness of the way in which management, using reasonable business judgement, made adjustments to the estimates that had been calculated by actuarial methods. We did this by in-

specting and assessing the documentation of the underlying calculations or qualitative explanations.
- We used the run-off results to analyse the actual development in the reserves for loss and loss adjustment expenses recognised in the prior year (including the IBNR reserve) for their retrospective appropriateness.

OUR OBSERVATIONS

The Company's approach for the valuation of the IBNR reserve in the Property-Casualty business is appropriate and suitable. The methods used as well as the underlying assumptions for the valuation of this IBNR reserve are appropriate as a whole.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises:

- the Statement on Corporate Management pursuant to Section 289f HGB and the corporate governance report according to No. 3.10 of the German Corporate Governance Code, and
- the remaining parts of the annual report of Allianz SE, with the exception of the audited annual financial statements and management report and our auditor's report.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

RESPONSIBILITIES OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to insurance companies, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the cicumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as auditor by the supervisory board meeting on 9 March 2017. We were engaged by the chairman of the audit committee of the supervisory board on 13 June 2017. We have been the auditor of Allianz SE without interruption for more than 25 years.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Andreas Dielehner.

Munich, 28 February 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Becker	Dielehner
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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